



## NOTICE OF BUDGET & FINANCE COMMITTEE MEETING

**NOTICE IS HEREBY GIVEN** that the San Lorenzo Valley Water District has called a regular meeting of the Budget & Finance Committee to be held Tuesday, **March 8, 2016 at 9:30 a.m.** at the Operations Building, 13057 Highway 9, Boulder Creek, California.

### AGENDA

1. Convene Meeting/Roll Call
2. Oral Communications  
*This portion of the agenda is reserved for Oral Communications by the public for items which are not on the Agenda. Please understand that California law (The Brown Act) limits what the Board can do regarding issues raised during Oral Communication. No action or discussion may occur on issues outside of those already listed on today's agenda. Any person may address the Committee at this time, on any subject that lies within the jurisdiction of the District. Normally, presentations must not exceed three (3) minutes in length, and individuals may only speak once during Oral Communications. Any Director may request that the matter be placed on a future agenda or staff may be directed to provide a brief response.*
3. Old Business:  
*Members of the public will be given the opportunity to address each scheduled item prior to Committee action. The Chairperson of the Committee may establish a time limit for members of the public to address the Committee on agendized items.*
  - a. 2015 STRATEGIC PLAN - REVISED  
Discussion and possible action by the Committee regarding the financial components of the 2015 Strategic Plan, as revised.
4. New Business:  
*Members of the public will be given the opportunity to address each scheduled item prior to Committee action. The Chairperson of the Committee may establish a time limit for members of the public to address the Committee on agendized items.*
  - a. PREPARATION FOR RATE STUDY  
Discussion and possible action by the Committee regarding the upcoming Rate Study.
  - b. REVIEW OF INFORMATION COMPILED FROM PAST BUDGETS

Discussion and possible action by the Committee regarding a review of information compiled from past budgets.

c. PROPOSALS FOR AUDITING SERVICES

Discussion and possible action by the Committee regarding proposals received for future auditing services.

5. Informational Material: None.

6. Adjournment

*In compliance with the requirements of Title II of the American Disabilities Act of 1990, the San Lorenzo Valley Water District requires that any person in need of any type of special equipment, assistance or accommodation(s) in order to communicate at the District's Public Meeting can contact the District Office at (831) 338-2153 a minimum of 72 hours prior to the scheduled meeting.*

*Agenda documents, including materials related to an item on this agenda submitted to the Committee after distribution of the agenda packet, are available for public inspection and may be reviewed at the office of the District Secretary, 13060 Highway 9, Boulder Creek, CA 95006 during normal business hours. Such documents may also be available on the District website at [www.slvwd.com](http://www.slvwd.com) subject to staff's ability to post the documents before the meeting.*

**Certification of Posting**

I hereby certify that on March 4, 2016, I posted a copy of the foregoing agenda in the outside display case at the District Office, 13060 Highway 9, Boulder Creek, California, said time being at least 72 hours in advance of the regular meeting of the Budget & Finance Committee of the San Lorenzo Valley Water District in compliance with California Government Code Section 54956.

Executed at Boulder Creek, California, on March 4, 2016.

\_\_\_\_\_  
Holly B. Morrison, District Secretary  
San Lorenzo Valley Water District

**PROPOSAL TO PERFORM  
AN ANNUAL INDEPENDENT AUDIT  
SAN LORENZO VALLEY WATER DISTRICT  
FEBRUARY 15, 2016**

Contact: Patricia M. Kaufman, CPA, Audit Partner-in-Charge, [patriciak@mcgilloway-ray.com](mailto:patriciak@mcgilloway-ray.com)

MCGILLOWAY, RAY, BROWN & KAUFMAN  
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## TABLE OF CONTENTS

Letter of Transmittal	1
Company Profile	3
Qualifications	4
Engagement Team	5
Clientele	9
References	10
Audit Approach	11
Segmentation of Engagement	13
Proposed Audit Timeframe	16
Anticipated Client Submissions	17
Expectation of Hours and Professional Fees	18

# McGILLOWAY, RAY, BROWN & KAUFMAN

*Accountants & Consultants*

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February 15, 2016

Board of Directors  
San Lorenzo Valley Water District  
13060 Highway 9  
Boulder Creek, CA 95006

Thank you for the opportunity to submit this proposal for audit services to the San Lorenzo Valley Water District (the "District") for the years ending June 30, 2016, 2017, and 2018, with an option to extend the audit services for an additional two years ending June 30, 2019 and 2020.

Over the past thirty years, McGilloway, Ray, Brown & Kaufman has accumulated a staff of top quality professionals, dedicated to serving our clients and maintaining high professional standards. We take pride in our role as well-rounded professionals to whom our clients can look for informed support year-round in all phases of interest or concern.

Our success has been driven by utilizing staff that is experienced and well-trained in governmental operations. McGilloway, Ray, Brown & Kaufman (the "Firm") recognizes that its most important product is prompt and effective service of the highest quality. The quality of our service allows us an opportunity to be an integral part of your finance team. We believe that communication, expertise, education, and audit approach are important factors in the District's relationship with an audit firm. In addition, our close proximity to the District's office in Boulder Creek provides you with the resources of a local firm.

Our proposal is based on the information provided by the District and our Firm's experience in serving special districts. We understand the scope, nature, and specific complexities of the engagement as outlined in our proposal's audit approach section, with reports to be issued annually as follows:

- Comprehensive Annual Auditor's Report on the basic financial statements, including an Independent Auditor's Report
- Annual Special Districts Financial Transactions Report
- Independent Auditor's Report on Internal Control Over Financial Reporting and on the Compliance and Other Matter Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- Independent Auditor's Report on Compliance for Each Major Program; and on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by Single Audit Act, OMB Circular A-133, and Uniform Guidance
- Completion of a management letter, if necessary, to report on the adequacy and effectiveness of the District's current accounting procedures and controls

*Daniel M. McGilloway, Jr., CPA, CVA, Gerald C. Ray, CPA, Clyde W. Brown, CPA, Patricia M. Kaufman, CPA,  
Larry W. Rollins, CPA, Jesus Montemayor, CPA*

*Sarita C. Shannon, CPA, Whitney Ernest, CPA, Devvyn MacBeth, CPA,  
Smriti Shrestha, CPA, Wei Ding, CPA*

- Attendance and presentation of an initial draft of Comprehensive Annual Financial Report at the Finance Committee Meeting
- Attendance and presentation of the Firm's findings and recommendations to the Board of Directors
- Attendance and presentation at Exit Conference

We understand the importance for the District to receive dependable, reliable, and timely service from your accountants. We understand the scope of work to be completed and we are committed to providing you with such a level of service through our commitment to the personnel, time, and fee quotes\* for the fiscal years contained in this proposal. We look forward to meeting with you to answer any questions you may have regarding our proposal.

Yours very truly,

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

Patricia M. Kaufman, CPA  
Audit Partner

\*The quotes herein shall be effective until close of business on May 15, 2016, a period of 90 calendar days from the submitted date.

## COMPANY PROFILE

McGilloway, Ray, Brown & Kaufman, Accountants & Consultants has been a leading provider of audit and assurance, accounting, tax, and advisory services to the Central Coast and its surrounding areas for over thirty years. The Firm's commitment to each client and their specializations is self-evident in our dedication to advanced training focused specifically on the clients' expertise. We take pleasure in giving the client the assurance that the personal assistance they receive comes from years of advanced training, technical expertise, and financial acumen.

Our practice's industry specializations include governmental, not-for-profit, and privately-held businesses. Our clients range from small organizations to organizations with over \$275 million in assets. The Firm is a member of the American Institute of Certified Public Accountants (AICPA) Division of CPA Firms. Additionally, we are proud to belong to the AICPA Private Companies Practice Section and the AICPA Governmental Audit Quality Center. Membership is voluntary and is dedicated to improving the quality of audits through a combination of training, internal quality procedures, and peer reviews.

The Firm is currently comprised of 28 qualified staff members, of whom, ten are governmental audit staff. We take great pride in our well-trained staff, which participates in a variety of training seminars and team member meetings to enhance the quality of our audits and provide our clientele with the highest level of service possible.

Presently, we have two offices, Monterey and Salinas, California. More specifically, our audit office located in Salinas, California will be your direct contact for the proposed audit and will handle all correspondence required to complete the work necessary for the engagement. This office consists of two principals, three audit managers, two senior accountants, three staff accountants, and two clerical assistants.

As a member of the AICPA Division of CPA Firms, another member of the Division conducted a peer review of our practice in October, 2013. We are pleased to announce we have received a rating of pass. The peer review included audits performed in accordance with the *Government Auditing Standards*, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Our accountants pride themselves on attending and participating in presentations at many conferences and seminars through the California Society of Certified Public Accountants, as it helps us keep up with the constantly changing world of state and federal accounting and auditing requirements.

Finally, we believe our continual investment of time and resources in professional continuing education, state-of-the-art computer technology, and extensive business relationships is indicative of our commitment to excellence.

## QUALIFICATIONS

### **License to Practice in California**

The Firm and all Certified Public Accountants in the Firm are licensed by the California Board of Accountancy to practice in the State of California and are in good standing.

### **Independence**

Our standards require we be without bias with respect to your operations. The Firm is independent and has no conflict of interest with the District, as defined by auditing standards generally accepted in the United States of America. Our Firm is not currently, nor has it in the past five years been in a professional relationship with the District.

### **Federal and State Reviews**

McGilloway, Ray, Brown & Kaufman has had all federal and state compliance reports approved by the appropriate agency and has not had a report rejected or disciplinary action taken. The Firm has not had any disciplinary action taken or pending against it with state regulatory bodies or professional organizations.

### **Training and Continued Professional Education (CPE)**

All professionals have and will continue to meet their general and governmental (Yellow Book) CPE compliance requirements. The minimum requirements are as follows:

- At least 80 hours of CPE that directly enhances each professional's proficiency to perform audits or attestation engagements, with a minimum of 20 hours in any one year of a two year period.
  - At least 24 of the abovementioned 80 hours of CPE in subjects directly related to governmental auditing, the governmental environment, or a specific/unique environment related to an audited entity's expertise.



## ENGAGEMENT TEAM

The team chosen to perform the audit of the District is well-trained with extensive experience in audit engagements. Our small, fine-tuned group of professionals will deploy a non-intrusive approach to the engagement allowing the District to continue its daily operation without noticeable disruptions. The personnel assigned to the engagement will consist of a partner-in-charge (reviewer), manager, senior accountant, and staff accountant. It is the policy of the Firm to have an observing partner-in-charge to ensure the services provided to the District are of the highest quality.

### **The assignment of staff is as follows:**

Patricia M. Kaufman, CPA, Partner-In-Charge and Reviewer  
Devvyn MacBeth, CPA, Audit Manager  
Wei Ding, CPA, Senior Accountant  
Jacinto Bernal, Staff Accountant

As Partner-In-Charge, Mrs. Patricia Kaufman will have overall responsibility for the audit of the District. Mrs. Kaufman has over twenty-five years of auditing experience, serving organizations throughout Southern and Central California. Mrs. Kaufman commits to hands-on participation in each and every phase of your engagement, from planning, to field work, to review of your financial reports, to the presentation of the reports to management and the Board of Directors. We believe with her day-to-day involvement in your audit, she can share, first hand, her expertise of special district accounting with the District's personnel.

Mrs. Devvyn MacBeth, Audit Manager, has extensive governmental audit experience. Mrs. MacBeth will deploy a non-aggressive, non-intrusive approach to learning, documenting and assessing the District's accounting process. In addition, Mrs. MacBeth will be on-site daily to assist in the progression of each aspect of your engagement.

Ms. Wei Ding, Senior Accountant, has a variety of experience including auditing, accounting and tax. More specifically, Ms. Ding assisted in the preparation of Salinas Valley Solid Waste Authority's Comprehensive Annual Financial Report. She also has experience with GASB 34 conversions, and the implementation of the GASB 68. Finally, she assisted in the completion of the City of Salinas' Single Audit Report.

Mr. Jacinto Bernal, Staff Accountant, has worked on various governmental audits, including the City of Salinas. He has provided various services to our clients, including assistance with the controller's reports, financial statement preparation, GASB 34 conversions, and implementation of current Governmental Accounting Standards Board (GASB) pronouncements.

Ms. Ding and Mr. Bernal will work closely with Mrs. MacBeth to complete the majority of interim and year-end testing that is considered necessary based on our risk-assessment (details provided in our segmentation of engagement section).

In the event it is necessary for the Firm to replace a team member, Mrs. Kaufman will notify the Board of Directors immediately. In addition, Mrs. Kaufman will be available to answer any questions or concerns the Board of Directors may have in regards to the replacement.

**Patricia M. Kaufman, CPA**

Audit Partner-in-Charge

Mrs. Kaufman has over 25 years of experience in the accounting profession with experience in auditing, internal controls, accounting, and taxation.

**INDUSTRY EXPERIENCE:** Governmental  
Not-for-profit  
Privately held businesses  
Special Districts  
Joint Power Authorities

**OTHER EXPERIENCE:** Federal Single Audit grant compliance  
Federal and State compliance and financial reporting  
Licensed peer reviewer  
Member of the Peer Review Body (RAB) Committee  
Speaker for CalCPA  
Trainer on Federal Single Audit grant compliance and preparation of 990's

**CURRENT ENGAGEMENT EXPERIENCE:** City of Salinas  
Salinas Valley Solid Waste Authority  
San Benito County Water District  
Sunnyslope County Water District  
Monterey Peninsula Regional Water Authority  
Monterey Educational Risk Management Authority

**DESIGNATIONS:** Certified Public Accountant  
Chartered Global Management Accountant

**PROFESSIONAL MEMBERSHIP:** California Society of Certified Public Accountants, State Governmental Accounting and Auditing Committee Member  
American Institute of Certified Public Accountants (AICPA)  
California Society of Certified Public Accountants (CalCPA)  
Chartered Institute of Management Accountants (CIMA)  
Government Finance Officers Association (GFOA)  
Association of Governmental Accountants (AGA)  
Member of Finance Committee, United Way of Monterey County

**EDUCATION:** Bachelor of Science, Accounting (with Honors)  
Golden Gate University - San Francisco, California  
Yellow Book Certified Continued Education (OMB)

**Devvyn MacBeth, CPA**

Audit Manager

Mrs. Devvyn MacBeth has six years of public accounting experience. She joined the Firm in 2010.

INDUSTRY EXPERIENCE:     Not-for-profit  
                                  Governmental  
                                  Privately-held businesses  
                                  Special Districts

CURRENT ENGAGEMENT  
EXPERIENCE:                City of Salinas  
                                  San Benito County Water District  
                                  Sunnyslope County Water District  
                                  The Society for the Prevention of Cruelty to Animals for  
                                  Monterey County  
                                  The Big Sur Land Trust  
                                  Salinas Valley Memorial Hospital Foundation

DESIGNATIONS:             Certified Public Accountant

PROFESSTIONAL  
MEMBERSHIP:                California Society of Certified Public Accountants  
                                  The American Institute of CPAs (AICPA)

EDUCATION:                Bachelor of Science, Accounting  
                                  Santa Clara University, Santa Clara, California

**Wei Ding, CPA**

Senior Accountant

Ms. Wei Ding has four years of experience in the accounting profession where her areas of expertise are auditing, compliance, accounting, and taxation. She joined the Firm in 2014.

INDUSTRY EXPERIENCE:      Not-for-profit  
   Governmental  
   Joint Powers Authorities  
   Special Districts

CURRENT ENGAGEMENT  
EXPERIENCE:                      City of Salinas  
   Salinas Valley Solid Waste Authority  
   Animal Friends Rescue Project  
   Nancy Buck Ransom Foundation  
   Gateway Center for Monterey County, Inc.

DESIGNATIONS:                      Certified Public Accountant

PROFESSIONAL  
MEMBERSHIP:                      California Society of Certified Public Accountants  
   The American Institute of CPAs (AICPA)

EDUCATION:                      Financial Management Degree – Hunan University,  
   China  
   Master of Accountancy  
   Arizona State University – Tempe, Arizona

**PARTIAL LIST OF CURRENT/PAST SPECIAL DISTRICT AUDIT/  
REVIEW CLIENTELE**

<u>Name of Entity</u>	<u>Description</u>	<u>Work Performed</u>
San Benito County Water District	San Benito County Water District is a water conservation and flood control district governed by the San Benito County Water Conservation and Flood Control Act.	Audit, and assisting with the drafting of their awarding winning CAFR
Salinas Valley Solid Waste Authority	Salinas Valley Solid Waste Authority is a Joint Powers Authority whose purpose is to acquire and manage the landfill assets of each member City, ensure long-term landfill capacity of the Authority's service area, and provide unified and coordinated solid waste management for the member agencies.	Audit, and drafting of CAFR
Sunnyslope County Water District	Sunnyslope County Water District furnishes water and wastewater services to residents of the District in San Benito County, California.	Audit, and assisting with the drafting of Audited Financial Statements
Hollister-Sunnyslope Water Treatment Agency	Hollister-Sunnyslope Water Treatment Agency is a Joint Powers Agency for the purpose of operating a surface water treatment plant for the benefit of land and inhabitants with their respective boundaries and authorized service areas in Hollister, California.	Audit, and assisting with the drafting of Audited Financial Statements
Northern Salinas Valley Mosquito Abatement District	Northern Salinas Valley Mosquito Abatement District established to protect public health and comfort by abating existing mosquito breeding sources and prevent new ones in order to permit full use and enjoyment of our backyards, recreational facilities, agricultural and industrial areas.	Audit, and drafting of Audited Financial Statements

## CLIENT REFERENCES

<u>Name and Position</u>	<u>Contact Information</u>	<u>Scope of Work</u>	<u>Client Since:</u>
Elizabeth Mariano, Supervising Accountant City of Salinas	(831) 758-7423	Yellow Book Audit, Single Audit	2006
Natalie Sullivan, Accountant San Benito County Water District	(831) 637-8218	Audit of Comprehensive Annual Financial Report	2004
Ken Klemme, Manager Northern Salinas Valley Mosquito Abatement District	(831) 422-6438	Annual Audit	2010
James M. Cullem, P.E Executive Director Monterey Peninsula Regional Water Authority	(831) 241-8503	Annual Audit	2013
Ray Hendricks Finance Manager Salinas Valley Solid Waste Authority	(831) 775-3016	Audit of Comprehensive Annual Financial Report	2006
Donald G. Ridenhour P.E. General Manager Sunnyslope County Water District and Hollister-Sunnyslope Water Treatment Agency	(831) 637-4670	Annual Audit	2011

## AUDIT APPROACH

We will audit the financial statements of the District for the years ending June 30, 2016, 2017, and 2018, with an option to renew for the years ending June 30, 2019, and 2020, in accordance with the following standards:

- Auditing Standards Generally Accepted in the United States of America
- State Controller's Minimum Audit Requirements and Reporting Guidelines for California Special Districts
- Government Auditing Standards, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Uniform Guidance).

Our audit will be for the purpose of expressing an opinion on the financial statements, and will include such auditing procedures as considered necessary to accomplish this purpose. We anticipate issuing the following reports:

- Comprehensive Annual Auditor's Report on the basic financial statements, including an Independent Auditor's Report
- Annual Special Districts Financial Transactions Report
- Independent Auditor's Report on Internal Control Over Financial Reporting and on the Compliance and Other Matter Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- Independent Auditor's Report on Compliance for Each Major Program; an on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, and Uniform Guidance

Also, we will assist the District with preparation of the following:

- Notes to the financial statements.

In addition, we will provide the District with a management letter that will give a written appraisal of its accounting and related systems. This letter will identify any significant control deficiencies, and/or material weaknesses that are identified during the audit. We will work with management before audit fieldwork and during the course of the audit to assess internal controls and review mitigating controls in place in an effort to reduce the control deficiencies, and material weaknesses that need to be reported to management in writing. The letter will also offer recommendations for the elimination of weaknesses that we identify and we will suggest any methods we discover to help improve efficiency and effectiveness. We will schedule an appearance with the District's Board of Directors to present the audit and management letter. This is an excellent time for the District to resolve any questions they have regarding our audit or management letter. As mentioned earlier, the value in hiring our Firm comes from not only the audit but from our experience and the education we can provide. We hope that as questions or concerns arise throughout the year, the District's staff will contact us and draw on our knowledge and experience.

Non-significant deficiencies discovered during the audit process shall be reported in a separate letter to management and Board of Directors. This separate letter also informs the District's Board of Directors of the following:

1. The auditor's responsibility under auditing standards generally accepted in the United States of America and *Government Auditing Standards*.
2. Significant accounting policies.
3. Management judgments and accounting estimates.
4. Significant audit adjustments.
5. Other information in documents containing audited financial statements.
6. Disagreements with management.
7. Management consultation with other accountants.
8. Major issues discussed with management prior to retention.
9. Difficulties encountered in performing the audit.

### **Document Retention**

The Firm has been paperless for thirteen years. In addition, we have purchased trial balance and financial reporting software for producing financial statements that are directly linked to your trial balance, which we will download from your system at the beginning of the audit. Likewise, we expect to extract various other information from your accounting system and other various electronic spreadsheets the District's staff have prepared.

All working papers and reports will be retained at the Firm's expense for a minimum of ten (10) years, unless the Firm is notified in writing by the District of the need to extend the retention period.

The auditor will be required to make working papers available, upon request, whether or not the auditor is engaged by the District, to the following parties or their designees:

1. San Lorenzo Valley Water District.
2. Parties designated by the federal or state governments or by the District.

### **Communication with Successor Auditors**

In addition, the Firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.



## **SEGMENTATION OF ENGAGEMENT**

### **Preliminary Fieldwork**

Our goal during preliminary fieldwork is to gain a thorough understanding of your internal controls, processes, and procedures. Our objective is to accomplish as much interim fieldwork as possible so that our stay during fieldwork is kept to a minimum.

Our preliminary work focuses on planning and internal control documentation.

### ***Planning***

We envision the following process during preliminary fieldwork:

1. Establish understanding of services to be performed.
2. Complete our client continuance procedures and address any independence issues.
3. Document our understanding of your entity and compile risks identified.
4. Document significant processes and activities.
5. Perform required fraud “brainstorming” with audit team.
6. Assess risk of material misstatement arising from errors or fraud at entity level.
7. Agree on timing and deliverables through a pre-audit conference.
8. Develop overall audit strategy.

### ***Internal Control Documentation***

Our internal control documentation usually occurs prior to our arrival for fieldwork. Our documentation process will be as follows:

1. Gather or update documentation for significant processes defined in our preliminary fieldwork.
2. Perform a “walk-through” of significant processes.
3. Ask “what can go wrong” questions.
4. Identify preventative and detective controls in place.
5. Evaluate the design of internal controls.
6. Decide whether to test and rely on controls.

### **Year-end Fieldwork**

We assess risks, design procedures, and obtain evidence to support financial statement amounts and disclosures during fieldwork. Our Firm utilizes a methodology designed for governmental units. Our process emphasizes continuous communication with your staff.

### ***Assess Risks and Design Procedures***

As outlined in the risk based suite of audit standards, our Firm will use a risk-based approach to the audit. Our procedures to assess risks and design procedures are as follows:

1. Assess risk of material misstatement from errors or fraud based on internal controls combined with inherent risk of significant accounts.
2. Design procedures to test controls.
3. Design procedures to test details of account balances and classes of transactions based on risk.

### **Interim and Year End Testing**

1. Perform tests of controls.
2. Perform tests of details of account balances and classes of transactions.
3. Evaluate quality and sufficiency of audit evidence.
4. Evaluate misstatements.

### ***Approach to Be Taken in Determining Laws and Regulations Subject to Audit Test Work***

We are required to obtain an understanding of the possible financial statement effect of laws and regulations that have a direct and material effect on the determination of financial statement amounts. The determination of laws and regulations is addressed in the planning stage through reading available grant documentation, inquiry of the client, a preliminary review of finance system accounts, and search of the District's minutes.

### ***Approach to Be Taken in Drawing Audit Samples for Purposes of Tests of Compliance***

Since each program or grant agreement is different, we use many different approaches to sampling in our tests of compliance. The size of the sample considers many factors; size of the program, program maturity, complexity, level of oversight, and prior audit findings. Ultimately, our professional judgment determines that a representative number of transactions have been selected. You can be confident in our judgment because only senior level (Partner or Manager) staff make decisions on planned compliance testing.

### ***Identification of Anticipated Potential Audit Problems***

At this time we do not anticipate any potential audit problems. If problems were to arise, we would fully discuss them with the District to resolve the issue.

### **Preparation of Audit Report and Management Letter**

After reviewing the financial statements, notes, and required supplementary schedules, we will agree the data to our working papers and provide a thorough review of all information by using the Firm's written standards and checklists. We will also review and incorporate any statistical data in order to verify appropriate presentation and disclosure. In addition, we will prepare a management letter that identifies financial trends and recommendations for improvement, reports required communications to the District's Board of Directors, and discuss changes in the environment in which the organization operates.

### **Audit Completion**

After the previously mentioned segments are complete, we will be ready to finalize our audit. During this stage we will complete the following procedures:

1. Complete subsequent events review procedures and review legal and representation letters.
2. Complete final overall analytical review procedures.
3. Communicate significant deficiencies and material weaknesses.
4. Conduct exit conference to disclose any facts or situations that the audit team feels have a bearing on their work.
5. Issue audit opinion.
6. Assemble audit documentation, including any supplemental schedules and/or reports as may be required.
7. Assemble final financial statements.
8. Submit six (6) copies of the Management Letter, and Final Comprehensive Annual Financial Report to the District including opinion.

**PROPOSED AUDIT TIMEFRAME  
YEAR ENDING JUNE 30, 2016\***

**Preliminary and Planning**

End of July	Pre-audit conference Preliminary request list provided to District
Mid-August	Documentation and understanding of accounting system and internal control procedures Fraud Inquires
Week of August 15th	Working trial balances due to Auditors
Week of August 22nd	District to provide Auditors with requested documents

**Audit Procedures/Financial Statements & Reports**

Week of August 29th	Fieldwork request list provided to District
Week of September 5th	Initial field work
Week of October 3rd	Initial draft due to District
Week of October 17th	Special Districts Financial Transactions Report
Week of October 24th	Final draft due to District

**Presentations**

Week of November 7th	Finance Committee Meeting
November 14th	Board of Directors Meeting (tentative)
TBD	Exit Conference
Upon Approval	Six copies of the Opinion Letter and Final Comprehensive Annual Financial Report due

\*if the abovementioned timeframe is agreeable, the Firm will continue to the schedule for future audit

## **ANTICIPATED ANNUAL INFORMATION TO BE FURNISHED BY THE DISTRICT**

- Permission to speak with and review audit work of predecessors
- Previous auditors' reports
- Previous Annual Reports to the State Controller
- Trial Balance for each fiscal year, as they become available
- Access to the District's accounting software programs
- Access to the District's legal counsel, District personnel in the Finance Department, and other departments necessary to obtain audit evidence
- Minutes of the District's Board of Directors and associated committees for the current fiscal year and preceding fiscal year
- Contracts and agreements between the District and other entities
- Schedules of capital assets
- Actuarial reports for all pension plans
- Charts, schedules, narratives, and other documents sufficient to provide the Firm with required information on and documentation of the District's operations and governance procedures and controls
- All other schedules, charts, narratives, reports, and other documentation necessary to obtain audit evidence and to satisfy reporting in CAFR format and any supplemental reporting requirements

## EXPECTATION OF HOURS & PROFESSIONAL FEES

Our professional fees are based on actual time devoted to an engagement, at hourly rates commensurate to the experience levels of the professionals performing the work. While our rate structure is comparable to those of other public accounting firms, we believe the quality of our professionals and the efficiency of our audit technique enables us to provide services of unsurpassed quality and value.

<u>Classification</u>	<u>Hourly Rate</u>
Partner	\$270
Manager	\$195
Senior Accountant	\$150
Staff Accountant	\$125
Clerical Support	\$100

**All-Inclusive Maximum Price – June 30, 2016 – June 30, 2018**

For the year ending June 30, 2016, the Firm estimates the audit fee to be \$28,630. Please see the fee detail and fees for the following two years below (based on audit discounted hourly rates):

Fees for a Comprehensive Annual Financial Report,  
Annual Special Districts Financial Transactions Report, and Single Audit

<u>Classification</u>	<u>Hours</u>	<u>Discounted Hourly Rates</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Partner	22	200	\$ 4,400	\$ 4,620	\$ 4,851
Manager	60	150	9,000	9,450	9,923
Staff Accountant	65	110	7,150	7,508	7,883
Clerical Support	12	90	1,080	1,134	1,191
Estimate Hours	<u>159</u>				
		Subtotal	21,630	22,712	23,848
Annual Special Districts Financial Transactions Report			2,500	2,750	3,025
Single Audit Report*			4,000	4,250	4,525
Out of pocket expenses			500	550	600
		<b>All-inclusive Maximum Price</b>	<b><u>\$ 28,630</u></b>	<b><u>\$ 30,262</u></b>	<b><u>\$ 31,998</u></b>

\* Single Audit fee is based on one major program. If there are additional major programs, they will be billed based on time and material.

This fee estimate is based on the anticipated cooperation of your personnel, and the assumption unexpected circumstances will not be encountered during the work performed. If significant additional time is necessary, we will discuss it with the District and arrive at a new fee estimate before we incur the additional costs.

**All-Inclusive Maximum Price – Additional Option, June 30, 2019 – June 30, 2020**

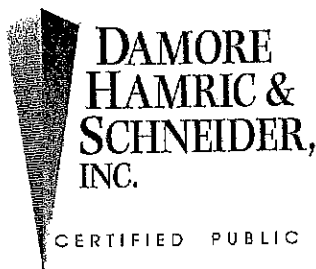
Fees for a Comprehensive Annual Financial Report,  
Annual Special Districts Financial Transactions Report, and Single Audit

Classification	Hours	2019	2020
Partner	22	\$ 5,094	\$ 5,349
Manager	60	10,419	10,940
Staff Accountant	65	8,277	8,691
Clerical Support	12	1,251	1,314
Estimate Hours	159		
		Subtotal	
		25,041	26,294
Annual Special Districts Financial Transactions Report		3,176	3,335
Single Audit Report*		4,751	4,989
Out of pocket expenses		650	700
		<b>\$ 33,618</b>	<b>\$ 35,318</b>

\* Single Audit fee is based on one major program. If there are additional major programs, they will be billed based on time and material.

As previously stated, this fee estimate is based on the anticipated cooperation of your personnel, and the assumption unexpected circumstances will not be encountered during the work performed. If significant additional time is necessary, we will discuss it with the District and arrive at a new fee estimate before we incur the additional costs.





## System Review Report

October 30, 2013

To the Partners of McGilloway, Ray, Brown & Kaufman Accountants and Consultants  
and the Peer Review Committee of the *California Society of CPAs*

We have reviewed the system of quality control for the accounting and auditing practice of McGilloway, Ray, Brown & Kaufman Accountants and Consultants (the firm) in effect for the year ended May 31, 2013. 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*.

In our opinion the system of quality control for the accounting and auditing practice of McGilloway, Ray, Brown & Kaufman Accountants and Consultants in effect for the year ended May 31, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiencies*, or *fail*. McGilloway, Ray, Brown & Kaufman Accountants and Consultants has received a peer review rating of *pass*.

DAMORE, HAMRIC & SCHNEIDER, INC.  
Certified Public Accountants

# San Lorenzo Valley Water District

## TECHNICAL PROPOSAL

***For Professional Auditing Services  
for the San Lorenzo Valley Water District  
For the fiscal years ending June 30, 2016  
to 2018***

***February 26, 2016***

**Contact Person:**

Ahmed Badawi, CPA  
Badawi & Associates  
Certified Public Accountants  
180 Grand Avenue, Suite 1500  
Oakland, CA 94612  
Phone: (510) 768-8244  
Fax: (510) 768-8249  
E-mail: [abadawi@b-acpa.com](mailto:abadawi@b-acpa.com)





# San Lorenzo Valley Water District

## Table of Contents

	<u>Page</u>
<b>Letter of Transmittal</b>	1
<b>Independence</b>	3
<b>Firm Qualifications and Experience</b>	3
- Insurance	3
- License to Practice in California	3
- Firm Qualifications	3
- Technical Approach	4
- Firm Experience	5
- Additional Activities	5
- Quality Control Review	6
- Federal or State Desk Review	8
- Disciplinary Action	8
- Lost Clients and Pending Legislation	8
<b>Partner, Supervisory and Staff Qualifications and Experience</b>	9
<b>Similar Engagements with other Government Entities</b>	17
<b>Understanding of Services to be Provided</b>	21
<b>Specific Audit Approach</b>	
- Objectives for Our Services	22
- Audit Approach	22
- Technical Approach	23
- Audit Schedule	26
<b>Discussion of Relevant Accounting Issues</b>	29
<b>Pricing</b>	
<b>Conclusion</b>	30
<b>Appendix A – References</b>	31





February 26, 2016

Ms. Stephanie Hill  
Finance Manager  
San Lorenzo Valley Water District  
13060 Highway 9  
Boulder Creek, CA 95006

Dear Ms. Hill:

Badawi & Associates (B&A), Certified Public Accountants (the "Firm") is pleased to have the opportunity to respond to your request for a proposal to provide external audit services and to submit its qualifications to perform an independent audit of the financial statements of the San Lorenzo Valley Water District (the "District") for the fiscal years ending June 30, 2016 to 2018. The objective of our audits is to issue opinions regarding the fairness of presentation of the financial position of the District in accordance with generally accepted accounting principles. These audits are to be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the General Accounting Office's (GAO) *Government Auditing Standards*, the provisions of the federal Single Audit Act of 1984, as amended in 1996), and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* as well as any other applicable federal, state, local or programmatic audit requirements.

We will also perform the following as part of our engagement:

- Single Audit (if required)
- Annual Report of Financial Transactions

We will also apply limited audit procedures to Management's Discussion and Analysis (MD&A) and required supplementary information. In addition, we will prepare the management letter containing comments and recommendations regarding our review and evaluation of the systems of internal control and accounting procedures.

This proposal will highlight the background of the partners and staff assigned to the engagement, summarize our experience in the governmental area, and describe our approach to auditing the District.

This proposal demonstrates our ability to render the quality examination and to perform the necessary accounting and auditing services requested by the District on a timely basis.

As a partner of the Firm, I will be the primary contact for negotiation of the contract. Additionally, I have been authorized to legally bind the Firm. You may contact me at the following address and phone number:

Mr. Ahmed Badawi, CPA  
Badawi & Associates  
Certified Public Accountants  
180 Grand Ave. Suite 1500  
Oakland, CA 94612  
Telephone: (510)768-8244  
E-mail: [abadawi@b-acpa.com](mailto:abadawi@b-acpa.com)

Ms. Stephanie Hill  
Finance Manager  
San Lorenzo Valley Water District  
Page 2

We are committed to performing the required work, completing the audit, and issuing the necessary auditors' reports prior to the District's published time frames and commit to you that we will perform the work within the time frames required.

We believe we are the best qualified to perform the audit because our audit staff includes individuals well versed in municipal auditing and reporting requirements. We have performed auditing and consulting engagements for numerous special districts throughout California. We will be responsive to the needs of the District, we understand the District's operational environment, and pledge to you our complete commitment to providing a quality product that meets the District's requirements.

The approach to the audit has been designed to meet the audit requirements of the various authorities with the least disruption to the District's office operations. The foundation of the audit approach is based on communication coupled with a strong knowledge of District operations and detailed planning at the initial stages of the audit. Open communication lines with all parties of the Engagement Team and District Management and staff throughout the engagement eliminate "surprises". Initial planning and proper assignment of duties to experienced personnel provide for an effective and efficient audit process. Consequently, inefficiencies and disruptions are kept to a minimum. In addition, we perform almost half of the audit tasks during the interim phase to minimize any unforeseen delays during the year-end phase and to ensure a smooth and timely audit process.

The Firm maintains liability insurance coverage for professional liability, Workers' Compensation, Comprehensive General Liability and Auto as part of our comprehensive insurance policy.

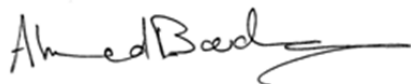
The Firm is an Equal Opportunity employer and complies with all Federal and State hiring requirements. The Firm also supports Affirmative Action philosophies and works hard to provide disadvantaged groups with opportunities for self enhancement.

This proposal is a firm and irrevocable offer for 180 days.

We are confident that you will find our organization offers the required expertise, technical knowledge, and business understanding to perform an audit of the District. Our past experience provides us with a thorough understanding of the needs and requirements of the District, as well as the technical knowledge to perform such services in accordance with the accounting and auditing guidelines as published by the various authoritative entities.

We welcome your inquiries and look forward to further discussions with you.

Sincerely,



Ahmed Badawi  
Partner  
Badawi & Associates  
Certified Public Accountants

**Independence****Independence**

The Firm is independent of the San Lorenzo Valley Water District as defined by the GAO's *Standards for Audit of Governmental Organizations, Programs, Activities and Functions*, and the AICPA and California State Society of Certified Public Accountants as promulgated in various auditing and professional standards.

**Insurance**

The Firm maintains professional liability insurance and other coverage as part of our comprehensive insurance policy. Upon selection as District's independent auditor, the Firm and our insurance provider will provide a certificate of insurance to District which shows the minimum requirements identified by District have been met.

**License to Practice in California**

The Firm and all key professional staff assigned to District's audit are properly licensed to practice as Certified Public Accountants in the State of California and comply with GAO *Government Auditing Standards*.

The Firm is registered with the California State Board of Accountancy. Its State number is COR6823.

The Firm has met all required State and local laws, rules, and regulations.

**Firm  
Qualifications  
and  
Experience****Firm Qualifications**

Badawi & Associates was founded by Mr. Ahmed Badawi. Mr. Badawi has over 18 years of experience working with state and local government. Prior to founding B&A, Mr. Badawi was a partner with several local and national firms, where he headed their government practice in Northern California. Mr. Badawi founded Badawi & Associates to serve the fast-paced needs of California's local governments. The goal is to build a proactive, client-focused culture from the ground up and to eliminate the entrenched bureaucratic culture and intrinsic limitations of the big audit firms.

Located in Oakland, CA, the Firm serves a variety of cities throughout California as well as conducting financial related services for numerous special districts and authorities. Names and phone numbers of several of our current and past clients and other references are provided for your inquiries. We encourage you to contact these individuals to obtain information on the quality of the audit and the ability of the audit staff.

Our Oakland office will be the Engagement Office assigned to the District.

In addition to specific district financial statements, the Firm members have also audited numerous redevelopment agencies, public financing authorities, hospitals, housing authorities, transportation authorities, special districts, water districts, OCJP grants, self-insurance pools, joint power authorities and has also performed numerous compliance audits in accordance with the Single Audit Act, childcare regulations, TOT regulations, AQMD regulations, franchise requirements, RDA compliance, and other special projects. Additionally, the Firm has significant experience in bond offerings, post closure landfill costs, and recent changes to redevelopment agency reporting requirements.



The Engagement Partner assigned to the District, Mr. Ahmed Badawi. Mr. Badawi has over 18 years of government audit experience. He is a member of various governmental committees, has actively participated in the development of accounting and audit guidelines for the governmental sector, and is an instructor for the California Society of Municipal Finance Officers.

The professional staffs assigned to the Engagement are qualified and experienced. Each individual of the Engagement Team has several years of experience and has conducted or participated in numerous municipal audits of various sizes. Their understanding of governmental operations and the various authoritative guidelines will provide the where-with-all to perform the audit in an efficient and effective manner with minimal disruption to the District's finance department.

### Technical Approach

The approach to the audit has been designed to meet the audit requirements of the various authorities with the least disruption to the District's operations. The foundation of the audit approach is based on communication coupled with a strong knowledge of District operations and detailed planning at the initial stages of the audit. Open communication lines with all parties of the Engagement Team and District Management and staff throughout the engagement eliminate "surprises". Initial planning and proper assignment of duties to experienced personnel provide for an effective and efficient audit process. Consequently, inefficiencies, disruptions, and lack of understanding are kept to a minimum.

The audit approach will consist of four phases:

**Initial Planning Meeting:**

The Engagement Partner and Manager will meet with District Management to discuss the audit approach, identify specific needs of District Management, and familiarize themselves with District policies and practices.

**Interim:**

The Engagement Team members including the Engagement Team Partner will perform the internal control reviews, test transactions, evaluate compliance with Single Audit Act requirements, identify potential audit issues that need to be addressed, perform limited confirmation procedures, and develop a clear understanding between the Engagement Team and District Management of the year end audit responsibilities and assignments. **In addition, we strive to complete many of the year-end audit tasks during the interim phase to ensure a smoother audit process. We will work with the District on providing a list of those tasks that we will target to complete during interim and work with the District on how to complete them to minimize the amount of effort and time needed at year-end which in turn will assist the District in meeting its goal of issuing the CAFR by the desired deadline.**

**Year end:**

The Engagement Team members including the Engagement Team Partner will conduct validation procedures on general ledger account balances, complete confirmation procedures, perform analytical procedures on revenue and expenditures, perform search for unrecorded liabilities, complete compliance work on Federal Assistance, and wrap up audit field work.

**Reporting:**

Auditor's reports for all District reporting entities and compliance requirements will be finalized along with Single Audit Reports and Management Letter comments. The Partner and Manager will be available to make presentations to the District Council and/or designated bodies.

**Firm Experience**

The Firm is located in Oakland, and provides a full range of accounting services to governmental agencies throughout California, including audit, tax and accounting. The Firm’s professional staff members provide the financial background and specific experience to meet the District’s operational needs. Additionally, this situation provides the District with an auditing firm that has depth in capabilities to address any financial issue the District may need assistance with, and the quality audit approach that you expect.

Our Oakland office will be the Engagement Office assigned to the District.

Firm policy requires that the Engagement Partner, during the first year of the engagement, be actively involved in the daily fieldwork. This means to the District that Mr. Badawi will actually be on-site during the audit coordinating the audit process, supervising the audit staff, gaining a hands-on understanding of District processes, and benefiting the District with his broad municipal experience. We have found that this effort benefits the District and the Firm through developing a thorough knowledge of the District’s practices and issues and establishing a close working relationship with the District’s Management. Additionally, continuity of audit personnel is assured because of the hands on involvement of the Partner.

We are committed to providing appropriate and related experience, personal involvement, and a broad business perspective to produce a quality end product within the time frames required.

The Firm provides financial and compliance auditing services to governmental agencies throughout California. We are a governmental agency auditing firm and our professional staff members have been performing these services for many years. As a result, we have performed financial and compliance audits on most, if not all, types of governmental agencies and operations including:

- |                          |   |                             |
|--------------------------|---|-----------------------------|
| • Cities                 | • Waste Management Authorities and Operations | • Investment Activities     |
| • Redevelopment Agencies | • Pension Plans                               | • Landfills                 |
| • Financing Authorities  | • Child Care Operations                       | • Enterprise Funds          |
| • Housing Authorities    | • Joint Power Authorities                     | • Airports                  |
| • Special Districts      |   | • Transportation Operations |
| • Water Districts        |   | • Federal and State Grants  |

**Additional Activities**

We offer a full range of accounting and finance services to the governmental sector. These services include:

- |   |   |
|---|---|
| • Financial audits  | • Operational reviews   |
| • Compliance audits   | • Technical guidance on existing and upcoming accounting issues |
| • Tax advice  | • Training seminars   |
| • Development of financial and accounting policies and procedures | • Pension/profit-sharing plans                                  |
| • Investment review and compliance evaluation                     | • Performance audits  |
|   | • Business consulting   |

Consequently, Firm personnel are well qualified to perform the services expected by the District.

**Client Training Seminar**

The Firm hosts an annual update on recent technical accounting and finance issues affecting the governmental area. This all day session reviews new and anticipated pronouncements from GASB, discusses future issues under consideration by GASB, reviews accounting treatment of various transactions where issues may arise, and provides a general overview of state and federal compliance issues. All of our clients are invited to attend, free of charge. The one day session qualifies for CPE under the rules of the State Board of Accountancy and is held in locations throughout the Bay Area.

**CSMFO Training**

The Firm provides a one-day training session entitled "Introduction to Governmental Accounting" to members of CSMFO. Firm personnel developed the class materials and teach the sessions. Approximately 10 sessions are held annually at various locations throughout the State. The Firm provides these sessions for only the cost of materials to CSMFO in keeping with its philosophy to support the industry in which it serves.

**Quality Control Review**

According to Government Auditing Standards, firms who perform audits under the Yellow Book are required to have a peer review once every three years. We received a report with a rating of pass with no deficiencies which we attached for your review.



JOHN LERIAS, CPA  
STEPHEN C. WILLIAMS, CPA  
JOSEPH O. ROMERO, CPA

### System Review Report

#### **BADAWI & ASSOCIATES**

Oakland, California;

and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Badawi & Associates (the firm) in effect for the year ended February 28, 2013. 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 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 the *Government Auditing Standards*.

In our opinion, the system of quality control for the accounting and auditing practice of Badawi & Associates in effect for the year ended February 28, 2013, 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*. Badawi & Associates has received a peer review rating of *pass*.

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FAX 909.948.9633

gyl@gyldecauwer.com  
www.gyldecauwer.com

*your*  
*Success*  
*is our*  
DESTINATION

Gyl Decauwer LLP

Rancho Cucamonga, California  
May 16, 2013



B&A have policies and procedures to ensure it hires only qualified people, that it properly supervises them and provides professional training, that it advances them to responsibilities they are capable of handling, and that it provides them with necessary technical resources. All members of B&A are very familiar with the stringent quality control standards established by the AICPA.

**The Firm is a member of the AICPA Government Audit Quality Center.**

**The Firm is a member of the AICPA Private Companies Practice Section.**

**Federal or State Desk Reviews**

The Firm has had no negative federal or state reviews in the past three (3) years.

**Disciplinary Action**

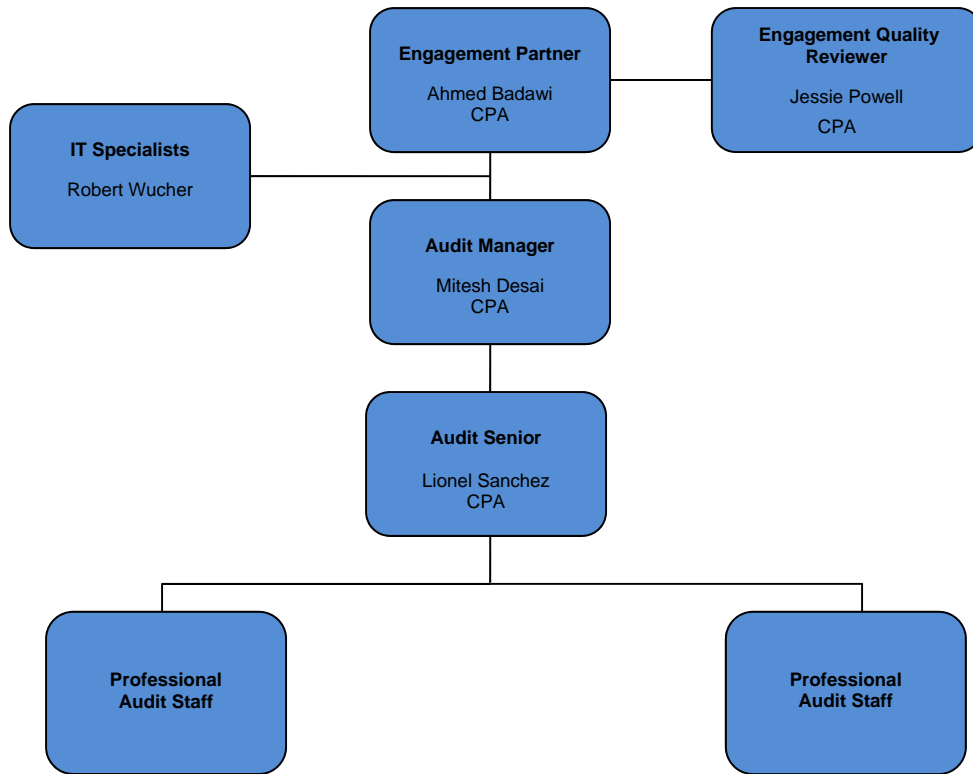
There has not been any state or federal disciplinary actions taken or pending against the Firm nor any findings to report.

**Lost Clients and Pending Litigations:**

The Firm has not experienced termination of any contracts before completion, and has not experienced any lawsuits or legal actions that have been resolved or are currently pending in the prior five years.

**Partner,  
Supervisory,  
and Staff  
Qualifications  
and  
Experiences**

The Engagement Team will normally consist of seven individuals who provide a broad business perspective and significant experience in governmental auditing. This team will provide access to a wide range of technical capabilities which will provide the District with not only the technical support necessary to perform the audit, but also the broad business background to interpret findings and observations to offer effective solutions to issues, and the personal involvement of the Engagement and Compliance Partners of the Firm.



The Engagement Team will be led by Ahmed Badawi, CPA. Mr. Badawi’s background includes over eighteen years of municipal auditing experience. He is the instructor of the CSMFO “Introduction to Governmental Accounting” training classes. Mr. Badawi is a member of the Government Accounting and Auditing Committee, the Accounting Principles and Auditing Standards Committee and the State Technology Committee of the California Society of Certified Public Accountants. He has participated in the audits of numerous city, county and special district governments, as well as non-profit entities. His diversified background offers the technical qualities required of the governmental and non-profit areas and the necessary wherewithal to properly evaluate the entire accounting process, develop opportunities to improve the accounting process, and to offer practical business recommendations.

The second member of the Engagement Team is Mitesh Desai, CPA. Mr. Desai’s background includes seven years of experience in municipal auditing. Mr. Desai has participated in the audits of numerous governmental agencies, assisted in their efforts to publish their CAFRs in compliance with GASB 34, and a volunteer member of the GFOA Special Review Committee. He will serve as the Audit Manager.

The third member of the Engagement Team is Lionel Sanchez, CPA. Mr. Sanchez's background includes over twenty years of various accounting experience including five years of municipal auditing experience. He has participated in the audits of numerous governmental agencies and assisted in their efforts to publish their financial statements in compliance with various regulations. Mr. Sanchez will be the Senior of this engagement.

The fourth member of the Engagement Team is Robert Wucher. Mr. Wucher has 30 years of experience in the field of Information Technology (IT) at the senior and executive management level. He has worked extensively with government agencies, private organizations and public companies. Industry experience includes the public sector, banking, manufacturing, Internet, health care and not-for-profit organizations.

The fifth member of the Engagement Team is Jessie Powell, CPA. Ms. Powell background includes thirty five years of accounting and auditing experience. She has an extensive background in audit and accounting engagements for small businesses and specializing in governmental entities and not-for-profit organizations. She also performs second partner reviews and engagement quality control reviews for several CPA firms throughout California and is an active peer reviewer for the CalCPA Peer Review Program. She has participated in the audits of numerous district, and city governments, as well as non-profit entities. Her diversified background offers the technical qualities required of the governmental and non-profit areas and the necessary wherewithal to properly evaluate the entire accounting process, develop opportunities to improve the accounting process, and to offer practical business recommendations. Ms. Powell will serve as an Engagement Quality Reviewer of this engagement.

Each member of the Engagement Team participates in continuing education programs offered by the AICPA and California State Society of Certified Public Accountants, and each has met the continuing education requirements for municipalities. In addition, the firm offers at least 60 hours of in-house CPE annually focused mainly on municipal audits.

#### **Professional Development:**

The Firm maintains a comprehensive training program targeted at appropriate professional staff levels. It utilizes in-house developed educational programs, AICPA and California CPA Foundation educational programs, and on-the-job training.

The Firm's annual training schedule which officially begins in April for all professional staff and administrative staff includes comprehensive in-house training sessions on such topics as:

- Review of principles of accounting and financial reporting for state and local governments.
- Review of governmental fund types and account groups.
- Review of newly issued generally accepted auditing standards and GAO auditing standards.
- Review of Internal Control evaluation approaches including COSO principles.
- Updates on recent governmental accounting and reporting guidelines.
- Review of Single Audit requirements and approaches.
- Review of financial audit approaches.
- Overview of audit and internal control work paper techniques.
- Review of GASB reporting requirements.
- Review of current issues facing the governmental community.

During the year, professional staff members are sent to various educational sessions sponsored by the AICPA and California State Society of CPAs, as considered appropriate for the level and need of the individual. These classes include, among others:

- Governmental Financial Reporting Standards and Practices.
- Yellow Book: Government Auditing Standards.
- Financial Accounting Standards: Comprehensive Review.
- Single Audit.
- Governmental Auditing & Accounting Update.
- Governmental Accounting Principles.
- Comprehensive Review of Generally Accepted Auditing Standards

The result of the Firm's training program is the production of a highly educated and competent municipal audit group capable of performing an efficient and effective audit for the District.

The Team members will continue their professional development efforts.

**Staff Retention and Continuity:**

The Firm's policy on providing service to our clients includes a commitment to maintaining continuity of audit personnel. We cannot guarantee that our staff will remain with the Firm. However, to encourage our staff to remain with us, we pay competitive wage rates; offer promotional opportunities; provide state-of-the-art equipment and excellent working conditions; and offer various benefits, such as retirement plans, medical plans, profit sharing programs, educational benefits, and other such benefits. Additionally, we will guarantee that any staff member assigned to this engagement will return to the District in subsequent years if he or she is still with the Firm. We can also guarantee that the partner will be involved in future years. Continuity of audit staff is of prime concern to us and because of the hands-on involvement of the partner; we can assure you that future years' audits will be conducted in an efficient and effective manner with qualified and experienced professionals.

The Firm is an Equal Opportunity employer and complies with all Federal and State hiring requirements. The Firm also supports Affirmative Action philosophies and works hard to provide disadvantaged groups with opportunities for self enhancement.

Resumes of each member of the Engagement Team follow.



**Ahmed Badawi, *Certified Public Accountant* – Engagement Partner**

**Length of Career**

- Eighteen years’ experience in municipal auditing.
- Certified Public Accountant for the State of California.

**Professional Experience**

- Partial listing of clients served:

	Services Provided					
	Financial Audit	Single Audit	RDA Audit	PFA Audit	Enterprise Fund	Other
Special Districts and Other:						
Alameda County Water District	X				X	X
Dublin San Ramon Services District	X				X	X
Elk Grove Water District	X				X	
Marin Municipal Water District	X					X
West County Wastewater District	X					X
Port of Redwood City	X	X				X
Coastside Fire Protection District	X					X
Cosumnes Community Services District	X					X
East Bay Regional Park District	X	X				X
Metropolitan Transportation Commission						X
South Bayside System Authority	X					X
Stanislaus County Childcare	X					X
Cities:						
Albany	X	X	X			X
Antioch	X	X		X	X	X
Berkeley	X	X	X		X	X
Burlingame	X				X	X
Dublin	X	X				X
Fremont	X	X	X			X
Pleasanton	X	X		X		X
Redwood City	X	X	X		X	X
Richmond	X	X	X	X	X	X
San Bruno	X	X	X		X	X
San Leandro	X	X	X			X
Turlock	X	X	X	X	X	X
Union City	X	X	X		X	X
Walnut Creek	X	X	X		X	X
Counties:						
Santa Cruz County	X	X	X	X	X	X
Contra Costa County	X	X	X	X	X	X
County of Lassen	X	X			X	X
Health Care:						
Alameda County Medical Center	X	X				X
Family HealthCare Network	X					X

- Has performed numerous financial audits, Single Audits, Transportation Development Act audits, housing audits, electrical utility audits, RDA audits, PFA audits, and Trust Fund audits, and has prepared numerous CAFRs.

**Education**

- BS Degree in Accounting from the University of Alexandria, Egypt.

**Professional Activities**

- Instructor, CSMFO’s “Introduction to Governmental Accounting” training class.
- Member, CALCPA Government Accounting and Auditing Committee
- Member, CALCPA Accounting Principles and Auditing Standards Committee
- Member, CALPCA State Technology Committee
- Member, American Institute of Certified Public Accountants.
- Member, California Society of Certified Public Accountants.
- Member, Government Finance Officers Association.
- Member, California Society of Municipal Finance Officers.
- Chair, Audit Committee, Pets Unlimited, a CA nonprofit organization
- Member, Board of Directors, San Francisco SPCA

**Continuing Education**

Has met the current CPE educational requirements to perform audits on governmental agencies

**Mitesh Desai, *Certified Public Accountant* – Professional Audit Manager**

**Length of Career**

- Seven years’ experience in municipal auditing.
- Certified Public Accountant for the State of California.

**Professional Experience**

- Has participated in several financial audits, Single Audits, RDA audits, PFA audits, Transportation Development Act audits, and housing audits

	Services Provided					Other
	Financial Audit	Single Audit	RDA Audit	PFA Audit	Enterprise Fund	
Special Districts and Other:						
Alameda County Water District	X				X	X
Dublin San Ramon Services District	X				X	X
Elk Grove Water District	X				X	
Marin Municipal Water District	X					X
West County Wastewater District	X					X
Port of Redwood City	X	X				X
Coastside Fire Protection District	X					X
Cosumnes Community Services District	X					X
East Bay Regional Park District	X	X				X
Metropolitan Transportation Commission						X
South Bayside System Authority	X					X
Stanislaus County Childcare	X					X
Cities:						
Albany	X	X	X			X
Antioch	X	X		X	X	X
Berkeley	X	X	X		X	X
Burlingame	X				X	X
Dublin	X	X				X
Fremont	X	X	X			X
Pleasanton	X	X		X		X
Redwood City	X	X	X		X	X
Richmond	X	X	X	X	X	X
San Bruno	X	X	X		X	X
San Leandro	X	X	X			X
San Mateo	X	X	X		X	X
Turlock	X	X	X	X	X	X
Union City	X	X	X		X	X
Walnut Creek	X	X	X		X	X
Counties:						
Santa Cruz County	X	X	X	X	X	X
Contra Costa County	X	X	X	X	X	X
County of Lassen	X	X			X	X
Health Care:						
Alameda County Medical Center	X	X				X
Family HealthCare Network	X					X

**Education**

- BS Degree in Business Economics with an emphasis in Accounting from University of California, Santa Barbara

**Professional Activities**

- \* Member, American Institute of Certified Public Accountants.
- \* Member, California Society of Certified Public Accountants.

**Continuing Education**

- Various municipal accounting courses offered by the California Society of CPAs and local universities including:
  - Governmental Financial Reporting Standards and Practices
  - Yellow Book: Government Auditing Standards
  - Municipal Accounting
  - Single Audit
- Has met the current CPE educational requirements to perform audits on governmental agencies.

**Lionel Sanchez, *Certified Public Accountant* – Professional Audit Senior**

**Length of Career**

- Twenty years of experience in various accounting-related positions.
- Five years' experience in municipal auditing.
- Certified Public Accountant for the State of California.

**Professional Experience**

- Has participated in several financial audits, Single Audits, RDA audits, PFA audits, Transportation Development Act audits, and housing audits

	Services Provided					
	Financial Audit	Single Audit	RDA Audit	PFA Audit	Enterprise Fund	Other
Special Districts and other:						
Coastside County Water District	X				X	
Dublin San Ramon Services District	X				X	X
Fair Oaks Water District	X				X	
Lassen Regional Solid Waste Mgmt Authority	X				X	
Marin Municipal Water District	X	X			X	
North Coast Water District	X				X	
Contra Costa County Child Care	X					X
Cosumnes Community Services District	X					
Peninsula Library Partnership	X					
Peninsula Library System	X					
Port of Redwood City	X				X	
San Mateo County Library	X					
Sanitary District #2, Corte Madera	X					
Tahoe City Public Utilities District	X					
Cities:						
Albany	X					
Berkeley	X	X	X		X	X
Ceres	X	X			X	X
Citrus Heights	X	X	X		X	X
Corte Madera	X	X	X		X	X
East Palo Alto	X	X			X	X
Lemon Grove	X				X	
Millbrae	X					X
Newark	X	X	X			X
Redwood City	X	X			X	X
Rocklin	X		X		X	X
San Mateo	X	X	X		X	X
Counties:						
Contra Costa	X	X	X	X	X	X
Glenn		X				
Santa Cruz	X	X	X	X	X	X

**Education**

- BA Degree in Economics from University of New Mexico
- Post Baccalaureate in Accounting from California State University East Bay

**Professional Activities**

- \* Member, California Society of Certified Public Accountants.

**Continuing Education**

- Various municipal accounting courses offered by the California Society of CPAs and local universities including:
  - Governmental Financial Reporting Standards and Practices
  - Yellow Book: Government Auditing Standards
  - Municipal Accounting
  - Single Audit

Has met the current CPE educational requirements to perform audits on governmental agencies.

**Robert Wucher – Information Technology Specialist**

Robert Wucher has 30 years of experience in the field of Information Technology (IT) at the senior and executive management level. He has worked extensively with government agencies, private organizations and public companies. Industry experience includes the public sector, banking, manufacturing, Internet, health care, and not-for-profit organizations.

**Areas of Expertise**

- Systems Auditing and Controls Review (SEC AU-314, SAS-109, SAS-94)
- Sarbanes-Oxley, Section 404 IT Compliance Consulting and Auditing
- Journal Entry Analysis in Support of SAS-99 using IDEA by Caseware
- SSAE-16 (SOC 1,2 & 3), Type I & II Reporting (Formerly SAS-70)
- ERP/MRP System Reviews and Workflow Analysis
- Software as a Service (SaaS) Cloud Computing Technologies
- International and Multinational Company IT Audit Expertise
- Forensic Data Analysis and Litigation Support in Support of Fraud Auditing
- Systems Selection and Request-for-Proposal (RFP) Development
- Systems Programming and Data Conversion
- Systems Failure Analysis and Quality Improvement
- E-Commerce and EDI Systems
- Information Technology Strategic Planning
- System Process/Procedures Development and Implementation
- Disaster Recovery and Business Continuity Planning

**Publications**

- Author, The Top Five Tips Every Technology Executive Needs to Know About Sarbanes-Oxley, Published 2007, Aspatore Books
- Author, Winning Legal Strategies for Technology & E-Business, An Overview of IT Controls Under Sarbanes-Oxley Published 2005, Aspatore Books

**Presentations**

- IT Security Trends
- Data Privacy and Cloud Computing
- IT Trends and Red Flag Rule
- IT Controls for NFP Organizations

**Education**

- B.S. degree in Business Administration, Finance, Old Dominion University, Norfolk, VA.

**Professional and Civic Associations**

- Member, Information Systems Audit and Control Association (IASCA)
- MAS-90 Accounting Application Suite Qualified Installer, SAGE Systems
- Former Board Member, Pets are Wonderful Support (PAWS), San Francisco, CA



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The following are three most significant special district engagements performed ranked based on the basis of total staff hours:

- 1) Cosumnes Community Services District
  - Scope of Work: Comprehensive Annual Financial Report, Gann Limit
  - Date of Service: Fiscal years ended June 30, 2008-2015
  - Hours: 350
  - Engagement Partner: Ahmed Badawi
  - Principal Contact:  
Mr. Jeff Ramos  
General Manager  
(916) 405-7150
  
- 2) Marin Municipal Water District
  - Scope of Work: Comprehensive Annual Financial Report, Single Audit
  - Date of Service: Fiscal years ended June 30, 2010-2015
  - Hours: 350
  - Engagement Partner: Ahmed Badawi
  - Principal Contact:  
Mrs. Oreen Delgado  
Finance Manager  
(415) 945-1425
  
- 3) Castro Valley Sanitary District
  - Scope of Work:, Comprehensive Annual Financial Report, Single Audit, Gann Limit,
  - Date of Service: Fiscal years ended June 30, 2008-2015
  - Hours: 350
  - Engagement Partner: Ahmed Badawi
  - Principal Contact:  
Mr. Roland Williams  
General Manager  
(510) 537-0757, ext. 104

The table below lists all special district engagements:

Special District	Client Since	Hours	Engagement Partner	Principal Contact	CAFR	GFOA Award	Single Audit	Enterprise Funds
Dublin San Ramon Services District	2015	350	Ahmed Badawi	Ms. Karen Vaden Accountant II (925)875-2276 vaden@dsrcsd.com	Yes	Pending		X
Florin Resource Conservation District/ Elk Grove Water District	2015	350	Ahmed Badawi	Mr. Jim Malberg Treasurer (916)685-3556 jmalberg@egw.d.org	No	Pending		X
Marin Municipal Water District	2010	350	Ahmed Badawi	Mrs. Oreen Delgado Finance Manager (415)945-1425 odelgado@marinwater.org	Yes	Yes	X	X
Castro Valley Sanitary District	2008	200	Ahmed Badawi	Mr. Roland Williams General Manager (510)537-0757 rwilliams@cvsan.org	No	Pending	X	X
Central County Fire Department	2012	200	Ahmed Badawi	Ms. Jan Cooke Finance Director (650)375-7408 jcooke@hillsborough.net	Yes	Yes		
Cosumnes Community Services District	2008	350	Ahmed Badawi	Mr. Jeff Ramos General Manager (916)405-7150 jefframos@yourcsd.com	Yes	Yes		
Port of Redwood City	2006	200	Ahmed Badawi	Mr. Rajesh Sewak Manager of Finance & Admin. (650)306-4150 rsewak@redwoodcityport.com	No	N/A	X	X

The table on the following page lists City engagements that encompassed issuing a Comprehensive Annual Financial Report (resulting in a GFOA award), audit of enterprise activities, or encompassed performance of a Single Audit in the past three years

	City	Client Since	Hours	Engagement Partner	Principal Contact	CAFR	GFOA Award	RDA/ Successor Agency	Single Audit	TDA	Child Care Audit	Housing Authority	Enterprise Funds
**	Berkeley	2008	1800	Ahmed Badawi	Mr. Marvin Tam Accounting Manager (510)981-7332 mtam@ci.berkeley.ca.us	Yes	Yes	X	X	X			X
**	Redwood City	2006	600	Ahmed Badawi	Mrs. Alison Freeman Financial Services Manager (650)780-7071 afreeman@redwoodcity.org	Yes	Yes	X	X	X			X
**	San Mateo	2004	500	Ahmed Badawi	Ms. Kathleen VonAchen Finance Director (650)522-7104 dculver@cityofsanmateo.org	Yes	Yes	X	X	X			X
**	Vacaville	2008	600	Ahmed Badawi	Mr. Jeremy Craig Finance Director (707)449-5104 jcraig@cityofvacaville.com	Yes	Yes	X	X	X		X	X
*	Union City	2006	600	Ahmed Badawi	Mr. David Glasser Administrative Services Director (510)675-5431 dglasser@unioncity.org	Yes	Yes	X	X	X			X
*	Antioch	2005	470	Ahmed Badawi	Ms. Dawn Merchant Finance Director (925)779-6135 Dmerchant@ci.antioch.ca.us	Yes	Yes	X	X	X			X
	Menlo Park	2014	514	Ahmed Badawi	Mr. Drew Corbett Finance Director (650)330-6640	Yes	Yes	X	X	X	X		X
	Newark	2009	550	Ahmed Badawi	Ms. Susie Woodstock Director of Administrative Services (510)578-4804 susie.woodstock@newark.org	Yes	Yes	X	X	X			
	Albany	2008	380	Ahmed Badawi	Mrs. Tina Mckenney Finance & Administrative Service Director (510)528-5730	Yes	Yes	X		X			X
	Rio Vista	2009	480	Ahmed Badawi	Ms. Mary Lee Sharer Finance Manager (707)374-6451 Ext. 1118 mlsharer@ci.rio-vista.ca.us	No	N/A	X	X	X			X
	Barstow	2012	550	Ahmed Badawi	Ms. Cindy Prothro Finance Director (760)255-5115 cprothro@barstow.ca.org	Yes	Yes	X	X				X
	Buena Park	2013	500	Ahmed Badawi	Mr. Sung Hyun Finance Director (714)562-3717 shuyn@buenapark.com	Yes	Yes	X	X				X
	Susanville	2013	450	Ahmed Badawi	Mr. Jared Hancock City Administrator (530)252-5100 jhancock@cityofsusanville.org	Yes	CSMFO						X
	East Palo Alto	2014	450	Ahmed Badawi	Ms. Brenda Olwin Finance Director (650)853-3122 bolwin@cityofepa.org	Yes	Yes	X	X				X
	Millbrae	2015	400	Ahmed Badawi	Mr. Kenneth Spray Finance Director (650)259-2433 kspray@ci.millbrae.ca.us	Yes	N/A	X					X
	Yountville	2015	300	Ahmed Badawi	Mr. Richard Arrow Interim Finance Director (707)944-8851 rarrow@yville.com	No	N/A						X
	Lemon Grove	2013	350	Ahmed Badawi	Ms. Cathleen Till Finance Director (619)825-3803 ctill@lemongrove.ca.gov	No	N/A	X					X
	Crescent City	2014	300	Ahmed Badawi	Ms. Emily Boyd Finance Director (707)464-7483 x224 eboyd@crescentcity.org	No	N/A	X	X			X	X



The following is a partial list of selected governmental agencies for which our professional staff members have performed auditing services in accordance with generally accepted auditing standards, GAO auditing standards, Single Audit Act, OMB requirements, and other regulatory requirements.

***Child Care Programs***

- Contra Costa County Child Care Program
- Stanislaus County Child Care Program
- City of Menlo Park Child Care Program

***City Governments:***

- |                        |                       |                            |
|------------------------|-----------------------|----------------------------|
| • City of Pittsburg    | • City of Sunnyvale   | • City of East Palo Alto   |
| • City of Brisbane     | • City of Burlingame  | • City of Ceres            |
| • City of Eureka       | • City of Fairfield   | • City of Foster City      |
| • City of Santa Cruz   | • City of Saratoga    | • City of Menlo Park       |
| • City of Oceanside    | • City of Petaluma    | • City of Sanger           |
| • City of Dublin       | • City of Fremont     | • City of Ridgecrest       |
| • City of Redding      | • City of Los Altos   | • City of San Buenaventura |
| • City of San Rafael   | • City of Richmond    | • City of Shafter          |
| • City of Rocklin      | • City of San Bruno   | • City of Buena Park       |
| • City of Walnut Creek | • City of San Leandro |                            |

***County Governments***

- County of Contra Costa
- County of Glenn
- County of Lassen
- County of Santa Cruz

***Water District:***

- Alameda County Water District
- South Coast Water District
- Marin Municipal Water District

***Special Districts***

- Dublin San Ramon Services District
- Livermore-Amador Valley Water Management Agency
- Port of Redwood City
- Cosumnes Community Service District
- Central County Fire District
- Coastside Fire Protection District
- Castro Valley Sanitary District
- West-County Wastewater District
- South Bayside Systems Authority

***Housing***

- Vacaville Housing Authority
- Crescent City Housing Authority
- Solano County Housing Authority

## Understanding of Services to be Provided

The District desires an audit of the financial records for the District and an expression of an opinion in accordance with generally accepted accounting principles on the fairness of presentation of financial statements for the fiscal years ending June 30, 2016 to 2018.

The Firm will:

- Express an opinion on the fair presentation of its basic financial statement which includes but is not limited to the financial statements of governmental activities, the business-type activities, each major fund and all aggregate remaining fund information in conformity with generally accepted accounting principles in the United States of America.
- Express an opinion on the fair presentation of its combining and individual non-major and fiduciary fund financial statements and schedules in conformity with generally accepted accounting principles. The Firm will provide an “in-relation-to” report on the supporting schedules contained in the comprehensive annual financial report based on the auditing procedures applied during the audit of the basic financial statements and schedules.
- Provide an “in-relation-to” report on the schedule of federal financial assistance based on the auditing procedures applied during the audit of the financial statements.
- Perform the audit in accordance with generally accepted auditing standards accepted in the United States of America, applicable to the financial audit contained in the Government Auditing Standards issued by the Comptroller General of the United States and the provisions of the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.
- Perform limited procedures on supplementary information required by the Government Accounting Standards Board.
- Issue the following reports, following the completion of the audit of the fiscal year’s financial statements:
  - Independent Auditor’s Report Opinion on Financial Statements and Schedule of Expenditure of Federal awards
  - Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
  - Management Letter comments on Internal Controls
  - Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB A-133 (If required)
  - Schedule of findings and questioned costs
  - Auditor’s Communication with Those Charged with Governance
  - Annual Report of Financial Transactions of Special Districts
- Provide special assistance to the District as needed.
- Retain all working papers and reports at the audit firm’s expense for a minimum of 7 years. In addition, make working papers available to the District and/or any government agency as appropriate.

Should any conditions be discovered requiring corrective action, the Firm will provide a detailed description of the findings and recommended actions as to their resolution.

The Firm will submit a report to the District Council and management detailing auditor's responsibility under generally accepted auditing standards, significant accounting policies, management judgments and accounting statements, significant audit adjustments, other information in documents containing audited financial statements, disagreements with management, management consultations with other accountants, major issues discussed with management prior to retention, difficulties encountered during the audit, and any significant deficiencies or material weaknesses found during the audit. Non-material instances of noncompliance will be reported in a separate management letter, if appropriate, along with any other observations or recommendations determined to be informative to District management.

The Firm will be available to provide advice and counsel regarding significant matters during the year.

The Firm's Partner and Staff welcome the opportunity to make presentations to the District Council and will be ready to respond to questions from the Council and citizens of the District.

#### **Objectives of Our Services**

The basic objective of our audit of the District is to conduct an examination of the financial statements in accordance with generally accepted auditing standards and to express our opinion on the fairness of presentation of such financial statements in conformity with generally accepted accounting principles.

Additionally, we believe that another real value of our audit lies in meeting other objectives at no additional cost. The following are other objectives of our services that have important benefits to the District:

- To offer substantive observations and recommendations relating to accounting and operating control policies and procedures.
- To identify opportunities for operating efficiencies and isolate candidate activities for cost reduction opportunities.
- To perform a professional audit in an efficient and effective way to minimize disruption to the office operations.
- To offer ongoing advisory services to assist in the running of the operation and implementation of improved operating procedures.

The engagement will be conducted within the framework of the Firm's quality control program which includes the use of audit programs, careful planning, use of computerized audit software and internal control evaluation & documentation software, and objective review procedures. On-site staff will use Firm supplied portable computers and printers.

## **Specific Audit Approach**

#### **Audit Approach**

The specific audit approach has been designed to efficiently and effectively address the audit requirements of the District, to perform the audit of the District's financial records in a timely manner with minimal disruptions to office operations, and to meet the District's timeline.

The audit will be conducted in accordance with:

- 1) Generally accepted auditing standards established by the AICPA.
- 2) The standards contained in Government Auditing Standards issued by the GAO.
- 3) Provisions of the Single Audit Act and OMB Circular A-133.
- 4) Requirements issued by the California State Controller's office.
- 5) Other requirements as required.

We will conduct the necessary audit steps to perform:

- Planning of the engagement.
- Evaluation of the existing internal control environment to determine degree of risk of material misstatement.
- Determination of degree of compliance with laws, regulations, grant provisions, and District approved policies.
- Assessment of potential fraudulent issues.
- Validation of account balances.
- Verification of reasonableness of management estimates.

### **Technical Approach**

We use an industry specific audit approach tailored to governmental entities. Our governmental audit approach addresses the special risks and circumstances of local governments. As a result, the audit is conducted efficiently and effectively with minimal disruption to your staff.

The core of our governmental technical audit approach can be summarized as follows:

**1. Planning, Understanding and Communication:**

Based on our previous audit experience, using the budget, organizational charts, manuals and other financial information systems and our knowledge of how governments work, we will obtain an insight to the specific concerns and sensitivities of the District. Our understanding is updated continuously through our year-round contact and communication efforts. We will agree on common audit objectives and expectations with management before audit work begins and, throughout the audit, will meet regularly with management to discuss audit issues and to gather feedback.

**2. In-Depth Review of Systems and Controls:**

We have developed diagnostic reviews which enable us to evaluate your systems and controls, and to provide management with constructive feedback. Combined with our knowledge of the District and understanding and experience with the District's accounting software, our control review will form the basis of our audit risk assessment. We will utilize the COSO approach in our evaluation of the District's internal processes to identify potential control deficiencies. In future years, we will update our understanding through similar procedures.

**3. Risk-Based Customized Testing Program:**

Our audit approach is tailored to governmental applications. We will use audit programs specifically designed to address the operational environment of governmental entities. Our approach will identify potential control risks and the opportunities for risk of material misstatements and fraud. We will evaluate the various risk assessments and identify the potential risks relating to the:

- Balance Sheets/ Statement of Net Position
- Statement of Revenues and Expenditures / Statement of Activities
- Presentation
- Disclosure

Our audit procedures will then be developed to address these risk areas.

**4. Expanded Interim Fieldwork:**

Timeliness and audit efficiency is enhanced by performing extensive interim work. Partners, managers and senior staff work with District staff to identify and resolve potential audit issues early. Accordingly, the amount of audit work to perform at year end is minimized. Because our audit staff is familiar with the operations before year-end fieldwork begins, disruption of accounting staff is minimized.

**5. Smooth Transition:**

Our testing program focuses on audit risks identified by our understanding of the District's operations. We will work with the accounting staff to identify the most effective ways to address our objectives. Communication between the members of the audit engagement team and District staff will be fluid and continuous.

**6. Sample Size and Sampling Techniques:**

Our audit approach will include sampling activities. Population size and the level of assurance to be derived from a particular test will dictate the sample size. We use sampling in our audit approach to compliment skilled judgment and knowledge of the particular situation. Our sample size will range normally from 25 to 60 items.

**7. Automated Systems:**

We will evaluate controls over the IT functions to assess control risk. We intend to test controls for purposes of reliance. Our review procedures will evaluate controls over:

- Security Management
- Logical and Physical Access
- Configuration Management
- Segregation of Duties
- Contingency Planning

In addition, we will review controls over:

- Input, processing, output, master data
- Application interface
- Data management system interface

Our Information Technology Specialists Group will evaluate the IT operating control environment.

**8. Analytical Procedures:**

We use analytical procedures in several aspects of our audit. Extensive knowledge and industry background are required for effective analytics, and our staff possesses the appropriate experience and knowledge for the District to benefit from these procedures.

**9. Approach to be Taken in Determining Laws and Regulations Subject to Audit Test Work:**

We continuously refer to specific regulations, compliance supplements, state guidelines and contracts currently in force. We perform the procedures required related to laws and regulations, using inquiries, observations and sampling techniques. Some of the laws and regulations that we believe may be applicable to the District are the requirements of the California Public Utilities Commission, Single Audit Act and other applicable laws and regulations, including the California Government Code, provisions of applicable Grant guidelines, California Constitution GANN Limit requirements, requirements of local measures, Child Care Program compliance requirements, etc.

**10. Report Format:**

We will meet with District Management to review report formats. Any report format changes will be made in conjunction with approval from the District's management.

**11. Work Plans:**

The detailed work plans will be designed to efficiently and effectively address the audit requirements of the District in accordance with generally accepted auditing standards, to perform the audit of the District's financial records in a timely manner with minimal disruptions to office operations, and to meet the District's timeline.

**12. Adjusting Journal Entries:**

We will discuss and explain proposed audit adjusting entries with the District's designated Finance Department personnel prior to recording. Audit adjusting entries will be provided in a format showing the lowest level of posting detail needed for data entry on the District's general ledger system.

**13. Listing of Schedules and Tables (anticipated to be prepared by the District):**

Based on preliminary inquiries made with management and District staff and review of documents, we will tailor a list of schedules, tables, and other reconciliations required for the audit. We will take into account as much as possible reconciliations already prepared by the District for day to day operations and reporting, as well as any reports that are system generated to limit the need for additional District staff hours.

The following is a listing of significant reconciliations that we would normally expect the District to provide to us in assisting us in conducting our fieldwork.

- Trial Balance
- CAFR and Account Roll Up Schedule
- Budget to Actual Reports
- Bank Reconciliations
- Listing of manually prepared journal entries posted
- Summary of Investments held by the District
- Capital Asset Schedules
- Long Term Debt Schedules
- Debt amortization schedules & Calculations of deferred amounts
- Calculations of any debt covenants amounts or percentages
- Schedule of Operating Leases
- Schedule of Expenditures of Federal Awards
- Analysis of Deferred Inflows of Resources and Deferred Outflows of Resources
- Reconciliation of Receivables to subsidiary ledgers
- Calculations for estimate of allowance for uncollectible accounts
- Loans Receivable Schedules
- Reconciliation of Significant Revenue Accounts
- Utility billing Registers and Fee schedules
- Compensated Absences and Early Retirement Obligation Schedules and Copies of Related Policies
- Claims Payable schedules
- Pension and OPEB Roll Forward & Supporting Schedules
- GASB 54 Fund Balance Roll Forward Schedule
- Interfund Transaction Schedules

**14. Computer Software:**

The firm maintains a variety of software packages in the audit and financial statement compilation process, which include MS Office (Word, Excel, etc.), Prosystem fx Engagement, PPC Checkpoint and Checkpoint Tools, and Single Audit SMART Tool. Our I.T. Specialist also has the ability to run reports using IDEA (data analysis software).

Our audit software enables us to link our audit trial balance to the financial statements, for efficient financial statement compilation. It also allows us to create various analytical reports easily (e.g. year to year comparisons, budget to actual comparisons, trend analysis, ratio analysis, etc.).

Our research tools are always kept up to date to ensure compliance with accounting and auditing standards, and are also a resource for us to provide guidance to our clients.

**We also use Prosystem electronic portal, which allows our clients to easily upload requested audit schedules and testing selections. The portal is very helpful in the audit process as it reduces duplicated audit requests, and allows our engagement team to review uploaded schedules prior to beginning audit fieldwork.**

**Audit Schedule**

2016 Period	Audit Tasks
	<p><b>Award of Contract</b></p> <p><b>Interim Audit Procedures:</b></p>
April-May	<p><b>- Planning and Administration</b></p> <ul style="list-style-type: none"> <li>▸ Review and obtain copies of key work papers of prior audit firm.</li> <li>▸ Entrance conference with District Management to discuss audit approach, timing, assistance, and issues</li> <li>▸ Review and evaluate the District’s accounting and financial reporting. Prepare an overall memo of recommendations, potential issues, and suggestions for improvements.</li> <li>▸ Prepare overall memo to District confirming audit procedures, timing, and assistance.</li> <li>▸ Prepare detailed audit work plan and audit programs, audit budget and staffing schedule, and list of schedules to be prepared by District staff, and provide it to District Management.</li> </ul>
August - September	<p><b>- Internal Control Evaluation</b></p> <ul style="list-style-type: none"> <li>▸ Meeting with key Finance Division personnel.</li> <li>▸ Obtain and document understanding of key internal control systems through walk-throughs, interviews of staff, and review of supporting documentation:                             <ul style="list-style-type: none"> <li>General ledger system.</li> <li>Budgeting system.</li> <li>Revenue, utility billing, accounts receivable, and cash collections.</li> <li>Purchasing, expenditures, accounts payable, and cash disbursements.</li> <li>Payroll.</li> <li>Federal Financial Assistance.</li> <li>Other systems.</li> </ul> </li> <li>▸ Identify control risks.</li> <li>▸ Evaluate IT control environment.</li> <li>▸ Perform testing of the internal control system and evaluate the effectiveness of the District’s systems. Select large dollar and random samples of transactions in key operating systems. Sample size to meet required level for determined degree of risk. Review supporting documentation of selected transactions, evaluate adequacy of support and approvals, and conclude on degree of adherence to accuracy and compliance with District policies.</li> <li>▸ Conduct fraud assessment procedures.</li> <li>▸ Assess degree of risk for material misstatement.</li> <li>▸ Provide to the District’s management a memo concerning management letter points and identify issues, if any.</li> </ul>

2016 Period	Audit Tasks
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August -  
September

**- Other Tasks**

- ▶ Review minutes of Board meetings and other key committees.
- ▶ Preliminary testing, verify and validate account balances by reviewing supporting documentation including invoices, vouchers, council resolutions, minutes, and other documents, as required.
- ▶ Preliminary Single Audit and other compliance testing
- ▶ Coordinate with District staff and prepare of all appropriate confirmation requests including:
  - Bank accounts.
  - Investment pool accounts.
  - Accounts receivable.
  - Federal grants.
  - Revenue from governmental agencies.
  - Bond and other debts.
  - Pension plan.
  - Attorney letters.
  - Others, as required.
- ▶ Provide District with audit plan and list of year end audit schedules.
- ▶ Hold progress conference with District Management.
- ▶ Hold exit conference with District Management.

August-  
September

**- Final Field work**

- ▶ Entrance conference with District Management.
- ▶ Follow-up on all outstanding confirmations.
- ▶ Verify and validate account balances by reviewing supporting documentation including invoices, vouchers, council resolutions, minutes, and other documents, as required.
- ▶ Perform analytical review of revenue and expenditures. Determine reason for material differences between budget and actual.
- ▶
- Perform a search for unrecorded liabilities by reviewing disbursements subsequent to June 30, testing terms of contractual obligations, and interviewing District staff.
- ▶ Perform review of subsequent events by discussions with District Management and update all minutes of District Council and key committees.

**- Single Audit Compliance (if required)**

- ▶ Entrance conference with District Management.
- ▶ Obtain Federal Financial Assistance Schedule.
- ▶ Determine grants to be considered as major programs including clusters.
- ▶ Perform audit tests of major grant programs and compliance with Federal Law and Regulations.
- ▶ Review grant documents, select sufficient number of transactions to test for compliance of Federal Requirements.
- ▶ Coordinate Single Audit efforts with the Financial Audit efforts.
- ▶ Communicate findings to District Management.
- ▶ Other Compliance



**Audit Schedule, Continued**

2016 Period	Audit Tasks
September	<p data-bbox="560 449 703 474"><b>- <i>Audit Reports</i></b></p> <ul data-bbox="597 512 1227 674" style="list-style-type: none"><li data-bbox="597 512 919 537">▸ Prepare drafts of financial statements</li><li data-bbox="597 541 1227 617">▸ Prepare draft of Single Audit Reports concerning internal control structure, compliance with laws and regulations, and administering of federal financial assistance programs.</li><li data-bbox="597 621 889 646">▸ Prepare other reports as required.</li><li data-bbox="597 651 1091 674">▸ Provide drafts of reports to District Management for review.</li></ul>
October	<p data-bbox="560 722 1198 747">- Provide revised final drafts of all required reports to the District for approval</p> <p data-bbox="560 772 1114 798">- Provide final comments on District prepared financial statements</p>
October	<p data-bbox="560 854 1271 879"><b>- <i>Final Audit Reports, Financial Statements, and Single Audit Reports delivered.</i></b></p>

**Discussion of  
Relevant  
Accounting  
Issues**

**Identification of Anticipated Potential Audit Problems**

We do not anticipate that there will be any audit problems at the District. However, the following are some areas that we will carefully investigate and monitor during our audit procedures:

- Financial Reporting:
  - Review and evaluate that the District's Annual Financial Reports are in compliance with current reporting and disclosures requirements issued by the GASB and GFOA.
  - Review Annual Financial Reports for financial reporting conformance awards issued by CSMFO and GFOA.
  - Review and evaluate degree of compliance with the various GASBs in effect.
  - Review degree of compliance with infrastructure obligations and regulatory provisions.
- Internal Control Structure:
  - Review and evaluate the District's internal control functions and ascertain compliance with proper internal control philosophies.
  - Review computer system processes and controls and evaluate adequacy of the control environment.

Several new GASB pronouncements will become effective over the time period of this proposal. As such, specific attention will be provided to determine the proper implementation of these new pronouncements. A list of known new pronouncements with implementation dates that fall within this proposal period are as follows:

**2016**

- Statement 72 – Fair Value Measurement and Application
- Statement 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendment to Certain Provisions of GASB Statements 67 and 68
- Statement 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments
- Statement 79 – Certain External Investment Pools and Pool Participants (some requirements do not need to be implemented until 2017)

**2017**

- Statement 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans
- Statement 77 – Tax Abatement Disclosures
- Statement 78 – Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans

**2018**

- Statement 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pension

## San Lorenzo Valley Water District

### Proposed Pricing

#### NOT-TO-EXCEED PRICE FOR PROPOSED SERVICES SCHEDULE

<b>Cost of Services (All-Inclusive/Fixed Fee)</b>				
	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>Total</b>
Audit of the District including Single Audit and related reports	\$ 17,050	\$ 17,560	\$ 18,090	\$ 52,700
Annual Report of Financial Transactions*	1,000	1,030	1,060	3,090
Out of pocket expenses	-	-	-	-
<b>Total</b>	<b>\$ 18,050</b>	<b>\$ 18,590</b>	<b>\$ 19,150</b>	<b>\$ 55,790</b>

\* - The quoted all inclusive maximum prices disclosed for these services are assuming these services are to be performed in combination with the performance of the District's annual audit.

<b>For All Audits/Reports</b>	<b>Hours</b>	<b>Standard Hourly Rate</b>	<b>Quoted Hourly Rate</b>	<b>Total</b>
Partner	20	\$ 250	\$ 130	\$ 2,600
Manager	29	200	110	\$ 3,190
Senior	60	150	90	\$ 5,400
Staff	80	125	75	\$ 6,000
IT Specialist	5	150	100	\$ 500
Admin	6	90	60	\$ 360
<b>Out of Pocket Expenses, including printing of reports</b>	<b>200</b>			<b>\$ -</b>

**Total Maximum Cost**

**\$ 18,050**

#### Rates for Additional Professional Services:

Any services outside the scope of our engagement will be promptly identified before the services are rendered. Upon mutual agreement, the out-of-scope services will be separately billed at our standard hourly rates.

## San Lorenzo Valley Water District

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Our fees are firm fixed prices that are based on an estimate of 200 hours to perform procedures necessary to provide the requested services. In determining our fees, we understand that the District's records will be in condition to be audited ; that is, transactions will be properly recorded in the general ledger and subsidiary records, these accounting records and the original source documents will be readily available to use, we will be furnished with copies of bank reconciliations, and other reconciliations and analyses prepared by the District and The District personnel will be reasonably available to explain procedures, prepare audit correspondence and obtain files and records

Circumstances may arise during the engagement that may significantly affect the targeted completion dates and our fee estimate. As a result, additional fees may be necessary, which we will communicate and discuss with the District. Such circumstances include but are not limited to the following:

1. Changes to the timing of the engagement at your request. Changes to the timing of the engagement usually require reassignment of personnel used by Badawi & Associates ("the Firm") in the performance of services hereunder. However, because it is often difficult to reassign individuals to other engagements, the Firm may incur significant unanticipated costs
2. All requested schedules are not (a) provided by the accounting personnel on the date requested, (b) completed in a format acceptable to the Firm (c) mathematically correct, or (d) in agreement with the appropriate underlying records (e.g., general ledger accounts). The Firm will provide the accounting personnel with a separate listing of required schedules and deadlines.
3. Weaknesses in the internal control structure.
4. Significant new issues or unforeseen circumstances as follows:
  - a. New accounting issues that require an unusual amount of time to resolve.
  - b. Changes or transactions that occur prior to the issuance of our report.
  - c. Changes in the District's accounting personnel, their responsibilities, or their availability.
  - d. Changes in auditing requirements set by regulators. Significant delays in the accounting personnel's assistance in the engagement or delays by them in reconciling variances as requested by the Firm. All invoices, contracts and other documents which we will identify for the District, are not located by the accounting personnel or made ready for our easy access.
5. A significant level of proposed audit adjustments is identified during our audit.
6. Changes in audit scope caused by events that are beyond our control.
7. Untimely payment of our invoices as they are rendered.

**Conclusion**

A client relationship with the District will be of great value to our Firm and we welcome the opportunity to develop a long-term relationship with the District. We are committed to:

- Rendering the highest standard of service.
- Developing a long-term working relationship dedicated to meeting the needs of the District.
- Assisting the District in operational issues.
- Producing a quality end-product.

We have the technical qualifications and experience to provide the level of service desired and expected by the District and stand ready to provide our knowledge and experience for the benefit of your organization.

We would like to express our appreciation to the District and to its Staff for allowing us the opportunity to submit a proposal to perform professional auditing services. We are available, at your convenience, to discuss any aspects of our proposal.

Thank you for allowing us to present our Firm to you.

\*\*\*\*\*

## Appendix A

### References

- 1) Cosumnes Community Services District
  - Scope of Work: Comprehensive Annual Financial Report, Gann Limit
  - Date of Service: Fiscal years ended June 30, 2008-2015
  - Engagement Partner: Ahmed Badawi
  - Principal Contact:  
Mr. Jeff Ramos  
General Manager  
8820 Elk Grove Blvd, Elk Grove, CA 95624  
(916) 405-7150  
[jefframos@yourcsd.com](mailto:jefframos@yourcsd.com)
  
- 2) Marin Municipal Water District
  - Scope of Work: Financial Statements, Single Audit
  - Date of Service: Fiscal years ended June 30, 2010-2015
  - Engagement Partner: Ahmed Badawi
  - Principal Contact:  
Mrs. Oreen Delgado  
Finance Manager  
220 Nellen Ave, Corte Madera, CA 94925  
(415) 945-1425  
[odelgado@marinwater.org](mailto:odelgado@marinwater.org)
  
- 3) Castro Valley Sanitary District
  - Scope of Work: Comprehensive Annual Financial Report, Single Audit, Gann Limit,
  - Date of Service: Fiscal years ended June 30, 2008-2015
  - Engagement Partner: Ahmed Badawi
  - Principal Contact:  
Mr. Roland Williams  
General Manager  
(510) 537-0757, ext. 104  
[r.williams@cvsan.org](mailto:r.williams@cvsan.org)

**PROPOSAL FOR CONDUCTING  
THE ANNUAL INDEPENDENT AUDIT  
OF THE  
SAN LORENZO VALLEY WATER DISTRICT**

***Submitted February 26, 2016***



**Chavan & Associates, LLP**  
Certified Public Accountants  
1475 Saratoga Ave, Suite 180  
San Jose, CA 95129  
Phone: (408) 217-8749  
Fax: (408) 872-4159  
E-mail: [sheldon@cnallp.com](mailto:sheldon@cnallp.com)  
Contact: Sheldon Chavan, Partner

Title	Page
Transmittal Letter (Proposal Content.1) .....	i – ii
<b>A. Profile of the Firm (Proposal Content.2) .....</b>	<b>1</b>
Contractor Identification and Introduction .....	1
Firm Size, Staff Size, Location and Staffing .....	1
Range of Services .....	2
<b>B. Assurances .....</b>	<b>3</b>
Proposer .....	3
Quality Control Review .....	3
Independence .....	3
License to Practice in the State of California, Assurances and Certifications .....	3
Insurance .....	4
<b>C. Summary of Firm’s Qualifications (Proposal Content.5) .....</b>	<b>5</b>
Sheldon Chavan, Engagement Partner .....	5
Bryan Kwon, Associate Partner .....	8
Paul Pham, Senior Auditor I .....	9
Daniel Garayacochea, Professional Staff .....	10
Matthew Ojeda, Professional Staff .....	11
Professional Education and Training .....	12
References (Proposal Content.4) .....	12
<b>D. Firm’s Approach to the Examinations (Proposal Content.7) .....</b>	<b>13</b>
Phase I – Planning and Risk Assessment .....	13
Phase II – Substantive Audit Procedures and Compliance .....	14
Phase III – Financial Statement Preparation and Review .....	14
Compliance and Program Specific Auditing .....	15
Recommendations for Improved Management and Operations .....	15
Irregularities and Illegal Acts .....	15
Control Risk Assessment .....	16
Analytical Procedures .....	16
Identification of Potential Audit Problems .....	16
Resources Available for Standards Interpretations .....	16
Timeline by Segment (Proposal Content.6) .....	16
<b>E. Audit Fees .....</b>	<b>17</b>
Schedule of Professional Fees (Proposal Content.9)/(Proposal Content.10) .....	17
Rates for Additional Professional Services .....	17
Manner of Payment .....	17
Summary of Staff Hours by Phase (Proposal Content.8) .....	17
<b>F. Additional Data .....</b>	<b>18</b>
Affirmation Concerning Substandard Audit Work .....	18
Prior Engagements .....	18
Equal Opportunity Employer .....	18
GASB Implementation and Guidance .....	18
Technology in the Audit .....	18
Auditing Information Technology and Software .....	19
<b>G. Current Client List (Proposal Content.3) .....</b>	<b>22</b>
<b>H. Common Questions and Answers .....</b>	<b>23</b>
<b>Attachments:</b>	
Attachment A – Peer Review Report	





February 26, 2016

Stephanie Hill, Finance Manager  
San Lorenzo Valley Water District  
13060 Highway 9  
Boulder Creek, CA 95006

We are pleased to have this opportunity to submit our proposal to provide auditing services for the San Lorenzo Valley Water District ("the District"). Our understanding of the work is that we will audit the financial statements of the District for three fiscal years, starting with year ending June 30, 2016, with the additional option of auditing the District's financial statements for two subsequent fiscal years, those years ending June 30, 2019 and June 30, 2020.

Our audits will be performed in accordance with auditing standards generally accepted in the United States of America as issued by the AICPA, the standards set forth for financial audits in the United States General Accounting Office's (GAO) *Government Auditing Standards*, and the State Controller's Minimum Audit Requirements for California Special Districts. We will also apply the necessary limited procedures to management's discussion and analysis and required supplementary information, and prepare the basic financial statements, and notes to financial statements.

As a result of our audit, we will express an opinion on the fair presentation of the basic financial statements of the District in conformity with GAAP, issue a report on the District's internal control structure, and the District's compliance with applicable laws and regulations.

Entrance and exit conferences will be timely scheduled during each phase of the audit to plan the audit and discuss the results of each phase. Throughout the contract period, we will provide consultation on accounting and compliance issues and attend the District meetings to discuss the audit and management comments. It is our commitment to the District that we will complete the work within the agreed time frame.

We are confident Chavan & Associates LLP ("C&A") is the best-qualified firm to serve as your independent auditors. A brief list of reasons include:

- We specialize in California special districts, school districts, local government and grant audits. We currently have 9 special district (water, sewer, and fire) clients. Please see page 22 for a list of similar clients.
- Sheldon Chavan, Managing Partner, will manage and run the audit in the field. As you will see later in this proposal, Sheldon has over 19 years of experience auditing local education agencies, including audits of the Silicon Valley Clean Water, Central Marin Sanitation Agency, and Fairfiled-Suisun Sewer District.



**Chavan & Associates, LLP**  
Certified Public Accountants

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- Our primary objective is to provide premium audit services. Our approach focuses on the risks and control deficiencies that can hamper your ability to provide services to your community.
- Our service will be dependable, reliable and timely. We will meet all deadlines within your specified time frame.
- We will be sensitive to your workload. We understand you and your staff must keep up with your current work as well as coordinate with the audit.
- We are available twelve months of the year to serve our audit clients. You are important to our firm and we promise a high level of involvement and enthusiasm at all levels.

We are secure in our belief that our firm is the best qualified to meet your needs. Once you have examined our proposal and contacted our references, we feel you will agree. This proposal is a firm and irrevocable offer for 90 days.

Sheldon Chavan, CPA, Partner (650) 346-1329, Sheldon@cnallp.com) is the partner at C&A who is authorized to sign and obligate the firm contractually and is located in our main office at 1475 Saratoga Ave, Suite 180, San Jose, CA 95129.

We look forward to being of service to you.

Very truly yours,

*C & A LLP*

Sheldon Chavan, CPA, Partner  
Chavan & Associates LLP

## **SECTION A**

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### **PROFILE OF THE FIRM**

## Section A – Profile of the Firm

### *San Lorenzo Valley Water District Proposal for Auditing Services*

#### **Contractor Identification and Introduction**

Company Name: Chavan & Associates, LLP (C&A)  
Address: 1475 Saratoga Ave, Suite 180, San Jose, CA 95129  
Office Phone: 408-217-8749  
Fax: 408-872-4159  
E-mail: Sheldon@cnallp.com  
CA File Number: 202009218003  
FEIN: 27-0630496  
Authorized to Sign: Sheldon Chavan, Partner

C&A was established in August of 2009 as a limited liability partnership (with two partners) specializing in accounting, auditing, and consulting. Our managing and engagement partner, **Sheldon Chavan**, has **19 years of experience auditing local governments and nonprofits**, which has included audits under the State Controller's Office Minimum Audit Requirements, Government Auditing Standards, TDA audit compliance requirements and Single Audit Act requirements. Sheldon has audited and prepared Comprehensive Annual Financial Reports (**CAFR's**) and basic financial statements as required by the Government Finance Officers Association (**GFOA**) and the Governmental Accounting Standards Board (**GASB**) for over 100 cities, fire districts, water district's, sanitation district's, JPA's and other types of special districts. He has also been a reviewer of CAFR's for the **GFOA**. Most recently, C&A prepared or reviewed the CAFR's of the Town of Lost Gatos, the City of Saratoga, City of Oroville, the Los Altos School District and the Central Marin Sanitation Agency for the years ending June 30, 2015.

We have six professional staff, in addition to the partners and one administrative person, which will be available to assist as needed throughout the engagement. As the Managing Partner, Sheldon will perform the work directly with assistance from other professional staff as needed. Our central office is located in San Jose, CA.

Staffing for the District's audit will include the following professionals (audit experience):

Sheldon Chavan, Engagement Partner (19 yrs.)  
Paul Pham, Senior Auditor I (7 yrs.)  
Matthew Ojeda, Prof. Staff (1 yr.)

Bryan Kwon, Associate Partner (3 yrs.)  
Daniel Garaycochea, Prof. Staff (2 yrs.)  
Jennie Tran, Prof. Staff (1 yr.)

One of the professional staff could change from year to year. The District will be notified of any staff changes prior to field work. The Engagement Partner and senior staffs will be the same during each year of the engagement. Auditing is the main focus of our practice and we like to start the audit early, however our calendar is flexible. Having an early start date (as early as April 4) has great returns for our clients in that control deficiencies can be corrected before reports have been submitted to the state and other reporting agencies. For example, material attendance errors found before the P-2 has been completed means the P-2 does not have to be revised and a finding may not need to be included in the report as a significant deficiency. Finally, our partners are experts with GASB, OMB, GAGAS, State Compliance and US GAAP. We are confident that our experience and leadership in California school district financial matters will enable us to provide the District quality accounting and auditing services.

We currently have 71 government, nonprofit and grant audit clients, of which, 31 were required to have a single audit (OMB A-133) in 2013-14. Our firm's experience includes numerous audits under state and



## **Section A – Profile of the Firm**

### *San Lorenzo Valley Water District Proposal for Auditing Services*

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federal compliance audit guides, including the Minimum Audit Requirements and Reporting Guidelines for special districts as required by the State Controller’s Office. We have 17 special districts under contract for the 2014-15 fiscal year, including 9 water and sanitary type districts.

What makes us unique from other audit firms is that we strive to eliminate “on-the-job” training by having the partners in the field during each phase of the audit (not just “spot-checking”). Your main point of contact and audit supervisor will be the engagement partner throughout the entire audit. The daily interaction from our partners has been invaluable to our clients as it provides the opportunity for immediate feedback and the chance to ask questions related to accounting, account coding, grant requirements, CAFR requirements, budgeting, and much more.

#### **Range of Services**

We also provide the following services:

- GASB consultation and new GASB implementation (included in the audit fee)
- Home and School Club training and special audits
- ASB training (generally included in the audit fee)
- Review and drafting policies and procedures (generally included in the audit fee)
- Proposition 39 bond performance audits
- MD&A preparation, templates and assistance (included in the audit fee)
- CAFR preparation for GFOA and CASBO
- Contractor prequalification services for public bids
- Special construction contractor audits for time, billing and materials
- Nonprofit organization tax returns



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## **SECTION B**

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### **ASSURANCES**

## Section B – Assurances

### *San Lorenzo Valley Water District Proposal for Auditing Services*

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#### **Proposer**

**Sheldon Chavan** will be your key contact throughout the audit and will **supervise** the audit in the field. He will help the District implement new accounting standards and facilitate ongoing support. Sheldon is a CPA with over 19 years in governmental auditing and accounting. Please see page 5 to view more information about Sheldon Chavan.

#### **Quality Control Review**

We are enrolled in the **AICPA** quality control **peer review** program. Our peer review was performed and submitted by Chaing, Hammon and Co. on June 30, 2014 and included the audits completed for the June 30, 2013 fiscal year and December 31, 2013 calendar year. We passed our peer review without exception. **See Attachment A for a copy of our peer review report.**

C&A has a perfect record of quality control. Our audits substantially complied with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in the U.S. General Accounting Office's Standards for Audits of Governmental Agencies, Programs, Activities, and Functions; issued by the U.S. General Accounting Office; the provisions of the Single Audit Act Amendments of 1996; and the provisions of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*.

#### **Independence**

C&A is independent of the District as defined by auditing standards generally accepted in the United States of America and the US **General Accounting Office's Government Auditing Standards**. *In all matters relating to the audit work, the audit organization and individual auditors, whether government or public, should be free from personal and external impairments to independence, should be fiscally independent, and should maintain an independent attitude and appearance.*

#### **License to Practice in the State of California, Assurances and Certifications**

C&A and all assigned key professional staff are properly licensed to practice as certified public accountants in the State of California and we have been approved by the State Controller's Office to perform LEA audits. We meet the standards of the **GAO** Standards for Audit of Governmental Organizations Programs, Activities and Functions.

We understand the primary purpose of the examination, as specified herein, is to express an opinion on the financial statements and that such an examination is subject to the inherent risk that errors or irregularities may not be detected. If conditions are discovered which lead to the belief that material errors, defalcations, or other irregularities may exist, or if any other circumstances are encountered that require extended services, the auditor will promptly advise appropriate the District management.

In accordance with auditing standards and other applicable guidelines and regulations, we will select the necessary procedures to test compliance and disclose noncompliance with specified laws, regulations and contracts.





## **Section B – Assurances**

### *San Lorenzo Valley Water District Proposal for Auditing Services*

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#### **Insurance**

C&A maintains the following insurance:

- Commercial General Liability Insurance (bodily injury and property damage) is \$4,000,000 per occurrence. The carrier is Hartford Insurance Company.
- Automobile Bodily Injury and Property damage liability insurance is \$2,000,000 per occurrence. The carrier is Hartford Insurance Company.
- Professional Liability Insurance carrier is Philadelphia Insurance Company. The per claim/aggregate limit of the liability is \$3,000,000.
- Workers Compensation Insurance carrier is Twin City Insurance Company. The per claim/aggregate limit of the liability is \$1,000,000.



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## **SECTION C**

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### **SUMMARY OF FIRM'S QUALIFICATIONS**

## Section C – Summary of Firm’s Qualifications

*San Lorenzo Valley Water District Proposal for Auditing Services*

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We are aware of the need for continuity of personnel on the engagement and promise that the Engagement Partner and senior staff will be directly involved in the audit in its entirety during each year of the contract. We believe that extensive partner involvement provides continuity that could not be achieved in any other way. All staff committed in this proposal will be available for the entire June 30, 2016 audit and are available 12 months a year for questions, comments and implementation support. We are confident that we will be able to assign the same staff to your engagement during each year of the engagement. This is in addition to Sheldon’s direct supervision in the field each year.

**Sheldon Chavan** will be your key contact throughout the audit and will **supervise** the audit in the field. He will help the District implement new accounting standards and facilitate ongoing support.

### **Sheldon Chavan, CPA**

Engagement Partner/Manager (Member CalCPA, AICPA, GFOA)



Sheldon holds a B.S. in Accounting from San Jose State University. He began his career in public accounting in 1998 and has been auditing local governments, non-profits, and federal and state grants ever since. Sheldon is a CPA licensed in California and a member of AICPA, CalCPA and GFOA. He has also been a member of the GFOA Special Review Committee, with responsibility for reviewing CAFR’s for award of the Certificate of Excellence in Financial Reporting. Sheldon has been a board member and financial advisor for the Redwood City Education Foundation. He currently is a member of the Moreland School District Parcel Tax and Bond Oversight Committees. From 1998 to 2009, Sheldon performed audits the San Mateo County Office of Education. As an example of Sheldon’s knowledge of various financial and compliance audit requirements, in C&A’s most recent peer review, our firm was randomly selected for a second review because of our specialization with state, federal and local grant compliance audits. We passed both peer reviews without exception and the secondary peer reviewer commented the excellence of our audit process and documentation.

Sheldon has managed governmental audits his entire career, which included the technical review of all work papers, staffing, scheduling, reporting, state compliance, federal compliance and much more. He is responsible for the technical aspects of the firms accounting and auditing practice, and all other partners and staff report directly to him, primarily in the areas of compliance with auditing standards generally accepted in the United States of America, the standards set forth for financial audits in the United States General Accounting Office’s (GAO) *Government Auditing Standards*, the provisions of the Federal Single Audit Act and the United States Office of Management and Budget (OMB) Circular A-133, *Audits of State, Local Governments and Nonprofit Organizations*, and the audit procedures required by the State Controller’s Office of the State of California as detailed in the Controller’s publication, “Standards and Procedures for Audits of California K-12 Local Educational Agencies.” Sheldon also ensures that each staff has met the continuing professional education requirements under these standards and teaches several in-house seminars a year. He also administers our firm’s quality control system as required by GAAS and Yellow Book standards.

Sheldon has been performing audits under OMB A-133 and the Single Audit Act throughout his career. Understanding the complexities of the various federal programs is one of his specialties. Over the years, Sheldon has audited major programs such as National School Lunch, Title II Education Technology, ARRA Education Technology, IDEA Special Education Local Assistance, ARRA IDEA Special Education, Title I, ARRA Title I, Education Jobs Fund, Title IV Drug Free Schools, NCLB Title III, Title II Improving Teacher Quality,



## Section C – Summary of Firm’s Qualifications

*San Lorenzo Valley Water District Proposal for Auditing Services*

ARRA SFSF, CDBG, Shelter Plus Care, Home Investment in Affordable Housing, HUD Section 8, Highway Planning and Construction, Medi-Cal, Low-income Low Energy Assistance, and many more.

Sheldon has prepared **CAFR’s** for submission to the GFOA on behalf of more than **50** local governments. More recently, Sheldon prepared the CAFR’s for the Town of Los Gatos, City of Oroville, Central Marin Sanitation Agency, Fairfield-Suisun Sanitary District, City of Saratoga and the Los Altos School District in 2014-15.

Sheldon’s recent continuing professional education:

Description of Program/Training
Fraud in Exempt Organizations: GAGAS, Preventing Fraud, and Audit Committees
Fraud in Exempt Organizations: Government & NPO Environment' plus 'Fraudulent Financial Reporting
Ethics: Pointer Electronics, Inc. - You Are the Audit Partner
Ethics: BAN&K Advisory Services LLC - You Are the Audit Partner
Frequent Government and NPO Frauds: Misuse of Assets
2015 Governmental and Nonprofit Annual Update: Federal Government Activities
2015 Qrtly Update-Gov/NFP-#1 (Winter): SAS No. 117 and GASB Nos. 57 & 58
2015 Qrtly Update-Gov/NFP-#2 (Spring): OMB A-133 Developments and SASs 118, 119, & 120
2014 Governmental and Nonprofit Annual Update: Federal Government Activities
2014 Qrtly Update-Gov/NFP-#1 (Winter): SAS No. 117 and GASB Nos. 67 & 68
OMB A-133: 'Program-Specific Audits' plus 'Audit Tools and Guidance'
Applying Risk Assessment Standards: Understanding the Entity and Its Environment
How to conduct a peer review
Governmental Accounting and Auditing Conference Webcast - 5121266C
Not-for-Profit Organizations Conference Webcast - 5121343C
Cases in NFP Acct. & Auditing: 'Financial Statement Requirements' plus 'Net Asset Classifications'
Fraud in Exempt Organizations: Applying AU Sec. 316 in Governmental and Not-for-Profit Environments
Ethics: AA&C LLP - Accounting Firm Practice Development Committee
Ethics: Precious Mining Inc.- You Are the Audit Committee Chair
Cases in NFP Acct. & Auditing: Contributions
Field Work Documentation: Preparation, Maintenance, Types of Workpapers
School District Update Including LCFF and LCAP Compliance
School Districts Conference Webcast - 5121445C
Comprehending OMB A-133: Overview plus 'Federal Awards'
Comprehending OMB A-133: 'Pass-Through Awards and Subrecipients' plus 'Meet the SEFA'
Comprehending OMB A-133: 'Major Program Determination' plus 'Types of Compliance Requirements'
Comprehending OMB A-133: Compliance Supplement, Cost Circulars, and Testing Internal Control
Comprehending OMB A-133: 'Testing Compliance' plus 'Reporting Requirements'
Comprehending OMB A-133: The Current OMB A-133 Environment
Basic Governmental Accounting: 'Reporting Entity' plus 'Government-Wide Statements'

## Section C – Summary of Firm’s Qualifications

### San Lorenzo Valley Water District Proposal for Auditing Services

The following is a partial list of Sheldon’s clients over the years:

Cities and Towns	Special Districts/JPA's	School Districts/COE's	Nonprofits and Other
City of Berkeley	Bay Area Water Services & Cons	Antelope Elementary	2006 Washington St.
City of Marina	Central Marin Sanitation Agency	Belmont Redwood Shores	Bay Area Special Education JPA
City of Novato	East Bay Dischargers Authority	Burlingame	Bay Area Water Users Association
City of Oroville	Fairfield-Suisan Sanitation District	Cabrillo Unified	Black Adoption Placement
City of Pittsburg	Half Moon Bay Fire Protection	Campbell Union	Boys and Girls Clubs of Sonoma
City of Point Arena	Hayward Area Parks and Rec	Cloverdale Unified	Center for Empowering Refugees
City of Salinas	Highland Recreation District	Cotati Rohnert Park	Children of Grace
City of San Rafael	Los Trancos Water District	Hillsborough City	Collective Roots
City of Saratoga	Mckinney Water District	La Honda Pescadero	Credo High School
City of Scotts Valley	Menlo Park Fire Protection	Lakeside	Diagnostics for the Real World
City of Sonoma	Midpen Regional Open Space Auth	Las Lomitas Elementary	Hidaya Foundation
City of South San Francisco	Pleasant Hill Parks and Rec	Lassen View Elementary	Livebooks
City of Sunnyvale	Point Montara Fire Protection District	Los Altos Elementary	Mashery
City of Tracy	Santa Clara Regional Open Space Auth	Luther Burbank	Mission Charter
Town of Los Gatos	Saratoga Cemetery District	Manton Joint Union	Mission Language and Vocational School
Town of Windsor	South Bayside System Authority	Menlo Park City	Morgan Hill Charter Foundation
	South San Francisco Conf. Ctr.	Millbrae Elementary	Morgan Hill Charter School
	Suasalito-Marin City Sanitation District	Mineral	Nob Hill Home Owners Assoc.
	Tahoe Regional Planning Agency	Mountain View Whisman	O'Conner Water
	The Cities Group	Orchard	One Million Lights
	Valley of the Moon Fire	Pacifica	Orange County Charter School
	West Bay Sanitary District	Plum Valley	Pathway to Choices
	West County Wastewater District	Portola Valley Elementary	Pyramid Alternatives
	Westborough Water District	Red Bluff	Redwood City Education Foundation
	Woodside Fire Protection District	Salinas Union High	San Jose Conservation Charter
		San Bruno Park	San Jose Conservation Corps
		San Carlos Elementary	Singularity University
		San Mateo County Office	Sociometrics
		San Mateo Union High	South Tahoe Area Transit Authority
		Scotts Valley Unified	Stone Bridge Charter School
		Sequoia Union High	Woodside Atherton Authority
		Sonoma Valley Unified	work2future Foundation
		Union School District	
		West County Agency (LEA)	
		Windsor Unified	
		Woodside Elementary	

**Section C – Summary of Firm’s Qualifications**  
*San Lorenzo Valley Water District Proposal for Auditing Services*

**Bryan Kwon, CPA**

Associate Partner

Bryan graduated from University of California, Santa Cruz, with a Bachelor of Science in Business Management Economics. Bryan is a CPA licensed in California and a member of AICPA and CalCPA. Bryan has been working in public and private accounting since 2009, and has completed three seasons of governmental auditing. Bryan has performed tests of controls, substantive tests, state compliance testing and Federal compliance testing for various local governments during his past year. Besides the standard control documentation and substantive testing required for GAAS audits, Bryan has performed audits and prepared reports under OMB A-133 and the Single Audit Act. He has audited Federal grants from various agencies, including FEMA, HUD, FTA, the Department of Education, ARRA grants and much more.

Bryan’s recent continuing professional education:

Description of Program/Training	
GAGAS - Ethical Principles In Government Auditing	Government Auditing
GAGAS - Field Work and Reporting Standards	Major Changes to Auditing Standards
GAGAS - Field Work Standards For Financial Audits	GAGAS - General Standards
GAGAS - General Field Work And Reporting Standards	GAGAS - Reporting Standards For Financial Audits
GASB Basic Financial Statements for State and Local Governments	GAGAS - Use and Application of GAGAS

The following is a list of Bryan’s clients over the past year:

Cities and Towns	Special Districts	School Districts/COE's	Nonprofits and Other
City of Oroville	Bay Area Water Supply Conserv. Agency	Antelope Elementary	Credo Charter
City of Point Arena	Central Marin Sanitation Agency	Cabrillo Unified	Mission Charter
City of Saratoga	East Bay Dischargers Authority	Cotati Rhonert Park	Morgan Hill Charter
City of Tracy	Half Moon Bay Fire Protection	Lassen View Elementary	Orange County Charter School
Town of Los Gatos	Los Trancos Water District	Las Lomitas Elementary	Pathway to Choices
	Menlo Park Fire Protection	Los Altos Elementary	San Jose Conservation Charter
	Pleasant Hill Parks and Rec	Manton Joint Union	San Jose Conservation Corps
	Point Montara Fire Protection District	Mineral	
	South Bayside Systems Authority	Millbrae Elementary	
	South San Francisco Conf. Ctr.	Mountain View Whisman	
	Tahoe Regional Planning Agency	Orchard School District	
	The Cities Group	Pacifica	
	West Bay Sanitary District	Plum Valley	
	West County Wastewater District	Portola Valley Elementary	
	Westborough Water District	Red Bluff	
	Woodside Fire Protection District	San Bruno Park	
		San Mateo County Office	
		Sequoia Union High	
		Sonoma Valley Unified	
		Union Elementary	
		West County Agency (LEA)	
		Windsor Unified	
		Woodside Elementary	

## Section C – Summary of Firm’s Qualifications

### San Lorenzo Valley Water District Proposal for Auditing Services

### Paul Pham

Senior Auditor I

Paul received his Bachelor of Science from Pacific University and hopes to pursue a Master of Accountancy in the near future. He is currently preparing to sit for the CPA exam and plans to complete his CPA certification by the end of the year. Paul has been working in public and private accounting since 2007 and has completed **seven** governmental audit seasons. He has completed financial and compliance audits for the entities (including LEA’s) listed below since 2007. Besides the standard control documentation and substantive testing required for GAAS audits, Paul has performed audits and prepared reports under OMB A-133 and the Single Audit Act for most of the entities listed below. He has audited Federal grants from various agencies, including FEMA, HUD, FTA, the Department of Education (Title I, Special Education, Title II, Adult Ed) and much more.

Paul’s recent continuing professional education:

Description of Program/Training	
GAGAS - Ethical Principles In Government Auditing	Government Auditing
GAGAS - Field Work and Reporting Standards	Major Changes to Auditing Standards
GAGAS - Field Work Standards For Financial Audits	Limiting Auditor Liability
GAGAS - General Field Work And Reporting Standards	Internal Fraud: Analytical Techniques
GAGAS - General Standards	School Districts Conference
GAGAS - Reporting Standards For Financial Audits	Yellow Book: General, Field Work and Reporting Standards
GAGAS - Use and Application of GAGAS	GASB Basic Financial Statements for State and Local Governments

The following is a list of Paul’s clients over the years:

Cities and Towns	Special Districts	School Districts/COE's	Nonprofits and Charter Schools
City of Berkeley	Bay Area Water Supply Conserv. Agency	Antelope Elementary	2006 Washington St CIA
City of Oroville	Central Marin Sanitation Agency	Cabrillo Unified	Black Adoption Placement & Research Center
City of Point Arena	East Bay Dischargers Authority	Cotati Rhonert Park	Boys and Girls Clubs of Sonoma
City of Saratoga	Half Moon Bay Fire Protection	La Honda Pescadero	Center for Empowering Refugees and Immigrants
City of Sonoma	Los Trancos Water District	Lassen View Elementary	Collective Roots
City of Tracy	Menlo Park Fire Protection	Las Lomitas Elementary	Credo Charter
Town of Los Gatos	Pleasant Hill Parks and Rec	Los Altos Elementary	Mission Charter
	Point Montara Fire Protection District	Luther Burbank	Morgan Hill Charter
	South Bayside Systems Authority	Manton Joint Union	Nob Hill Home Owners Association
	South San Francisco Conf. Ctr.	Mineral	Pathway to Choices
	Tahoe Regional Planning Agency	Millbrae Elementary	Redwood City Education Foundation
	The Cities Group	Mountain View Whisman	San Jose Conservation Charter
	West Bay Sanitary District	Orchard School District	San Jose Conservation Corps
	West County Wastewater District	Pacifica	Sociometrics
	Westborough Water District	Plum Valley	
	Woodside Fire Protection District	Portola Valley Elementary	
		Red Bluff	
		San Bruno Park	
		San Mateo County Office	
		Sequoia Union High	
		Sonoma Valley Unified	
		Union Elementary	
		West County Agency (LEA)	
		Windsor Unified	
		Woodside Elementary	



**Section C – Summary of Firm’s Qualifications**  
*San Lorenzo Valley Water District Proposal for Auditing Services*

**Daniel Garaycochea**

Professional Staff

Daniel graduated from San Jose State University with a Bachelor of Science in Legal Studies. He has successfully completed two seasons of governmental auditing. Daniel has performed tests of controls, substantive tests, state compliance testing and Federal compliance testing for various special districts and school districts. Besides the standard control documentation and substantive testing required for GAAS audits, Daniel has performed audits and prepared reports under OMB A-133 and the Single Audit Act. He has audited Federal grants from various agencies, including Special Education, National School Lunch, Title I, Department of Education grants and others.

Recent Continuing Professional Education:

Description of Program/Training	
GAGAS - Ethical Principles In Government Auditing	Government Auditing
GAGAS - Field Work and Reporting Standards	Major Changes to Auditing Standards
GAGAS - Field Work Standards For Financial Audits	GAGAS - General Standards
GAGAS - General Field Work And Reporting Standards	GAGAS - Reporting Standards For Financial Audits
GASB Basic Financial Statements for State and Local Governments	GAGAS - Use and Application of GAGAS

The following is a list of Daniel’s clients over the years:

Cities and Towns	Special Districts	School Districts/COE's	Nonprofits and Other
City of Oroville	Bay Area Water Supply Conserv. Agency	Antelope Elementary	Boys and Girls Clubs of Sonoma
City of Point Arena	Central Marin Sanitation Agency	Cabrillo Unified	Credo Charter
City of Saratoga	East Bay Dischargers Authority	Cotati Rhonert Park	Mission Charter
City of Tracy	Half Moon Bay Fire Protection	Lassen View Elementary	Morgan Hill Charter
Town of Los Gatos	Los Trancos Water District	Las Lomitas Elementary	Pathway to Choices
	Menlo Park Fire Protection	Los Altos Elementary	San Jose Conservation Charter
	Pleasant Hill Parks and Rec	Manton Joint Union	San Jose Conservation Corps
	Point Montara Fire Protection District	Mineral	
	South Bayside Systems Authority	Millbrae Elementary	
	South San Francisco Conf. Ctr.	Mountain View Whisman	
	Tahoe Regional Planning Agency	Orchard School District	
	The Cities Group	Pacifica	
	West Bay Sanitary District	Plum Valley	
	West County Wastewater District	Portola Valley Elementary	
	Westborough Water District	Red Bluff	
	Woodside Fire Protection District	San Bruno Park	
		San Mateo County Office	
		Sequoia Union High	
		Sonoma Valley Unified	
		Union Elementary	
		West County Agency (LEA)	
		Windsor Unified	
		Woodside Elementary	

**Section C – Summary of Firm’s Qualifications**  
*San Lorenzo Valley Water District Proposal for Auditing Services*

**Matthew Ojeda**

Professional Staff

Matthew graduated from the San Jose State University, with a B.S. in Accounting. New to public accounting in 2014, he has successfully completed one full season of governmental auditing. Matthew has performed tests of controls, substantive tests, state compliance testing and Federal compliance testing for various special districts and school districts. Besides the standard control documentation and substantive testing required for GAAS audits, Matthew has performed audits and prepared reports under OMB A-133 and the Single Audit Act. He has audited Federal grants from various agencies, including Special Education, National School Lunch, Title I, Department of Education grants and others.

Recent continuing professional education:

Description of Program/Training	
GAGAS - Ethical Principles In Government Auditing	Government Auditing
GAGAS - Field Work and Reporting Standards	Major Changes to Auditing Standards
GAGAS - Field Work Standards For Financial Audits	GAGAS - General Standards
GAGAS - General Field Work And Reporting Standards	GAGAS - Reporting Standards For Financial Audits
GASB Basic Financial Statements for State and Local Governments	GAGAS - Use and Application of GAGAS

The following is a list of Matthew’s clients over the years:

Cities and Towns	Special Districts	School Districts/COE's	Nonprofits and Other
City of Point Arena	Bay Area Water Supply Conserv. Agency	Antelope Elementary	Boys and Girls Clubs of Sonoma
	West County Wastewater District	Lassen View Elementary	Collective Roots
	Westborough Water District	Las Lomas Elementary	Morgan Hill Charter
		Manton Joint Union	Pathway to choices
		Mineral	Sociometrics
		Millbrae Elementary	
		Mountain View Whisman	
		Orchard School District	
		Union Elementary	

## Section C – Summary of Firm’s Qualifications

### *San Lorenzo Valley Water District Proposal for Auditing Services*

#### Professional Education and Training

Our professionals complete 80 hours of continuing professional education every two years in auditing and accounting which includes at least 80 hours of governmental auditing and accounting training specific to local governments. We use a combination of in-house seminars, self-study and outside seminars sponsored by AICPA, GFOA, the California Education Foundation and other recognized groups.

All assigned staff meet the educational requirements for Governmental engagements as specified by the California Board of Accountancy, Federal General Accounting Office, Governmental Accounting Standards Board, and the AICPA as appropriate.

#### References

To assist you in evaluating our capabilities, we have provided references that you may contact for additional information as to the quality of our services. The following audits were completed for the fiscal year ended June 30, 2015:

Entity Name	Silicon Valley Clean Water	Central Marin Sanitation Agency	Fairfield-Suisun Sewer District
Contact Person	Matthew Anderson	Heidi Lang	Helen Gaumann
Title	Chief Financial Officer	Financial Analyst	Director of Admin Services
Address	1400 Radio Road, Redwood City, CA 94065	1301 Andersen Dr, San Rafael, CA 94901	1010 Chadbourne Rd, Fairfield, CA 94534
Phone	650-591-7121	415-459-1455 x146	707-428-9145
E-mail	manderson@svcw.org	hlang@cmsa.us	hgaumann@fssd.com
Period Completed	6/30/2015	6/30/2015	6/30/2015
Year's Audited by C&A	6	5	2
Engagement Partner	Sheldon Chavan	Sheldon Chavan	Sheldon Chavan
Entity Type	Special District	Special District	Special District
Scope of Work	Report Prep GAGAS Audit SCO Min Audit Req Single Audit SAS 114 Report Management Letter Year Round Consultation	Report Prep/CAFR Review GAGAS Audit SCO Min Audit Req Review SCO Report SAS 114 Report Management Letter Year Round Consultation	CAFR Review GAGAS Audit SCO Min Audit Req GASB 34 Reconciliation SAS 114 Report Management Letter Year Round Consultation

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## **SECTION D**

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### **FIRM'S APPROACH TO EXAMINATIONS**

## **Section D – Firm’s Approach to Examinations**

*San Lorenzo Valley Water District Proposal for Auditing Services*

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The C&A audit approach begins with an entrance conference between Sheldon Chavan and management to gather information for risk assessment and audit planning. Upon the conclusion of the entrance conference, Sheldon will plan and schedule C&A’s three phase audit approach and prepare a list of items to be provided for Phase I of the audit. Significant aspects of each phase are outlined as follows:

### **Phase I - Planning and Risk Assessment**

This phase is designed to evaluate your operating and accounting procedures and will provide the basis for a significant portion of our letter to management. The results of our work during this phase will determine our audit approach for significant accounts and compliance. We plan to begin this phase by meeting with management to plan the audit and discuss any significant issues with the proposed audit plan and timeline.

At least four weeks prior to the beginning of this phase, we intend to provide the District with a list detailing the information and timing that will be needed in order to facilitate the completion of the audit in a timely manner. Having all items on the list are available prior to the beginning of Phase I will allow us to complete the audit within the allotted time frame or earlier. We will also begin the testing of state compliance, attendance, federal compliance for major programs and the associated student body fund accounts during this phase.

As a part of Phase I, we will document the District’s key personnel, the District’s process for identifying and preventing fraud, significant financial and compliance areas, significant laws and regulations, determine key contacts and their involvement in the audit, and finalize the audit timeline.

We obtain our **understanding of the internal control structure**, control environment, and accounting system through:

- \* Inquiries of appropriate management and staff personnel.
- \* Inspection of the District’s documents and records.
- \* Observation of the District’s activities and operations to corroborate the results of inquiries.
- \* Testing of the controls to determine they are operating as planned.
- \* Performance of preliminary analytical review on interim financials. The analytical review entails comparing similar information for the same time frame from the prior year and also comparing current year-to-date information to the budget to determine areas that may need additional attention during Phase II.
- \* Review and evaluation of the District’s **information system controls** and procedures. Our staff has gained invaluable experience with systems such as HTE, MOM, Munis, Digital Schools, Springbrook, Pentamation, Quickbooks, Financial Edge, Escape, QSS, QCC, FUND\$, CECC, SACS, Financial 2000, SASi, Quicken, Edusoft, Minisoft, Infinite Campus, Power School, Genesis, as well as many others. It is our goal to maximize the usage of your computer system during the audit.

This phase constitutes approximately 40% of all the non-clerical hours of the engagement and may be combined with Phase II if desired. At the completion of Phase I, an exit conference will be held to discuss findings and recommendations and prepare for Phase II.

## **Section D – Firm’s Approach to Examinations**

*San Lorenzo Valley Water District Proposal for Auditing Services*

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### **Phase II - Substantive Audit Procedures and Compliance**

This phase is designed to complete our substantive and compliance audit procedures on the funds and accounts of the District. The approach for Phase II will be based on the results of Phase I. At least four weeks prior to the beginning of this phase, we intend to provide the District with a list detailing the information and timing that will be needed in order to facilitate the completion of the audit in a timely manner. Audit programs will be tailored for your needs. This work will begin after the closing of your books.

**Sample size** and selection is based on our assessment of risk and planned or actual deviations. Our sampling methods vary depending on the type of tests we perform. We use Practitioners Publishing Company (PPC) and Knowledge Coach (KC) audit programs to assist in our risk determination and sampling selection. We also use **ProSystems fx Engagement** paperless audit, Microsoft Excel, and Microsoft Word on laptops to perform the audit. Generally, we prefer information provided in electronic format, however we use production scanners in the office and portable scanners in the field for information that is unavailable in electronic format.

Analytical procedures during Phase II involve comparing current data to prior year and budget data, calculating dollar and percentage variances and investigating differences. We also analyze trends and relationships of the various financial statement components and ratios.

Laws and regulations subject to audit will be determined based on inquiry and familiarity we gain with the District, and with state and federal compliance requirements. Sample selection for compliance work will be based on the respective compliance and audit guides, PPC, KC, our experience and judgment, and other various sources.

Phases II will take approximately 40% of the engagement hours. At this time, an exit conference will be held to discuss findings and recommendations and prepare for Phase III.

### **Phase III - Financial Statement Preparation and Review**

This phase consists of preparing your financial statements in conformity with accounting principles generally accepted in the United States of America and standards of the Governmental Accounting Standards Board. We will also prepare all other financial and compliance reports required of us (see Audit Scope). The required reports and management letter will be submitted to **management as required by the request for proposal**, or as otherwise agreed.

Our reporting process is automated through our audit software. Once we obtain the District’s financials in electronic format (PDF or Excel), we import that into our system, which will automatically code and update all financial statements and most note disclosures in the financial statements and notes. We reconcile the audited financial statements and trial balance to the unaudited financials in SACS and your general ledger. We can also auto link tables and charts in the MDA as well. All agreed upon adjustments will be linked in our audit software. This greatly reduces the report preparation time and involvement of the District staff and creates more opportunity for review of information systems, internal controls and management recommendations.

## **Section D – Firm’s Approach to Examinations**

*San Lorenzo Valley Water District Proposal for Auditing Services*

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At the end of this phase we will provide a summary of audit adjustments, uncorrected misstatements (passed adjustments) and GASB 34 conversion entries. We also provide a **template MDA** with tables and updated numbers at **no additional cost**.

We anticipate that Phase III will comprise approximately 20% of the engagement hours, including the majority of the clerical hours. The timing of each phase of the audit is estimated based on the assumption that the District will meet their close schedule and responsibilities as noted in the request for proposal.

Please note that we generally hold **entrance conferences** at the beginning of Phase I and II and **exit conferences** at the end of Phase I, II and III. However, we are available to meet with the District at any-time.

### **Compliance and Program Specific Auditing**

Included in all phases are specific procedures required to complete individual compliance items. Analytic and sampling procedures generally follow those described in the preceding phase, but are modified, when needed, to meet specific guidelines of the programs audited. For example, the single audit compliance testing is generally coordinated with disbursements, accounts payable, payroll and other related significant audit areas, so **sample sizes** are increased to ensure the items tested are representative of the entire population of transactions.

### **Recommendations for Improved Management and Operations**

We feel we have accumulated valuable knowledge in the field of governmental accounting and auditing which has allowed us to offer a wide range of specific recommendations to increase the efficiency and effectiveness of other audit clients. With our background, we can provide services that may be very beneficial to you presently and in the future. As our client, you can look to us for informed support year-round in all areas of interest or concern. In the course of our engagement with the District, we will provide prompt, knowledgeable answers to your questions regarding all aspects of accounting, finance, management, and operations. Our general practice is to respond to all inquiries within **15 minutes** of having received the inquiry.

It is our policy to discuss discrepancies and recommendations with the District staff directly involved and then with management, as necessary. If an item warrants inclusion in the report as a finding, we will obtain management’s responses to each finding. All responses will be reviewed with management and staff before it is presented to the Board. All individuals involved will have a chance to respond to any findings and recommendations well before they are presented to the Board.

### **Irregularities and Illegal Acts**

We will make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which we become aware to management.



## Section D – Firm’s Approach to Examinations

*San Lorenzo Valley Water District Proposal for Auditing Services*

### Control Risk Assessment

As part of our audit approach, we use PPC forms, KC forms, narratives, questionnaires and summary schedules to gain an understanding of the control environment and assess its overall effectiveness. This helps us identify the types of potential misstatements and factors that affect the risk of material misstatement and their impact on the audit plan.

### Analytical Procedures

Analytical procedures are used at three points of time during our audit; planning, substantive testing, and final review of the completed financial statements. Analytical procedures are used by to obtain knowledge of conditions and events, to indicate the presence of possible misstatements, to provide substantive evidence of balances and to assess the financial condition of the District.

As we obtain knowledge about the District, we will be able to direct our attention to areas requiring greater audit emphasis as well as provide substantive evidence in support of recorded account balances.

### Identification of Potential Audit Problems

Each year we approach the audit objectively and use a risk based approach to anticipate any potential audit problems. If anything were to come to our attention during the course of the audit, it would be reported to the appropriate management level depending on the nature of the problem.

### Resources Available for Standards Interpretations

In addition to the items published by GFOA, AICPA, FASB, and GASB, we use RIA checkpoint as our main online reference material. As our client, the District will have access to all our resources.

### Timeline by Segment

Segment	Estimated Date <sup>(1)</sup>	Phase
Entrance Conference	April 1	I
Audit Planning (C&A's Office)	April 1	I
Interim List of Items Required by Client	April 1	I
Interim Testing (Including Attendance & ASB)	April 27	I
Interim Exit Conference	May 9	I
Initial List of Findings and Recommendations	May 9	I
Confirmations	June 30	II
Year-end List of Items Required by Client	August 5	II
Year-end Field Work	September 1	II
Exit Conference	October 24	II
Final List of Findings and Recommendations	October 25	II
Draft Reports, Financials and Management Letters	November 15	III
Meeting to Review Reports and Letters	November 21	III
Final Reports, Financials and Letters	November 30	III
Board Presentation	As needed	III

<sup>(1)</sup> The estimated dates are flexible based on the District's needs and District staff availability

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## **SECTION E**

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### **AUDIT FEES**

## Section E – Audit Fees

### San Lorenzo Valley Water District Proposal for Auditing Services

#### Schedule of Professional Fees

The following is our schedule of professional fees by staff level:

	Quoted & Standard Hourly Rates	Hours	Fiscal Year Ending June 30,				
					Optional		
			2016	2017	2018	2019	2020
Engagement Partner	\$ 200	24	\$ 4,800	\$ 4,800	\$ 4,800	\$ 4,800	\$ 4,800
Associate Partner	125	32	4,000	4,000	4,000	4,000	4,000
Senior Auditor I	85	48	4,080	4,080	4,080	4,080	4,080
Professional Staff	55	55	3,025	3,025	3,025	3,025	3,025
Administrative Staff	35	9	315	315	315	315	315
Subtotal - Base Audit		168	16,220	16,220	16,220	16,220	16,220
Professional Discount		N/A	(1,220)	(1,220)	(1,220)	(1,220)	(1,220)
Meals, Lodging and Transportation		N/A	Included	Included	Included	Included	Included
<b>Total All Inclusive Maximum Price</b>		<b>168</b>	<b>\$ 15,000</b>	<b>\$ 15,000</b>	<b>\$ 15,000</b>	<b>\$ 15,000</b>	<b>\$ 15,000</b>

#### Rates for Additional Professional Services

In the event that extraordinary circumstances require additional services beyond the agreed upon scope, C&A will provide, in writing and in advance, the reasons for the additional services along with our estimated costs and a statement that no work will be performed prior to District approval. Rates for additional services would be the same as those identified under the quoted hourly rates above.

*Note that the above fees do not include a "Single Audit". If the District were to expend (or draw on federal loans of) \$750,000 or more during any one year, the additional fee would be \$3,000 per major program.*

#### Manner of Payment

The District will be invoiced for our services as work progresses, but not more often than once per month. We understand that interim and progress billing will be accepted up to a maximum of 75% of the audit fee prior to the approval of the audited financial statements by the District's Board of Directors.

#### Summary of Staff Hours by Phase

Level of Staff	Phases			Total Hours
	I	II	III	
Engagement Partner	8	8	8	24
Associate Partner	12	12	8	32
Senior Auditor I	20	20	8	48
Professional Staff	25	25	5	55
Administrative Staff	2	2	5	9
<b>Totals</b>	<b>67</b>	<b>67</b>	<b>34</b>	<b>168</b>



## SECTION F

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### ADDITIONAL DATA

## Section F – Additional Data

### *San Lorenzo Valley Water District Proposal for Auditing Services*

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#### **Affirmation Concerning Substandard Audit Work**

C&A and all assigned personnel do not have any record of substandard work, outstanding claims nor unsatisfactory performance pending with the State Board of Accountancy.

#### **Prior Engagements**

C&A has not been engaged with the District in the past 5 years and has no conflict of interest with the District.

#### **Equal Opportunity Employer**

C&A is an equal opportunity employer and is in compliance with the Civil Rights Act of 1964, the State Fair Employment Practice Act, and all applicable federal and state laws and regulations relating to equality.

#### **GASB Implementation and Guidance**

The Governmental Accounting Standards Board (GASB) continues to issue new statements in an effort to make financial information accounted for, and reported by, local governments more reliable. Often, the statements issued by GASB are confusing and difficult to apply. Therefore, it is our goal to keep our clients informed about upcoming standards and how they may affect their future. Our technical expertise and guidance in the implementation and interpretation of GASB statements will be available throughout the year. We offer inclusive consultation throughout the term of our contract which includes GASB 68, 67, 63, 54, 45, 34 and any other accounting guidance needed. We also offer in-house training via internally developed seminars. For example, we have given presentations and training on compliance requirements for specific grants and the key controls needed to meet those requirements. Generally, these sessions provide about 4-8 hours of training and are included in the audit. **Any training related to single audit compliance reporting requirements is included in our all-inclusive maximum price and we have included 8 hours of training in our audits fees at no additional charge.**

#### **Technology in the Audit**

C&A is a paperless firm. We use a secure cloud server for file sharing and we have “top-of-the-line” laptops and scanners that we use in the field. The scanners allow for flexibility during the audit since it is not feasible to expect every document in electronic format. And, to ensure data integrity, our laptops are synchronized to our cloud server every day.

Our secure online lockbox provides for a better option over e-mailing electronic files. Each of our clients has an account login username and password through our website that allows them to upload files. This is especially helpful with sensitive information such as payroll data as it is much more secure than e-mail.

Our office is equipped with a top of the line printing center. We have invested in high-end HP black/white and color printers and have established a printing and binding shop for report processing.

Our audit software is Prosystems Engagement which we compliment with Knowledge Coach and PPC’s Smart E-practice Aides audit work papers. These programs allow us to roll-forward audit information



## Section F – Additional Data

### *San Lorenzo Valley Water District Proposal for Auditing Services*

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without having to replace the audit programs in the binder, because they automatically update with changes in auditing and accounting standards every month.

We have data extraction software for each of our laptops that convert Adobe and other file types to Word and Excel. All of the above mentioned technological innovations make the audit more efficient and provides us the opportunity to spend time in areas that are more meaningful to the District. It also reduces the time and effort required by the District staff to provide information and almost entirely eliminates redundancy from year to year in the audit.

Finally, every one of our audit team members has SACS downloaded on their laptops. Once we obtain the DAT file from our client, we can run electronic reports as needed during the audit. As a part of the audit, we will also provide direct guidance in preparing the GASB 34 conversion entries in SACS.

#### **Auditing Information Technology and Software**

We are a cloud computing CPA firm and prefer to utilize online tools whenever possible. Each of our staff has extensive experience not only auditing data from on-line sources, but also accessing internet based general ledger software that is hosted by a remote offsite server and service provider. Most recently, we have completed audits that required us to audit on-line data and utilize online systems such as Escape, QuickBooks Enterprise and QuickBooks Online. Anytime we utilize or audit information from on-line based financial systems, we perform information technology specific audit procedures to ensure the integrity of data input and output is reliable. Our focus when auditing IT is password protection, back-up processes, and data integrity protocol.

We are also very familiar with utilizing information available online from sources such as the California Department of Education, CFDA.gov, Whitehouse.gov and various other online sources. In 2014-15, we completed state and federal compliance that utilize online reporting tools, such as CNIPS and CDE's ASSIST "grantee report" grant reporting system.

We understand the scope of our services for the fiscal years 2015-16, to be as followed:

1. We will conduct a comprehensive financial and compliance audit and prepare the basic financial statements of the District and, depending on the results of the audit, express an opinion on the fair presentation of its basic financial statements in conformity with accounting principles generally accepted in the United States of America.
2. Our reports will include an opinion relative to the financial and/or compliance portions of the audit. We will file a copy of the audit with each of the following agencies: State Controller's Office, Division of Audits; California Department of Education, Audit Bureau; California Department of Finance; and the Federal Audit Clearinghouse, Bureau of the Census. Our reports will be filed no later than December 15<sup>th</sup> each year. The form and contents of the audit report shall be in conformity, to the extent practicable with such form and content as may be prescribed by the State Controller under Section 41020 of the Education Code, GASB 34, GASB 45, GASB 54, GASB 63, GASB 68 and any other applicable GASB requirements.
3. Our audit of the financial statements will be conducted in accordance with auditing standards generally accepted in the United States of America prescribed by the American Institute of Certified



## Section F – Additional Data

### *San Lorenzo Valley Water District Proposal for Auditing Services*

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Public Accountants; the standards for financial audits set forth in the U. S. General Accounting Office's Government Auditing Standards.

4. Our audit will be performed under the Standards for Audit of Governmental Organizations, Programs, Activities and Functions issued by the GAO OMB circular No. A-133 and A-87 (the provisions of the Single Audit Act, and the provisions of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; soon to be the "Super Circular"*).
5. Our audit will include an examination of financial records and statements and audits for compliance shall be made in accordance with the provisions of Sections 1625 and 41020 of the Education Code of the State of California. Our audit will include audit procedures required by the State Controller's Office of the State of California as detailed in the controller's publications, "Standards and Procedures for Audits of California K-12 Local Educational Agencies."
6. At the completion of each phase, we will schedule an exit conference to discuss the results of the audit and the adequacy and effectiveness of the District's current accounting procedures and controls based on our understanding of the control structure and assessment of control risk. Any management points will address issues related to the District's systems of internal control, accounting systems, functions, procedures and processes and compliance with laws and regulations. A copy of the management letter or summary of management points will be provided at the end of interim field-work. We will conduct a final exit conference with the Assistant Superintendent and Administrative Director of Business Services.
7. We shall submit a management letter relating our findings and/or recommendations on those matters noted and observed during the examination of the financial records and developed within the scope usually associated with such an examination relating to, but not limited to, (a) improvement in systems of internal control; (b) improvement in accounting system; (c) apparent noncompliance with laws, rules and regulations, and (d) any other material matter coming to our attention during the conduct of the examination. The first draft of the management letter will be reviewed with the Assistant Superintendent. Prior to the submission of the final draft of the management letters, C&A will meet with the Superintendent, Assistant Superintendent, and Administrative Director of Business Services of the District.
8. As required by SAS 114, we shall ensure that the Board and Management are informed of each of the following:
  - a. Our responsibility under generally accepted auditing standards
  - b. Significant accounting policies
  - c. Management judgments and accounting estimates
  - d. Significant audit adjustments
  - e. Other information in documents containing audited financial statements
  - f. Disagreements with management
  - g. Management consultation with other accountants
  - h. Major issues discussed with management prior to retention
  - i. Difficulties encountered in performing the audit





## **Section F – Additional Data**

### *San Lorenzo Valley Water District Proposal for Auditing Services*

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9. We will prepare and submit copies of the preliminary audit report and management letter for review and discussion with the District Assistant Superintendent prior to working with management and staff in Business Services such as the Administrative Director of Business Services, to finalize these reports for each of the audits.
10. We will provide sufficient copies of each report required in the RFP in order to supply each school board member with a copy of the report, as well as to provide each responsible member of management with a copy. In addition, an electronic copy of the audit report and accompanying financial statements, disclosure notes, and findings shall be generated and provided to the District.
11. We will attend meetings with the District's Board and staff as may be required during the course of the audit and to present the final audit and management letter.
12. All Partners and staff will be available throughout the year to provide assistance to the District in explaining audit findings and recommendations, to discuss the items that may impact the audit and any other issues or questions you may have during the year.



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## **SECTION G**

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### **CURRENT CLIENT LIST**

## Section G – Current Client List

*San Lorenzo Valley Water District Proposal for Auditing Services*

The following is a list of our current government and nonprofit engagements:

Client	Level of Report	Client	Level of Report
<b>Cities/Towns</b>		<b>Local Education Agencies (Cont'd)</b>	
City of Oroville	CAFR	Golden Valley Unified School District	GASB Financial
City of Point Arena	GASB Financial	Millbrae School District & Prop 39	GASB Financial
City of Saratoga	CAFR	Orchard School District & Prop 39	GASB Financial
City of Tracy	Forensic	Scotts Valley Unified School District	GASB Financial
Town of Los Gatos	CAFR	Woodside Elementary School District	GASB Financial
<b>Special Districts/JPA's</b>		San Bruno Park School District	GASB Financial
Bay Area Water Supply Conservation Agency	GASB Financial	West County Transportation Agency	GASB Financial
Central Marin Sanitation Agency	CAFR	Luther Burbank School District	GASB Financial
East Bay Dischargers Authority	GASB Financial	Napa Valley Unified School District	GASB Financial
Fairfield-Suisun Sewer District	GASB Financial	<b>Charter Schools</b>	
Midpeninsula Regional Open Space District	GASB Financial	Credo High School	FASB Financial
Oro Loma Sanitary District	CAFR	Charter School of Morgan Hill	FASB Financial
Santa Clara County Regional Open Space Auth	GASB Financial	Mission Preparatory School	FASB Financial
Sausalito-Marín City Sanitation District	GASB Financial	Orange County Conservation Corps	FASB Financial
Silicon Valley Clean Water	GASB Financial	San Jose Conserv Corps Charter School	GASB Financial
Tahoe Regional Planning Agency	SCO Reports	Stone Bridge Charter School	FASB Financial
Tahoe Transportation District	SCO Reports	Woodland Star Charter School	FASB Financial
The Cities' Group	GASB Financial	<b>Privately Held Companies</b>	
Valley of the Moon Fire District	GASB Financial	Diagnostics for the Real World	Single Audit
West Bay Sanitary District	GASB Financial	Halcyon Molecular	FASB Financial
Westborough Water District	GASB Financial	Pathway to Choices	FASB Financial
<b>Local Education Agencies</b>		Proheatlh Homecare	FASB Financial
Cotati-Rohnert Park Unified School District	GASB Financial	Sociometrics	FASB Financial
Mountain View Whisman School District & Prop 39	GASB Financial	<b>Not for Profit Entities</b>	
Sequoia Union High School District & Prop 39	GASB Financial	Black Adoption Placement and Research Center	FASB Financial
Sonoma Valley Unified School District & Prop 39	GASB Financial	Boys and Girls Clubs of Central Sonoma County	FASB Financial
Burlingame School District	GASB Financial	Center for Empowering Refugees & Immigrants	FASB Financial
Cabrillo Unified School District & Prop 39	GASB Financial	Children of Grace	FASB Financial
Los Altos School District	CAFR	Collective Roots	FASB Financial
Pacifica School District	GASB Financial	Foothill Community Health Center	FASB Financial
Union School District	GASB Financial	Hidaya Foundation	FASB Financial
Lassen View Union Elementary School District	GASB Financial	Mission Language and Vocational School	FASB Financial
Antelope School District	GASB Financial	Pyramid Alternatives	FASB Financial
Portola Valley School District	GASB Financial	Redwood City Education Foundation	FASB Financial
Pacifica School District	GASB Financial	San Jose Conservation Corps	FASB Financial
Las Lomitas School District & Prop 39	GASB Financial	Singularity University	FASB Financial
Delano Union School District	GASB Financial	work2future Foundation	FASB Financial
Red Bluff Union Elementary School District	GASB Financial		

## **SECTION H**

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### **COMMON QUESTIONS AND ANSWERS**

## Section H – Common Questions and Answers

*San Lorenzo Valley Water District Proposal for Auditing Services*

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**1. What is the level of government audit experience for the “in-Charge” auditor?**

Sheldon, the Engagement Partner, has 19 years of experience auditing LEA’s.

**2. What do you do differently in the first year compared to subsequent years?**

The first year includes more time documenting internal controls and larger Sample sizes. This will include more interviews of personnel. We will also perform certain beginning balance audit procedures on material balances and significant audit areas with higher risk.

**3. What will be the roles of each person during the audit?**

Sheldon will be the Engagement Partner and will **supervise** the audit in the field with three to four professional staff. Sheldon will be responsible for the work papers, audit binder, assisting with staff assignments. Other professional staff will perform fundamental testing based on the audit plan and their assignments.

**4. Where do you draw the line between assisting and consulting, and what kind of year-round help is included in your proposal?**

Year round help is included as needed and is unlimited. Feel free to call or schedule an appointment anytime. Consulting and assisting are really one in the same from our perspective, since we consult and assist throughout the engagement and consultations are included in our fee.

**5. How do you address continuity of staff:**

**a. From interim to final**

The Engagement Partner will be in the field during interim and final, but generally we have the team during both interim and final.

**b. From year to year**

The partners will be in the field each year. If something were to happen to a Partner, Paul Pham or Bryan Kwon would step-in. We anticipate that three staff assigned to the engagement will not change from year to year.

**6. How do you ensure that there is a good wrap-up once final field work is done?**

On the last day of the audit, or other time as agreed, Sheldon will meet with management to discuss the timing of the wrap-up work. From that point, constant communication is made to ensure all deadlines are met.

**7. What concerns do you have with meeting the schedule in the RFP?**

None. The timeline fits nicely into our schedule.

## **Section H – Common Questions and Answers**

*San Lorenzo Valley Water District Proposal for Auditing Services*

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**8. What type of level of the District staff support is built into your proposal?**

All partners and staff are available 12 months a year as needed. We expect that reasonable requests will be made but there is no limitation. The District staff support during the audit will include having the items noted in the interim and year-end PBC lists ready on the first day of field work, providing adequate work space, and timely response to audit inquiries.

**9. How much on-site time do you project?**

We expect the audit to take about 2-3 days each during interim and year-end **on-site**, depending on the availability of the District staff, attendance clerks and other key employees.

**10. What do you consider when making recommendations on internal controls?**

We consider the level of personnel involved, whether the recommendation is value added, the costs and benefits of the recommendation, what compensating controls may exist, who is impacted by the issues at hand, what does this finding really mean, how may this impact staff and the District overall. Technically speaking, we consider whether the likelihood of a misstatement is remote or more than remote, and if the magnitude of the misstatement, or potential misstatement, was inconsequential, more than inconsequential, or material.

**11. How do you ensure coverage in the event of illness, other obligations, etc.?**

In the event of illness, Paul Pham or Byran Kwon can run the audit if the Engagement Partner is unable to do so.

We meet once a week to discuss our client base, available staffing, opportunities for growth and our schedules.

**12. How do you keep up-to-date on GASB rules and do you inform clients of changes?**

We use RIA checkpoint online as our research tool. We attend California Education Foundation, AICPA and other seminars and webinars. We have a subscription to online CPE, GFOA newsletters, the Journal of Accountancy and various other newsletters. When changes occur that we believe to be significant to our clients, we include those in our newsletter which goes via e-mail to all our clients.

**13. Who will attend the entrance and exit meetings from your staff?**

Sheldon will be available to attend the entrance and exit conferences.

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## **ATTACHMENTS**

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## Attachment A

### CHIANG, HAMMON & COMPANY Certified Public Accountants

2007 W. Hedding Street, Suite 209 San Jose, CA 95128  
(408) 244-2002 (408) 244-2333 Fax

#### System Review Report

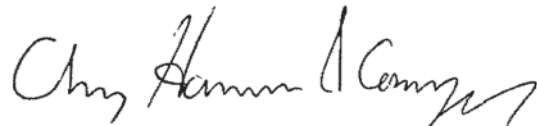
June 10, 2014

To the Members of Chavan & Associates LLP  
and the Peer Review Committee of the CalCPA

We have reviewed the system of quality control for the accounting and auditing practice of Chavan & Associates LLP in effect for the year ended December 31, 2013. 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 reasonable assurance of conforming 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 my 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 the *Government Auditing Standards*.

In our opinion, the system of quality control for the accounting and auditing practice of Chavan & Associates LLP. in effect for the year ended December 31, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of conforming with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Chavan & Associates LLP has received a peer review rating of *pass*.



Chiang, Hammon & Company

**Technical Proposal  
Independent Auditor Services  
For The  
San Lorenzo Valley Water District**



# **Table of Contents**

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## **Section and Content**

- 1. Executive Summary Letter**
- 2. Proposer Affirmations**
- 3. General Firm Information**
- 4. Peer Review – Our Most Recent Quality Control Review Report**
- 5. Relevant Experience**
- 6. The Audit Team**
- 7. Our Approach to the Audit, Timing and Work Program**
- 8. Cost Proposal**



Charles Z. Fedak, CPA, MBA  
Christopher J. Brown, CPA, CGMA  
Jonathan P. Abadesco, CPA

## Fedak & Brown LLP

Certified Public Accountants

Cypress Office:  
6081 Orange Avenue  
Cypress, California 90630  
(657) 214-2307  
FAX (714) 527-9154

Riverside Office:  
4204 Riverwalk Pkwy. Ste. 390  
Riverside, California 92505  
(951) 977-9888

February 19, 2016

Ms. Stephanie Hill, Finance Manager  
San Lorenzo Valley Water District  
13060 Highway 9  
Boulder Creek, California 95006

### **Re: Request for Proposal for Independent Auditor Services**

Dear Ms. Hill:

We appreciate the opportunity to submit our proposal to provide independent auditor services for the San Lorenzo Valley Water District (District) for the years ended June 30, 2016 through 2018 with optional years 2019 and 2020. In response to your inquiry of our firm, we have prepared a proposal that reflects our understanding of the District's audit requirements and demonstrates our capability and commitment to serve. We intend to demonstrate that Fedak & Brown LLP is the right professional services firm for the District.

We understand that you expect a timely audit conducted in a professional manner in accordance with audit standards specific to governmental entities such as yours. We are committed to meet all the requirements you have indicated, will issue the reports, and meet the timing requirements you have specified. We believe we are uniquely qualified to provide the quality and scope of service that the District desires.

#### ***Focused on the Special District Industry***

Our client service team members are specialists in the governmental special district sector. This means they each focus a substantial portion of their time serving special district governmental clients. We know and understand your organization and the climate you work in.

**Our Firm currently audits over 50 water and sewer related special districts in the State of California along with other types of special districts (i.e., airport, library, etc.); therefore, enabling our Firm to continuously be immersed throughout the year in the financial and operational issues of special districts.**

#### ***Organized to Serve the District***

Our service approach ensures you will receive high quality, personalized service when and where you need it. By tailoring our approach, we guarantee you will receive the timely, attentive service that forms the hallmark of our approach to serving clients. Our special district governmental audit and consulting practice accounts for approximately 85% of our firm's annual services. Therefore, we have made a substantial commitment and investment to serve our special district governmental clients.

Our special district governmental experience is substantial, but it is not this factor that sets us apart from other Firms. Rather, it is the commitment to utilize those resources and experience for the benefit of our clients. Simply put, the District will become one of our most important clients and, accordingly, will receive the priority service they deserve.

Our approach to the engagement will establish a delivery system for providing a truly exceptional level of service. Each element of that system, including staffing, audit approach, communication and coordination, will be examined and refined to fit the needs of the District.

Ms. Stephanie Hill, Finance Manager  
San Lorenzo Valley water District  
February 19, 2016  
Page 2

The hardest to quantify may be the relationship aspects of working with one professional services firm versus another. Because of the service delivery approach we are recommending and our history of working with many special district governmental units like the District, we are confident that our firm knows how to address the unique needs of the District.

Our staff who will be assigned to the District's audit are experienced governmental professionals that have managed numerous audits. Each of our staff members has extensive experience that allows for a new outlook to the audit with innovative suggestions to improve quality and efficiency. We believe that our references will show that we are the best selection for the District. The choice of an audit firm should be based upon several factors including but not limited to: staff retention, training programs, proactively addressing governmental industry changes, and an adherence to a strict quality control program.

We have an extremely low percentage of staff turnover and we are confident that we will provide the District with consistent staff over the contract period as the continuity of staff is as important to us as it is to the District. We will be committed to the District and believe that our audit team is the best selection for the District.

We have not provided professional services to any known affiliate agency or district during the previous five years. Further, we believe there is no conflict of interest relative to performing the proposed audit for the District.

Our proposal represents our irrevocable offer for a period of 180 days from the date of this letter to provide audit services to the District for the years ending June 30, 2016 through 2018. If you have any questions or need additional information, please contact me at (657) 214-2307 or by e-mail at [Chris@fedakbrownllp.com](mailto:Chris@fedakbrownllp.com) or [Chuck@fedakbrownllp.com](mailto:Chuck@fedakbrownllp.com).

We look forward to hearing from you soon.

Cordially,



**FEDAK & BROWN LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

# Requirements of the Annual Audit

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## Executive Summary

The purpose and scope of our audit will be to perform a financial and compliance audit of the District's basic financial statements and supplemental schedules in accordance with generally accepted auditing standards, and the "Standards for Audits of Governmental Organizations, Programs, Activities and Functions," promulgated by the General Accounting Office (GAO) (the Yellow-Book - 2007 Revision), as of and for the years ending on June 30, 2016 through 2020. The audit will be comprised of the following elements:

- 1. Audit of the Basic Financial Statements and Assistance in the Preparation of the District's Annual Comprehensive Financial Report (CAFR)**
- 2. Preparation of Annual State Controllers Report**
- 3. Single-Audit of Federal Awards under OMB Circular A-133, as required**

The audit will be conducted in accordance with generally accepted accounting principles and governmental audit standards as promulgated by the Comptroller General of the United States.

### *Management Letter*

The Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, effective for periods ending on or after December 15, 2009, establishes standards and provides guidance on communicating significant deficiencies and material weaknesses to the governance board that are related to an entity's internal control over financial reporting identified in an audit of the entity's financial statements.

### *Audit Committee Letter and Meeting*

The Statement on Auditing Standards (SAS) No. 114, establishes a requirement for auditors to communicate certain matters related to the conduct of the audit to those who have responsibility for oversight of the financial reporting process. This communication, often referred to as the audit committee letter, is in addition to the requirement to communicate internal control matters and matters relating to fraud and illegal acts. This letter will address the auditor's responsibilities under generally accepted auditing standards, significant accounting policies, management judgments and accounting estimates, significant audit adjustments, other information in documents containing audited financial statements, any disagreements with management, management consultation with other accountants, major issues discussed with management prior to retention, and difficulties encountered in performing the audit.

Also, Government Auditing Standards requires an additional reporting standard that auditors must follow. It requires the auditor to communicate his/her responsibility in a financial statement audit, including responsibilities for testing and reporting on internal controls and compliance with laws and regulations. It is our desire to discharge this responsibility at the front end of the audit by presentation to the District's Audit Committee or its equivalent during an Audit Committee Audit Entrance Conference.


### *Other Needs*

The partner in charge of the audit will be available to attend meetings of the Board of Directors to discuss and report on the audit process and the deliverables associated with the audit. We will provide the District with accounting advice regarding subjects that could affect the financial report. We consider it our responsibility to keep the District advised, on a timely basis, of any new authoritative pronouncements of an audit or reporting nature, as well as any changes in finance-related compliance requirements as they pertain to the District's reporting responsibilities.

# Proposer Affirmations

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- A. Fedak & Brown LLP affirms that it is independent of the District, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.
- B. Fedak & Brown LLP affirms that the firm has in place and will provide the required insurance coverage and Accord insurance form to the District upon acceptance of the audit engagement.
- C. Fedak & Brown LLP affirms that the firm and all key professional staff are properly registered and licensed to practice in the State of California.
- D. Fedak & Brown LLP affirms that it has the necessary experience to conduct high quality audits of local government and enterprise special districts in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the United States Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.
- E. Fedak & Brown LLP affirms that it will meet your timing requirements to begin and complete the audit of the District.
- F. Fedak & Brown LLP affirms that it will staff the audit of the District with experienced personnel and not use these audits as training grounds for new staff and that no person designated as “key” to the project shall be removed or replaced without the prior written consent of the District
- G. Fedak & Brown LLP affirms that has never been the subject of any lawsuits, claims of fraud, malpractice and/or disciplinary action by any State or Federal District in relation to the firm’s governmental practice in its entire existence.
- H. Fedak & Brown LLP affirms that it has not been censured or disciplined from the State Board of Accountancy. Additionally, our predecessor firm, Charles Z. Fedak & Company, CPAs – An Accountancy Corporation, has been through more than three peer reviews with satisfactory results.
- I. Fedak & Brown LLP affirms that we will allow the District or its designee access to pertinent District audit workpapers, financial reports and management letters.
- J. Fedak & Brown LLP affirms that we have never filed bankruptcy, no pending litigation against the firm, no planned office closings, no impending mergers and no potential labor disputes that may impede us the ability to complete the audit for the District.

Signature of Official:   
Name: Christopher J. Brown, CPA CGMA  
Title: Partner  
Firm: Fedak & Brown LLP  
Date: February 19, 2016



# Our Firm & Project Organization

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## Identification of Proposer and Geographic Location to the District

### Celebrating over 35 Years of Client Service with offices in Orange and Riverside Counties.

Fedak & Brown LLP, Certified Public Accountants, is a full service firm licensed to practice in the State of California, providing accounting, audit, and consulting services for governmental and commercial enterprises, as well as extensive tax planning for domestic and international entities. Our firm is comprised of approximately fifteen full-time and contract professionals. Our thirteen full-time Governmental Services personnel are trained professionals with extensive experience in governmental accounting, auditing, and consulting services. Our main office has been located in Cypress, California since 1981. In 2012, the firm opened a second office in Riverside to better serve the Inland Empire region, as well as the growing desert and mountain communities.

The District's main contact will be Mr. Christopher J. Brown. Our contact information can be located on our cover letter letterhead. All of the work for the District will be staffed directly out of our Cypress and Riverside offices and will not be subcontracted out to any other firm.

Fedak & Brown LLP is fully computerized in-house and utilizes portable computers on all audit engagements. We utilize CCH ProSystem *fx* Engagement ® Audit Software.

### Project Organization

Our firm's philosophy is to take a team approach with our clients in the conduct of our audits. A properly developed, mutually agreeable timeline results in the most efficient audit. We want you to not only think of us as your auditor, but as a resource to be used whenever the need occurs. Also, it is our firm's philosophy to have our partners and audit managers involved in the day-to-day audit details of our clients.

The District will have an engagement partner and a governmental audit manager assigned to the audit at all times. In addition, one supervising-senior, one senior/staff accountant (governmental auditing staff only) will be assigned to the audit. All of these team members are in the field during the time the audit fieldwork is being conducted. Each member of the team has his or her own responsibilities as follows:

The engagement partner is responsible for all services provided to the District. His main responsibilities consist of the overall planning, supervision and review of the audit testwork and preparation of the financial statements. The engagement partner will be on-site during a significant portion of the audit fieldwork.

The governmental audit manager is responsible for coordinating the audit testwork and financial reporting preparation. His main responsibility will be the coordinator of the audit testwork and the on-site supervision and coordination of staff. Once the audit testwork is completed, he will work with the staff to complete the financial reports for the District. He will be the District's main contact throughout the year.

Our governmental audit supervising-senior, senior and staff accountants will be in the field conducting the audit testwork. Their responsibilities consist of the performance of tests of transactions, tests of internal controls and substantive procedures over the District's financial transactions and balances. Our staff will interact with the District's staff when it is convenient for them. Before discussions with your staff, we will make sure that we have all the facts so as to minimize the District's staff time requirements in providing audit assistance to us.

## Other Services Offered

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### Agreed Upon Procedures (“Performance Evaluation or Target Audit”) Capabilities in General Consulting and Compliance Testing

We believe that a performance evaluation or “target audit” is an examination of an entity’s department or function in order to assess efficient use of resources and program control effectiveness. Like a financial audit, a target audit involves an examination of organizational and/or departmental policies and procedures, compliance with those policies and procedures and internal controls to see how well the organization or department is meeting its standards. Target audits may address the organizational structure, finances, general management or workload and may be broad or narrow in scope.

A **target audit** is usually comprised of the following actions:

- Understanding certain objectives of an entity or division
- Determining current facts and conditions that reflect those objectives
- Defining problems and pointing out improvement opportunities
- Reporting of the findings and recommendations

The **core** of the target audit process is a series of interviews and other data gathering activities as determined is necessary. Once the data is gathered, certain conclusions can be made and the focus of the findings and recommendations can be prepared.

The target audit should assess the efficiency, quality and equality of certain matters within a division or function. Also, the target audit should assess the approach, design and merit of the controls and programs that are being offered and determine how these areas might be better aligned.

A well-administered target audit can provide evaluations that reflect how an organization is managing its financial and operational resources. A target audit that possesses valid and measurable objectives keeps an entity true to its purpose. Using data from the target audit to measure an entity’s successes allows the entity to determine if it is meeting its fundamental objectives and adjust its efforts in order to achieve broader goals.

We have utilized this understanding in the performance of the following target audits for numerous clients:

- Board member expenditure reimbursements – AB-1234 compliance
- Budgets and financial forecasts
- Check issuance and wire transfers
- Cash collection management
- Investment management
- Investment portfolio administration
- Investment policies and modifications thereto
- Analysis of investment yields to market returns
- Water and wastewater billing procedures
- Contractual agreement compliance
- Central purchasing
- Warehouse controls and inventory systems
- Card-lock fueling systems
- Inter-District cost-sharing charges and charge-backs.
- Analysis of input and access controls related to the new financial software system
- Organizational analysis of finance and accounting departments
- Accounting for development projects and fees to comply with AB-1600 revenues

# Peer Review

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## *Quality Control*

The Board of Directors of the District can measure the quality of the opinions expressed by Fedak & Brown LLP by evaluating the level of professional standards maintained by the firm as discussed in this proposal. The Board of Directors can also measure the performance of the firm by its evaluation of the firm's quality control as evidence by its participation in the profession's peer review process as well as evaluating the Firm's professional standards and quality of work ethic in discussions with the Firm's current client base in the special district industry.

Fedak & Brown LLP and Charles Z. Fedak & Company CPAs – An Accountancy Corporation (predecessor firm), are pleased to announce the successful completion of our most recent independent quality review of our accounting and auditing practice, which included a review of both commercial and governmental audit engagements. Our Firm's governmental audit engagements were reviewed as they related to governmental agencies and other special districts in the field of governmental auditing. After a thorough study of our procedures and work practices, the reviewers concluded that our firm complies with the stringent quality control standards established by the American Institute of Certified Public Accountants (AICPA). Our firm has received an unqualified opinion in every independent quality review that it has participated in since its inception of the program by the profession. As independent quality reviews are required every three years, our firm will be undergoing review in February / March 2016.

A team of independent CPAs, who were appointed by the California Society of Certified Public Accountants, conducted the review. Using guidelines established by the AICPA, the reviewers determined that the Firm has an effective quality control system and that our accounting and auditing work conforms to professional standards. The firm has not had any clients who have been the subject of any desk reviews.

Our continued participation in required periodic quality reviews, our voluntary membership in the AICPA and California Society of CPAs, as well as our continuing professional education supports our commitment to quality and our high standards for client service.

Fedak & Brown LLP is an equal opportunity employer and certifies that our firm is in compliance with the Civil Rights Act of 1964, the State Fair Employment Practice Act, and all other applicable federal and state laws and regulations relating to equal opportunity employment, including Executive Order No. 11246 of June 24, 1965. Our firm is committed to affirmative action in hiring practices.

*Marcia J. Hein, CPA*

807 Marble Drive

Fort Collins, CO 80526

Phone and fax: (970) 282-8229 e-mail: [marcia@mjh-cpa.com](mailto:marcia@mjh-cpa.com)

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System Review Report

March 22, 2013

To the Shareholder

Charles Z. Fedak & Company, CPAs, An Accountancy Corporation  
and the Peer Review Committee of the California Society of CPAs

I have reviewed the system of quality control for the accounting and auditing practice of Charles Z. Fedak & Company, CPAs, An Accountancy Corporation (the firm) in effect for the year ended September 30, 2012. My 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 my peer review, I considered reviews by regulatory entities, if applicable, in determining the nature and extent of my 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. My responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on my 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 the *Government Auditing Standards*.

In my opinion, the system of quality control for the accounting and auditing practice of Charles Z. Fedak & Company, CPAs, An Accountancy Corporation in effect for the year ended September 30, 2012, 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*. Charles Z. Fedak & Company, CPAs, An Accountancy Corporation has received a peer review rating of *pass*.

*Marcia J. Hein, CPA*

Marcia J. Hein, CPA

# Special District Clients Served

**“We Are Committed to the Special District Industry!”**  
The following is a listing of Special District Clients we have served by County

## **Kern County**

*Bear Valley Community Services District  
Rosamond Community Services District  
Stallion Springs Community Services District*

## **Los Angeles County**

*Altadena Library District  
Castaic Lake Water Agency  
Cresenta Valley Water District  
Greater Los Angeles County Vector Control District  
Long Beach Airport  
Long Beach Water Department  
Palmdale Water District  
Palos Verdes Library District  
San Gabriel Valley Municipal Water District  
Sanitation Districts of LA County  
Southern California Library Cooperative  
Valley County Water District  
Water Replenishment District  
Wilmington Cemetery District*

## **Orange County**

*Buena Park Library District  
Capistrano Bay Community Services District  
East Orange County Water District  
Irvine Ranch Water District  
Mesa Consolidated Water District  
Nature Reserve of Orange County  
Rossmoor/Los Alamitos Area Sewer District  
Santiago County Water District  
Southern California Coastal Water Resources Auth  
Yorba Linda Water District*

## **Riverside County**

*Beaumont-Cherry Valley Water District  
Cabazon Water District  
Coachella Valley Mosquito and Vector Control  
Farm Mutual Water Company  
Jurupa Community Services District  
Lake Elsinore & San Jacinto Watersheds Auth  
Northwest Mosquito and Vector Control  
Santa Ana Watershed Project Authority  
Temecula Public Cemetery District  
Western Municipal Water District  
Western Riverside County Regional Wastewater*

## **Santa Barbara County**

*Goleta Water District  
Montecito Water District  
Santa Maria Public Airport Authority  
Summerland Sanitary District*

## **San Bernardino County**

*Baldy Mesa Water District  
Big Bear City Community Services District  
Big River Community Services District  
Chino Basin Water Conservation District  
Chino Basin Watermaster  
Hi-Desert Water District  
Mojave Water Agency  
Monte Vista Water District  
Phelan Pinon Hills Community Services District  
Pomona Valley Protective Agency  
San Bernardino Valley Water Conservation District  
Victor Valley Wastewater Reclamation Authority  
Victor Valley Water District  
Victorville Water District  
Water Facilities Authority - JPA  
West Valley Mosquito and Vector Control District  
West Valley Water District*

## **San Diego County**

*Leucadia Wastewater District  
North County Dispatch - JPA  
Public Agency Self-Insurance System  
Rancho Santa Fe Fire Protection District  
Vallecitos Water District*

## **Ventura County**

*Casitas Municipal Water District  
Gold Coast Transit  
Oxnard Harbor District  
Pleasant Valley Recreation and Park District  
Saticoy Sanitary District  
Triunfo Sanitation District  
Ventura County Regional Energy Alliance  
Ventura County Resource Conservation District  
Ventura Regional Sanitation District*

## **Northern California/ Bay Area**

*Inverness Public Utilities District  
North Coast County Water District  
North Marin Water District  
Novato Sanitary District  
Purissima Hills Water District  
Sacramento Suburban Water District  
San Lorenzo Valley Water District  
Santa Clara County Open Space Authority  
Saratoga Cemetery District  
Soquel Creek Water District  
Tres Pinos Water District  
Westborough Water District*

# Professional References

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## Experience and Technical Competence

We have prepared a listing of some of our governmental audit clients on the previous page. We believe that this listing exemplifies that we have significant experience in conducting high quality audits of local governments and enterprise special districts. The governmental audit team that we have assembled for the District may have conducted some of these audits over the past year. Our team has significant experience in auditing water and wastewater governmental agencies.

Presented below are five client references of officials of California Special Districts and/or agencies who currently conduct enterprise type activities. Please do not hesitate to contact these references regarding our firm and the high level of service we provide.

1. Mr. Carlos Corrales, Controller  
**Castaic Lake Water Agency**  
27234 Bouquet Canyon Road  
Santa Clarita, CA 91350  
**Wholesale & Retail Water Agency**  
Annual Audit – CAFR  
661.297.1600 x 237
2. Mr. Ray Harton, Finance Mngr.  
**Monte Vista Water District**  
10575 Central Avenue  
Montclair, CA 91763  
**Retail Water District**  
Annual Audit – CAFR  
909.624.0035 x 110
3. Ms. Kathy Chang, Finance Manager  
**Scotts Valley Water District**  
2 Civic Center Drive  
Scotts Valley, CA 95066  
**Retail Water District**  
Annual Audit  
831.600.1904
4. Mrs. Chieko Keagy, Acct Sup  
**Victor Valley Wastewater Rec Auth**  
20111 Shay Road  
Victorville, CA 92394  
**Wastewater Authority**  
Annual Audit – CAFR  
760.246.8638
5. Mr. Ed Musik, General Manager  
**Hi-Desert Water District**  
55439 Twentynine Palms Hwy.  
Yucca Valley, CA 92284  
**Water/Wastewater District**  
Annual Audit – CAFR  
760.228.6284

# The Audit Team

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## **Key Staffing**

We have included resumes of the engagement partner, governmental audit managers who will be in charge of the fieldwork for the audit. All staff assigned to the engagement for the District are licensed as Certified Public Accountants in the State of California or in the process of attaining their license.

## **Engagement Partners**

Charles Z. Fedak is a CPA in the State of California and has been in public accounting for forty-three plus years, having worked seven years at the national firm level before starting his own practice in January of 1981. Mr. Fedak holds a Bachelors of Science Degree in Accounting and a Masters in Business Administration from California State University, Long Beach. He has had extensive experience in the audits of governmental entities including cities, towns, and special districts while working at the national firm level as well as in our own firm.

Mr. Fedak has also participated in various tours and educational trips sponsored by the Metropolitan Water District including the southern section of the Colorado River and the northern portion of the California Delta as they both relate to the State Water Project.

Christopher J. Brown is a CPA in the State of California and has over fourteen years of experience in public accounting and auditing governmental entities. Mr. Brown holds a Bachelor's Degree from California State University, San Bernardino. He has extensive experience in the areas of governmental financial reporting while working at a national firm and servicing our Firms clients.

Mr. Brown has also provided significant other services to various governmental and not-for-profit entities. In these engagements, he has been involved in the strategic planning processes, design and implementation of policies and procedures manuals and operational and organizational reviews of accounting departments. He has also been involved in the implementation of performance management budgeting and planning processes, financial reviews, trend analysis, cash management practices and utility rate setting.

## **Governmental Audit Manager**

Jonathan P. Abadesco is a CPA in the State of California and has over eleven years of experience in public accounting including a mixture of governmental entities, not for profit organizations, and private industry with billion dollar global organizations. He has served as CFO/Controller for a non-profit organization.

Mr. Abadesco's public accounting experience includes tenure with Big Four CPA Firms in Ernst & Young and PricewaterhouseCoopers, and was a lead auditor for large global organizations. He has also provided significant audit and accounting services to various governmental agencies performing financial statement and single audits, financial management oversight and compliance reviews.

## **Governmental – Supervisor, Senior and Staff Accountants**

This engagement will be staffed with our governmental audit senior manager, governmental audit supervisor and governmental audit senior at the time we perform the interim and year-end audit. Our team members are as follows:

Mr. Jeff Palmer – Engagement Supervisor – over eight years of governmental audit experience

Mr. Andy Beck – Senior Auditor – nine years of governmental audit experience

Staff Auditors may be selected from the staff pool based on the availability of their schedules at the time of fieldwork.

## **Detailed resumes of our audit team follow**

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# Resumes of Key Personnel

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## CHARLES Z. FEDAK, CPA TECHNICAL REVIEW PARTNER

### Education

- 1973 – Bachelor of Science – Business Administration: Accountancy  
California State University, Long Beach
- 1984 – Master of Business Administration  
California State University, Long Beach

### Employment Record

- 4/15- Present                      Fedak & Brown LLP  
Cypress, California
  
- 1/81 – 4/15                        Principal in the firm of  
Charles Z. Fedak & Company, CPAs  
An Accountancy Corporation  
Cypress, California
  
- 2/75 – 1/80                        KPMG Peat Marwick  
Certified Public Accountants  
Newport Beach, California
  
- 6/73 – 2/75                        Ernst & Young, CPAs  
Certified Public Accountants  
Santa Ana, California

### Work Experience

Auditing of governmental and non-profit entities as well as medium to large manufacturing, construction and service oriented corporations. Thoroughly knowledgeable in generally accepted Accounting Principles, Governmental Accounting, and Auditing Standards as well as the Single Audit Act. Work experience also includes tax planning and preparation at the corporate, individual, estate and trust levels.

### Business Qualifications – Associations

- ◆ Certified Public Accountant - State of California
- ◆ Member of California State Society of Certified Public Accountants
- ◆ Member of American Institute of Certified Public Accountants
- ◆ Member of the National Association of Corporate Directors
- ◆ 40+ Hours Per Year in Professional Education in Auditing and Governmental Accounting

### Public Work

- Member of Board of Directors – Molina Healthcare, Inc. (MOH)  
New York Stock Exchange since 2002
  - ◆ Chairman, Compensation Committee – MOH; 2002 – 2006
  - ◆ Chairman, Audit Committee – MOH; 2004 – 2014



## Resumes of Key Personnel, continued

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### **CHRISTOPHER J. BROWN, CPA, CGMA ENGAGEMENT PARTNER**

#### Education

- 1995 – Bachelor of Arts - Business Administration: Finance  
California State University, San Bernardino
- 1998 – Accountancy  
California State University, San Bernardino

#### Employment Record

- 3/05 – Present                      Fedak & Brown LLP  
Previously - Charles Z Fedak & Company CPAs  
Cypress, California
- 3/01 – 3/05                         Swenson Accountancy Corporation  
Rancho Cucamonga, California
- 9/98 – 3/01                         McGladrey & Pullen, LLP  
Riverside, California
- 6/95 – 9/98                         Morgan Stanley  
Formerly: Dean Witter Reynolds  
Riverside, California

#### Work Experience

Fourteen years of experience in public accounting and auditing governmental entities, not-for-profit organizations, and private industry. Extensive experience in the area of governmental financial and compliance reporting. Thoroughly knowledgeable in generally accepted Accounting Principles, Governmental Accounting, and Auditing Standards as well as the Single Audit Act.

#### Business Qualifications - Associations

- \* Certified Public Accountant – State of California
- \* Member of California State Society of Certified Public Accountants
- \* Member of American Institute of Certified Public Accountants
- \* Member of Government Finance Offices Association
- \* Member of California Society of Municipal Finance Officers Association
- \* 40+ Hours Per Year in Professional Education in Auditing and Governmental Accounting

Mr. Brown has provided significant audit and accounting services to various governmental entities. In these accounting engagements, he has been involved in the strategic planning processes, design and implementation of policies and procedures. He has also been involved in the implementation of performance management budgeting and planning processes.

## Resumes of Key Personnel, continued

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### **JONATHAN P. ABADESCO, CPA AUDIT MANAGER**

#### Education

1999 – Bachelor of Science in Accountancy  
Miriam College Foundation, Inc., Philippines

#### Employment Record

Present	Manager – Governmental Audit & Consulting Fedak & Brown LLP Cypress, California
12/12 – 2/15	CFO/Controller Inland Counties Legal Services Riverside, California
8/08 – 11/12	Audit Supervisor – Audit & Assurance Group Lopez and Company, LLP Chino Hills, California
11/05 – 11/06	Audit Team Manager – Audit & Assurance Group Ernst and Young, LLP Dubai, United Arab Emirates
9/03 – 11/05	Audit Supervisor – Audit & Assurance Group PricewaterhouseCoopers, LLP Manila, Philippines
8/01 – 9/03	Senior Auditor – Audit & Assurance Group BDO Seidman, LLP Manila, Philippines
6/00 – 7/01	Senior Accountant KPMG, LLP Manila, Philippines

#### Work Experience

Eleven years of experience in public accounting including a mixture of governmental entities, not for profit organizations, and private industry with billion dollar global organizations. He has served as CFO/Controller for a non-profit organization.

#### Business Qualifications – Associations

- \* Certified Public Accountant – State of California
- \* Member of California State Society of Certified Public Accountants
- \* Member of American Institute of Certified Public Accountants
- \* 40+ Hours Per Year in Professional Education in Auditing and Governmental Accounting

Mr. Abadesco's public accounting experience includes tenure with Big Four CPA Firms in Ernst & Young and PricewaterhouseCoopers, and was a lead auditor for large global organizations. He has provided significant audit and accounting services to various governmental agencies performing financial statement and single audits, financial management oversight, and compliance reviews.

# Resumes of Key Personnel, continued

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## **JEFF PALMER AUDIT SUPERVISOR**

### Education

12/05 – Bachelor of Science – Business Administration: Accountancy & Finance  
California State University, Long Beach

### Employment Record

6/10 – Present	Supervisor – Governmental Audit & Consulting Fedak & Brown LLP Previously - Charles Z Fedak & Company CPAs Cypress, California
6/07 – 5/10	Senior – Governmental Audit & Consulting Diehl, Evans & Company, LLP Irvine, California
1/06 – 5/07	Staff Auditor White, Nelson & Company, LLP Irvine, California

### Work Experience

Over eight years of experience in public accounting and auditing of governmental, private, and non-profit entities. Relevant governmental experience includes: cities, special districts, airports, transportation agencies, and public financing authorities. He has extensive experience in conducting financial audits under GAO Yellow Book standards and compliance audits in accordance with OMB Circular A-133. He has assisted clients in publishing their Comprehensive Annual Financial Reports in compliance with GASB Statement No. 34.

### Business Qualifications – Associations

- \* Member of California State Society of Certified Public Accountants
- \* Member of American Institute of Certified Public Accountants
- \* 40+ Hours Per Year in Professional Education in Auditing and Governmental Accounting

### Continuing Professional Education

- \* Governmental Accounting and Auditing Annual Update
- \* GASB Basic Financial Statements for State and Local Governments
- \* Pension Accounting and Financial Reporting: New Standards
- \* Not-for-profit Organizations Annual Update
- \* Single Audits: OMB Circular A-133 Annual Update

Mr. Palmer has provided significant audit, accounting and consulting services to various governmental entities. In these accounting and auditing engagements, he has been involved in the strategic planning processes, design and implementation of policies and procedures, performance management budgeting and planning processes, financial reviews, and cash management practices. In these consulting engagements, he has provided services including franchise tax compliance reviews, excise tax compliance and reporting reviews, and enterprise utility tax-exempt purchasing reviews.

# Resumes of Key Personnel, continued

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## ANDY BECK, CPA (Inactive) AUDIT SENIOR

### Education

12/01 – Bachelor of Arts - Economics  
University of California, Irvine

### Employment Record

Present	Senior – Governmental Audit & Consulting Fedak & Brown LLP Previously - Charles Z Fedak & Company CPAs Cypress, California
02/05 – 05/14	Supervisor Lindquist LLP Orange, California  Senior Associate and Supervising Senior Associate Lindquist, LLP Orange, California  Staff Associate Lindquist, LLP Orange, California

### Work Experience

Nine years of experience in public accounting and auditing commercial and governmental entities.

**Mr. Beck is the Engagement Staff on 40%-45% of the Special District clients served.**

### Business Qualifications

- \* Certified Public Accountant – State of California
- \* Member of California State Society of Certified Public Accountants
- \* Member of American Institute of Certified Public Accountants
- \* 40+ Hours Per Year in Professional Education in Auditing and Governmental Accounting

### Continuing Professional Education

- \* Governmental Accounting and Auditing Annual Update
- \* GASB Basic Financial Statements for State and Local Governments
- \* Pension Accounting and Financial Reporting: New Standards

Mr. Beck has provided significant audit, accounting and consulting services to various governmental entities. In these attest engagements, he has been involved in the strategic planning processes, design and implementation of policies and procedures.

# Our Approach to the Audit

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## Audit Approach

Our Firm's audit approach is tailored to each client in the following manner:

- ◆ We understand the significant work requirements of our clients. We work with our client's schedules when scheduling segments of the audit or requesting documentation in order to minimize disruption during the audit process.
- ◆ We strive to utilize accounting support already prepared by our clients in order to avoid duplication or unnecessary requests for audit supporting schedules.
- ◆ We have developed an audit-binder strategy that has worked well with our governmental clients to analyze the audit supporting schedule that agree with the trial balance.
- ◆ Our staff is trained and familiar with government accounting and audit concepts, so you will see the difference in working with our professional staff.
- ◆ We audit various large and small governmental organizations, which has allowed us to consult with our clients on implementing various best-practices in their organizations.
- ◆ We believe constant communication is the most important part of the audit process, so we ask that if you ever have any questions about any financial, accounting or audit issues please contact us anytime throughout the year.

## Electronic Audit

Our Firm uses computers and software technology to make the audit process more efficient and effective. We use paperless auditing software from CCH ProSystems *fx* Engagement and audit programs through Practitioners Publishing Company, to manage the audit electronically. Benefits of a paperless audit are composed of:

- ◆ Automates work paper preparation, review, reporting, and storage capability.
- ◆ Import and integrate the trial balance sourcing from the Districts accounting system. The time and expense of keying in account numbers, descriptions and account balances is avoided. We easily import the electronic trial balance provided to us directly into our audit program software.
- ◆ Automatically created lead sheets, which include last year's final balances, to track the year end balances throughout the audit.
- ◆ Automatically created analytical review, which assists us in identifying significant fluctuations between fiscal years. This capability facilitates the targeting of inquiries to specific key areas during the final audit fieldwork.
- ◆ Financial statements can be linked to trial balances. Linked financials are updated automatically for any last minute journal entries, if necessary.

## Audit Planning

Planning is necessary to ensure a quality audit, efficient use of professional staff and timely delivery of reports. Adequate planning of the audit is essential to minimize disruption of the ongoing daily operations of the District. We have developed a comprehensive, efficient planning process.

We will begin the planning of the audit upon notification of award of the contract. Tasks to be accomplished during this phase include:

- ◆ We will conduct an Audit Entrance Conference with the audit/finance committee and management to discuss the scope and dates of the interim and final audit testwork, availability of the District's accounting staff, prior audit problems encountered, the extent of interim audit testwork to be performed, establishment of an overall District liaison for the audit, and arrangements for workspace and other needs to conduct the audit testwork.

# Our Approach to the Audit, continued

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## *Audit Planning, continued*

- ◆ Develop the program to study and evaluate internal controls
- ◆ Conferences with the audit team and District personnel to discuss the scope and timing of the audit and anticipated areas of audit emphasis.
- ◆ Complete an analytical view of the District's year-to-date financial information and the District's budget and related materials.
- ◆ Develop and submit an interim and final audit testwork schedule for the District's approval.

*Analytical procedures* will be utilized in planning the audit which will focus on:

- ◆ Enhancing our understanding of the District and the transactions and events that have occurred since its last year audit; and
- ◆ Identifying areas that may represent specific risks relevant to the audit (assessment of control risk).

Critical audit areas will be identified for purposes of sampling of transactions and other audit tests in conjunction with determining whether reliance can be placed upon the District's system of internal accounting controls.

We will be evaluating the following cycles of the District:

- ◆ Cash Reconciliation and Investment Reporting;
- ◆ Account Billing and Cash Collection of Customers – User Charges;
- ◆ Cash Receipting and Posting – Tax Allocations
- ◆ Capital Asset Inventory and Depreciation Accounting
- ◆ Purchasing/Accounts Payable and Cash Disbursements; and
- ◆ Payroll Accounting and Disbursement/Personnel Services.

We will identify areas of potential concern to District management.

Based upon our planning procedures we will develop levels of materiality for audit testing and develop and tailor our audit program of the District.

## *Interim Audit Testwork*

In conjunction with our planning of the engagement, we will perform our *interim audit testwork*. We will have evaluated the critical audit areas and assessed the audit control risk. Our review of the District's internal control structure will be by questionnaire, and procedural write-up of your accounting system.

Each of the approaches requires inquiry and observation of District personnel and will incorporate the audit requirements of SAS 99 – *Consideration of Fraud in Financial Statement Audit*. Comments and recommendations relating to the accounting system will be discussed with appropriate District personnel and where appropriate be included in our management letter which will be issued at the conclusion of the examination.

Additional procedures that will be accomplished during our interim audit procedures include the following:

- ◆ Review of the District's internal control structure and communication of recommendations to the District's management team concerning District policies and procedures.
- ◆ Substantive testing of audit areas where reliance can be placed upon internal control structure for audit purposes. (Stratified and sequential with statistical sampling utilized as considered necessary) Minimum of 25 selections per area – revenue, expenses, payroll, capital assets)
- ◆ Reviewing of minutes of the Governing Board.

# Our Approach to the Audit, continued

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## *Interim Audit Testwork, continued*

- ◆ Evaluation of any unusual items noted from our analytical procedures.
- ◆ Reviewing of important contracts, debt issues, leases and joint power agreements.
- ◆ Performing required compliance and internal control testing relating to the federal grant programs of the District, if any.
- ◆ Providing the District with suggestions regarding the closing of the District's books after year end. Our assistance and communication in the closing of the District's books is expected to minimize the number of audit adjustments required after the close of District's books.

## *Final Audit Testwork*

After the final closing of the District's books and preparation of final trial balances and audit supporting schedule by District personnel, we will commence performing our *final audit testwork*.

Our final examination will include analysis of critical audit areas which we deem necessary, including:

- ◆ Analysis of cash and investment balances to online bank and brokerage websites
- ◆ Analysis of bank reconciliations.
- ◆ Analysis of allocations of interest income.
- ◆ Analysis of delinquent accounts receivable balances.
- ◆ Search for unrecorded liabilities.
- ◆ Analysis of long term debt balances.
- ◆ Analysis and proper valuation of the liabilities for compensated absences.
- ◆ Analysis of support for other significant assets and liabilities of the District.
- ◆ Analysis of the proper establishment of reserves and designations.
- ◆ Analysis of significant events after year end (through the completion of our audit).
- ◆ Analysis of attorney letters for significant legal matters affecting the District's financial position.
- ◆ Analysis of revenues and expenditures and lesser significant asset and liability balances through analytical procedures and other substantive procedures as necessary.

The abovementioned analysis and inquires are only a few of the tests performed during the examination and by no means is it meant to be all inclusive.

## *Audit Completion*

At the completion of the audit each year, we will meet with the District's management team to review our audit findings and any adjusting journal entries. Also, we will conduct an Audit Exit Conference to discuss the completion of the audit and the reporting timetable.

## **Understand the District and the District's Business**

We will gather information about the District. This will include prior audit reports and current year budgets. Our understanding will include:

- ◆ *External Factors* - affecting the District including the State and Federal regulatory environment and environmental requirements that affect the District.
  - ◆ *Nature of the District's Business* - its operations, governance, types of investments it makes and plans to make, bonded indebtedness it has or plans to finance.
  - ◆ *Strategies and Business Risks* - which may result in material misstatement of the financial statements as a whole, or individual assertions.
  - ◆ *Measurement and Review of Financial Performance* - we will determine with management those indicators management believes to be important for its management of the District.
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# Our Approach to the Audit, continued

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## Understand the District and the District's Business, continued

- ◆ *Internal Controls* - which consists of five components
  - The Control Environment
  - Risk Assessment
  - Information and Communication
  - Control Activities and
  - Monitoring

These components may operate at the entity level or the component unit business process activity level. Obtaining an appropriate understanding of internal control will require our Firm to understand and evaluate the design of all five components of internal control and determine whether the controls are in use at the District.

## Performing Risk Assessments and Other Procedures

The audit procedures we will perform to obtain an understanding of the District and its internal control are referred to as risk assessment procedures. We will use the information we obtain by performing risk assessment procedures to support our assessments of the risks of material misstatement. Our risk assessment procedures will include:

- ◆ Inquiries of management
- ◆ Analytical Procedures
- ◆ Observation
- ◆ Inspection of Documents

## Assessing the Risk of Material Misstatement

The risk of material misstatement is the risk that an account balance, class of transactions or disclosures, and relevant assertions are materially misstated. The risk of material misstatement consists of the following two components:

- ◆ *Inherent Risk* — the susceptibility of a relevant assertion to a material misstatement that could be material, either individually or when aggregated with other misstatements, assuming that there are no related controls.
- ◆ *Control Risk* — is the risk that a material misstatement that could occur in a relevant assertion and that could be material, either individually or when aggregated with other misstatements, will not be prevented or detected on a timely basis by the entity's internal control.

Inherent risk and control risk are the District's risks; that is they exist independently of our audit. Our risk assessment procedures will help better assess these District risks, but do not alter the District's existing inherent and control risks.

## Assessing Versus Testing Controls

If we have assessed controls as effective based upon our review of their design and an observation that they have been implemented (that is placed in operation) based solely on that assessment, we would not necessarily have an adequate basis for considering that *control risk* if low (or event moderate). As part of our audit strategy we would consider further evidence of the effective operation of controls through *sufficient tests of controls* to reach that conclusion.



## Our Approach to the Audit, continued

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### Electronic Data Extraction for Audit Purposes

Data extraction software provides us immediate visibility into transactional data within the District:

- ◆ We can analyze entire data populations and track consistency
- ◆ We can identify trends, pinpoint exceptions and highlight potential areas of concern
- ◆ We can normalize data to track consistency and view the results

### Financial Statement Level and the Assertion Level Risks

We will identify and assess the risks of material misstatement at both the financial statement level and relevant assertion level.

- ◆ *Financial Statement Level Risks and Controls* — Some risks of material misstatement relate persuasively to the financial statements taken as whole and potentially affect many relevant accounts and assertions. These risks of the financial statement level may be identifiable with specific assertions of the class of transaction, account balance or disclosure level. These are also called *Entity Level Controls*.
- ◆ *Relevant Assertion Level Risk and Controls* — Other risk of material misstatement relate to specific classes of transactions, account balances, and disclosures at the assertion level, for example, the valuation of unbilled water and bas receivables. Our risk assessment at the assertion level provides a basis for considering the appropriate audit approach for designing and performing further audit procedures, which include *substantive procedures* and may also include *test of controls*. Assertion level risks are also referred to as *Activity Level Risks*.

### Responding to Assessed Risks

The risk assessment process culminates with our selection of the account balances, classes of transactions or disclosures where material misstatements are most likely to occur given the unique circumstances of the District. This assessment of the risk of misstatement, which relates identified risks to what can go wrong at the assertion level, provides a basis for designing and performing further audit procedures. Further audit procedures are defined as tests of controls and substantive tests. Often a combined approach using both tests of controls and substantive procedures is an effective approach.

### Identification and Communication of Internal Control Matters

The objective of our audit is to form an opinion on the District's financial statements taken as a whole. Our objective is not to identify deficiencies in internal; however when control deficiencies are identified in the course of our audit and if they constitute significant deficiencies or material weaknesses, we will communicate in writing those deficiencies to management and the Board of Directors of the District.

### Audit Documentation

We will document matters pertaining to each phase of the risk assessment process. The audit documentation will clearly demonstrate procedures performed, results, evidence obtained and conclusions reached.

### Consideration of Laws and Regulations

Our audit approach recognizes the importance of laws and regulations in planning the audit of a local governmental entity. As a part of the audit, our firm obtains an understanding of those laws and regulations that have a direct and material effect on the determination of financial statement amounts. We then design the audit to provide reasonable assurance of detecting material instances of noncompliance that will have a direct and material effect on the determination of financial statement amounts.

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# Our Approach to the Audit, continued

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## *Communication with Management and the Board*

In addition to our written reports and letters, we believe an oral presentation to the District's management and the Board, if requested, to be a minimum service provided by the auditors and would be pleased to schedule a mutually convenient time for such a presentation at the conclusion of the engagement.

### *Written Communication*

A major benefit of employing outside auditors is the opportunity for the District's Board and management to receive comments about various aspects of their operations from qualified, independent professionals. We will issue three letters, which will give you such comments: the *Internal Control Letter*, the *Management Letter*, and the *Board Letter*.

The *Internal Control Letter* will communicate any reportable conditions we noted during our evaluation of those controls for the limited purpose of determining the nature, timing and extent of audit procedures to be performed. This letter will also contain our recommendations for any improvements in those controls, which might be needed.

The *Management Letter* will provide prioritized ideas and recommendations to help take advantage of specific opportunities to promote operational efficiency, achieve financial goals and help you improve effectiveness and efficiency within your operations

The *Board Letter* will communicate the auditor's responsibility under generally accepted auditing standards, significant accounting policies, management judgments and accounting estimates, significant audit adjustments, other information in documents containing audited financial statements, disagreements with management, management consultations with other accountants, major issues discussed with management prior to retention, and any difficulties encountered in performing the audit.

The preparation of these communications is an essential part of our work. Management and Internal Control Letters are authored by the senior members of the audit team, in conjunction with the partner in charge of the engagement.

Our ability to provide innovative suggestions and ideas to management sets us apart from other Firms. Our assistance centers on practical solutions, which can be implemented. A goal we have with every client is to provide management advice that will generate significant annual savings.

### *Other Assistance*

Providing management assistance requires more than having talented people on staff. First, we assign experienced senior level professionals to our engagements. Our client base of governmental entities and commercial companies demands broad business and industry experience, as well as technical expertise. Those talented professionals have to be exposed to clients and develop an in-depth understanding of particular situations.

Second, we actively look for opportunities to provide assistance. We try to initiate rather than respond. If we believe a situation is developing, we will approach the client, offer to investigate and provide recommendations. If a formal project to address the problem is called for, we will define the approach, execute the assignment and follow through with implementation assistance.

## Our Approach to the Audit, continued

### *Timing of Our Procedures*

We understand that the District is looking for value in the professional relationship they have with their auditors. Value comes from the knowledge, experience and dedication that the auditing Firm employs. We stress employ because all of the knowledge and expertise shown on paper will have no benefit for you unless it is applied. This application equates to time spent. We have developed an audit plan that we feel will accomplish the objectives of the District and meet your special needs.

In order to accomplish our audit objectives and meet your deadlines for delivery, the sequence and timing of our procedures are critical. Interim work is to be performed during the months of April through June (District preference) of each year; year-end fieldwork to begin in September or October of each year (District preference of Dates), concluding by the week of October 30<sup>th</sup> of each year; and delivery of the Final auditor's opinions on the financial statements and Management Letter no later than November 30<sup>th</sup> of each year or earlier per District requirements.

In the table that follows, we provide a summary of our planned activities and their timing:

Timing	Activity (See Appendix A for more details)
March - May (schedule meeting during this period)	Conduct audit entrance conference.
During March - May each year (1 week scheduled during this period at the District's convenience)	Perform preliminary procedures including: transition efforts, initial control assessments, minute and contract/major agreement review, major transaction review, conduct EDP review, final controls assessment, determination of specific audit procedures, provide finance department with audit plan and listing of audit schedules required, conduct progress conference with key Finance personnel. Complete test for Federal Awards.
During August – September 15th To Be Determined	Commence audit fieldwork and execute detailed audit plan, conduct progress conference with key Finance personnel. Complete Single Audit Testwork, if necessary
By September 30 <sup>th</sup>	Present drafts of the Annual Financial Report Opinions, Management Report, Other Letters and conduct an exit conference.
By October 15 <sup>th</sup>	Provide final recommendations, revisions and suggestions of the District Financials.
By October 31st	Deliver Final Opinions and then Present the Financials to Board.

### *Proposed Hours and Segmentation of the Audit*

<u>Audit Steps</u>	<u>Partner</u>	<u>Manager</u>	<u>Staff</u>	<u>Total</u>
Planning	2	4	8	14
Control Testwork	2	8	32	42
Substantive Testwork	2	8	56	66
Reporting	16	16	16	48
Total Hours	<u>22</u>	<u>36</u>	<u>112</u>	<u>170</u>

## Our Approach to the Audit, continued

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### *Professional Education*

It is a requirement of the State Board of Accountancy for all public accounting firms who are involved in governmental auditing to allocate a specific portion of continuing education in governmental accounting and auditing every two years. Fedak & Brown LLP has met this requirement for all staff involved with governmental accounting and auditing. The firm's strict adherence to these continuing professional education standards insures the highest quality of staff assigned to the audit of the District over the term of our agreement. Our firm also requires that all personnel at all organizational levels adhere to the independence rules, regulations, interpretations, and rulings of the AICPA, California State Society of CPAs, State Board of Accountancy, State Statute, and in some cases, the Securities and Exchange Commission and other regulatory agencies. Fedak & Brown LLP has never been the object of any disciplinary action in its entire existence.

***Fedak & Brown LLP is independent with respect to performing the annual audit of the District. Fedak & Brown LLP currently maintains errors and omissions insurance coverage in the aggregate amount of one million dollars and two million dollars general liability.***

**Cost Proposal  
Independent Auditor Services  
For The  
San Lorenzo Valley Water District**





Charles Z. Fedak, CPA, MBA  
Christopher J. Brown, CPA, CGMA  
Jonathan P. Abadesco, CPA

## Fedak & Brown LLP

Certified Public Accountants

Cypress Office:  
6081 Orange Avenue  
Cypress, California 90630  
(657) 214-2307  
FAX (714) 527-9154

Riverside Office:  
4204 Riverwalk Pkwy. Ste. 390  
Riverside, California 92505  
(951) 977-9888

February 19, 2016

Ms. Stephanie Hill, Finance Manager  
San Lorenzo Valley Water District  
13060 Highway 9  
Boulder Creek, California 95006

### **Re: Request for Proposal for Independent Auditor Services**

Dear Ms. Hill:

Based on our understanding of the San Lorenzo Valley Water District's (District) requirements, our all encompassing fee for audit services and assistance in preparation of the District Comprehensive Annual Report (CAFR), for the fiscal year ending June 30, 2016 is **\$19,500**. This fee is based on our understanding of the District's audit requirements.

Assuming there is no substantial change in the District's activities and operations, our fee for audit services and assistance in preparation of the District's CAFR for the fiscal years ending June 30, 2017 and 2018, and optional years 2019 and 2020 would be **\$19,675, \$19,850, \$20,025, and \$20,200**, respectively.

The cost for Other Items as requested or needed by the District each year is priced separately.

Our estimate for out-of-pocket expenses is part of our operating rate structure. The components of this audit services fee proposal for the years ending June 30, 2016 through 2018, and optional years 2019 and 2020 are itemized in the attached Exhibits.

Our not-to-exceed fee proposal is contingent upon our understanding of your requirements and the assistance we require as noted in our original audit technical proposal.

Additional services not included in this proposal will be based on our discounted billing rates based on the level of experience required. We would execute a separate contract for these services, if they are requested by the District.

I am authorized to make representations for Fedak & Brown LLP and am duly authorized to sign a contract with the District.

---

Christopher J. Brown, CPA CGMA

February 19, 2016

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Date

# Exhibit I – Proposed Hours and Our Fees

## Proposed Hours and Our Fees

We anticipate that for the years ending June 30, 2016 through 2018, and optional years 2019 and 2020, the audit of the District will approximate 170 audit hours. These hours, by major area, are summarized as follows:

<u>Audit Steps</u>	<u>Partner</u>	<u>Manager</u>	<u>Staff</u>	<u>Total</u>
Planning	2	4	8	14
Control Testwork	2	8	32	42
Substantive Testwork	2	8	56	66
Reporting	16	16	16	48
Total Hours	<u>22</u>	<u>36</u>	<u>112</u>	<u>170</u>

As shown above, we expect approximately 34% of engagement hours to come from the Partners and Managers assigned to the engagement.

Working on the premise that we will be provided with a year-end trial balance, along with an audit package of reconciled balances and supporting schedules of all balance sheet accounts, we expect to perform the audit of the District at fees as stated in the attached Schedule of Professional Fees on Page 3 through 5 for the years ending June 30, 2016 through 2018, and optional years 2019 and 2020 respectively.

Our fees are based on the product of the time spent on the engagement and the billing rates of the individuals assigned, plus out-of-pocket costs (such as, report reproductions, typing, postage, travel, copies, telephone, etc.). We will obtain the assistance of the District's personnel to the extent possible and otherwise endeavor to keep these charges to a minimum. We will submit progress billings monthly to your office as our work progresses, which will be due and payable thirty days from the date of the invoice.

Based upon the present size and scope of the activities of the District, we expect to perform the services enumerated above at our standard hourly rates. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to the audits.

In accordance with your request for proposal and the Office of Management and Budget Circular A-128, we will maintain our work papers for at least five years and make them available to the District, state agencies, the General Accounting Office, and other parties upon the direction of the District.

We want the Board to understand that we will provide **any** assistance and answer **any** questions that the District's staff or members of the Board may have when they arise for the entire duration of our contract. We find it important to stay abreast of the District's activities and accounting issues during the entire engagement.

We would like to thank you and the Board for the opportunity to submit a proposal for the auditing services of the District. Because of our experience in special districts and our interest in the District, we will provide you with assistance in your operations as well as meet the audit needs of the organization. We will also continually make recommendations on these and other matters that come to our attention. We are proud of the professional services we provide and encourage you to make inquiries to any of our clients about their satisfaction with our services and the quality of our staff.

## Exhibit II – Schedule of Professional Fees

### FISCAL YEAR 2016

#### Breakdown of Fees by Hours

	<b>Hours</b>		<b>Hourly Rates</b>		<b>Total</b>
<b>Fiscal Year 2016 Audit of:</b>					
District's Basic Financial Statements (CAFR)					
Partner	22	\$	150	\$	3,300
Manager	36		125		4,500
Staff	112		100		11,200
<b>Total Financial Statement Audit for 2016</b>	170				<b>19,000</b>
Preparation of the District's Annual State Controller's Report	5		100		500
<b>Total Maximum for 2016</b>				\$	<b>19,500</b>
<b>Optional Item Asked to be Priced by the District:</b>					
Single Audit of Federal Awards					
Partner	3		150	\$	450
Manager	6		125		750
Staff	33		100		3,300
<b>Total Optional Item For 2016</b>	42			\$	<b>4,500</b>

### FISCAL YEAR 2017

#### Breakdown of Fees by Hours

	<b>Hours</b>		<b>Hourly Rates</b>		<b>Total</b>
<b>Fiscal Year 2017 Audit of:</b>					
District's Basic Financial Statements (CAFR)					
Partner	22	\$	151	\$	3,322
Manager	36		126		4,536
Staff	112		101		11,312
<b>Total Financial Statement Audit for 2017</b>	170				<b>19,170</b>
Preparation of the District's Annual State Controller's Report	5		101		505
<b>Total Maximum for 2017</b>				\$	<b>19,675</b>
<b>Optional Item Asked to be Priced by the District:</b>					
Single Audit of Federal Awards					
Partner	3		151	\$	453
Manager	6		126		756
Staff	33		101		3,333
<b>Total Optional Item For 2017</b>	42			\$	<b>4,542</b>

**Please note that any additional services requested by the District during the audit period shall be negotiated at the stated hourly rates per year as noted in the following schedules per year.**



## Exhibit II – Schedule of Professional Fees

FISCAL YEAR 2018 ***			
Breakdown of Fees by Hours			
	Hours	Hourly Rates	Total
<b>Fiscal Year 2018 Audit of:</b>			
District's Basic Financial Statements (CAFR)			
Partner	22	\$ 152	\$ 3,344
Manager	36	127	4,572
Staff	112	102	11,424
<b>Total Financial Statement Audit for 2018</b>	170		<b>19,340</b>
Preparation of the District's Annual State Controller's Report	5	102	510
<b>Total Maximum for 2018</b>			<b>\$ 19,850</b>
<b>Optional Item Asked to be Priced by the District:</b>			
Single Audit of Federal Awards			
Partner	3	152	\$ 456
Manager	6	127	762
Staff	33	102	3,366
<b>Total Optional Item For 2018</b>	42		<b>\$ 4,584</b>

\*\*\* Audit Includes Implementation of GASB 75 in Fiscal Year 2018.

OPTIONAL YEAR - FISCAL YEAR 2019			
Breakdown of Fees by Hours			
	Hours	Hourly Rates	Total
<b>Fiscal Year 2019 Audit of:</b>			
District's Basic Financial Statements (CAFR)			
Partner	22	\$ 153	\$ 3,366
Manager	36	128	4,608
Staff	112	103	11,536
<b>Total Financial Statement Audit for 2019</b>	170		<b>19,510</b>
Preparation of the District's Annual State Controller's Report	5	103	515
<b>Total Maximum for 2019</b>			<b>\$ 20,025</b>
<b>Optional Item Asked to be Priced by the District:</b>			
Single Audit of Federal Awards			
Partner	3	153	\$ 459
Manager	6	128	768
Staff	33	103	3,399
<b>Total Optional Item For 2019</b>	42		<b>\$ 4,626</b>

**Please note that any additional services requested by the District during the audit period shall be negotiated at the stated hourly rates per year as noted in the following schedules per year.**

## Exhibit II – Schedule of Professional Fees

### OPTIONAL YEAR - FISCAL YEAR 2020

#### Breakdown of Fees by Hours

Fiscal Year 2020 Audit of:	<u>Hours</u>	<u>Hourly Rates</u>	<u>Total</u>
District's Basic Financial Statements (CAFR)			
Partner	22	\$ 154	\$ 3,388
Manager	36	129	4,644
Staff	112	104	11,648
<b>Total Financial Statement Audit for 2020</b>	<u>170</u>		<u>19,680</u>
Preparation of the District's Annual State Controller's Report	<u>5</u>	104	520
<b>Total Maximum for 2020</b>			<u>\$ 20,200</u>
<b>Optional Item Asked to be Priced by the District:</b>			
Single Audit of Federal Awards			
Partner	3	154	\$ 462
Manager	6	129	774
Staff	33	104	3,432
<b>Total Optional Item For 2020</b>	<u>42</u>		<u>\$ 4,668</u>

Please note that any additional services requested by the District during the audit period shall be negotiated at the stated hourly rates per year as noted in the following schedules per year.



*Proposal for Professional Auditing Services  
For the Fiscal Years Ending June 30, 2016 through June 30, 2018*

*Submitted by:*



**Federal Employer ID Number: 36-4781081**

***Engagement Partner: Sanwar Harshwal***

**Contact Info: (858) 784-1622, [SHarshwal@patelcpa.com](mailto:SHarshwal@patelcpa.com)**

***February 22, 2016***

## **TABLE OF CONTENTS**

<b><u>Section</u></b>	<b><u>Description</u></b>	<b><u>Page</u></b>
A.	Transmittal Letter	1
B.	Firm Qualifications and Experience	3
C.	Similar Engagement with other Governmental Entities	7
D.	References	12
E.	Staff Qualifications and Experience	13
F.	Audit Approach	24
G.	Audit Fees	42
H.	Additional Information	45

## TRANSMITTAL LETTER

February 22, 2016

San Lorenzo Valley Water District  
ATTN: Stephanie Hill, Finance Manager  
13060 Highway 9  
Boulder Creek, California 95006

### **Re: Request for Proposal for Professional Auditing Services**

Dear Stephanie Hill and Evaluation Committee Members,

Patel & Associates, LLP is pleased to respond to your request for proposal to provide audit services to the San Lorenzo Valley Water District's financial statements for the fiscal years ending June 30, 2016 through June 30, 2018 with an option to renew for additional two years. Our proposal is based upon the guidelines set forth by the District as well as the current understanding of the District's operations and service needs.

We believe that we will be responsive to your needs because of the experience we have in auditing state and local governments. You will find that key members of our staff have extensive experience in audits of state and local governments, tribes and tribal governments, housing authorities, school districts, state agencies and not-for-profit organizations and are quite familiar with the District's auditing and reporting requirements. We feel that with this experience and expertise, our firm is well qualified to complete this engagement with the best professional results possible.

We have reviewed the requirements of your request and believe we are well qualified to provide you knowledgeable and effective service. We are pleased to highlight the following credentials:

- The audit team proposed has extensive experience in audits of state and local governments, audit requirements under revised Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), and federal and state compliance requirements. Additionally, the team is familiar with all of your programs.
- Patel & Associates, LLP is benchmarked for providing the work within the time framed. Our team is committed to complete the audit on time as they are fully loaded with contemporary technology which will add value to a successful and timely audit. We are responsive and solution oriented; provide quick response on matters that require immediate attention hence enhancing the quality of our audit.
- Our proposal is a final and irrevocable offer for sixty days (60).

**Why Patel & Associates, LLP:**

- Extensive Partner involvement on each engagement
- Manager and/or Partner always on site during fieldwork
- Consistent and experienced staff
- Timeliness of communications
- Proactive approach in addressing complex issues early in the engagement
- Availability to clients as a specialized resource
- Professionalism with understanding

**Understanding of the work to be performed:**

We understand you require us to express an opinion on the fair presentation of District's general purpose financial statements in conformity with generally accepted governmental accounting principles, California State Controller's minimum audit requirements for special district, Generally Accepted Accounting Principles (GAAP), and Standards and Governmental Accounting Standards Board (GASB) guidelines.

Should you have any questions regarding our proposal, please do not hesitate to contact Mr. Sanwar Harshwal. We look forward to providing our services to the San Lorenzo Valley Water District.

*Patel & Associates, LLP is a small business enterprise and 100% multi-minority owned CPA firm.*

Sincerely,

**Patel & Associates, LLP**  
**Certified Public Accountants**



**Sanwar Harshwal**  
**Engagement Partner**

## **FIRM QUALIFICATIONS AND EXPERIENCE**

Patel & Associates, LLP is a local firm of Certified Public Accountants offering auditing, management consulting and special services to its clients, which consist primarily of governmental and institutional organizations. The firm is the result of a direct effort of professionals who consolidated their experience and resources in order to provide a broader range of high quality services to their clients. Members of the firm have accumulated over four decades of experience in public accounting; primarily with international certified public accounting firms while employed in high supervisory positions.

Individually, the partners and management staffs are recognized in their respective areas for leadership roles which they part take in promoting the high ideals of the accounting profession and for producing the highest quality services. Collectively, Patel & Associates, LLP represents the experience responsible for the formulation, planning, management and execution of over 3,000 engagements of governmentally funded organizations with aggregate funding in excess of \$3,500,000,000 over the past twenty five years.

The firm encourages its members to participate in community activities as well as trade or industry associations to round out our involvement in our profession and community. Our involvement in these activities assures that we are up-to-date on relevant information that will assist us in counseling and serving our clients in their unique and particular problems.

Patel & Associates, LLP has office in Oakland with associated office in Albuquerque, New Mexico. The location of our offices permits a wide geographical coverage that better serves our clients and permits us access to a variety of personal experience in numerous industries. The work on this engagement will be performed from our Oakland, California office.

The firm has twenty five staff members comprising of two partners, three managers, three supervisors and seventeen staff members. One senior manager, one senior auditor and two staff members will be available on full time basis and others on part time basis.

Patel & Associates, LLP has not been debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs, or from receiving Federal contracts, subcontracts, or financial or nonfinancial assistance or benefits, under Executive Order 12549, "Debarment and Suspension" (24 CFR 85.35) or other Federal laws, statutes, codes, ordinances, regulations or rules, at any time during the term of the agreement.

### **License to Practice in California**

Patel & Associates, LLP is a Certified Public Accounting firm duly licensed under the authority of the California State Department of Consumer Affairs. Also our all assigned key professional staff is licensed to practice in California. We are members of the American Institute of Certified Public Accountants (AICPA) and the California State Society of Certified Public Accountants and are familiar with the rules and regulations upon which our profession operates as well as the pronouncements and audit standards promulgated by the AICPA.

## Independence

We are independent to conduct the audit under the AICPA, the Securities and Exchange Commission and the U.S. Government Accounting Office's rules. Before accepting any new engagement, we conduct a thorough check to ensure that there are no conflicts of interest or independence issues. This procedure is in compliance with the independence requirements of all regulatory agencies and, specifically, in compliance with the Standard for Audit of Governmental Organizations, Programs, and Activity Functions, as published by the U.S. General Accounting Office (GAO). Our firm does not have any professional relationship involving District for the past five years. If selected as your auditor, we will maintain and monitor our independence as well as reassess our independence with respect to your organization on an annual basis. We will continue to evaluate our independence as your external auditors and will give the District written notice of any professional relationships involving the District and its component unit, if entered into, during the period of the audit contract.

## Services Provided by the Firm

Patel & Associates, LLP is a full service professional office providing comprehensive services commonly associated with large firms. The office is divided into the following departments and provides the following services:

- **Audit Department:** Provides audit services to commercial, governmental and non-profit organizations with special emphasis on compliance audits in Education, Health and Housing industries.
- **Tax Department:** Provides a wide range of tax preparation, tax planning and consulting for corporations, partnerships and individuals.
- **Management Advisory Services:** Provides consulting services in designing, modifying and installing computer systems; selecting and evaluating computer hardware and software systems and consulting in management information systems.
- **Accounting Department:** Provides consulting services in setting up business and establishing accounting systems, books and records. Assistance in maintaining business records and preparing financial statements.

## Equal Opportunity Employer

Patel & Associates, LLP is an equal employment opportunity employer. It is our policy to be continually alert and to identify and correct any practices by individuals that are at variance with the intent of the firm's Equal Employment Opportunity policy. Patel & Associates, LLP prohibits discrimination of qualified persons based on race, religion, color, sex, age, national origin, disability, sexual orientation, military status, or any other characteristic protected by applicable federal, state or local law. This policy applies to all phases of the employment relationship, including the recruitment, hiring, compensation, benefits, training and development, promotion, transfer, layoff, discharge, and all other conditions and privileges of employment in accordance with applicable federal, state, and local laws.



### **Firms Ability to Audit Computer-Generated Data**

Today's complex and technical requirements make it imperative that up-to-date technology is utilized to run companies because of this the majority of the firms' clients utilize computers to maintain their accounting. The firm has audited computer-generated data effectively for the past twenty-five years. We use notebooks for our field work using a variety of accounting and auditing software applications. We would be able to down load your accounting data on our system. This procedure would avoid duplication of effort.

### **Standard Quality Audit**

Patel & Associates, LLP have always been a hallmark for quality of its audit work. It is perpetrated in providing high-quality service without compromising the timely submission of your audit report. We have never been debarred or suspended or that our firm's contracts are never rejected for substandard audits.

Patel & Associates, LLP meets all specific requirements imposed by the state, local law or rules and regulations. Since our audit practice is concentrated in nonprofit and governmental entities receiving Federal and State funds, our workpapers are reviewed by Federal and State Auditors on a regular basis.

### **Continuing Education**

Our membership in AICPA's private practices section and because the audits we perform entities and other nonprofit agencies, requires us to meet the continuing education requirements. We are fully aware of the GAO's requirements of 24 hours of continuing education and training in subjects directly related to the government environment and government auditing. Our firm and the staff are in compliance with these requirements.

### **Other Memberships**

Patel & Associates, LLP is a member of the Governmental Audit Quality Center (GAQC) and Employee Benefit Plan Audit Quality Center (EBPAC) of the American Institute of Certified Public Accountants (the "AICPA") and the Center for Audit Quality, an affiliate of the AICPA.

### **Peer Review / Quality Control**

Patel & Associates, LLP belongs to the Private Practices Section of the AICPA and has successfully completed nine Peer Reviews under the regulations of the AICPA. This is a program dedicated to ensuring that participating firms have quality control systems in place over their accounting and auditing practices. This program also includes a review of our governmental client bases that have single audit requirements. We were pleased to receive a peer review rating of pass, and believe it reflects our commitment to perform quality work. We have also undergone a quality control review by the United States Department of Housing and Urban Development mandated by the Single Audit Act of 1984. The audit selected for review was accepted without change.

Our peer review certificate is enclosed here.



MANN • URRUTIA • NELSON CPAs & ASSOCIATES, LLP  
GLENDALE • ROSEVILLE • SACRAMENTO • SOUTH LAKE TAHOE • KAUAI, HAWAII

### SYSTEM REVIEW REPORT

To the Managing Partner  
Patel and Associates, LLP  
and the Peer Review Committee of the CalCPA Peer Review Program

We have reviewed the system of quality control for the accounting and auditing practice of Patel and Associates, LLP (the firm) in effect for the year ended May 31, 2014. 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 part of our 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* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Patel and Associates, LLP in effect for the year ended May 31, 2014, 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*. Patel and Associates, LLP has received a peer review rating of *pass*.

*Mann Urrutia Nelson CPAs*

Sacramento, California

October 29, 2014

## SIMILAR ENGAGEMENT WITH OTHER GOVERNMENTAL ENTITIES

### Special Districts

- Alameda County Fire Department
- Alameda County Law Library
- Alameda County Community Development Department
- Burbank Sanitary District
- Santa Clara County Sheriff's Department – Inmate Welfare Fund
- The Cities' Group
- Hayward Area Recreation and Park District
- Lions Gate Community Service District
- Los Medanos Community Health Care District
- Oakland-Alameda County Coliseum Authority
- Solano County Local Transportation Fund
- Menlo Park Fire Protection District
- Alameda County Sheriff's Department – Inmate Welfare Fund
- East Contra Regional Fee and Financing Authority

### State and Local Governments

- City of Port Hueneme
- City of Oakland
- City of Santa Cruz
- City of San Leandro
- City of San Francisco
- City of Emeryville
- City of San Mateo
- City of Hayward
- City of San Francisco
- City of Fairfield
- State of California
  - State of California Office of Economic Opportunity (SOEO)
  - CALTRANS
  - Employment Development Department
  - Office of the Auditor General
- City of East Palo Alto
- City of Crescent City
- City of Vallejo
- County of Santa Clara
- County of Sonoma
- City of Berkeley
- City of Pleasanton
- City of San Mateo
- City of Newark
- City of Redwood City
- City of San Jose
- City of Union City
- City of Richmond
- City of Albany
- City of Alameda
- City of Fremont

### Federal Clients

- United States Department of Education
- United States Department of Housing and Urban Development
- United States Department of Health and Human Services
- United States Department of Labor
- United States Bureau of Indian Affairs
- United States Small Business Administration
- United States Department of Commerce
- United States Department of Economic Development Administration
- Office of Minority Business Enterprises
- Environmental Protection Agency
- Urban Mass Transit Administration
- Office of Minority Business Enterprises
- Social Security Administration
- Office of Native American Programs
- Public Works Administration
- legal Services corporation
- Securities and Exchange Commission
- Community Services Administration

## Counties

### County of Alameda

- Community Based Organization Audits
- Alameda County Housing and Community Development Agency - Housing and Community Development and Lead Poisoning Prevention
- Alameda County Public Works Department
- Alameda County Housing and Community Development - Bond Audit
- Alameda County Congestion Management Agency
- Alameda County Health Care Services Agency
- Alameda County Auditor-Controller's Agency
- City of Oakland, Office of Public Works
- Alameda County Transportation Authority
- Alameda County Social Services - Food Stamp

### Contra Costa County

- Public Works Department
- Emergency Medical Services

### Santa Clara County

- Single Audit (Sub Contractor)
- County of Santa Clara JTPA Program
- Mental Health Short Doyle Program
- Sheriff's Department – Inmate Welfare Fund

### County of San Mateo

- JTPA Program
- Department of Community Services

### Santa Cruz County

- Single Audit
- Mental Health - Short Doyle Program

### Solano County

- City of Vallejo (Sub Contractor)
- Local Transportation Fund
- Mental Health - Short Doyle Program

### Del Norte County

- Del Norte County
- Del Norte County Solid Waste Management

### Other Counties

- Short Doyle Program - City and County of San Francisco
- Mental Health - Short Doyle Program - County of Yolo
- Mental Health - Short Doyle Program - County of Monterey
- Single Audit (Sub Contractor) - Sonoma County
- Mental Health - Short Doyle Program - County of Tulare

### Non Profit Organizations

- AIDS Project of the East Bay
- Alameda County Mental Health Association, Inc.
- A Betterway, Inc.
- Adelante, Inc.
- African American Aids Support Services Institute
- Alcohol Policy Network (formerly Community Recovery Services)
- American Lung Association in California
- American Red Cross (Solano County)
- Art, Research Curriculum & Associates
- Asian Pacific Islander Legal Outreach
- Asian and Pacific Islander American Health Forum
- Associated Students, Inc. of California State University, Hayward
- Carnales Unidos Reformando Adictos
- Center for Independent Living
- Center for Training and Careers
- Centro Legal De La Raza
- Chinese for Affirmative Action
- Coalition For Elders Independence, Inc.
- Community Clinic Consortium
- Community Drug Council, Inc.
- Community Health for Asian Americans
- Community Oriented Correctional Health Services
- Countywide Alcohol and Drug Services
- Daytop Village, Inc. (California)
- Deaf Counseling, Advocacy and Referral Agency
- East Bay Conversion and Reinvestment Commission
- East Bay Agency for Children
- East Bay Community Recovery Project
- Emeryville Center for the Arts
- Family Bridges, Inc.
- Family Paths, Inc.
- Filipino-American Seniors Opportunities Development Corporation
- Filipino Task Force on Aids
- Filipinos for Affirmative Action, Inc.
- Association of Asian Pacific Community and Health Organization
- Building Opportunities for Self-Sufficiency (BOSS)
- Bay Area Center For Law and The Deaf
- Bay Area Community Services
- Bay Area Lupus Foundation
- Bay Area Young Positives
- California Anchor Residence Group Home
- California Coalition Against Sexual Assault
- California Communications Access Foundation
- California Housing Partnership Corporation
- California Interscholastic Federation
- California Rural Legal Assistance
- California Wilderness Coalition
- Friendship House Association of American Indians, Inc.
- Jobs for Homeless Consortium, Inc.
- Jubilee West, Inc.
- La Familia Family Services of Alameda County
- Lao Family Community Development, Inc.
- Legal Aid Society of Alameda County
- Legal Center for Elderly and Disabled
- Lincoln Child Center
- Livermore Valley Performing Arts Center
- Mexican American Community Agency
- Mission Cultural Center for Latino Arts
- Napa County Legal Assistance
- National Office of Samoan Affairs, Inc.
- National Task Force on Aids Prevention
- New Leaf Services for our Community
- Oakland Asian Students Educational Services
- OBECA/Arriba Juntos
- Old Oakland Housing Development Corporation
- Options Recovery Services

### Non Profit Organizations

- Gardner Family Care Corporation
- Gardner Family Health Network, Inc.
- Global Education Partnership
- Hemophilia Foundation of Northern California
- Henry Robinson Multi Service Center
- Hiawatha Harris, M.D., Inc. dba Pathways to Wellness Medication Clinic
- Hispanic Chamber of Commerce
- Hope Hospice, Inc.
- The ACBA/Volunteer Legal Service Corporation
- The Alameda County Bar Association
- The Alameda County Bar Foundation
- The World Without War Council, Inc.
- Tri-Valley Haven for Women
- United Way of Solano County
- University Union, Inc. of California State University, Hayward
- Youth and Family Services, Inc.
- Pacific Asia Travel Association
- PATA Foundation
- Pets Are Wonderful Support
- Professional Management Development Corporation
- Redwood Legal Assistance
- Regional Administrative Facilities Corporation
- Richmond Neighborhood Housing Services, Inc.
- San Jose Police Activities League
- Santa Clara Community Legal Services
- Second Chance, Inc.
- Sexual Minority Alliance of Alameda County
- Solano County Legal Assistance
- Spanish Speaking Citizens Foundation
- Spanish Speaking Unity Council
- Spectrum Community Services, Inc.

### Housing Authorities

- Housing Authority of San Mateo County
- Housing Authority of the County of Alameda
- Housing Authority of the City of Richmond
- Housing Authority of the County of Butte
- Housing Authority of City of Dublin
- Housing Authority of the City of Richmond
- Housing Authority of the County of San Joaquin
- Housing Authority of the County of Yolo
- Housing Authority of the County of Contra Costa
- Housing Authority of the City of Eureka and County of Humboldt
- Housing Authority of the City of Port Hueneme
- Housing Authority of the City of Santa Barbara
- Tulare County Housing Authority
- Santa Clara County Housing Authority
- Contra Costa County Housing Authority
- Vallejo City Housing Authority
- San Bernardino Housing Authority
- Alameda City Housing Authority
- Suisun City Housing Authority
- San Francisco Housing Authority
- Housing Authority of the County of Mariposa
- Housing Authority of the City of Benicia
- Housing Authority of City of Livermore
- Housing Authority of City of Oakland
- Berkeley Housing Authority

**Educational Entities**

- Oakland Military Institute College Preparatory Academy
- West Sacramento Valley Charter School
- Aurora High School
- American-Indian Public Charter School
- East Oakland Leadership Academy
- Garfield Charter School
- Growing Children Charter School
- Language Academy of Sacramento
- Liberty Family Academy
- North Oakland Community Charter School
- Oakland Charter Academy
- Oakland Unity High School
- Dolores Huerta Learning Academy
- Ernestine C. Reems Learning Academy of Technology and Arts
- Escuela Popular Del Pueblo
- Sojourner Truth Learning Academy
- Willow Education Foundation dba Bay Area Technology School
- Belmont-Redwood Shores School District
- Marin Community College District
- San Jose Community College District (Special Programs)
- Peralta Community College District (Special Programs)
- La Honda-Pescadero Unified School District
- Brisbane School District
- Jefferson School District
- Pacifica School District
- San Mateo-Foster City School District
- Bayshore Elementary School District
- Ravenswood City School District
- Redwood City School District
- North Monterey County Unified School District
- Jefferson Union High School District
- Benicia Unified School District
- Castro Valley Unified School District
- Fairfield-Suisun Unified School District
- Franklin-McKinley School District
- Napa Valley Unified School District
- North Sacramento School District and Vallejo City Unified School District
- D-Q University
- New College of California
- The National Hispanic University
- South Western Community College District
- Cabrillo Community College District
- California State University, Sonoma (Athletic Programs)
- California State University, Humboldt (Child Care Programs)

## REFERENCES

1. Ms. Theresa Stchler, Accounting Specialist  
Burbank Sanitary District  
20863 Stevens Creek Blvd., Ste 100, Cupertino, CA 95014  
Phone: (408)453-5373
2. Mr. Steve Manning, Auditor-Controller  
Alameda County Auditor-Controller Agency,  
1221 Oak Street, Room 249, Oakland, CA 94612  
Phone: (510) 272-6565
3. Mr. U.B. Singh, Director of Finance  
Alameda County Housing and Community Development  
224 W. Winton Avenue, Room 110, Hayward, CA 94544  
Phone: (510) 670-5932
4. Mr. Kirsten LaCasse,  
City of Oakland  
150 Frank H. Ogawa Plaza  
Suite 6353, Oakland, CA 94612  
Administrative Services Dept./ Controller's Office  
Phone: (510) 238-3809
5. Mr. Mark Estes, Law Library Director  
Alameda County Law Library  
125, 12th street, Oakland, CA 94607-4912  
Phone: (510)/208-4800.
6. Ms. Shu-Mei, Financial Services Manager  
Alameda County Fire Department  
6363 Clark Avenue, Dublin, CA 94568  
925/833-3473
7. Mr. Cathy Leoncio, Finance Manager  
Housing Authority of Alameda County  
22941 Atherton St, Hayward, CA 94541  
510/727-8521
8. Mr. Kenneth Cole, Executive Director  
Housing Authority of County of San Mateo  
264 Harbor Blvd # A, Belmont, CA 94002  
650/802-3361



## STAFF QUALIFICATIONS AND EXPERIENCE

Patel & Associates, LLP has the professional staff resources to commit to conclude on the audit contemplated and we will commit the staff identified in this proposal for the hours required to successfully complete the examination of the District.

The core of our professional staff is an audit team. This is made up of three staff levels: staff, senior and audit managers or supervisors. The size of the audit teams we intend to use will be flexible, depending on the size of a particular organization being audited. Considering this, we intend to provide several audit teams that will be used in the audits contemplated. However, the components of our audit team can be highlighted best as follows:

- **Staff Auditor:** An individual with a four year college degree in accounting or a related field with sufficient experience to prepare an internal control questionnaire, identify control weaknesses and make recommendations for changing the nature and extent of validation tests and other audit procedures. This individual is under the direct supervision of the Audit Senior.
- **Audit Senior:** An individual with a four-year college degree in accounting or related field with sufficient audit experience to meet the certification requirements by the CPA licensing board of the state in which he resides and actively engaged toward obtaining certification. The individual must be capable of directing the day-to-day conduct of the field work, including the review of the work performed by the staff auditor(s), preparing audit reports and communicating daily field work issued and problems to high level personnel. The Audit Senior report directly to the Manager in charge of the audit team and participates in audit program and time budget preparation.
- **Audit Supervisor:** An individual with a four-year college degree in accounting or a related field with sufficient experience in the day-to-day activities of directing, controlling and reviewing the work of staff and audit seniors in the field. The individual is given the responsibilities of conferring regularly with the audit team, planning and directing engagements and reviewing and approving reports and workpapers for managers' consideration.
- **Audit Manager:** Must be a senior accountant with at least five years of public accounting experience and must have the capabilities of handling complex engagements. The individual must be capable of directing, controlling and reviewing the work of Audit Seniors and also contacting top officials of the client on all aspects of an engagement. The individual is given the responsibility of conferring regularly with the Audit Seniors overall planning and directing of engagements and reviewing and approving reports for Partner's consideration.
- **Engagement Partner:** The Partner in the engagement has the ultimate responsibility for all work performed by the audit team and is assigned to perform an overall review to insure compliance with general, field and reporting requirements of the profession's special requirements.

In summary, Patel & Associates, LLP has the knowledge, background and resources to perform the audit of the District, and we hope this proposal will distinguish our firm to be the most qualified to fulfill your audit needs.

## Staff Training

Staff training is an ongoing effort. Patel's staff undergoes intensive training so they can be introduced to overall audit programs, understand the purpose and the overall importance in performing an examination. Staffs are introduced to the firm's approach to indexing, composition of audit work papers, files and the firms' audit forms. In fact, hands on training reiterate this training with actual audit experience. The staffs are assigned an area of performance and the senior or supervisor will go over the program steps with them. As skills are acquired, the responsibility is extended and more complex and challenging areas are introduced.

Since the firm does audits of a governmental nature and of non-profit agencies, we recognize the need and importance of compliance audits and the effort made by the federal government for single audits in the past few years; the firm had developed training programs for its staff introducing among other publications the following:

- The Single Audit Act of 1984 (Public Law 98-502)
- OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations"
- OMB Circular A-102 (Revised), March 3, 1988, "Grants and Cooperative Agreements with State and Local governments"
- OMB Circular A-87, "Cost Principles for State and Local Governments"
- OMB "Compliance Supplement for Single Audits of State and Local Governments"
- OMB Catalog of Federal Domestic Assistance (CFDA)
- GAO Government Auditing Standards-Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, 1994 Revision (the Yellow Book) - excerpts pertaining to financial audits.

We have an extensive library which updates on publications among others for GAAP, GASB, GAAP, etc. The key personnel on a regular basis attend continuing education courses and seminars in the governmental and commercial sector presented by the California Society of CPA's and the AICPA.

Considering the requirements of this proposal, the firm will ensure that a partner is available along with managers who are experienced in District Audits, Redevelopment Agency Audits, Special Districts, and in single audit compliance requirements throughout the length of our service to the Authority under this engagement.

For the purposes of this engagement, it is anticipated that the staff assigned will receive training peculiar to this engagement and foresee what they can expect to encounter. The training will introduce any special areas, legislation, regulation and the agencies expected to be audited.

### Quality Review

The function of quality review is in actuality performed at all levels by personnel with supervisory positions. However, a staff member is assigned to perform a final review of working papers for compliance with generally accepted auditing standards, office policies and procedures and special requirements. A quality review is performed by the partner of the firm for all reports prior to release.

Manager and supervisor will also review the workpapers and may comment on the details reviewed by the senior. The review emphasizes that the overall audit plan has been successfully completed. Expansion of scope, deletions or other problems encountered will be discussed with the senior. This review also ascertains that the workpapers properly support balances to be ultimately reported upon and conclusions which might require comments in the audit report.

A Senior and Manager, in conjunction with the Partner, will prepare the audit report. The Partner will review the audit plan, the audit program and the audit conclusions and the composition of the report. Wording, notes to the financial statements, and recommendations will be evaluated for propriety. The audit report, once typed and proofread will again be reviewed by another staff prior to being signed and released.

### Quality Control

Quality control is a paramount concern at Patel & Associates, LLP and it will be the responsibility of each member, from clerical to partners. Therefore, quality control is first exercised by the firm when hiring individuals that will become part of and perpetuate the firm. In this manner, quality sets the pace and tone for training, advancement, administration and professional services.

The American Institute of Certified Public Accountants, which is generally recognized by the profession and the public as the instrument through which certified public accountants maintain their professional standards, has established certain considerations for quality control by independent auditors. These are:

- *Independence*
- *Assignment of personnel to engagements*
- *Consultation*
- *Supervision*
- *Hiring*
- *Professional Development*
- *Advancement of Personnel*
- *Acceptance and Continuation of Clients*
- *Inspection*

These considerations address the nature of the professional and the firm in conducting its affairs and are interlard. Therefore each consideration has been incorporated into the firm's policies and practices.

### Staff Resumes

- Sanwar Harshwal, *CPA, CIA, CISA, CFE, FCA, CRMA, CGMA, CCA*
- Ramesh C. Patel, *CPA*
- Monica Singhai, *CPA*
- Albert Hwu, *CPA*
- Tareef Zeesan, *CPA*
- Fadi Shahin, *Bachelors Accounting*

### Management of the Engagement

The audit will be managed by the Engagement Partner with extensive municipal accounting and governmental audit experience, Mr. Harshwal has been in charge of various large audits, governmental funded programs and community based organizations receiving federal and state funds. On this engagement Mr. Harshwal will be the Engagement Partner. The field work will be directed under Ms. Monica Singhai, CPA. The following summarizes the proposed management of this engagement:

#### Name/Position

#### Responsibility

#### **Sanwar Harshwal, CPA Engagement Partner**

Sanwar Harshwal will be the Engagement Partner in charge of administration, reviews, planning of audit, approval of the audit scope and work, Partner review of work and liaison with the District. He is responsible for the conduct of the field work, coordination of the audit plan, ensuring that the plan formulated is effectively followed and managed. He will coordinate the audit with the manager and supervisor to ensure that the field work is progressing properly, that the audit teams' effort is given proper management and coordination, and that the various audit components are being performed efficiently and timely. He also has the responsibility for meeting with the District management to keep them informed regarding the progress of the audit. The responsibility also extends to ensuring smooth interaction of the firm with the District. He has final authority in the conduct of the engagement and assumes full responsibility for the work performed.

#### **Ramesh Patel, CPA Consultant**

Ramesh Patel will be responsible as a second reviewer of the workpapers and the audit report to ensure that it meets all the current professional standards.

**Monica Singhai, CPA  
Senior Manager**

Monica Singhai is in charge of planning the audit, review of the audit effort, and guidance of the examination. She is responsible for the conduct of the field work in conjunction with supervisor, to ensure coordination of the audit plan, provide instruction and coordination to senior and staff accountant on District systems, on site reviews, and assistance in report preparation. Monica is responsible for review of working papers, financial statements, and reports of discussion with the District. She will direct senior and staff accountant; review audit programs and ensure that assignments are accomplished within the budgeted time; review working papers for accuracy and completeness, and review the financial statements for suitability of presentation and adequacy of disclosures. She will follow the progress of the engagement and help resolve accounting/auditing problems as they arise. This will ensure that the audit plan formulated and approved by the Engagement Partner is effectively followed and managed. The responsibility also extends to ensuring smooth interaction between the firm and the District. Monica will also serve as resource for Staff technical questions.

**Fadi Shahin  
Manager**

Fadi Shahin is in charge of field work and conducting tests and studies, directing necessary revisions and assisting the partner and senior manager. He will provide continuity of audit effort, consistency of work and attainment of audit goals

**Albert Hwu  
Staff Auditor**

Albert will conduct tests and studies, interacts with client's staff, updates the audit programs and is responsible for all walk-throughs and risk assessments activities.

**Tareef Zeesan  
Staff Auditor**

Tareef will work with the auditor in charge, performs audit test work assigned, ensures compliance standards, documents test work and ensures that the activities align with the agreed on timeframe and budget.

We have an outstanding team of experienced professionals, with a proven track record of success, providing similar audit services to numerous state and local governments, not-for-profit organizations, housing authorities, educational entities and other entities and it would be an honor for us to serve you. We are committed to provide high quality service without compromising the timely submission of audit report. Our team has all the resources to keep themselves updated with the educational and professional credentials required in this profession and has a comprehensive understanding of financial audit, accounting, regulatory and tax aspects of organizations like yours.

## **SANWAR HARSHWAL**

### **ENGAGEMENT PARTNER**

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Sanwar is the partner in charge of Patel & Associates, LLP's auditing practice; he is a globe trotter and a trained technical speaker on auditing and global accounting standards, IT and internal controls, on fraud prevention, and on examinations and internal audits. With over 35 years of experience with governmental audits, Sanwar is also a leading expert on emerging accounting challenges for tribal organizations.

During the last 5 years, Sanwar provided over 400 hours of training to several professionals on GASB, GAS, OMB A-133, FASB, SAAS, IFRS, COSO, COBIT, internal audits, fraud prevention and examination, and Tribal governmental governance issues. In addition to having significant experience in audits, strategic assessments of accounting function, and internal control structures, Sanwar has extensive experience in evaluating complex accounting and finance issues.

### **SANWAR'S PROFESSIONAL CREDENTIALS:**

#### **EDUCATION**

- B.S. Business Accounting
- Bachelor of Law

#### **CERTIFICATION**

- Certified Public Accountant - State of California (CPA)
- Certified Public Accountant - State of Arizona (CPA)
- Certified Public Accountant - State of New Mexico (CPA)
- Certified Public Accountant - State of New Washington (CPA)
- Chartered Accountant - The Institute of Chartered Accountants of India
- Certified Information System Auditor (CISA)
- Certified Fraud Examiner (CFE)
- Certified Internal Auditor (CIA)
- ORACLE Financial Consultant (Oracle Business Suite)
- Chartered Global Management Accountant (CGMA)
- Certified Risk Management Assurance (CRMA)
- Certified Construction Auditor (CCA)

#### **PROFESSIONAL MEMBERSHIP**

- Member of AICPA
- Member of California CPA Society of Certified Public Accountants
- Member of Information Systems Audit and Control Association, USA
- Member of Association of Certified Fraud Examiners, USA
- Member of Institute of Certified Internal Auditors
- Member of National Association of Construction Auditors
- Member of NM CPA Society

## **RAMESH C. PATEL**

### **CONSULTANT**

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Mr. Patel has been in charge of various large audits, governmental funded programs and community based organizations receiving federal and state funds.

Mr. Patel has over forty years experience while employed at Pannell, Kerr and Forster and as a partner of Patel, Shah & Joshi. This association has given Mr. Patel experience in the field of international accounting as well as compliance auditing of foreign associations. While at Patel & Associates, LLP, Mr. Patel has acquired extensive experience in audits of large Governmental entities, Non Profit Organizations and Special Districts.

### **RAMESH'S PROFESSIONAL CREDENTIALS:**

#### **EDUCATION**

- Bachelor of Commerce degree with a concentration in Accounting from Bombay University.
- Chartered Accountant

#### **CERTIFICATION**

- Certified Public Accountant - State of California (CPA)
- Fellow of the Institute of Chartered Accountants in England and Wales
- Certified Public Accountant - Kenya

#### **PROFESSIONAL MEMBERSHIP**

- Member of AICPA
- Member of California Society of Certified Public Accountants
- Member of Institute of Chartered Accountants, in England and Wales
- Associate member of the British Institute of Management.

#### **CONTINUING EDUCATION**

Mr. Patel has for the past several years attended the Audits of HUD-Assisted Projects, Advanced Auditing of HUD-Assisted projects, Annual School District conference conducted by the California Society of Certified Public Accountants. Also attended the annual local government Industry Seminar conducted by AICPA and CSCPA. He has taken continuing education - courses in areas of government and Not For Profit Organization audits provided by AICPA and CSCPA. Mr. Patel has attended AICPA seminar on GASB's New Financial Reporting Model and Financial Statements of Not-for-Profit Organizations. Attended California CPA Education Foundation Course on GASB 34 - For State and Local Governments. He made a presentation on the impact of OMB Circular A-133 on Audits of Financial Statements before the Finance Directors meeting of various community based health clinics in the Bay Area.

## **MONICA SINGHAI**

### **SENIOR MANAGER**

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Senior Manager with Patel & Associates, LLP with over thirteen years of experience in audit and accounting. She has been with the firm for over ten years.

#### **MONICA'S PROFESSIONAL CREDENTIALS:**

##### **EDUCATION AND COMPUTER SKILLS**

- Bachelor of Science in Accounting from Jabalpur University, India
- Excellent computer knowledge of the software programs including Excel, Microsoft Word, E-Tools, Peachtree, MAS 90, Audit Ware for School Districts, Go Systems for Audit and E-Tools.

##### **CERTIFICATION AND PROFESSIONAL MEMBERSHIP**

- Certified Public Accountant - State of California (CPA)
- Member of AICPA
- Member of California Society of Certified Public Accountants
- Chartered Accountant - The Institute of Chartered Accountants of India

##### **EXPERIENCE**

Ms. Singhai has performed various audit tasks related to planning of the audit and conducting and supervising field work. Preparation of workpapers, test of controls, test of compliance under OMB Circular A-133 and standards and procedures for Audits of California K-12 local Educational Agencies issued by California State Controllers, test of disbursements, test of unrecorded liabilities and general audit procedures. She has performed various desks and field audits pertaining to Education, Community Health Clinic, Housing Authority, Governmental and Nonprofit engagements. She has been a senior manager on several School District, Non Profit and Governmental Audit engagements.

Ms. Singhai has worked on financial and compliance engagements under the Single Audit Act of 1984 and OMB Circular A-133 and has significant experience in implementation of GASB Statement No. 34 and other GASB pronouncements.

##### **CONTINUING EDUCATION**

Ms. Singhai has attended seminars conducted by the California Society of Certified Public Accountants, AICPA on local governments and Not for Profit Organizations. Attended CSCPA conferences for School Districts and Government Accounting and Auditing for past several years and attended seminar on GASB 34 - For State and Local Governments. She also has attended seminars on Governmental Financial Reporting Standards and Practices, and Advanced Auditing of HUD - Assisted projects.



## **FADI SHAHIN**

### **MANAGER**

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Manager with Patel & Associates, LLP with over thirteen years of experience in audit and accounting. He has been with the firm for the past two years.

### **FADI'S PROFESSIONAL CREDENTIALS:**

#### **EDUCATION AND COMPUTER SKILLS**

- Bachelors in Accounting and Certified Public Accountant in Jordan.
- Excellent computer knowledge of the software programs including Excel, Microsoft Word, Quickbooks, Peachtree, MAS 90, Fast Advantage, Engagement-CS, Case Ware, Pap Systems, FAS Asset Depreciation and Lacerte Tax Program.

#### **CERTIFICATION**

- Mr. Shahin is in the process of procuring his California CPA license

#### **EXPERIENCE**

Mr. Shahin has ten years of experience having worked as Senior Auditor and Audit Manager at Deloitte & Touche and KPMG in the Middle East.

He has performed various audit tasks related to planning of the audit and conducting and supervising field work. He has been engaged with our Housing Authority, Governmental and Nonprofit engagements. He has followed procedures presented by standards and procedures for Audits of Special Districts issued by California State Controllers and performed test of disbursements, test of unrecorded liabilities, compliance and general audit procedures. He has performed various desk and field audits on hospitals and health services providers as well as evaluated provider accounting and cost reporting systems, verification of costs claims, eligibility of patients under Medicare Programs and cost allocation formulas. He has planned and performed audit procedures for various Governmental and Non Profit Organizations which is supervised by him.

Mr. Shahin has worked extensively on financial and compliance engagements under the Single Audit Act of 1984 and OMB Circular A-133.

#### **CONTINUING EDUCATION**

Mr. Shahin has attended seminars conducted by the California Society of Certified Public Accountants, AICPA local governments and Not for Profit Organizations. He has attended the annual School District's Conference and seminars on SFAS 116 - Accounting for Contributions Received and Contributions Made, and SFAS 117 - Financial Statements of Not-for-Profit Organizations. He has attended seminars on Applying A-133 to Non Profit Organizations and Governmental Organizations. He has attended seminars on Governmental Financial Reporting Standards and Practices and GASB 34.

## **ALBERT HWU**

### **STAFF AUDITOR**

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Albert Hwu has been engaged with several accounting and audits of governments and school districts for over a year. He is proficient in the operating nuances of accounting and auditing packages and demonstrates up-to-date knowledge of auditing and accounting pronouncements. Albert has worked on financial and compliance engagements under the Single Audit Act of 1984 and OMB Circular.

#### **ALBERT'S PROFESSIONAL CREDENTIALS:**

##### **EDUCATION**

- Bachelor of Accountancy

##### **CERTIFICATION**

- Certified Public Accountant- State of Washington (CPA)

##### **PROFESSIONAL MEMBERSHIP**

- Member of AICPA

##### **EXPERIENCE**

Mr. Albert has performed various audit tasks related to planning of the audit and conducting and supervising field work. He has been engaged with our School Districts, Housing Authority, Governmental and Nonprofit engagements. He has followed procedures presented by standards and procedures for Audits of California K-12 local Educational Agencies issued by California State Controllers, Special Districts issued by California State Controllers and performed test of disbursements, test of unrecorded liabilities, compliance and general audit procedures. He has performed various desk and field audits on hospitals and health services providers as well as evaluated provider accounting and cost reporting systems, verification of costs claims, eligibility of patients under Medicare Programs and cost allocation formulas.

Mr. Albert has worked on financial and compliance engagements under the Single Audit Act of 1984 and OMB Circular A-133.

##### **CONTINUING EDUCATION**

Mr. Albert has attended various seminars conducted by the AICPA local governments and Not for Profit Organizations. He has attended seminars on Applying A-133 to Non Profit Organizations and Governmental Organizations. He has attended seminars on Governmental Financial Reporting Standards and Practices and GASB 34.

## **TAREEF ZEESAN**

### **STAFF AUDITOR**

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Tareef Zeesan has been engaged with several audits of tribes and tribal governments, state and local governments, not-for-profit organizations and educational entities. He analyzes the client's internal controls in all significant areas of risk and the resulting operational inefficiencies. He examines the compliance with policies, procedures, and federal governmental rules and regulations. He has 4 years of experience in accounting, auditing and taxation of individuals and small businesses.

#### **TAREEF'S PROFESSIONAL CREDENTIALS:**

##### **EDUCATION**

- Bachelor of Business Administration
- Master's in Business Administration - Finance

##### **CERTIFICATION**

- Certified Public Accountant - State of Arizona (CPA)

##### **PROFESSIONAL MEMBERSHIP**

- Member of AICPA

##### **EXPERIENCE**

Tareef has worked with numerous state and local governments, tribes and tribal governments, housing authorities, school districts, state agencies and not-for-profit organizations. He has actively participated in audits, and has comprehensive knowledge of accounting and auditing standards. He brings adequate experience on global research projects related to economic data analysis used around the world. He has particular expertise in data analysis that proves extremely useful in audit planning and audit conclusions. He is also trained in data mining and data warehousing applications used in auditing.

##### **CONTINUING EDUCATION**

Mr. Tareef has attended various seminars on audit of state and local governments, housing authorities, school districts, state agencies and not for profit organizations. He has also attended seminars on GASB -34 State and Local Governments. He has attended seminars on Applying A-133 to Non Profit Organizations and Governmental Organizations.

## AUDIT APPROACH

**Scope of work to be performed:** Patel & Associates, LLP will perform audit of San Lorenzo Valley Water District during Fiscal Years June 30, 2016 through June 30, 2018. We will perform the audit in accordance with California State Controller's minimum audit requirements for special district Generally Accepted Accounting Principles (GAAP), and Standards and Governmental Accounting Standards Board (GASB) guidelines. We will adhere to the instruction of RFP and will be performing following tasks:

1. **Pre-audit Conference:** We will do a pre-audit Conference to provide a clear understanding of any conditions to be met by District staff and the responsibilities of the auditor, so that the audit can be conducted on a timely basis and concluded in accordance with predetermined schedules.
2. **Financial Statements:** Financial Statements will include comparative balance sheets on the combined and individual funds at the end of the current and preceding year, with supporting notes and schedules that provide details of or explain changes in account balances; comparative statements of income and expense for the current and preceding year with supporting notes and schedules that provide details of income statement accounts; statement of retained earnings explaining changes in the unappropriated retained earnings account from the beginning to the end of the current year; and reconciliation of net income. We will instruct in advance to District for the requirements of reporting in CAFR format.
3. **Annual Report of Financial Transactions of Special District:** We will prepare the annual report to the State Controller pursuant to Government Code Section 26909 and file the report within the time prescribed.
4. **Opinion Letter:** We will express an opinion and provide an opinion letter to the District for the fair presentation of the financial statements in conformity with generally accepted governmental accounting principles.
5. **Management Letter:** We will evaluate the District's accounting system, internal control structure, methods of processing data and maintaining financial records. Evaluation will be enough comprehensive in scope to provide for an appropriate report. We will prepare a separate management letter on the internal control structure based upon the understanding of the control structure and assessment of control risk. We will submit this report to District and outline the observations and recommendations for enhancement, and include any reportable conditions found during the audit.
6. **Single Audit:** We will perform Single Audit agreeable to OMB Circular A-128, "Audits of State and Local Governments". We will prepare any supplemental schedules and/or reports as may be required for "Single Audit" purposes and supply additional certification required by the cognizant Federal agency.
7. **Finance Committee:** We will present a draft of the initial comprehensive financial report to the finance committee for review and comments.

8. **Board of Directors Meeting:** We will present a summary of the final comprehensive financial report at a Board of Directors Meeting.
9. **Exit Conference:** We will do an exit conference with the District staff for disclosing any facts or situations that may have, or had, a bearing on our work or report.
10. **Final Audit Report:** We shall provide and submit six (6) copies of the opinion letter, final comprehensive financial report and management letter to the District.

### **Understanding of Requirements**

The two most critical components of the audit are (1) to have continuity and consistency in the auditors involved and (2) have the entire audit team from partners to staff, understand and be aware of the technical requirements of the engagement. Therefore, careful audit planning is emphasized along with written instructions and a comprehensive workshop is carried out for the staff engaged.

We have ascertained that this effort not only serves to state the line of organization and responsibility from the commencement, but also serves to discuss the areas of concern and applicable audit techniques to be adopted in the examinations proposed to be conducted.

Shortly thereafter, the partners and the manager will meet with the District Manager and Finance Director to be able to obtain a more detailed outline of the District's financial systems and process. This will help us to determine the extent and concentration of our audit effort, obtain knowledge and understanding of the legal and reporting requirements by obtaining pertinent statutes, regulations, charter provisions, bond coverage and other requirements. The meeting will serve as the guideline to prepare and outline our audit planning memorandum and the audit plan.

Upon completion of the audit plan, we will meet with the District Officials to go over our plan. During the meeting we hope to share our understanding of the audit approach and fine tune the dates of commencement, the assistance available to us, the assistance the District may need from us and the introduction of the Audit Team Seniors to the District Officials.

### **Specific Audit Approach**

Our audit scope recognizes that the District has several important internal controls in place. The audit plan will allow us to set our scope of the overall internal controls after a thorough evaluation of the internal accounting controls. This will be fulfilled by working closely with the accounting personnel to ensure that we understand the current system before beginning any audit examination.

During the audit, our audit team will work progressively to enhance the District's operations, procedures and resource optimization, which the auditors believe are in the District's best interests to consider provided such new approaches are pragmatic and can be implemented economically. We will consider matters as internal control, organization, budget management, personnel policies, management, operating and EDP usage, alertness and controls, and various other related matters and will report to the management on opportunities available for improvements.

## **Audit Plan**

We stress careful audit planning, interim work designed to evaluate the systems of internal controls, early completion of field work and timely submission of reports. Our proposed areas and the segmentation of the engagement are illustrated as follows:

### ***Phase I - Planning:***

- Collect pertinent documents.
- Read minutes of Governing Body.
- Plan the District participation.
- Evaluate internal controls.
- Analytical Review Procedures
- Evaluate EDP system.
- Discuss format of report and exceptions, if any.
- Meet with the District management to review audit status.
- Preparation of Correspondence
- Review Prior Auditor's Workpapers

### ***Phase II - Review and test:***

- Revenues: General Fund, Special Revenue Fund, Debt Service Fund, Capital Projects Fund and other Fiduciary Fund Types and Account Groups
- Expenditures for the above funds
- Compliance and Federal Laws and Regulations including the requirements of the Single Audit Act
- Cash
- Investments
- Receivables
- Other Assets
- Property and Equipment
- Accounts payable and accrued liabilities
- Annual leave
- Long-term debt
- Other liabilities
- Fiduciary liabilities
- Interfund activities & Fund/Equity Balances
- Pension obligations
- Reserves

### ***Phase III - Prepare reports***

- Review financial audit reports with the District management
- Analytical Review Procedures
- Review management letters
- Make oral presentations, if required

### Audit Philosophy

Our approach to the audits focuses on the risk elements of each agency and related systems of internal control, and channels the audit into priority areas prone to higher degrees of risk. This technique is adopted on a regular basis as computer-based audit techniques and advanced sampling techniques extend the auditor's capability. We will refer to Sections 310A and 320B of *Statement of Auditing Standards No. 1* of the American Institute of Certified Public Accountants published in 1979. In addition to the above, we will review the following:

- SAS No. 52 – Omnibus Statement on Auditing Standards - 1987
- SAS No. 56 – Analytical Procedures
- SAS No. 77 – Planning and Supervision
- SAS No. 78 – Consideration of Internal Control in a Financial Statement Audit
- SAS No. 85 – Management Representation
- SAS No. 89 – Audit Adjustments
- SAS No. 99 – Consideration of Fraud in a Financial Statement Audit
- SAS No. 103 – Audit Documentation
- SAS No. 104 – Due Professional Care in the Performance of Work
- SAS No. 106 – Audit Evidence
- SAS No. 108 – Audit Risk and Materiality in Conducting an Audit
- SAS No. 109 – Planning and Supervision
- SAS No. 110 – Understanding of the Entity and its Environment and Assessing the Risks of Material Misstatement
- SAS No. 114 – Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence obtained
- SAS No. 115 – The Auditor's Communication with Those Charged with Governance
- SAS No. 118 – Communicating Internal Control Related Matters identified in an audit
- SAS No. 119 – Other Information in Documents Containing Audited Financial Statements
- Supplementary Information in Relation to the Financial Statements as a Whole

These publications will assist us in determining their effect upon the District's financial statements.

The audit approach is a methodology which offers several distinct advantages over the more traditional techniques. Those particularly important to the District include:

- *Continuing communications throughout the engagement in order to identify and resolve accounting and reporting issues at an early date.*
- *Understanding the system thoroughly allowing focused effort on risk represented in the most significant areas.*
- *Maximizing audit activities to permit issuance of financial statements as soon as possible without conflicting with other activities of the District.*
- *Controlling audit costs by eliminating unnecessary or duplicate procedures.*
- *Allowing maximum flexibility to coordinate with the District staff.*

While the audit plan is followed, steps will be correlated to transfer knowledge to staff regarding specific objectives to be accomplished. This will ensure that the accountant performing the task becomes familiar with the purpose of the steps involved and provides assistance in applying the steps to particular controls being examined.

In the Segmentation of Engagement section, we have outlined our general approach to the examination where actual audit approach is discussed in greater detail. We understand that the District will have unique areas that will require special attention and review, plus the development of audit programs that will address such areas. However, as opposed to elaborating each and every step of the audit process, we will address the general audit approach in greater detail.

### **PHASE I - PLANNING, UNDERSTANDING AND PRELIMINARY EVALUATION**

We will plan the audit work to be performed with the District management, so as to ensure the maximum effectiveness while maintaining an optimum level of efficiency.

#### **The District Audit Participation**

Generally, we would expect the following assistance from the District personnel:

- *Preparation of audit correspondence*
- *Preparation of all reconciliations, reflecting all the District's closing adjustments*
- *Preparation or Completion of Questionnaires for use in our review of the District's internal Accounting Controls and obtaining an understanding of the Control environment and flow of transactions.*
- *Preparation of audit lead schedules in a format provided by us in advance*
- *Pulling and or providing copies of certain documents and agreements (i.e., vouchers, invoices, canceled checks, time cards, bank statements, and contracts) as requested by us in advance*
- *General assistance from knowledgeable personnel in responding to specific audit questions, or analyzing specific accounts or transactions.*

During the performance of our interim audit fieldwork we will review the accounting schedules and Workpapers normally prepared by the District staff and incorporate them, as applicable, into our audit. By doing so, we would hope to minimize the need to have the District staff prepare additional schedules. However if we need additional schedules we will provide the District with such a list of schedules at least several days prior to commencing field work.

We will work with your staff to prepare a client participation schedule during the preliminary phase of the audit that would clearly outline the type and extent of assistance we would request.



**San Lorenzo Valley Water District**

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The following would be included in addition to the above:

- Obtain a detailed understanding of the significant accounting applications including input, output, programming and processing controls, and interface with other significant accounting applications of the District. For example, the correlation of the agency's/department's system with the central accounting system and the systems applications will be subjected to detailed application reviews such as Voucher/Revenue Processing, Payroll and the General Ledger Systems.

The desired understanding will be obtained by:

- *Reviewing systems and structure*
  - *Reviewing processing logic and flow*
  - *Reviewing input source documents and generated output*
  - *Reviewing file layouts and retention*
  - *Conducting in-depth reviews with key systems support personnel to clarify understanding of the systems*
- Prepare systems overviews with descriptions in sufficient detail to facilitate identification of controls within the systems
  - Verify the detailed systems descriptions by performing systems walk through's and reviews
  - Undertake preliminary evaluation of the systems by relating the existence of controls to the causes of potential errors

**Approach to be taken to Gain and Document an Understanding of the District's Internal Controls**

The understanding of the pattern of information will be documented through the District's accounting system for each audit area identified as significant. For each significant audit area, we will document the flow of information for all transaction classes. We may also gain an understanding of certain control procedures related to significant audit areas while obtaining an understanding of the accounting system.

We will obtain the information by inquiry of the District Personnel, observation of activities, inspection of documents and records.

**PHASE II - REVIEW AND TEST OF CONTROLS**

During Phase I we will have identified key controls within the systems in operation. Such controls will be subjected to detailed testing to determine their effectiveness and reliability in Phase II.

The specific testing techniques cannot be fully developed until Phase I is completed; however, we believe, based upon our experience, that the following types of tests and testing techniques will be utilized:

Types of General Controls	Related Audit Procedures
Administration	➤ Inquiry and observation
Documentation	➤ Determine adequacy of standards ➤ Inquiry and review ➤ Live operations compared with documentation
Program and other changes	➤ Inquiry and observation ➤ Approval process for changes ➤ Selected testing ➤ Transfer of application programs from development to production

Phase I identifies key controls within the individual applications. The controls identified will be subject to detailed testing during Phase II to determine their effectiveness and reliability.

Again, this specific testing techniques cannot be fully developed until Phase I is complete; however, based upon prior experience, we believe that our emphasis will be on the systems in place. Specific Phase II audit procedures in specific areas will include:

**Test of Revenues:** We will test each significant type of revenue of each functional area to determine that it is:

- *Recorded in the proper fund.*
- *Properly classified as to source.*
- *Stated at a reasonable amount.*

Revenue will be tested by confirmation, re-computation, and numeric sampling of internal documents.

We will use the appropriate method or combination of methods to test each significant sources of revenue.

### Tests of Expenditures and Transfers

We will test all significant expenditures and transfers to determine that they are recorded in the proper period, properly classified as to type and stated at a reasonable amount. The methods utilized will depend upon the type of expenditure. Some of the most common expenditures and approaches are as follows:

- **Payments:** We will test to ensure that the payments made by the District Auditor are in accordance with District policy and procedures.
- **Payrolls and related costs:** We will select from recorded amounts and examine employee status and time records for propriety of distribution, approval and other indications of validity; test the computation of gross pay and contact the payees or examine personnel records to determine that selected amounts related to bona fide employees.
- **Purchase of materials, supplies and services:** We will select from recorded amounts and examine supporting documents for propriety of account distribution and for approval or other independent indications of validity. We will examine the related paid warrants for apparent propriety.

### Analytical Review Procedures

We will use analytical procedures in general planning, audit program planning, and final overall review stage as follows:

SAS No. 56 describes the two broad uses of analytical procedures in audit planning as follows:

- *Enhancing the auditor's understanding of the District's business and the transactions and events that have occurred since the last audit date.*
- *Identifying areas that may represent specific risks relevant to the audit.*

Comparisons of account balances between accounting periods and ratio and trend analysis usually improve our understanding of your operations and may identify critical audit areas; e.g., comparing general and special revenue fund expenditures by functions and revenue by source for the past five years provides an understanding of your operations and may identify a revenue source that requires increased attention in the current audit.

We will apply analytical procedures as an overall review of financial information in the final stage of the audit. These procedures would be designed to assist us in assessing the propriety of conclusions reached and in the evaluation of the overall financial statement presentation. This review would, among other procedures, include reading the financial statements and related notes. We would consider factors such as the following:

## San Lorenzo Valley Water District

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- *The adequacy of evidence gathered in response to unusual or unexpected balances identified by analytical procedures applied in the planning stage of the audit.*
- *Unusual or unexpected balances or relationships not previously identified.*

The results of the overall final review may indicate that additional substantive procedures should be applied and related evidence gathered to resolve concerns and questions.

### Statistical Sampling

We will use statistical sampling procedures designed specifically to support the objectives of an examination made in accordance with auditing standards generally accepted in the United States of America and accepted by the AICPA.

Our methodologies rely upon the following sampling techniques:

- **Attribute Sampling:** A technique for selecting individual items in the population to test the compliance with underlying control procedures, regulations, conditions and contractual terms.
- **Large Monetary Unit Sampling:** A technique for substantive tests of balances, wherein larger dollar value items have a proportionately larger probability of selection than smaller items.

The determination of sample size will be based upon standard statistical formulas for each technique. The audit judgments as to sample precision and reliability will be based upon the following factors:

- **Precision:** A quantitative measure of dollar accuracy which will depend upon the monetary significance of the account balance to the District Fund's overall financial statements.
- **Reliability:** A quantitative measure of an audit certainty which will depend upon the nature of transactions processed, the internal control environment, and the other available audit evidence for each segment of the District Fund's accounting activity.
- **Audit Risk Factors:** Relationship of the sample size to the assessment of Audit Risk is tabulated below:

In a governmental engagement, *four* distinct types of audit tests may involve the use of audit sampling as follows:

- *Substantive tests of balance sheet account balances.*
- *Substantive tests of details of transactions.*
- *Tests of controls.*
- *Tests of compliance with laws and regulations.*

The Audit Sampling Applications would be as follows:

Type of Audit Test	Common Examples in Governmental Engagements
Substantive Tests of Balances	➤ Confirmation of residential customer receivables of enterprise fund.
Substantive Tests of Transactions	➤ Vouching expenditures. i. Payroll. ii. Goods and services.
Tests of Controls	➤ Inspecting documents supporting transactions selected for substantive tests for indications of performance of controls procedures.
Tests of Compliance with Laws and Regulations	➤ Inspecting documents supporting expenditures charged to grant programs for compliance with laws and regulations.

The sample size would depend on the following:

Combined Assessment of Inherent Risk and Control Risk	Assessment of Other Procedures Risk		
	High	Moderate	Low
High	3.0	2.3	1.9
Moderate	2.3	1.6	1.2
Low	1.9	1.2	0.9

Based on above the sample size would be as follows:

Number of Deviations (Planned or Actual)	Sample Size		
	25	40	60
0	Moderate	Low	Low
1	Maximum	Moderate	Low
2	Maximum	Maximum	Moderate
3	Maximum	Maximum	Moderate

### Sampling Techniques

We propose to use statistical/non-statistical or judgmental sampling in our audit tests. These procedures will enable us to gather sufficient evidential matter in support of our audit. We will refer to *Statement of Auditing Standards No. 39* of the American Institute of Certified Public Accountants. The sample thus selected will be used to test the system of Internal Controls, and year-end account balances.

For example, in testing a large population of transactions (transaction testing), we will select our samples using the statistical method. In contrast, testing of other assets balance would lend itself to non-statistical sampling.

San Lorenzo Valley Water District

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The basic requirements that relate to all samples - statistical and non-statistical are similar and will allow us to use the following approach:

- **Planning:** During our planning stage, the audit team will relate the population (account balance or transaction type) to the objective of the test, i.e. defining the population and sample unit.
- **Sample Selection:** The audit team will select items that are representative of the population on a random basis, i.e., an approach that guarantees all items have an equal chance of being selected. We will use a random number table or microcomputer generator numbers.
- **Analysis of Results of Sampling:** Evaluation of the results of the audit test includes two aspects;
  1. The audit team will consider sampling risk.
  2. Project the error to the population using the ratio of sample dollars to population dollars.

Total projected error will be compared with the tolerable error rate established in the planning phase of the audit test.

In addition, we will consider the nature or cause of the errors found, for example.

- ⇒ *Was the wrong accounting principle used, or was the correct principle misapplied?*
- ⇒ *Is the misstatement an error (unintentional) or is it an irregularity?*
- ⇒ *Is the error due to misunderstanding of instruction or carelessness?*
- ⇒ *We will also determine the relationship of misstatement to other phases of the audit.*

Based on the above analytical review of sample results, we will determine whether or not there is a need to incorporate changes in our overall audit plan.

**How materiality will be established**

- We will establish an initial judgment from a preliminary analysis of your financial statements.
- For each account, we will evaluate:
  - (a) Relative levels of inherent risk and controls risk
  - (b) Potential risk of material misstatement resulting from fraud
- We will tailor audit programs for each account to obtain evidence from:
  - (a) Internal control testing
  - (b) Analytical procedures
  - (c) Substantive testing

### Year end tests of accounts

Tests to determine that account balances are stated at a reasonable amount, in the proper fiscal year, are properly classified and recorded in the proper fund will be conducted in the following areas:

#### ■ **Cash**

- Counts will be made, reconciliation of cash accounts and balances tested for propriety and unusual entries and by written confirmation with third parties.

#### ■ **Investments**

- Determine proper authorization for investment, location, physical existence or confirmation with third parties, determination and identification of investment and whether income derived from investment are properly stated and classified.

#### ■ **Property and Equipment**

- Property and equipment in the general fixed assets account group and proprietary funds represent a complete and valid listing of the capitalizable cost of assets purchased, constructed, or leased and physically on hand.
- Capital expenditures represent a complete and valid listing of the capitalizable cost by acquiring fund of the property and equipment acquired during the period, and capitalizable costs are excluded from repairs and maintenance and similar expenditure accounts.
- Capital costs and, if applicable, related depreciation associated with all sold, abandoned, damaged, or obsolete fixed assets have been removed from the accounts.
- Depreciation charged on fixed assets of proprietary funds and, if applicable, of grant programs has been computed on an acceptable basis consistent with that used in prior periods, and related allowance accounts are reasonable, considering expected useful lives and salvage value.
- Capital expenditures and fixed assets are properly classified by fund type or account group in the combined financial statements, and related disclosures are adequate.

#### ■ **Receivable**

- Determine that receivable balances are reasonably stated, review subsequent collection and determine whether any allowance for uncollectible accounts is necessary.

#### ■ **Interfund accounts and other assets**

- Test balances and determine reasonableness and propriety of stated amounts.

■ **Debt and Debt Service Expenditures**

- Our objectives will be to obtain reasonable assurance that debt is authorized and recorded in the proper fund or account group; that all indebtedness of the District is identified, recorded and disclosed; and that the District has complied with provisions of indentures and agreements related to debt, including provisions on use of proceeds. We will achieve our objectives by reviewing the Council resolutions and confirmations with financial institutions. We are also concerned with obtaining reasonable assurance that debt service expenditures (principal and interest payments) are properly recorded, classified and disclosed. We can obtain persuasive evidence on the reasonableness of interest expenditures by comparing the amount to the computations of the rate times average debt outstanding. Since the District prepares a schedule of debt service, we can review the schedules for reasonableness in conjunction with analytical tests of interest cost.

■ **Accounts payable and accrued liabilities**

- Determine that all significant amounts have been recorded as liabilities, are properly stated, charred to the proper funds, and review subsequent payments and open invoice files for any items that may have been overlooked.

■ **Vacation, sick leave and worker's compensation**

- Determine that relevant District practices are being adhered to, ascertain that any liabilities, fund levels or other required accruals have been reasonably recognized.

■ **Fund equity balances and reserves**

- Test that all fund balances are separately stated and properly accounted for, review contracts and purchase orders to determine that obligations are properly recorded, test for propriety of reserves. Vouch the charges or credits changing the aggregate fund balance to supporting documentation, inspect documentation, if applicable supporting reservations or designation of fund balances.

Throughout our examination we will retain an open mind to the matters tested to enable us to react clearly and sufficiently given any circumstance. The objective of the examination as a tool that will fulfill the District's requirements will be our top priority. This will require a close association with the District personnel and management. This philosophy will enable us to conclude properly as we do the following:

- ⇒ *Review of unusual journal entries*
- ⇒ *Final review of financial statements and related information to be included*
- ⇒ *Review of combining balance sheet of any fiduciary funds*
- ⇒ *Analytical review procedures concerning final account balances, including obtaining explanations of all significant variations*
- ⇒ *Review and calculation of cost allocations and other required special costs*
- ⇒ *Draft of legal letter and management representation letter*



**San Lorenzo Valley Water District**

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Our review concerning financial reporting will be an ongoing procedure throughout the entire audit process. A final review of the format and presentation of the financial statements will be performed to ensure they are in conformity with generally accepted accounting principles and in compliance with government reporting requirements. In addition, we will perform a final review of the footnotes as they pertain to the financial statements:

This area also includes the issuance of management letter for the year. This letter is intended to offer suggestions to improve. It will be as brief as possible, providing recommendations in the areas observed and opportunities for comments by the District and its departments.

**Audit Objectives**

To obtain reasonable assurance that grant revenues and expenditures charged to grants are valid and complete and, if applicable, indirect costs are allocated properly; grants are administered, and grant revenues and expenditures are recorded in accordance with grant provisions and related laws and regulations; and grant related amounts are properly presented in the combined financial statements, and related disclosures, concerning restrictions and compliance are adequate.

**Audit Risk**

In planning the nature and extent of audit procedures for grants and similar programs, we would consider the likelihood that grant compliance requirements have been overlooked or intentionally violated; grant funds have been overspent or misspent; illegal expenditures have been made; grant funds have been misappropriated; indirect costs have been misallocated; or that grant charges may be disallowed as unnecessary, unreasonable, or otherwise not in accordance with limitations and restrictions.

**Audit Procedures and Consideration of Grant-related Controls**

We would obtain, or prepare, a schedule of grants and similar programs and review minutes of the governing body to identify grants received and related restrictions; review grant contracts and related laws and regulations; and discuss procedures used to monitor grants with responsible officials.

We would review the following:

- ⇒ *Importance of Grant Monitoring*
- ⇒ *Examination of Grant Transactions*
- ⇒ *Review of Grant Reports*
- ⇒ *Additional procedures for a Single Audit*

### Extensive use of EDP Software in the Engagement

Our staff personnel carry portable equipment to download and format financial statements, from your systems, to satisfy acceptable report presentation format. The software utilized for the purpose will facilitate Random Number generation for samples, analytical ratios and variances for our Analytical Review Procedures.

### Progress Reporting

We will keep the District management apprised of audit plans, recommendation and developments on an ongoing basis including, but not be limited to, participation in both entrance and exit conference.

### Exit Conference

At the conclusion of our field work, we will meet with the District management to review our findings and conclusions. The management will be aware of our findings to be included in the report. A draft report will be reviewed with the District management so that we may obtain any additional comments or inputs prior to the finalization and release.

### PHASE III - REPORTS

A draft of the final audit report will be discussed with the District Management in a formal exit conference and a final report, along with, a final management letter will be furnished soon thereafter. Our report would be issued in a format that is required by the AICPA and conform to the reporting requirements of *Government Auditing Standards*, and other requirements as appropriate. The report on comprehensive annual financial statements will contain among others the following:

- *Opinion on general-purpose financial statements and supplementary information.*
- *A report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.*
- *A report on compliance with laws and regulations.*

In the required reports on internal controls, we will communicate any reportable conditions found during the audit. A reportable condition will be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

### **Management Representation Letter**

Communication with management is crucial since it is essential to hear your concerns and comprehend the financial records to have a complete and thorough understanding of business operations. Management confirmation is required on all information contained within the company's financial statements to ensure that they are true and accurate and that all information has been properly disclosed. We will review all significant audit findings with District as the work proceeds and once on completion of audit procedures.

It is standard practice for our firm to produce a management letter in conjunction with each engagement. The audit process provides an opportunity to assess performance and trends, to identify opportunities to improve internal controls and/or accounting efficiency, and to spot emerging needs or opportunities. By reporting these conditions and opening them up for discussion, the management letter can play an important role in maintaining the future financial health of the organization.

Should we become aware of any irregularities, illegal acts, or indications of illegal acts, we will make an immediate verbal and written report of such findings to the District's Board of Directors.

The report will be discussed with the finance and audit committee or the members responsible for the financial statements before submitting it to the Board of Directors.

### **Working Paper Retention**

We will retain all working papers and reports for a minimum of five years unless we are notified in writing by San Lorenzo Valley Water District of the need to extend the retention period. We will also make the working papers available upon request to District officials or their designees.

## Audit Work Schedule

The following work plan demonstrates the timing and staffing of our audit procedures.

	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>
■ Meet with the District officials to discuss audit scope and any special issues	X		
■ Meet with the District Management staff to develop detailed audit plan and timing			
■ Develop detailed audit plan and participation schedules			
■ Coordinate work to be performed by the District Business staff	X		
■ Update audit programs	X		
■ Complete evaluation of internal controls and perform interim tests of revenues, expenditures, compliance with federal laws and regulations etc. (includes EDP evaluation and tests)	X		
■ Review of prior auditor's workpapers	X		
■ Review approved appropriations, allocations and budgets	X		
■ Prepare correspondence		X	
■ Prepare preliminary draft reports		X	
■ Review potential audit and reporting problems with management		X	
■ Perform substantive tests of year-end account balances for all funds and account groups of the District		X	
■ Perform Single Audit Procedures		X	
■ Review minutes of the meetings of the District Council		X	
■ Follow-up prior-year management comments			X
■ Analytically review account balances			X
■ Obtain representation letters from the District's legal counsel			X
■ Complete financial statements and review draft with management			X
■ Quality review of report			X
■ Issue of final financial statements and management letters and presentation of report to District Council			X

**Relevant Dates:**

- Entrance conference will be held on August 01, 2016.
- Interim field work would be performed between August 01, 2016 to August 05, 2016.
- A detailed Audit Plan will be provided to the District on August 12, 2016.
- Year end field work will begin on August 22, 2016.
- We shall complete all fieldwork by September 09, 2016.
- Draft of the audit reports and recommendations to management will be available for review by October 14, 2016.
- Progress reporting will be on a regular basis.
- The Exit Conference will be held by October 14, 2016.
- The final reports will be issued by October 28, 2016.

## AUDIT FEES

Our fees are generally lower than those charged by other firms because we keep our overhead low; we follow a scientific audit approach, and we make extensive use of emerging technologies that allow us to conduct audits efficiently.

Our policy is to provide you an estimate that is competitive but one that meets thorough and professional auditing standards that exceeds all applicable requirements.

Summarized below are the professional fees and expenses for District's audit services for the FY 2016:

Audit Area - Description		Cost	
Financial Audit.....		\$14,647	
Federal single audit.....		4,405	
Financial statement preparation.....		2,423	
<b><i>Total Professional Fees</i></b>		<b><u>\$21,475</u></b>	
<b>Our estimated time and effort analysis:</b>			
Description - Team Composition	Est. Hours	Rate	Fees
Partner	15	\$175	\$ 2,625
Manager	30	130	3,900
Senior Auditor	58	115	6,670
Senior Accountant	92	90	8,280
<b><i>Total hours</i></b>	<b>195</b>		<b>\$21,475</b>

*As we are a local firm operating out of Oakland, California, there will be no out-of-pocket expenses.*

*Providing that organizational activities remain relatively the same, we will not increase our fees for audit services for the subsequent fiscal years.*

Audit Area - Description	Budgeted Hours
<i>Financial audit</i>	
Engagement planning and risk assessment.....	10
Financial Statements.....	22
Subsequent Events.....	04
Management Letter.....	10
Review.....	10
Internal Control.....	12
Related Parties.....	04
<i>Single audit</i>	
Single audit planning.....	15
Major program testing.....	24
<i>Review services</i>	
Cash and Investments.....	16
Property and Equipment.....	10
Accounts Receivable.....	10
Accounts Payable.....	08
Accrued Liabilities.....	08
Fund Balance.....	10
Revenues.....	10
Non-payroll Expenditures.....	06
Payroll Expenditures.....	06
<b>Total hours</b>	<b>195</b>

**Fees for additional services:** Our fees for additional services, if required, will be based on the actual time spent by professional or administrative personnel at standard hourly rate specified above. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned.

Inherent in our service is the on-going support, education, and advice to our clients. The comprehensive service includes:

- Email updates on all new and pertinent developments.
- A careful review of the effects of these new developments (if any), on your particular circumstance. If necessary, we will advise you on any changes needed in accounting procedures.
- We will meet with the concerned authority at the beginning of the audit to advise on matters of particular interest. We will provide "best practices" for effective daily operations that will also provide information necessary for the financial statements.
- Throughout the audit, we will advise your accounting personnel on best practices for maximum efficiency in each major operational area.

We have provided you a fee estimate based on the following assumptions:

- That the accounting records will be in balance and supported by appropriate documentation;
- That the District's staff will provide the supporting schedules for all asset and liability accounts, and provide the schedule of expenditures of federal awards; and,
- That District staff will provide general assistance, such as locating documents, typing confirmation requests, and coordinating meetings.

If upon initiation of the audit we learn that these assumptions are not the case, or if extraordinary circumstances are encountered (i.e., fire, destruction or disappearance of records, discovery of fraud, belief of material errors, defalcations, etc.), we will immediately meet with the District's management to determine an appropriate course of action so that the audit can be completed in a timely and cost-effective manner. In such cases, the total fee estimate may change. We will consult with you before performing any additional procedures that may increase your fee.

"Keeping in touch with" is the hallmark of our service. You will receive regular updates via phone calls, emails and information through the Patel & Associates, LLP portal.



**ADDITIONAL INFORMATION**

**California License**

**State of California**  
Department of Consumer Affairs

**California Board of Accountancy**

Pursuant to the provisions of Chapter 1, Division 3 of the Business and Professions Code, the firm of

**PATEL & ASSOCIATES, "LLP"**

is duly registered and entitled to practice as a partnership of

**Certified Public Accountants**

in the State of California

In Witness Whereof, the President and Secretary-Treasurer affix their hands and the seal of the California Board of Accountancy  
on this ninth day of April, 2014.

STATE OF CALIFORNIA  
**dca**  
DEPARTMENT OF CONSUMER AFFAIRS

*Michael M. Savoy*  
PRESIDENT

*Kathleen J. ...*  
SECRETARY-TREASURER

**PAR 7630**



# PROPOSAL

SAN LORENZO VALLEY WATER DISTRICT  
BOULDER CREEK, CALIFORNIA

*Proposal to Perform Professional Auditing Services*

For the Years Ending June 30, 2016, 2017, and 2018 with the option  
for the two (2) subsequent fiscal years

FEBRUARY 26, 2016

**Paul J. Kaymark, CPA**

Audit Partner

200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707

**Phone:** (949) 777-8821 | **Fax:** (949) 777-8850 | **Email:** paul.kaymark@pungroup.com

California CPA License Number: PAR 7601

Federal Identification Number: 46-4016990





# SAN LORENZO VALLEY WATER DISTRICT

## Proposal to Perform Professional Auditing Services

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### TABLE OF CONTENTS

Transmittal Letter .....	1
<b>SECTION I – Profile of the Proposer</b>	
Independence .....	3
License to Practice in California .....	3
The Pun Group, LLP .....	4
Staff Consistency .....	4
Most Recent External Quality Control Review .....	5
Federal or State Desk Review .....	6
Disciplinary Action.....	6
Quality Control .....	7
Professional Development.....	7
GASB Implementation Assistance.....	8
Client Training Seminar .....	8
Firm Municipal Clients.....	9
<b>SECTION II – Summary of the Proposing Firm’s Qualifications</b>	
Engagement Team .....	10
Engagement Team Resumes .....	12
Similar Engagements with Other Government Entities .....	18
<b>SECTION III – Specific Audit Approach</b>	
Understanding the Scope .....	19
Level of Staff and number of hours to be assigned to each proposed segment of the Engagement.....	20
Working Paper Retention and Access to Working Papers .....	21
Proposed Segmentation of the Engagement and Timeline .....	21
Objectives of Our Services .....	22
Extent Statistical Sampling is to be Used in this Engagement and the Sample Size.....	22
Approach to be take in Determining Audit Samples for Purposes of Compliance Testing .....	22
Type and Extent of Analytical Procedures to be Used in the Engagement.....	22
Identification of Anticipated Potential Audit Problems .....	23
Additional Professional Services .....	23
<b>SECTION IV – Cost Proposal</b>	
Certification .....	24
Total All-Inclusive Maximum Price.....	24
Rates by Partner, Manager, Supervisory and Staff .....	25
Manner of Payment.....	25
Benefits of Choosing The Pun Group, LLP.....	26
Thank you .....	26
<b>APPENDIX:</b>	
Proof of Insurance.....	29

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February 26, 2016

San Lorenzo Valley Water District  
Stephanie Hill | Finance Manager  
13060 Highway 9  
Boulder Creek, California 95006

Dear Stephanie Hill:

Please allow us to introduce our firm and share our qualifications and proposed audit plan for the San Lorenzo Valley Water District (the "District") pursuant to your Request for Proposal for Professional Auditing Services for the Years Ending June 30, 2016, 2017, and 2018 with the option for the two (2) subsequent fiscal years. The Pun Group, LLP, formerly known as Pun & McGeady LLP (the "Firm"), due to consolidation, has the knowledge and experience necessary to be the District's next public accounting firm, and the work plan to ensure a smooth audit process.

The Pun Group, LLP currently audits approximately 40 water and sewer related special agencies in the State of California along with 20 various other types of special agencies therefore, enabling our Firm to continuously be immersed throughout the year in the financial and operational issues of special agencies like the District.

This letter is an acknowledgement of the Firm's understanding of the work to be performed. **We hereby offer our commitment to perform all of the required work, complete the audit, and issue the necessary auditor's report within the time periods outlined by the District.** We are secure in affirming our commitment because we have:

1. A lengthy legacy of serving California governmental agencies and municipalities;
2. Prodigious experience serving governmental and not-for-profit entities; and
3. An efficient, lower-cost approach to auditing that focuses on high-risk areas.

I will serve as your primary contact for contract negotiations. I am a partner of the Firm and have been authorized to legally bind the Firm. My contact information follows:

Name: Mr. Paul J. Kaymark, CPA  
Position: Audit Partner  
Address: 200 East Sandpointe Avenue, Suite 600  
Santa Ana, California 92707  
Telephone: (949) 777-8821  
Email: paul.kaymark@pungroup.com

You may also contact the following partner, who is authorized to represent the Firm:

Name: Mr. Gary M. Caporicci, CPA, CGFM, CFF  
Position: Partner  
Address: 200 East Sandpointe Avenue, Suite 600  
Santa Ana, California 92707  
Telephone: (949) 777-8802  
Email: gary.caporicci@pungroup.com

200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707  
Tel: 949-777-8800 • Toll Free: 855-276-4272 • Fax: 949-777-8850  
[www.pungroup.com](http://www.pungroup.com)

The Pun Group is the right choice for San Lorenzo Valley Water District because we are focused on your industry.

- We have audited and consulted many California special agencies and districts.
- We have assisted many clients in earning the GFOA Certificate of Achievement for Excellence in Financial Reporting.
- The depth of resources and specific government experience are substantial; we are committed to deploy these resources and experience to the District. Simply put, the District will become one of our most important clients, and receive the priority service you deserve.
- **We have assigned Gary Caporicci, our GASB Implementation Specialist, who is appointed to the State Retirement Advisory Committee by the State Controller, in assisting the District in the implementation of GASB's new Pension Standards.**

Our goal for this audit is to complete the process in accordance with regulations while minimizing disruption to the District's daily operations. The Firm will:

- Develop solid familiarity with the District's operations.
- Create a detailed audit plan during initial stages of the audit.
- Maintain open communication lines between the Engagement Team and the District's Management and Board.
- Assign duties to qualified staff members.

This method ensures that the audit process will be performed steadily, communicated clearly, and completed efficiently.

**The Firm is an Equal Opportunity Employer and complies with all Federal and State hiring requirements.**

This proposal meets the requirements of the District's Request for Proposal. This letter and the accompanying proposal represent a *firm and irrevocable offer valid for 60 days*.

If you have any questions about the proposal or the Firm, please contact us. We look forward to speaking with you.

Sincerely,

The Pun Group, LLP  
Certified Public Accountants and Business Advisors



Paul J. Kaymark, CPA  
Audit Partner

# SAN LORENZO VALLEY WATER DISTRICT

## Proposal to Perform Professional Auditing Services

### SECTION I – PROFILE OF THE PROPOSER

#### Independence

The Pun Group, LLP (the “Firm”) requires all employees to adhere to strict independence standards in relation to the Firm’s clients. These independence standards exceed, in many instances, the standards promulgated by the American Institute of Certified Public Accountants (AICPA).

The Pun Group, LLP certifies that it is independent of San Lorenzo Valley Water District (the “District”). The Firm meets independence requirements defined by the United States Government Accountability Office’s (U.S. GAO’s) *Government Auditing Standards*, and the American Institute of Certified Public Accountants (AICPA).

The Firm has had no professional relationships involving the District for the past five (5) years.

The Firm will give the San Lorenzo Valley Water District written notice of any professional relationships entered into during the period of the agreement.

#### License to Practice in California

The Firm and all key professional staff are licensed by the State of California to practice as Certified Public Accountants, and meet the Continuing Professional Education requirements under U.S. GAO’s *Government Auditing Standards* to perform the proposed audits.





# SAN LORENZO VALLEY WATER DISTRICT

## *Proposal to Perform Professional Auditing Services*

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### ***The Pun Group, LLP***

The Pun Group, LLP, *formerly known as Pun & McGeady, LLP*, Certified Public Accountants and Business Advisors, founded in 2012, is a limited liability partnership. The full-service accounting firm comprises forty (40) professionals on full-time basis who provide auditing, accounting, and advisory services. Of the forty (40) professionals, thirty (30) of them focus in the Government Assurance Practice. The Firm has offices in Orange County, San Diego, and Palm Desert, California, and Phoenix, Arizona.

**The Firm has served hundreds of governmental agencies since 1989**, under the umbrella of its predecessor firm, Caporicci & Larson, where all key personnel assigned provided outstanding services to governmental entities throughout California.

The combination of hands-on experience and practical knowledge of our audit professionals makes the Firm unique in the field. Our technical knowledge and thorough understanding of current regulations and issues—along with the Firm's commitment to hard work, integrity, and teamwork on every engagement—enable us to help our clients flourish.

Our Governmental Partners Group—which includes partners Paul J. Kaymark, Kenneth H. Pun, Gary M. Caporicci, Lisa B. Lumbard, and Jack F. Georger—has provided auditing, accounting, and advisory services to numerous governmental entities throughout the United States. Our more than one hundred-fifty (150) years of combined experience in the government industry have made us a trusted business partner with our clients, and we have become well-respected as one of the most socially responsible accounting firms.

In addition to annual financial audits, team members undertake special studies in financial management, accounting, cost-accounting-system analysis, internal audit services, and internal control documentation and testing. By participating in industry associations and activities, we are always up to date on the latest industry changes and the impact they will have on your operations. We will keep you and our colleagues in the Firm, fully informed of these developments.

Our *Orange County* office, located at 200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707 will perform the requested services for the District. However, we may assign additional staff from our San Diego or Palm Desert, California offices to the engagement, at no additional cost to the District. No subcontractors will be used.

Our team is committed to bringing the full breadth and depth of our expertise to the audit of the District at an outstanding value to you.

While many accounting firms can perform an audit, not all can build a great working relationship with their clients. The Pun Group, LLP develops lasting, personal relationships with clients. Our hands-on partner involvement and low personnel turnover will make you appreciate our firm more every day we work together.

### ***Staff Consistency***

The Firm is committed to maintaining staff continuity throughout audit engagements. While we cannot guarantee that our staff members will stay with the Firm, we encourage loyalty by paying competitive wages, offering opportunities for promotion, using state-of-the-art equipment, and providing excellent working conditions. We also offer benefits including retirement plans, medical plans, profit-sharing programs, and continuing education. The Firm is an equal-opportunity employer and complies with all federal and state hiring requirements. The Firm also supports affirmative-action philosophies and works hard to provide opportunities for self-enhancement to members of disadvantaged groups.

We guarantee that the partners assigned to this audit will be involved throughout the entire engagement term, and that assigned staff members will return to the District in future years if they are still with the firm. One of our primary audit concerns is staff continuity, and our hands-on partner involvement ensures that qualified and experienced professionals will perform audits efficiently and effectively every year of the engagement.

# SAN LORENZO VALLEY WATER DISTRICT

## Proposal to Perform Professional Auditing Services

### Most Recent External Quality Control Review

The Firm participates in the AICPA Peer Review Program, which is designed to identify weaknesses in accounting-service policies, practices, and procedures.

In 2015, an independent reviewer assessed the Firm's quality-control policies, reviewed administrative records, interviewed professional personnel, and inspected the Firm's working papers and reports from a representative sample of accounting and auditing engagements, including governmental audits. The reviewer concluded that the Firm fully complies with the AICPA's stringent standards for quality control.

A quality-control reviewer considers, among other things, a firm's policies regarding hiring, training, supervision, delegation of responsibilities, and access to technical resources.

The reviewer determined that the Firm's accounting and auditing work and internal quality-control system meet the AICPA's guidelines for professional standards.

The Firm's participation in the Peer Review Program demonstrates our commitment to quality. We also affirm our dedication to excellent client service through our voluntary memberships in the AICPA—including the AICPA's Governmental Audit Quality Center—and CalCPA.



JOHN LEBIAS, CPA  
STEPHEN C. WILLIAMS, CPA  
JOSEPH O. ROMERO, CPA

#### System Review Report

**The Pun Group, LLP**  
Santa Ana, California;  
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of The Pun Group, LLP (the firm) in effect for the year ended December 31, 2014. 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 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 an engagement performed under *Government Auditing Standards*.

In our opinion, the system of quality control for the accounting and auditing practice of The Pun Group, LLP in effect for the year ended December 31, 2014, 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*. The Pun Group, LLP has received a peer review rating of *pass*.

4120 Concourse  
Suite 100  
Ontario, CA 91764

909.948.9990  
800.644.0696  
FAX 909.948.9633

gylid@gyldecauwer.com  
www.gyldecauwer.com

Gyl Decauwer LLP  
Ontario, California  
October 13, 2015

your  
Success  
is our  
DESTINATION



# SAN LORENZO VALLEY WATER DISTRICT

## Proposal to Perform Professional Auditing Services

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California Society of CPAs  
1800 Gateway Dr., Ste. 200  
San Mateo, CA 94404

February 4, 2016

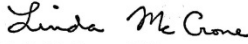
Kenneth Hing-Kwong Pun  
The Pun Group LLP  
200 E Sandpointe Ave  
Suite 600  
Santa Ana, CA 92707

Dear Mr. Pun:

It is my pleasure to notify you that on January 27, 2016 the California Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is June 30, 2018. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Sincerely,

  
Linda McCrone, CPA  
Director, Peer Review Program

cc: John Lerias

Firm Number: 8192426      Review Number 372240



T: (650) 522-3094 | F: (650) 522-3080 | [peerreview@calcpa.org](mailto:peerreview@calcpa.org)

### ***Federal or State Desk Review***

No federal or state desk reviews or field reviews have been undertaken of any audits performed by the Firm or any of its partners, managers, or professionals during the past three (3) years.

### ***Disciplinary Action***

No disciplinary action has been taken by state regulatory bodies or professional organizations against the Firm or any of its partners, managers, or professionals during the past three (3) years.

The Firm has no conditions such as bankruptcy, pending litigations, planned office closures, mergers or any organizational conflict of interest that may affect the ability of the Firm to perform the required duties requested by the San Lorenzo Valley Water District.

# SAN LORENZO VALLEY WATER DISTRICT

## *Proposal to Perform Professional Auditing Services*

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At the Pun Group we work together with our clients to address a variety of challenges like Reporting and Compliance requirements, risk and internal controls, operational transformation and technology consulting. We understand our clients have broad and complex needs. This is the number one reason our solutions are developed specifically to address these unique needs. We have performed numerous financial and compliance audits of governmental municipalities and organizations.

### **Quality-Control System**

Our Firm meticulously monitors the quality and contents of our reports. The Pun Group LLP is 100% committed to providing only the highest grade of work possible for our clients and for those who rely on our audits. The Firm strives to exceed professional industry standards because of the continuing respect for our clients and our emphasis on creating long-lasting relationships. The Pun Group LLP works exclusively with those who share the same moral integrity and values.

Our quality-control system was crafted with excellence in mind. It not only meets AICPA standards, but also matches our own elevated standards, which includes the following professional-development activities.



### **Professional Development**

Each Engagement Team member is up-to-date with continuing professional education requirements. The Firm encourages staff members to participate in the continuing education programs offered by the AICPA and the CalCPA Education Foundation in order to always keep our staff well versed in the changing field and any new regulations. These classes include, among others:

- Basic Concepts of Governmental Accounting, Financial Reporting and Auditing
- Government Auditing Standards
- GASB Basic Financial Statements for State and Local Governments
- Single Audits: Uniform Guidance (formerly known as OMB Circular A-133)
- Governmental and Nonprofit Annual Update
- Governmental Accounting and Auditing: The Annual Update
- Auditing Standards: A Comprehensive Review

In addition, the Firm provides comprehensive in-house training for all levels of staff. The program includes seminars developed by the Firm, educational programs developed by the AICPA and CalCPA, and on-the-job training.

Every year, all professional and administrative staff members receive an annual overview and review of topics such as these:

- Principles of accounting and financial reporting for state and local governments
- Governmental fund types
- Newly issued U.S. generally accepted auditing standards and government auditing standards
- Internal control evaluation approaches, including COSO Internal Control Framework
- Updates on recent governmental accounting and reporting guidelines and pronouncements
- Single Audit requirements and approaches
- Risk based audit approaches
- Working paper techniques
- Current issues facing the governmental community

# SAN LORENZO VALLEY WATER DISTRICT

## *Proposal to Perform Professional Auditing Services*

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### ***GASB Implementation Assistance***

Gary M. Caporicci, the assigned *GASB Implementation Specialist*, and **appointed member to the State Retirement Advisory Committee by the State Controller** has tremendous expertise in assisting clients with the implementation of GASB pronouncements.

For more than 40 years, Mr. Caporicci has successfully provided professional auditing, accounting, financial reporting and management advisory/consulting services to a broad spectrum of governmental entities.

Mr. Caporicci will actively assist the District during the process of implementation and compliance related to new accounting standards.

### ***Client Training Seminar***

**Every year, the Firm hosts a conference to update governmental clients on new technical accounting and financial issues.** The day-long session—held in Clovis, San Diego, Cerritos, and Danville—qualifies for **eight hours of CPE** with the California Board of Accountancy.

Participants of last year's training seminar received a high-level examination of numerous technical issues, including the following:

- GASB 68 – *Accounting and Financial Reporting for Pensions*
- GASB 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*- an amendment of GASB Statement 68
- GASB Updates
  - ✓ GASB 72 – *Fair Value Measurement and Application*
  - ✓ GASB 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*
  - ✓ GASB 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
  - ✓ GASB 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- Uniform Grant Guidance
- Survey of Cities and Counties

Importantly, all of our clients are invited to attend the Pun Group, LLP client training seminar **FREE OF CHARGE.**

# SAN LORENZO VALLEY WATER DISTRICT

## Proposal to Perform Professional Auditing Services

### Firm Municipal Clients

The Pun Group, LLP has performed numerous audits of governmental organizations subject to financial and compliance audits. These audits were performed in accordance with auditing standards generally accepted in the United States, Government Auditing Standards, OMB Circular A-133 and its Compliance Supplement (when applicable), Office of the State Controller's Minimum Audit Requirements and **Reporting Guidelines for California Special Districts**. A list of current engagements is as follows:

**AT THE PUN GROUP, LLP WE WORK TOGETHER WITH OUR CLIENTS TO ADDRESS A VARIETY OF CHALLENGES LIKE:**

- ✓ Reporting and Compliance Requirements
- ✓ Risk and Internal Controls
- ✓ Operational Transformation
- ✓ Technology Consulting

**GFOA CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING:**

100% of our clients that have submitted their reports to the GFOA have received the Certificate of Excellence.

**UNPARALLELED PARTNERS SUPPORT:**

Hands-on partner involvement always available to address our client's needs and answer questions.

**OUR SERVICES INCLUDE:**

- ✓ Financial statement audits
- ✓ Performance audits
- ✓ Single audit (OMB Circular A-133)
- ✓ Employee benefit plan audits
- ✓ Internal controls evaluations

#### Special Districts:

Altadena Library District  
Antelope Valley State Water Contractors Association  
Barstow Heights Community Services District  
Big Bear City Airport District  
Big Bear City Community Services District  
Bodega Bay Fire Protection District  
Casitas Municipal Water District  
Desert Recreation District  
Desert Recreation Foundation  
Diablo Water District  
East Orange County Water District  
El Toro Water District  
Encinitas Ranch Golf Authority  
Fallbrook Healthcare District  
Las Virgenes Municipal Water District  
Las Virgenes-Triunfo JPA  
Marina Coast Water District  
Menlo Park Fire Protection District  
Newport Coast Elementary School District  
North Coast Fire Protection District  
North County Dispatch JPA  
North of the River Municipal Water District  
Orange County Coastkeeper  
Palmdale Water District  
Palos Verdes Library District  
Port of Hueneme - Oxnard Harbor District  
Rancho Santa Fe Fire Protection District  
Riverside County Flood Control and Water Conservation District  
San Diego Coastkeeper  
San Dieguito Water District Audit  
San Mateo Mosquito and Vector Control District  
South Bay Regional Public Communications Authority  
Southwestern Community College District  
Stallion Springs Community Services District  
The Farm Mutual Water Company  
Trabuco Canyon Water District  
Valley Sanitary District  
West County Agency  
West County Wastewater District  
West Valley Water District  
Wilmington Cemetery District

#### Transportation Agencies/Authorities:

Gold Coast Transit  
San Diego Metropolitan Transit System  
Shasta Regional Transportation Agency  
Ventura County Railroad Company, LLC  
Ventura County Transportation Commission

#### Cities/Towns:

City of Arvin  
City of Arcadia  
City of Bradbury  
City of Calexico  
City of Carpinteria  
City of Cerritos  
City of Chula Vista  
City of Clearlake  
City of Clovis  
Town of Danville  
City of Desert Hot Springs  
City of Encinitas  
City of Fairfield  
City of Gardena  
City of Hemet  
City of Hermosa Beach  
City of Huntington Park  
City of Huntington Beach  
City of Industry  
City of Lakewood  
City of Monterey Park  
City of Morro Bay  
City of National City  
City of Placerville  
City of Poway  
City of Ridgecrest  
City of San Bernardino  
City of Solana Beach  
City of Shafter  
City of Stockton

#### Health Centers:

Alliance Medical Center  
Anderson Valley Health Clinic  
Centro Medico Community Clinic  
Desert Hot Springs Health and Wellness Foundation  
Family Health Centers of San Diego  
Industry Convalescent Hospital  
Marin City Health and Wellness Center  
McCloud Healthcare Clinic  
Mountain Valleys Health Centers  
Redwood Coast Medical Services  
Shingletown Medical Center  
Tulare Community Health Clinic  
United Health Centers of San Joaquin Valley

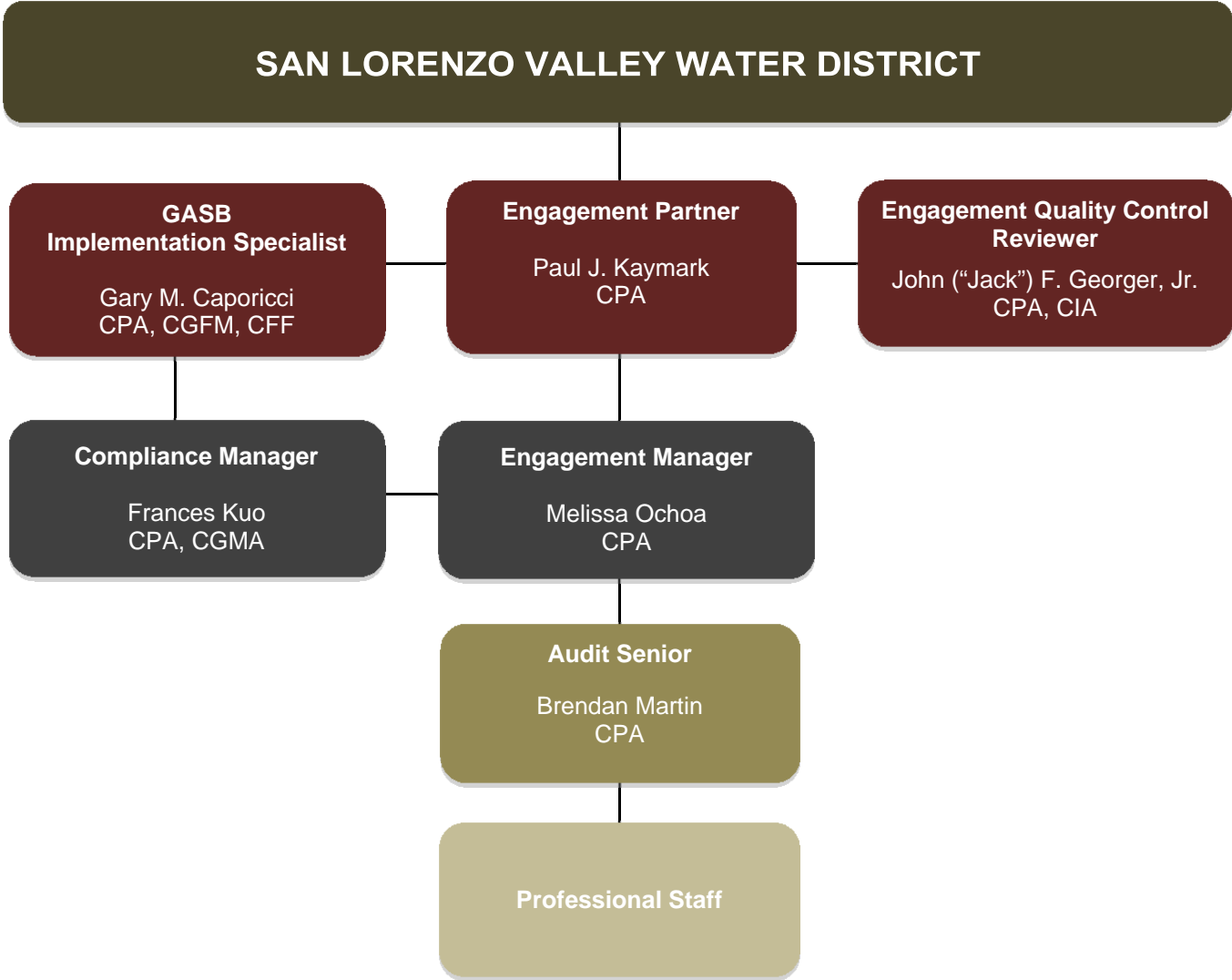
# SAN LORENZO VALLEY WATER DISTRICT

## Proposal to Perform Professional Auditing Services

### SECTION II – SUMMARY OF THE PROPOSING FIRM’S QUALIFICATIONS

#### Engagement Team

The Engagement Team is carefully chosen to provide the District with all services needed to successfully complete the audit. The Engagement and Concurring Partners are personally involved in the audit, and the Engagement Team has significant experience in governmental auditing. Our broad experience and technical capabilities allow us to provide technical support, interpret findings, and offer effective solutions to any issues.



The personnel assigned to this engagement are fully qualified to perform an effective and efficient audit of the District, and their extensive experience will be invaluable to the audit process. Our professionals are familiar with the complexities of governmental accounting, auditing, and financial reporting, including but not limited to, all GASB pronouncements, the Single Audit Act, Uniform Guidance (formerly OMB Circular A-133), and fund operations.

If the Firm changes key personnel for reasons other than those specified in the Proposal, we will provide the District with written notification and will only be changed with the express prior written permission of the District.

Audit personnel may be replaced only by those with similar or better qualifications and experience.

# SAN LORENZO VALLEY WATER DISTRICT

## *Proposal to Perform Professional Auditing Services*

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### **Paul J. Kaymark, CPA | Engagement Partner**

Paul is an Assurance Partner with the Government and Not-for-Profit Practice of the Firm who has over twenty-years of public accounting experience. He specializes in auditing special district governments and not-for-profit organizations. Paul will directly oversee the Engagement Team, and he will be responsible for the delivery of all services to San Lorenzo Valley Water District. In addition, he will manage engagement planning and fieldwork, and he will review and approve the work papers and reports.

### **John (“Jack”) F. Georger, Jr., CPA, CIA | Engagement Quality Control Reviewer**

In his forty years of experience, Jack has worked with many governmental entities, including cities, counties, and special agencies and Districts, as well as not-for-profit entities, providing clients with financial and compliance audit and consultation services. As an Assurance Partner in our Firm, he advises clients on complex accounting questions, supports engagement teams with audit issues, and reviews reports issued by the Firm to ensure that they fully comply with professional standards. Jack will be responsible for the final quality-control review of the engagement.

### **Gary M. Caporicci, CPA, CGFM, CFF | GASB Implementation Specialist**

As an assurance partner with over forty years of experience, Gary has provided financial and compliance audit and consultation services to governmental clients including cities, counties, transportation agencies, and school Districts, as well as various not-for-profit entities. He provides advice and consultation regarding complex accounting matters and assists engagement teams in audit matters. Gary will be responsible in providing advice and consultation for the implementation of these new pension standards.

### **Melissa Ochoa, CPA | Engagement Manager**

Melissa will work closely with Paul Kaymark and Gary Caporicci, directing the audit team in its daily activities. She is an Assurance Services/Audit Manager and has extensive experience auditing local government entities including special agencies and Districts, cities, counties, not-for-profit and healthcare entities.

### **Frances Kuo, CPA, CGMA | Compliance Manager**

Working with Melissa Ochoa, Frances will direct the audit team in compliance-related matters. She is an Assurance Services/Audit Senior Manager in the Firm whose extensive auditing experience includes special agencies and Districts, cities, counties, transportation agencies, and not-for-profit entities.

### **Brendan Martin, CPA | Audit Senior**

Brendan will direct the audit staff, coordinate with San Lorenzo Valley Water District personnel, and implement the audit approach.

### **Professional Staff**

Our professional staff is qualified to perform financial and compliance audits of cities and governmental agencies and remains consistent throughout the engagement process. We greatly encourage our senior and staff accountants to take on increased responsibilities within the engagement as they advance professionally; with the purpose to encourage staff continuity in future projects and endeavors.

### **Engagement Team Resumes**

The San Lorenzo Valley Water District deserves experienced professionals who work as a team. The Pun Group, LLP will provide qualified employees to perform the audit; no subcontractors will be used. Resumes for key Engagement Team members follow.



# SAN LORENZO VALLEY WATER DISTRICT

## Proposal to Perform Professional Auditing Services

**Paul J. Kaymark, CPA\***  
Engagement Partner



Paul J. Kaymark is an Audit Partner with the Governmental and Not-for-Profit Practice of The Pun Group, LLP. Prior to joining our firm, Paul spent over twenty-years with KPMG, McGladrey and CZFCPA being part of the governmental and not-for-profit audit services practice.

Paul has also provided significant other services to various governmental and not-for-profit entities. In these engagements, he has been involved in the strategic planning processes, design and implementation of policies and procedures manuals and operational and organizational reviews of accounting departments. He has also been involved in the implementation of performance management budgeting and planning processes, financial reviews, trend analysis, cash management practices and utility rate setting.

### EDUCATION

- ✓ BS Degree in Business Administration, emphasis in Accountancy from California State University, Long Beach.

*\*Licensed by the State of California*

### PROFESSIONAL & CIVIC AFFILIATIONS

- ✓ Member, American Institute of Certified Public Accountants (AICPA)
- ✓ Member, California Society of Certified Public Accountants (CalCPA)
- ✓ Member, Government Finance Officers Association (GFOA)
- ✓ Member, California Society of Municipal Finance Officers (CSMFO)
- ✓ GFOA Certificate for Excellence in Financial Reporting – Reviewer

### PROFESSIONAL EXPERIENCE

• Altadena Library District	• Antelope Valley State Water Contractors Assoc.
• Barstow Heights Community Services District	• Big Bear City Airport District
• Big Bear City Community Services District	• Bodega Bay Fire Protection District
• Casitas Municipal Water District	• Desert Recreation District
• Desert Recreation Foundation	• Diablo Water District
• East Orange County Water District	• El Toro Water District
• Festival of Arts of Laguna Beach	• Festival of Arts of Laguna Beach
• Gold Coast Transit	• Mountain Meadows Community Services District
• North County Dispatch JPA	• North Count Fire Protection District
• North of the River Municipal Water District	• Orange County Coastkeeper
• Palmdale Water District	• Palos Verdes Library District
• Port of Hueneme - Oxnard Harbor District	• Public Agencies Self Insurance System
• Rancho Santa Fe Fire Protection District	• San Diego Coastkeeper
• San Mateo Mosquito and Vector Control District	• South Bay Regional Public Communications Authority
• Stallion Springs Community Services District	• The Farm Mutual Water Company
• Trabuco Canyon Water District	• County of Ventura (Local Transportation Fund)
• Ventura County Railroad Company, LLC	• West County Agency
• West County Wastewater District	• Wilmington Cemetery District

### CONTINUING PROFESSIONAL EDUCATION

- ✓ Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: Uniform Guidance (formerly OMB Circular A-133)
  - Financial Accounting Standards Board Annual Updates
  - Statement on Standards for Accounting and Review Services Updates
- ✓ Has met the current CPE educational requirements to perform audits of governmental agencies.

200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707  
Email: Paul.Kaymark@pungroup.com | Phone: (949) 777-8821 | Fax: (949) 777-8850

# SAN LORENZO VALLEY WATER DISTRICT

## Proposal to Perform Professional Auditing Services

### John F. Georger, Jr., CPA\*, CIA Engagement Quality Control Reviewer



Jack Georger is the Partner of the Governmental Division by leveraging more than forty years of public accounting and auditing experience in the government, agribusiness, financial services, manufacturing and non-profit sectors. Mr. Georger brings an in-depth knowledge and practical expertise to each client engagement. Mr. Georger coordinates, plans, and manages financial audit activities, consulting activities, federal and state compliance audit activities, performance audits and numerous quality control and internal control reviews for a broad mix of governmental agencies and programs throughout the United States.

Jack is a continuing professional education course instructor for the AICPA. Annually, he instructs over 300 hours on accounting and auditing subjects. He has coauthored training material in governmental accounting and auditing for the AICPA and is the technical reviewer of the CCH Knowledge-Based Audits™ of State and Local Governments with Single Audits.

Mr. Georger is licensed to practice as a certified public accountant in the states of California, New York, Virginia, Maryland, District of Columbia, Georgia, South Carolina, Missouri, Connecticut (inactive), and Wyoming (inactive), and is a Certified Internal Auditor (CIA).

#### EDUCATION

- ✓ Bachelor of Science, George Mason University Fairfax, Virginia

*\*Licensed by the State of California, New York, Virginia, Maryland, District of Columbia, Georgia, South Carolina, Missouri and Connecticut (inactive) and Wyoming (inactive)*

#### PROFESSIONAL & CIVIC AFFILIATIONS

- ✓ Member and Instructor, American Institute of Certified Public Accountants (AICPA)
- ✓ Member, Institute of Internal Auditors
- ✓ Member, California Society of Certified Public Accountants (CalCPA)
- ✓ Member, CalCPA Government Accounting and Auditing Committee
- ✓ Member, New York Society of Certified Public Accountants (NYSSCPA)
- ✓ Chairman, NYSSCPA Government Accounting and Auditing Committee
- ✓ Member, NYSSCPA Auditing Standards Committee
- ✓ Member, NYSSCPA Financial Accounting Standards Committee
- ✓ Member, NYSSCPA Not-for-Profit Committee
- ✓ Member, Missouri Society of Certified Public Accountants (MSCPA)
- ✓ South Carolina Association of Certified Public Accountants (SCACPA)
- ✓ Member, Government Finance Officers Association (GFOA) – CAFR Reviewer

#### KEY CLIENTS

- Local Governments:
  - Town of Andrews, South Carolina
  - County of Isle of Wight, Virginia
  - City of Richmond, Virginia

#### CONTINUING PROFESSIONAL EDUCATION

- ✓ Instructor of over 300 hours of municipal accounting courses offered by the AICPA
- ✓ Has met the current CPE educational requirements to perform audits of governmental agencies.

# SAN LORENZO VALLEY WATER DISTRICT

## Proposal to Perform Professional Auditing Services

Gary M. Caporicci, CPA\*, CGFM, CFF  
GASB Specialist



Gary M. Caporicci has more than forty years of diversified business experience, including a specialization in audit and management consulting for government organizations. Gary's clients include public and private universities and colleges, city and county governments, state agencies, joint power authorities, healthcare agencies, transportation agencies, and special districts. Known for his expertise in the areas of construction and government, Gary wrote the AICPA audit guides on these topics, and he has authored many audit and accounting courses for professional groups, as well as academic institutions. He frequently speaks and lectures at many professional organizations, governmental seminars, and conferences held by industry associations, other accounting firms, and universities. In addition, he authors white papers for the California Committee on Municipal Accounting.

Prior to working with the Firm, Gary founded his own accounting practice. He also spent eleven years with a "Big Eight" professional services firm, where he was an Audit Manager and gained broad experience in a wide range of industries such as government, construction, manufacturing, mutual funds, and insurance. Prior to that, Gary held a consultant position with a "Big Four" practice and was Vice President of a national insurance and financial services company.

In 2015 Gary Caporicci was appointed to the State Retirement Advisory Committee by the State Controller.

### EDUCATION

- ✓ BS Degree in Accounting and Finance from the Armstrong University

*\*Licensed by the State of California*

### PROFESSIONAL & CIVIC AFFILIATIONS

- ✓ Member and Instructor, American Institute of Certified Public Accountants (AICPA)
- ✓ Member, Author and Instructor, California Society of Certified Public Accountants (CalCPA)
- ✓ Past Chair, CalCPA Governmental Accounting and Auditing Committee
- ✓ Chair and Speaker, CalCPA Governmental Accounting and Auditing State Conferences
- ✓ Member, CalCPA Council
- ✓ Chair, California Committee on Municipal Accounting (CCMA)
- ✓ Member, Government Finance Officers Association (GFOA)
- ✓ Member, California Society of Municipal Finance Officers (CSMFO)
- ✓ Member, Governmental Accounting Standards Board (GASB),
- ✓ Member, Deposit and Investment Risks Disclosure Task Force (GASB No. 40)
- ✓ National Reviewer and Speaker, Government Finance Officers Association
- ✓ Adjunct Professor, National University
- ✓ Past Member, Texas Governmental Accounting and Auditing Committee
- ✓ GFOA Certificate for Excellence in Financial Reporting – Reviewer

### CONTINUING PROFESSIONAL EDUCATION

- ✓ Author and instructor of various municipal accounting courses offered by CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: Uniform Guidance (formerly OMB Circular A-133)
- ✓ Has met the current CPE educational requirements to perform audits of governmental agencies.

# SAN LORENZO VALLEY WATER DISTRICT

## Proposal to Perform Professional Auditing Services

Melissa Ochoa, CPA\*

Engagement Manager



Melissa Ochoa is a Manager in The Pun Group, LLP's Assurance division. Melissa has over fifteen years of accounting and auditing experience working with governmental agencies, not-for-profit entities, and private for profit entities. Melissa also has particular expertise in conducting financial audits under GAO Yellow Book standards and compliance audits in accordance with Uniform Guidance (formerly OMB Circular A-133).

Melissa has performed audits and other attestation services for several governmental agencies throughout California including: special districts, airports, financing authorities, water, sewer, flood and sanitation districts. She has assisted these clients with publishing their Comprehensive Annual Financial Reports in compliance with GASB Statement No. 34.

Ms. Ochoa develops training materials and shares her expertise internally with other Firm professionals. Melissa is a frequent speaker at in-house seminars on topics related to government auditing standards and Single audits.

### EDUCATION

- ✓ BA Degree in Business Administration, Emphasis in Accounting, from California State University, Fullerton

\*Licensed by the State of California

### PROFESSIONAL & CIVIC AFFILIATIONS

- ✓ Member, American Institute of Certified Public Accountants (AICPA)
- ✓ Member, California Society of Certified Public Accountants (CalCPA)
- ✓ Member, Member of Government Finance Officers Association (GFOA)
- ✓ Member, California Society of Municipal Finance Officers (CSMFO)

### RELEVANT PROJECT EXPERIENCE

• Altadena Library District	• Antelope Valley State Water Contractors Assoc.
• Barstow Heights Community Services District	• Big Bear City Airport District
• Big Bear City Community Services District	• Bodega Bay Fire Protection District
• Casitas Municipal Water District	• Desert Recreation District
• Desert Recreation Foundation	• Diablo Water District
• East Orange County Water District	• El Toro Water District
• Festival of Arts of Laguna Beach	• Festival of Arts of Laguna Beach
• Gold Coast Transit	• Mountain Meadows Community Services District
• North County Dispatch JPA	• North Count Fire Protection District
• North of the River Municipal Water District	• Orange County Coastkeeper
• Palmdale Water District	• Palos Verdes Library District
• Port of Hueneme - Oxnard Harbor District	• Public Agencies Self Insurance System
• Rancho Santa Fe Fire Protection District	• San Diego Coastkeeper
• San Mateo Mosquito and Vector Control District	• South Bay Regional Public Communications Authority
• Stallion Springs Community Services District	• The Farm Mutual Water Company
• Trabuco Canyon Water District	• County of Ventura (Local Transportation Fund)
• Ventura County Railroad Company, LLC	• West County Agency
• West County Wastewater District	• Wilmington Cemetery District

### CONTINUING PROFESSIONAL EDUCATION

- ✓ Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: Uniform Guidance (formerly OMB Circular A-133)
  - Financial Accounting Standards Board Annual Updates
  - Statement on Standards for Accounting and Review Services Updates
- ✓ Has met the current CPE educational requirements to perform audits of governmental agencies.

200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707  
**Email:** Melissa.Ochoa@pungroup.com | **Phone:** (949) 777-8822 | **Fax:** (949) 777-8850

# SAN LORENZO VALLEY WATER DISTRICT

## Proposal to Perform Professional Auditing Services

Frances Kuo, CPA\*, CGMA  
Compliance Manager



Frances Kuo is a Senior Manager in The Pun Group, LLP's Assurance division. Frances has over ten years of accounting and auditing experience working with governmental agencies, not-for-profit entities, and employee benefit plans. Frances also has particular expertise in conducting financial audits under GAO Yellow Book standards and compliance audits in accordance with Uniform Guidance (formerly OMB Circular A-133).

Frances has performed audits and other attestation services for several municipalities throughout California including cities, counties, redevelopment agencies, public financing authorities, housing authorities, transportation agencies, and special Districts. She has assisted these clients with publishing their Comprehensive Annual Financial Reports in compliance with GASB Statement No. 34.

Ms. Kuo is the in-house instructor who provides training, both theoretical and on-the-job training, to lower level staff. She has developed training materials on the risk based audit approach, GASB Statement No. 34 reporting, Single Audits, and employee benefit plan audits.

### EDUCATION

- ✓ BS Degree in Business Administration, Emphasis in Accounting, from the University of California, Riverside
- ✓ BA Degree in Economics from the University of California, Riverside

*\*Licensed by the State of California, Arizona and Virginia.*

### PROFESSIONAL & CIVIC AFFILIATIONS

- ✓ Member, American Institute of Certified Public Accountants (AICPA)
- ✓ Member, California Society of Certified Public Accountants (CalCPA)
- ✓ Member, California Society of Municipal Finance Officers (CSMFO)

### RELEVANT PROJECT EXPERIENCE

• City of Arcadia	• City of Bradbury
• City of Cerritos	• City of Carpinteria
• City of Desert Hot Springs	• City of Gardena
• City of Huntington Park	• City of Huntington Beach
• City of Hermosa Beach	• City of Hemet
• City of Industry	• City of Monterey Park
• City of Ridgecrest	• Conejo Recreation and Park District
• Las Virgenes Municipal Water District	• Marina Coast Water District
• Mountains Recreation and Conservation Authority	• San Diego Transit Corporation Retirement Plan
• Tulare Community Health Clinic	• San Diego Metropolitan Transit System
• San Diego Association of Governments	• Southwestern Community College District
• Valley Sanitary District	• Shanghai Jiao Tong University Foundation of America

### CONTINUING PROFESSIONAL EDUCATION

- ✓ Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: Uniform Guidance (formerly OMB Circular A-133)
  - Financial Accounting Standards Board Annual Updates
  - Statement on Standards for Accounting and Review Services Updates
- ✓ Has met the current CPE educational requirements to perform audits of governmental agencies.

# SAN LORENZO VALLEY WATER DISTRICT

## Proposal to Perform Professional Auditing Services

Brendan C. Martin, CPA\*

Audit Senior



Brendan Martin is a Senior Accountant at The Pun Group, LLP. He has more than three (3) years of governmental and retirement system experience that ranges from GASB audit / reporting, compliance audits, internal control reviews, and incentive distribution compliance.

In various engagements, Mr. Martin has been involved in providing significant services to various governmental entities and actively contributed and participated in the planning process, implementation of the audit work plan, and preparation of the final reports.

### EDUCATION

- ✓ BA Degree in Economics from Franciscan University

\*Licensed by the State of California

### PROFESSIONAL & CIVIC AFFILIATIONS

- ✓ Member, American Institute of Certified Public Accountants (AICPA)
- ✓ Member, California Society of Certified Public Accountants (CalCPA)

### RELEVANT PROJECT EXPERIENCE

• Altadena Library District	• Antelope Valley State Water Contractors Assoc.
• Barstow Heights Community Services District	• Big Bear City Airport District
• Big Bear City Community Services District	• Bodega Bay Fire Protection District
• Casitas Municipal Water District	• Desert Recreation District
• Desert Recreation Foundation	• Diablo Water District
• East Orange County Water District	• El Toro Water District
• Festival of Arts of Laguna Beach	• Festival of Arts of Laguna Beach
• Gold Coast Transit	• Mountain Meadows Community Services District
• North County Dispatch JPA	• North Count Fire Protection District
• North of the River Municipal Water District	• Orange County Coastkeeper
• Palmdale Water District	• Palos Verdes Library District
• Port of Hueneme - Oxnard Harbor District	• Public Agencies Self Insurance System
• Rancho Santa Fe Fire Protection District	• San Diego Coastkeeper
• San Mateo Mosquito and Vector Control District	• South Bay Regional Public Communications Authority
• Stallion Springs Community Services District	• The Farm Mutual Water Company
• Trabuco Canyon Water District	• County of Ventura (Local Transportation Fund)
• Ventura County Railroad Company, LLC	• West County Agency
• West County Wastewater District	• Wilmington Cemetery District

### CONTINUING PROFESSIONAL EDUCATION

- ✓ Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: Uniform Guidance (formerly OMB Circular A-133)
  - Financial Accounting Standards Board Annual Updates
  - Statement on Standards for Accounting and Review Services Updates
- ✓ Has met the current CPE educational requirements to perform audits of governmental agencies.

# SAN LORENZO VALLEY WATER DISTRICT

## Proposal to Perform Professional Auditing Services

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### **Similar Engagements with Other Government Entities**

The following five clients are examples of some of the engagements that are similar to the requirements in the District's proposal. Additional references are available upon request. Please feel free to contact these governmental agencies to learn more about their experiences working with us.

#### **Reference No. 1**

Governmental Client Name: Casitas Municipal Water District  
Contact Individual: Ms. Denise Collin Phone No: (805) 649-2251 x 103  
Address: 1055 Ventura Avenue, Oak View, CA 93022  
Year: 2015 - Present  
Description of Services Provided:  
✓ Audit of the Basic Financial Statements and CAFR Presentation  
✓ Similar District with Camping and Recreation Facilities  
GFOA's Certificate of Achievement for Excellence in Financial Reporting: Yes

#### **Reference No. 2**

Governmental Client Name: Trabuco Canyon Water District  
Contact Individual: Ms. Cindy Byerrum, Treasurer Phone No: (909) 204-8858  
Address: 32003 Dove Canyon Drive, Trabuco Canyon, CA 92679  
Year: 2015 - Present  
Description of Services Provided:  
✓ Audit and preparation of the Basic Financial Statements

#### **Reference No. 3**

Governmental Client Name: El Toro Water District  
Contact Individual: Ms. Neely Shahbakht Phone No: (949) 837-7050 x 240  
Address: 24251 Los Alisos Blvd., Lake Forest, CA 92630  
Year: 2014 - Present  
Description of Services Provided:  
✓ Audit of the Basic Financial Statements and CAFR preparation  
✓ Quarterly Agreed-Upon Procedures Engagement  
GFOA's Certificate of Achievement for Excellence in Financial Reporting: Yes

#### **Reference No. 4**

Governmental Client Name: Palmdale Water District  
Contact Individual: Mr. Dennis Hoffmeyer Phone No: (661) 456-1021  
Address: 2029 East Avenue "Q", Palmdale, CA 93550  
Year: 2014 - Present  
Description of Services Provided:  
✓ Audit and preparation of the Basic Financial Statements

#### **Reference No. 5**

Governmental Client Name: West County Wastewater District  
Contact Individual: Mr. Dean Prater, CPA Phone No: (510) 622-3615  
Address: 2910 Hilltop Drive, Richmond, CA 94806  
Year: 2015 - Present  
Description of Services Provided:  
✓ Audit of the Basic Financial Statements and CAFR Presentation  
GFOA's Certificate of Achievement for Excellence in Financial Reporting: Yes

# SAN LORENZO VALLEY WATER DISTRICT

## *Proposal to Perform Professional Auditing Services*

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### **SECTION III – SPECIFIC AUDIT APPROACH**

#### *Understanding the Scope*

San Lorenzo Valley Water District is requesting an opinion as to the fair presentation of its general purpose financial statements in conformity with generally accepted accounting principles (GAAP) and applicable laws and regulations. These audits are to be performed in accordance with all applicable and generally accepted auditing standards, including, but not limited to, the following

- Generally accepted auditing standards as set for by the American Institute of Certified Public Accountants.
- The standards applicable to financial audits contained in the most current version of the Generally Accepted Government Auditing Standards (Yellow Book), issued by the Comptroller General of the United States.
- The provisions of the Single Audit Act pursuant to OMB Circular A-128.
- The provisions of U.S. Office of Management and Budget (OMB) Uniform Guidance (formerly known as Circular A-133), Audits of State and Local Governments and Non-Profit Organizations and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.
- Minimum audit requirements and reporting guide lines for special Districts pursuant to California Code of Regulation, State Controller, Subchapter 5, 1131.2 "Minimum Audit Requirements and Reporting Guidelines for Special Districts."

The Firm will:

- ✓ Perform an audit of all funds of the District. The audit will be conducted in accordance with Generally Accepted Government Auditing Standards. A CAFR will be prepared and word processed by the Firm. The CAFR will be in full compliance with all current GASB pronouncements.
- ✓ Provide assistance in meeting the requirements for the Government Finance Officers Association (GFOA) "Certificate of Achievement for Excellence in Financial Reporting".
- ✓ Prepare a Single Audit Report will include the following:
  - Report on compliance and on internal control over financial reporting based on audit of financial statements performed in accordance with Government Auditing Standards.
  - Report on compliance with requirements applicable to each major program, internal control over compliance, and on the schedule of expenditures of federal awards in accordance with Uniform Grant Guidance, OMB Circular A-133, "Audits of State and Local Governments", and the Single Audit Act of 1984 (Public Law 98-502).
  - Schedule of Expenditures of Federal Awards.
  - Notes to Schedule of Expenditures of Federal Awards.
  - Schedule of Findings and Questioned Costs.
  - Any other required schedules or reports.
  - Prepare the Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations.
- ✓ Prepare the Annual report to the State Controller on Financial Transactions of Special District, and file within ninety (90) days of year-ended. The Firm will submit a copy to the District prior to the transmittal of the report to the State Controller.
- ✓ Issue a report on the fair presentation of the financial statements in conformity with generally accepted accounting principles, including an opinion of the fair presentation of the supplementary schedule of expenditures of federal awards in relation to the audited financial statements (if applicable).
- ✓ Issue a report on compliance and internal control over financial reporting based on an audit of the financial statements.
- ✓ Prepare a report or memorandum on Internal Control and prepare a Management Letter addressing all deficiencies noted including items not considered significant deficiencies or material weaknesses (i.e.



# SAN LORENZO VALLEY WATER DISTRICT

## Proposal to Perform Professional Auditing Services

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immaterial findings). In this report, the Firm will also communicate any reportable conditions found during the audit and indicate whether they are also material weaknesses.

- ✓ Keep the District informed of any new state and federal developments affecting municipal finance and reporting standards.
- ✓ If requested, the engagement team will examine other reports or perform other services as required. Additional work will not conflict with the primary responsibilities of the services required. Additional time and fees will be negotiated based on the scope of the services requested.
- ✓ Make an immediate written report e of all irregularities and illegal acts or indications of illegal acts of which they become aware.

The Firm will provide six (6) copies of the opinion letter and final Comprehensive Annual Financial Report as well as six (6) copies of the final management letter.

The Engagement Partner and team will be available to present drafts of the Comprehensive Annual Financial to the finance committee and to review comments prior to finalizing the audit. They will also be available to present the final report to a Board of Directors on a date mutually agreed upon.

### **Level of staff and number of hours to be assigned to each proposed segment of the engagement**

We understand that the District is looking for value in the professional relationship they have with their auditors. Value comes from the knowledge, experience, and dedication that the auditing firm employs. We stress “employ” because all of the knowledge and expertise shown on paper will not benefit you unless it is applied. This application equates to time spent. We have developed an hours plan that we feel will accomplish the objectives of the District and meet your particular needs. We will utilize the information you have shared with us and our experience over the years auditing other governmental entities including agencies of a similar size and nature to develop an effective and efficient plan for all major areas.

#### **Total Hours:**

Staff Classification Performing Work	Estimated Hours Annually
Partners	30
Managers	40
Senior Auditors	50
Staff Auditors	60
<b>Total Annual Hours:</b>	<b>180</b>

Hours by Audit Phase	Hours
Phase I - Planning	20
Phase II - Interim	50
Phase III - Year End	70
Phase IV- Reporting	40
<b>Total Annual Hours:</b>	<b>180</b>

# SAN LORENZO VALLEY WATER DISTRICT

## Proposal to Perform Professional Auditing Services

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### **Working Paper Retention and Access to Working Papers**

The Firm will retain, at its own expense, all working papers and reports for a minimum of (7) seven years (California Law), unless the District notifies the Firm in writing of the need to extend the retention period. Upon request, the Firm will make working papers available to San Lorenzo Valley Water District or other governmental agencies included in the audit of federal grants.

The Firm will comply with reasonable inquiries from successor auditors and allow them to review working papers that relate to matters of continuing accounting significance.

### **Proposed Segmentation of the Engagement and Timeline**

The audit will be performed in four phases:

**Initial Planning Meeting** | During a mutually acceptable time frame, normally May through June of each year.

The Engagement Partner and Manager will meet with District's Management to get up to speed with District policies and procedures, establish any specific requirements Management may have, identification of unique transactions, implementation of new GASB pronouncements, and develop the audit work plan for the engagement.



**Interim** | May commence last week of August or first week September of each year.

The Engagement Team—including the Engagement Partner—will assess accounting policies adopted by the District, obtain an understanding of the District and its operating environment, review internal controls on all significant transaction classes, perform walkthroughs and/or tests of internal control, perform preliminary analytical procedures, evaluate Single Audit compliance (if needed), identify any audit issues, and prepare confirmation correspondence. The Engagement Team and District Management will establish expectations including responsibilities and assignments for the year-end audit, and will hold a progress status meeting at the end of the Interim phase.

**Year-End** | May commence during the last week of September of each year.

The Engagement Team—including the Engagement Partner—will conduct audit procedures on account balances in the general ledger, finish confirmation procedures, perform preliminary analytical procedures, search for unrecorded liabilities, perform substantive analytical review procedures, complete work on compliance with Federal Assistance, and conclude fieldwork. The Engagement Team and District Management will hold an exit conference at the end of the Year-End phase.

**Reporting** | Draft copies of reports will be provided in by Mid-October or November of each year; Final reports and management letter will be provided no later than Mid-December of each year.

The Firm will review and prepare audit reports and perform quality control procedures in accordance with the Quality Control Standards issued by the AICPA. We will also review reports for compliance with GFOA reporting guidelines at no additional cost. Any comments will be issued in a letter to Management. At the District's request, the Engagement Partner, Concurring Partner, and Managers will present the audit to the District's governing body.

The Firm will complete the audit fieldwork and issue all reports within the established timeframe, assuming no internal or external (CalPERS GASB No. 68 Reporting) District circumstances delay the audit.

# SAN LORENZO VALLEY WATER DISTRICT

## *Proposal to Perform Professional Auditing Services*

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### ***Objectives of Our Services***

Our primary objective for the proposed audit is to examine the District's financial statements and express our opinions on their fairness of presentation, in accordance with generally accepted accounting principles. Other objectives that will benefit the District include the following:

- To offer beneficial observations and recommendations about policies and procedures for accounting and operating controls.
- To identify opportunities to make District **operations more efficient and reduce costs**.
- To perform the audit efficiently and effectively, so disruption to office operations is minimized.
- To provide continuing advisory services to help the District implement recommendations.
- To meet these objectives at no additional cost to the District.
- The Firm will engage in statistical sampling, compliance tests, and substance testing throughout the audit engagement process, as a part of the Firm's specific audit approach.

The Engagement Team will perform the audit in accordance with the Firm's quality-control procedures, which include following standard audit programs, careful planning, using industry-standardized software for auditing and internal control documentation, and welcoming an objective review of audit work.

The Firm supplies portable computers and second monitors to the onsite staff members.

Our audit approach emphasizes careful planning, open communication, and proper assignment of responsibilities. This method ensures that audit requirements will be met with minimal disruption of the District's daily operations, and that the audit will proceed efficiently with full understanding between the Engagement Team and the District.

### ***Extent Statistical Sampling is to be Used in this Engagement and the Sample Size***

In our audit approach, statistical sampling is used in conjunction with our skilled judgment and knowledge of each situation. The population size and assurance level needed from any given test will determine the sample size used in our testing.

### ***Approach to be taken in Determining Audit Samples for Purposes of Compliance Testing***

To test compliance, we follow the AICPA's *Audit Sampling Considerations of Uniform Guidance (formerly OMB Circular A-133) Compliance Audits*. We will select an appropriate sample size based on our professional judgment and knowledge. Any deviations from control and compliance requirements will be documented.

### ***Type and Extent of Analytical Procedures to be Used in the Engagement***

We use analytical procedures during the interim phase to set up expectations for the year-to-date results and balances and compare them with *budgeted* and prior-year amounts. This allows us to forecast year-end amounts, reducing the workload during the year-end phase and allowing us to focus on areas of concern.

We also use trend and ratio analysis to identify any uncertain or unusual events. In order to perform these analysis, our firm performs a survey of special agencies and develops benchmarks on certain key financial indicators, such as cost of services to tax revenues ratios, average general fund balance, capital assets, debt per capital, general fund unassigned fund balance to total general fund expenditures, etc.

Our staff members have the knowledge and experience to effectively use analytical procedures to the District's benefit.

# SAN LORENZO VALLEY WATER DISTRICT

## *Proposal to Perform Professional Auditing Services*

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### ***Identification of Anticipated Potential Audit Problems***

While we do not expect any problems with the audit, we will carefully investigate and monitor the following common problem areas:

- Investments:
  - Compliance with GASB 31 and GASB 34
  - Authorization and approval process for District investments
  - Controls to assure District compliance with investment limitations and types of specific investments
  - Monitoring by the District of its investments
  
- Financial Reporting:
  - CAFR compliance with current reporting and disclosure requirements issued by GASB
  - CAFR eligibility for financial reporting conformance awards issued by GFOA
  - Compliance with the various GASBs in effect, especially the implementation of GASB 68 and 71 related to pension accounting
  - Compliance with infrastructure obligations and regulatory provisions
  
- Internal Control Structure:
  - District's internal control functions and compliance with proper internal control philosophies
  - Computer-system processes and controls, and adequacy of the control environment

Over the period of this proposal, several new GASB pronouncements will become effective. The Engagement Team will pay specific attention to the following new and upcoming pronouncements, and any others that become effective during the proposal period, in order to determine proper implementation procedures:

- *GASB 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27*
- *GASB 69 – Government Combinations and Disposals of Government Operations*
- *GASB 71 – Pension Transition for Contributions Made Subsequent to the Measuring Date*
- *GASB 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- *GASB 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- *GASB 76 – The Hierarchy of Generally Accepted Account Principles for State and Local Governments*
- *GASB 77 – Tax Abatement Disclosures*
- *GASB 78 – Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*
- *GASB 79 – Certain External Investment Pools and Pool Participants*

### ***Additional Professional Services***

If the District requests the Firm to render additional services to supplement the services requested, or to perform work as a result of the specific recommendations included in any report issued, then such additional work will be performed only if set forth in an addendum to the contract between the District and the Firm. Any such additional work agreed to between the District and the Firm will be performed at the rates set forth in the schedule of fees and expenses included in the cost proposal.

# SAN LORENZO VALLEY WATER DISTRICT

## Proposal to Perform Professional Auditing Services

### SECTION IV – COST PROPOSAL

#### Certification

We are committed to the performance of a high quality audit at the most reasonable fee level possible, both initially and throughout the engagement. Also, our partners will provide advice and consultation as needed, at no additional cost to the San Lorenzo Valley Water District.

**Name of Firm:** The Pun Group, LLP  
 Certified Public Accountants and Business Advisors  
 200 Sandpointe Avenue, Suite 600  
 Santa Ana, California 92707

**Certification:** Paul J. Kaymark is entitled to represent the Firm, empowered to submit the bid, and authorized to sign a contract with the San Lorenzo Valley Water District.



Paul J. Kaymark, CPA | Audit Partner  
 The Pun Group, LLP

#### Total All-Inclusive Maximum Price

Following are our total fixed fees the Years Ending June 30, 2016, 2017, and 2018 with the option for the two (2) subsequent fiscal years.

Comprehensive All-Inclusive Schedule of Professional Fees and Expenses San Lorenzo Valley Water District			
Pesonnel	Hours	Standard Hourly Rates	Standard Hourly Total
Partners	30	\$ 250	\$ 7,500
Managers	40	\$ 200	\$ 8,000
Senior Auditors	50	\$ 150	\$ 7,500
Staff Auditors	60	\$ 125	\$ 7,500
Subtotal	180		\$ 30,500
Out-of-Pocket expenses			\$ -
Meals and Lodging			\$ -
Transportation			\$ -
Less: Professional Discount			\$ (8,500)
<b>Total maximum price for FY 2016 audit*</b>			<b>\$ 22,000</b>
Report			Total Cost*
Audited Financial Statements of the District			\$ 22,000
Preparation of the Annual State Controllers Report			\$ 500
SAS No. 114 - Internal Control Letter			Included
<b>Total All-Inclusive Price</b>			<b>\$ 22,500</b>

\*Above fees, excludes Single Audit. Fees per Major Program = \$3,000  
 Based on \$750,000 of Federal Awards Spend Per Year/Program

# SAN LORENZO VALLEY WATER DISTRICT

## Proposal to Perform Professional Auditing Services

Total Maximum Price Per Year, Excluding Single Audit*			
FY 2017	FY 2018	FY 2019	FY 2020
\$ 23,000	\$ 23,500	\$ 24,000	\$ 24,500

### Rates by Partner, Supervisory, and Staff

Below is the Firm's standard hourly billing rates, delineated by staffing levels:

Auditor's Standard Hourly Billing Rates	
Position	FY 2015-16
Partner(s)	\$ 250
Senior Manager(s)	\$ 225
Manager(s)	\$ 200
Supervisor(s)	\$ 175
Senior Accountant(s)	\$ 150
Staff Accountant(s)	\$ 125
Clerical	\$ 100

The Firm's policy is to maintain flexible billing rates in order to meet the needs of clients and help them control costs. In the interest of starting our long-term relationship, we will **absorb all costs** required to familiarize ourselves with the operations and accounting systems, as well as, travel and printing costs. Additionally, our Partners will be available to provide advice and consultation as necessary to the San Lorenzo Valley Water District. These **costs** will also be **absorbed** by the Firm.

Any supplemental reports, audits, or agreed-upon procedures not covered by this proposal may be added in a written agreement prior to commencing audit work. The Firm and the District will discuss and approve the scope and associated costs of these tasks. Any additional work will be performed at the above quoted hourly rates.

### Manner of Payment

Engagement Team members are required to maintain timesheets detailing the date, number of hours, and work performed for every audit task. The Firm will collect these timesheets and bill the San Lorenzo Valley Water District, at the rates outlined in the Total All-Inclusive Maximum Price section, in four stages: (1) at the conclusion of the planning phase, (2) at the conclusion of the interim phase, (3) at the conclusion of the Year-End phase, (4) and after presentation and acceptance of the final audit reports. Interim billings will cover a period not less than a calendar month. The billing amounts generally break down as follows:

Work Performed	% of Proposal Amount
For Planning	10%
For Interim work	40%
For Year-End work	40%
At Presentation and Acceptance of Final Reports	10%
Total	100%

# SAN LORENZO VALLEY WATER DISTRICT

## *Proposal to Perform Professional Auditing Services*

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### ***Benefits of Choosing The Pun Group, LLP***

The Pun Group, LLP is known for its professionalism, integrity, and ability to guide clients through their unique challenges. Firm policy emphasizes providing personalized client service, so our carefully chosen engagement teams are led by an experienced partner who is directly involved in the work. This philosophy allows us to provide a superior level of service.

We trust that this proposal has given you the information you need about the Firm, the Engagement Team members, overall audit approach, cost-saving measures, and audit fees. We are committed to exceeding your expectations, and we look forward to bringing our experience and expertise to the San Lorenzo Valley Water District and providing you with the excellent level of service that you expect and deserve.

### ***Thank You***

Thank you for giving us the opportunity to introduce the Firm and submit our qualifications to provide you with audit services. Please direct inquiries to:

Mr. Paul J. Kaymark, CPA  
Audit Partner  
200 East Sandpointe Avenue, Suite 600  
Santa Ana, California 92707  
paul.kaymark@pungroup.com  
(949) 777-8821

Sincerely,

A handwritten signature in black ink that reads "The Pun Group, LLP". The signature is written in a cursive, flowing style.

The Pun Group, LLP  
Certified Public Accountants and Business Advisors

# APPENDIX

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✓ *Proof of Insurance*



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