

**Resolution Number 2019-28
Before the Governing Board of the
Auburn Area Recreation and Park District
County of Placer, State of California**

ADOPTION OF FINAL BUDGET REVISION, GENERAL FUND

WHEREAS, the Auburn Area Recreation and Park District has endeavored to create a Budget Revision for Fiscal Year 2019-2020.

THEREFORE, IT IS HEREBY RESOLVED in accordance with Section 29089 of the Government Code, the Budget Revision for the Fiscal Year 2019-2020 is hereby adopted in accordance with the following:

REVENUES

| | | |
|---|--|---------------------|
| Park & Recreation Services Revenue | | |
| Program Revenue | | 1,325,160.00 |
| Facility Rentals | | 177,577.00 |
| | | 1,502,737.00 |
| Government Revenues | | |
| Taxes, Governmental Revenue | | 3,331,271.00 |
| | | 3,331,271.00 |
| Other Revenue | | |
| Interest Revenue | | 68,410.00 |
| Misc. Revenue | | 43,460.00 |
| | | 111,870.00 |
| Donations | | |
| Donations, Grant, In kind | | 11,040.00 |
| | | 11,040.00 |
| TOTAL OPERATING REVENUES | | 4,956,918.00 |
| Project and Equipment Revenue | | |
| Misc. Project Revenue | | 16,800.00 |
| Grant Proceeds | | - |
| Contributions/In kind Services Revenue | | 30,000.00 |
| Transfer in from Equipment Reserves | | 275,845.00 |
| Transfer in from Reserves | | 642,225.00 |
| | | 964,870.00 |
| Park Dedication Revenue | | |
| City Park Dedication Revenue | | 306,600.00 |
| County Park Dedication Revenue | | 275,300.00 |
| | | 581,900.00 |
| TOTAL PROJECT AND EQUIPMENT REVENUES | | 1,546,770.00 |
| TOTAL REVENUES | | 6,503,688.00 |

EXPENDITURES

| | |
|--|---------------------|
| Program, Administrative and General Expenditures | |
| Program Expenditures | 257,000.00 |
| Operations & Supplies | 403,173.00 |
| Utilities Expense | 218,180.00 |
| Professional Expenses | 101,194.00 |
| Building & Grounds expense | 546,097.00 |
| Property Tax Admin. Fees | 61,820.00 |
| Election Cost | - |
| Wages & Benefits | 3,267,478.00 |
| Equipment and Land Lease | 2,000.00 |
| Fixed Assets | 51,890.00 |
| Equipment Reserve Expenditures | 275,845.00 |
| | <hr/> |
| Total Operating Expenditures | 5,184,677.00 |
| Capital Improvement Projects | |
| General Fund Capital Improvement Projects | 37,895.00 |
| ADA reserve projects | - |
| Future Cap Projects | 642,225.00 |
| In-Kind & Other Contribution Projects | 46,800.00 |
| Total Project Expenditures | 726,920.00 |
| Park Dedication Capital Improvement Projects | |
| City Park Dedication Project Expenditures | 287,600.00 |
| County Park Dedication Project Expenditures | 117,300.00 |
| Total Park Ded. Project Expenditures | 404,900.00 |
| | <hr/> |
| TOTAL EXPENDITURES | 6,316,497.00 |
| | <hr/> |
| TOTAL REVENUE SURPLUS (DEFICIT) | 187,191.00 |
| | |
| TO EQUIPMENT RESERVE | 75,535.00 |
| TO ADA RESERVE | 5,000.00 |
| TO CONTINGENCY (acct 2453) | - |
| TO CALPERS UNFUNDED LIAB. RESERVE | 45,800.00 |
| TO FUTURE CAP CONSTRUCTION RESV. | 50,000.00 |
| | <hr/> |
| OPERATING BUDGET BALANCE | 10,856.00 |

BE IT FURTHER RESOLVED, that the Budget Revision is hereby adopted on this 30th day of October, 2019 in accordance with the listed attachments which show approved appropriations, revenues and methods of financing, appropriations subject to limitations attached hereto and by reference made a part hereof.

James S. Ferris
Board of Directors

Kahl Muscott
District Administrator

Item 4.6 Cover Sheet for Appointment for New Auditor

Auburn Area Recreation and Park District Standing Finance Meeting, October 2019

The Issue: Shall the Auburn Recreation and Park District Standing Finance Committee recommend to the Board of Directors to interview auditors for the years 2020, 2021, and 2022 from those that submitted proposals?

Background: The Board of Directors has instructed staff to invite proposals for new auditors on a regular three-year cycle. Cole & Company just completed the last year of their three-year audit contract in 2019 and staff mailed out Request for Proposals or “RFP’s” in September, 2019. The due date for their return was September 30, 2019. In total, 28 RFP’s were mailed out and 4 were returned by the deadline of September 30, 2019.

Listed below are the proposal details from the four audit firms that responded:

2019 Audit Search Results

| <u>Name</u> | <u>Staff</u> | <u>Location</u> | <u>Govt.</u> | <u>Parks</u> | <u>Est. Hrs</u> | <u>1st Yr</u> | <u>2nd Yr</u> | <u>3rd Yr</u> |
|--------------------|---------------------|------------------------|---------------------|---------------------|------------------------|---------------------------------|---------------------------------|---------------------------------|
| Nigro & Nigro | 22 | Murietta/Oak | Yes | Yes | unknown | 12,000 | 12,000 | 12,000 |
| Richardson | 29 | Sacramento | Yes | Yes | 150 | 12,600 | 11,900 | 12,100 |
| Scinto Group | 10 | Grass Valley | No | No | unknown | 15,000 | 16,000 | 17,000 |
| Fedak & Brown | ? | Riverside | Yes | Yes | 150 | 18,900 | 19,320 | 19,740 |

The three-year totals are as follows:

| | |
|---------------|---|
| Nigro & Nigro | \$36,000 (including OOP expenses) |
| Richardson | \$36,600 (including OOP expenses) |
| Scinto Group | \$48,000 + a possible \$5,000 max. on out of pocket expenses per year |
| Fedak & Brown | \$57,960 (including OOP expenses) |

Recommendation: Staff recommends inviting the two lowest bid auditors (Nigro & Nigro and Richardson) to the October 30, 2019 Board meeting to make formal presentations.

Fiscal Impact: Depending on which audit firm the Board chooses, the fiscal impact will range from an average of \$12,000 to \$19,320 per year.

Attachments: Request for Proposal for Audit Services
Audit Service Proposals from 4 responding firms
List of contacted audit firms

**Auburn Area Recreation and Park District
471 Maidu Drive, Suite 200
Auburn, Ca 95603
(530) 537-2185**

Request for Proposal for Audit Services

**Requests for Proposals for Audit Services
due no later than September 30, 2019 at 3:00 p.m.**

Auburn Area Recreation and Park District

Request for Proposal for Audit Services

I. INTRODUCTION

A. General Information

Auburn Area Recreation and Park District (the District) is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal years ending March 31, 2020, 2021 and 2022. This audit is to be performed in accordance with all applicable and generally accepted auditing standards including: the standards set forth for financial audits in the General Accounting Office's (GAO) Government Auditing: Standards, including GASB 34 requirements, U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations; State of California Controller's Minimum Audit requirements for California Special Districts. More detailed information on the district and its finances can be found in the March 31, 2019 Financial Statements. A copy of this report is provided as background information.

The District reserves the right to reject any or all proposals submitted.

Review Process. During the evaluation process the District reserves the right to request additional information, or allow corrections of errors or omissions.

The District reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the District and the firm selected.

Two unbound copies of proposals are due to the Auburn Area Recreation & Park District by no later than September 30, 2019 at 3:00 p.m. It is anticipated the selection of a firm will be completed by December 31, 2019.

B. Term of Engagement

A three-year agreement is contemplated. The District's Board of Directors will make the final selection and award.

II. NATURE OF SERVICES REQUIRED

A. Scope of Work to be performed

1. Financial Statements

The District desires the auditor to express an opinion on the fair presentation of its general-purpose financial statement in conformity with generally accepted account principles. The auditor shall also be responsible for performing certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.

2. State Controller's Report

The auditor shall include as a component the preparation and transmittal of the Annual Reports of financial Transactions to the State Controller each year.

3. Management Report

The auditor shall communicate in a letter any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions that are also material weaknesses shall be identified as such in the report. Non-reportable conditions discovered by the auditors shall also be reported in a separate letter to the District Administrator.

Auditors shall be required to make an immediate, written report of all irregularities and illegal acts of which they become aware to the Board of Directors.

B. Special Considerations

1. Typical Audit Schedule and Performance of Field Work

The District anticipates and expects the major fieldwork for the District to begin in mid-April – June of each year. This does not include preliminary fieldwork that will include a physical inventory of assets that occurs March 31th or shortly before the end of the Fiscal Year.

The auditor shall provide to the District a **draft** copy of the audit report and management letter in adequate time to meet District meeting schedules. Typically, this has been done in the first week of **July** each year.

Report preparation and printing of the General-Purpose Financial Statements is the responsibility of the **Auditor**. It is expected that the audit firm will deliver two unbound copies. Typically, this has been completed at least one week prior to the **July Board** meeting of each year, so that it can be presented to the Board of Directors at their July board meeting. In addition to meeting with Staff, the representative of the audit firm is expected to attend a Finance Committee Meeting and a Board of Directors meeting at which time the General-Purpose Financial Statements are presented. Generally, Finance Committee meetings are held on a Wednesday at 2:00 p.m., the week prior to the Board meeting. Board meetings are held on the last Thursday of every month at 6:00 p.m.

2. Audit will incorporate GASB 34 and GASB 68.

The first Audit for the period ending June 30, 2004 was the first time the District's financial statements were presented in a GASB 34 format. The Proposal should identify separately any components of work solely associated with the format for GASB 34 and GASB 68.

3. Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the auditor's expense, for a minimum of five (5) 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 by any of the following parties or their designees:

The Auburn Area Recreation and Park District ;
Parties designated by State or Federal Government and/or agencies thereof;
Parties designated by the Federal or State governments, or;
By the District as part of an audit quality review process.

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.

III. DESCRIPTION OF THE GOVERNMENT

A. Name and Telephone Number of Principal Contact:

The firm's principal contact with the District will be Veona Galbraith, Administrative Services Manager, who will assign appropriate District personnel to assist the auditor, as needed. She can be reached at (530) 537-2185 or vgalbraith@auburnrec.com

B. Background Information:

Auburn Area Recreation and Park District was established in 1948. The District is approximately 100 square miles serving a population approximately, from the 2000 census, 49,051.

C. Budgetary Basis of Accounting:

The District prepares its budgets on a basis consistent with generally accepted accounting principles.

D. Pension Plans:

The District participates in the California Public Employees Retirement System and Voya Financial.

E. Current Software:

The District currently uses Great Plains financial software, Recware and Vermont System RecTrac for registration and reservations.

F. Availability of Prior Reports and Working Papers:

A copy of the most recent audit is attached. Those who wish to review prior years' audit reports and management letters should contact Veona Galbraith at (530) 537-2185. The District will endeavor to promptly make prior audit reports available for your review.

IV. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION

A. Statements and Schedules to be prepared by the Staff of the District.

A District Staff member will be available to assist in the audit. The District will prepare any necessary schedules and provide documents (invoices, checks, Board minutes, etc.) In addition, staff will be available to respond to any questions that may arise during the audit. A copy of the current organizational chart is attached.

B. Work Area, Telephones, Photocopying and Fax Machines:

The District will provide the firm with reasonable workspace, desks and chairs. The District will make access to photocopying facilities and fax machines to be used for the audit.

C. Report Preparation:

Report preparation and printing for the Annual Financial Report shall be the responsibility of the auditor.

V. SELECTION PROCESS AND CRITERIA

A. Selection Process

The selection process will involve the review of the proposals for the compliance with the requirements of the Request for Proposal. The District will evaluate the proposal including related experience of the firm conducting audits, personnel that will be conducting the District's audit, qualifications of the firm, and approach to the engagement. Cost will also be considered; however, this will not be the sole selection criteria. Initial review of the proposals will be completed by District staff and the Finance Committee. The Auburn Area Recreation and Park District Board of Directors will make the final determination on awarding the contract.

VI. PROPOSAL REQUIREMENTS

A. General Requirements:

1. Submission of Proposals:

The proposal should respond to the following information to be considered:

a. Copies

Two unbound copies of proposal.

b. Transmittal Letter

A signed letter of transmittal briefly stating the proposer's understanding of the work to be done, the commitment to perform the work within the time period and a statement that the proposal is a firm and irrevocable offer for 90 days.

c. General Requirements

The Proposal should demonstrate the qualifications, competence and capacity of the firms seeking to undertake an independent audit of the Auburn Area Recreation and Park District and address all the points outlined in the request for proposals.

d. License to Practice in California

An affirmative statement should be included that the firm and all assigned key professional staff are properly licensed to practice in California.

e. Firm Qualification and Experience

The proposal should state the size of the firm, the size of the firms' Governmental audit staff, the location of the office from which the work on this engagement is to be performed and the number and nature of the professional staff to be employed in this engagement.

The firm shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations, as well as any pending or settled litigation within the past three (3) years.

f. Qualifications and Experience

Partner, Supervisory and Staff Qualifications and Experience should be included. Identify the principal supervisory and management staff who would be assigned to the engagement. Indicate whether each such person is registered or licensed to practice as a certified public accountant in California. Provide information on the government auditing experience of each person.

Audit personnel may be changed at the discretion of the proposer provided that the replacements have substantially the same or better qualifications or experience. However, in either case, the District retains the right to approve or reject replacements.

Similar Engagements with other Governmental Entities. List the most significant engagements performed in the last five years that are similar to the engagement described in this request for proposal. Indicate the telephone number of the principal client contact. **Provide a copy of the work product of an audit performed in the last two years.**

g. Specific Audit Approach

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed.

h. Dollar Cost

The proposal should include an itemized cost to complete the proposal as per the above requirements in this Request for Proposal for each of the three years requested.

The District will not be responsible for expenses incurred in preparing and submitting this proposal.

i. Out -of-Pocket Expenses

All estimated out-of-pocket expenses to be reimbursed should be detailed in the proposal. All expense reimbursements will be charged against the total maximum price submitted by the firm.

**PROPOSAL FOR PROFESSIONAL AUDIT SERVICES
Auburn Area Recreation and Park District**

**For the Fiscal Years Ending
March 31, 2020-22**

NIGRO & NIGRO^{PC}

Respectfully Submitted by:
Paul J. Kaymark, CPA
Nigro & Nigro, PC
pkaymark@nncpas.com

Murrieta Office: 25220 Hancock Ave. Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
Oakland Office: 333 Hegenberger Rd., Suite 388, Oakland, CA 94621 • P: (844) 557-3111 • F: (844) 557-3444

Let's Work Together!



***By applying our financial expertise,
we partner with our clients to build
valuable relationships that inspire success.***

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NIGRO & NIGRO^{PC}

A PROFESSIONAL ACCOUNTANCY CORPORATION

September 27, 2019

Veona Galbraith
Administrative Services Manager
Auburn Area Recreation and Park District
123 Recreation Drive
Auburn, CA 95603

Dear Ms. Galbraith:

Thank you for the opportunity to submit this proposal to provide auditing services for the Auburn Area Recreation and Park District. Our understanding of the work to be done is: the annual audit of the District's financial statements for fiscal years March 31, 2020-22. Based on our history with special districts, I believe our firm would be a great fit, and we would develop a great working relationship. Our staff works hard to help ensure our audits are completed with the highest level of service and meet all deadlines.

Although many people think that all special districts function in the same manner, we know that's not the case. The audit leadership team we've assigned to your district, including myself, will take the time to learn the intricacies of your organization. We find that by delving deep into our client's structure and operations we are able to make recommendations that are not only useful, but also practical to implement.

You may have many options in selecting a professional audit firm. By choosing Nigro & Nigro, you will gain value-added accounting and operational insights. We are the right fit for the District, as we have the expertise and depth of resources within our firm to offer you exceptional service while maintaining a sincere and honest relationship. We understand the work, we are committed to meeting your deadlines, and we would like the opportunity to be your auditors. We also commit to meeting or exceeding your expectations.

It is understood that the District reserves the right to reject this proposal and that this proposal is a firm and irrevocable offer for 90 days from the date of the proposal.

Thank you once again for the opportunity to present our qualifications. If you have any questions about our offerings, please do not hesitate to contact me.

Sincerely,

Paul J. Kaymark, CPA
Audit Services Partner



LICENSE TO PRACTICE IN CALIFORNIA

The firm and its entire CPA staff hold licenses to practice in the State of California. The Firm's CPA's are all members in good standing with the California Society of CPA's and the AICPA. We will assign a California licensed CPA as the auditor in charge of the audit.

FIRM QUALIFICATIONS & EXPERIENCE

Statement of Independence

Our standards require that we be without bias with respect to your operations. The Firm is independent of all entities listed in the RFP, as defined by auditing standards generally accepted in the United States of America and the U.S. General Accounting Office's "Governmental Auditing Standards". In addition, the Firm shall give the District written notice of any relevant professional relationships entered into during the period of this agreement.

The Firm has had no prior engagements with the District, nor are there any personal or organizational conflicts of interest as prohibited by law.

Size and Location of Offices

The firm was originally established in 1999. In 2013, we opened our second office in Northern California in order to better serve our growing client base of school districts in the San Francisco Bay Area. The Firm now has five partners and a professional staff of 17 accountants and expects to add more in the coming years as we continue to grow. We are a full service firm, providing audit and review, tax, consulting, and accounting services to local government, non-profit organizations, charter schools, commercial businesses and homeowners' associations. The office serves clients of all sizes and industries, however, we focus on government agencies, just like yours.

We are prepared to do what it takes to provide the extra level of service required to maintain a long-term business relationship.



MURRIETA OFFICE



OAKLAND OFFICE

FIRM QUALIFICATIONS & EXPERIENCE (CONTINUED)

Size of Our Firm

Firm-wide, we have the following staffing for our governmental audit services:

| Position | Number of Employees | Number of Licensed CPA's |
|----------------------|---------------------|--------------------------|
| Partner* | 5 | 5 |
| Supervisor | 1 | 1 |
| Senior | 4 | 1 |
| Associates | 10 | - |
| Support Staff | 3 | - |
| Total | 23 | 7 |

**Although the term "partner" is used throughout this proposal to avoid confusion, the firm is organized as a Professional Corporation, and the firm's owners are "shareholders."*

Experience

Nigro & Nigro team members are highly trained in governmental accounting and auditing, which sets us apart as being able to add value beyond the basic attest engagement. We are comfortable working with clients of various sizes. Within the past five years, we have worked with numerous governmental clients with revenues ranging from \$200,000 to over \$300 million.

Prior to any audit engagement, our engagement team leader will meet with the Board, Audit Committee and Management to gain a full understanding of the philosophy, objectives and policies for operating the organization, as well as to discuss significant business, regulatory and accounting matters that will affect the audit. At the conclusion of the audit, we will communicate the results of the audit with the Board, Audit Committee and Management.

Areas of specialization include:

- Audit and Review Services
- Government Auditing Standards & Single Audits
- Annual Report of Financial Transactions
- Agreed Upon Procedures Engagements
- Comprehensive Annual Financial Report (CAFR) development

Past Performance / Disciplinary Action

The Firm has not had any State desk reviews or field reviews of its audits in the last five years. We also have had no disciplinary action taken or pending against the Firm during the past five years with state regulatory bodies or professional organizations.

QUALIFICATIONS & EXPERIENCE

Meet Your Audit Leadership Team

Listed on the following pages are the resumes of the management team that will be assigned to your audit. As mentioned previously, our staff members have considerable governmental audit experience. This gives us a pool to draw on in addition to the group listed.

| Name | Role | Years of Experience in Audits |
|-----------------------------|------------------------|-------------------------------|
| Paul J. Kaymark, CPA | Lead Partner | 24 |
| Peter Glenn, CPA | Review Partner | 7 |
| Jared Solmosen | Staff Associate | 1 |

Paul J. Kaymark, CPA

Lead Audit Partner

Paul recently joined the firm after more than 24 years of previous public accounting and auditing governmental entities experience. Paul is our choice for new governmental audit clients, having extensive experience in the areas of governmental entities. His main responsibilities include assistance in the preliminary planning of audit work, review of assistants' work, and performing audit procedures in more complex audit areas.

Audit Services:

Mr. Kaymark has been working on audit engagements of governmental agencies, not-for-profit organizations, as well as for-profit corporations and companies. His previous experience includes audit and consulting work for large and small businesses with a focus on client service. Paul strives to build strong relationships with his clients by assisting them with any emerging issues and being available as a resource.

Consulting Services:

Mr. Kaymark has experience in a variety of governmental issues, garnered from his auditing experience over the years. He regularly consults with clients in areas of:

Special District Accounting:

- Internal controls
- Financial reporting
- Annual report of financial transactions

Financial Reporting:

- Year-end closing procedures
- Cash flows
- Budget development and projections
- Multi-Year projections
- Pension and OPEB accounting

Some Agencies Served:

- Desert Recreation District
- Pleasant Valley Recreation & Park District
- Tehachapi Valley Recreation & Park District



Education:

Bachelor of Science, Business Administration, Accountancy
California State University, Long Beach
1994

Licenses and Certifications:

- Certified Public Accountant, California
- GFOA Certificate for Excellence in Financial Reporting - Reviewer

Professional Affiliations:

- Government Finance Officers Association (GFOA)
- California Society of Municipal Finance Officers (CSMFO)
- California Special District Association (CSDA)

Continuing Education:

Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation including:

- Governmental and Nonprofit Annual Update
- GASB Basic Financial Statements for State and Local Governments
- Single Audits: Uniform Grant Guidance (formerly OMB Circular A-133)
- Financial Accounting Standards Board Annual Updates

Peter Glenn, CPA

Review Partner

Peter joined the firm in 2011 after nearly three years of previous public accounting and auditing experience. Peter is our choice for new governmental audit clients, having successfully worked on each of the Firm's clients since beginning with the Firm. His main responsibilities include assistance in the preliminary planning of audit work, review of assistants' work, and performing audit procedures in more complex audit areas.

Audit Services:

Peter Glenn began his auditing career with Nigro & Nigro in 2011, participating in audits of special districts, LEAs, other governmental audits, and agreed-upon procedure engagements. Prior to joining the firm, he worked for three years at another public accounting firm, developing his auditing skills. He has previously been the in-charge accountant for some of the firm's largest clients.

Consulting Services:

Mr. Glenn has experience in a variety of governmental accounting issues, derived from his auditing experience at the firm. He regularly consults with clients in areas of:

Special District Accounting:

- Internal controls
- Financial reporting & GASB 34
- Annual report of financial transactions

Financial Reporting:

- Uniform Guidance
- Performance Audits
- Year-end closing procedures
- Cash flows
- Budget development and projections
- Multi-Year projections

Other Agencies Served:

- Riverside County Park & Open Space District
- Cahuilla Band of Indians
- Murrieta Valley Cemetery District



Education:

Bachelor of Science, Business Administration, Accounting
California State University,
San Marcos, 2008, Magna Cum Laude

Licenses and Certifications:

- Certified Public Accountant, California

Continuing Education:

- GFOA Annual Conference
- AICPA Advanced Types in Single Audit
- SSC Finance & Management Conferences
- Government Accounting & Auditing Conference
- In-house training for audit staff (presenter)

QUALIFICATIONS & EXPERIENCE (CONTINUED)


Training & Resources

The Firm is committed to a continuing professional education program, which emphasizes the areas of expertise of each member of our professional staff. The Firm is required to comply with the *Government Auditing Standards* for each professional practicing in the area of governmental accounting and auditing. We are committed to follow those standards, which result in quality audit services, including continuing education for all staff of 60-80 hours each year, specifically in special districts, school districts and governmental auditing. As required by *Government Auditing Standards*, all governmental audit staff receives the required continuing education in the area of governmental auditing and accounting. These policies are monitored internally, reviewed annually and certified periodically by independent peer review.

Library facilities are maintained which include current professional literature and specific information for the industries that we serve. The Firm library is also reviewed as part of the external quality review program. The Firm has in-house training programs specific to our special district and school district clients. We also perform auditing and accounting updates for our clients that are organized by our staff. These practices ensure the quality of our staff over the term of the engagement.

Our staff participates in activities relating to government accounting and reporting issues through our membership and involvement with the following organizations:

- a. American Institute of CPA's Governmental Audit Quality Center
- b. California Society of CPAs
- c. Government Finance Officers Association (GFOA)
- d. California Special Districts Association (CSDA)
- e. Government Accounting Standards Board (GASB)
- f. Association of Certified Fraud Examiners (ACFE)



We recognize that our most important product is prompt and effective service.

Through our participation in these organizations and continuing education provided by them, the Firm continues to stay abreast of all current governmental accounting and reporting issues. Some of the professional education our audit team members have either presented at or attended in the last two years include:

- SSC Annual Finance and Management Conference
- SSC Governor's Budget Workshop
- CSDA Annual Conference
- CSMFO Annual Conference
- GFOA Annual Conference
- Various other governmental workshops

We recognize that our most important product is prompt and effective service. We believe the District should work with its CPA firm throughout the entire year. We are available at any time throughout the year to provide any assistance you may need.

QUALIFICATIONS & EXPERIENCE (CONTINUED)

References

We currently conduct over 60 government audits each year and have well rounded experience with local governmental agencies. We are excited for the opportunity to devote our attention to you and your specific needs. Below is a partial list of some similar governmental clients we have audited within the past three years.

| | |
|---------------------------|--|
| Organization Name: | Tehachapi Valley Recreation & Park District |
| Contact Person: | Carrie Champlin, Administrator |
| Address: | 490 West D Street Tehachapi, CA 93581 |
| Phone: | (661) 822-3228 |

| | |
|---------------------------|---|
| Organization Name: | Lake Cuyamaca Recreation & Park District |
| Contact Person: | Ann Stone, Administrator |
| Address: | 15027 Highway 79 Julian, CA 92036 |
| Phone: | (619) 447-8123 |

| | |
|---------------------------|--|
| Organization Name: | Desert Recreation District |
| Contact Person: | Kevin Kelman, District Manager |
| Address: | 45-305 Oasis Street Indio, CA 92201 |
| Phone: | (760) 347-3484 |

In addition to the valued clients listed above, we work with many more governmental clients. Our client retention history has been excellent and several of the clients have been clients for more than ten years.

SPECIFIC AUDIT APPROACH

We will audit the basic financial statements of the District for the year ended March 31, 2020, in accordance with the following standards:

- Auditing Standards Generally Accepted in the United States of America
- *Government Auditing Standards*, issued by the Comptroller General of the United States
- Minimum Audit Requirements and Reporting Guidelines for Special Districts

Our audit will be for the purpose of expressing an opinion on the basic financial statements, and will include such auditing procedures as considered necessary to accomplish this purpose. We will also provide an "in-relation-to" opinion on any other supplemental information and statistical schedules. We anticipate issuing the following reports:

- Independent Auditors' Report on the basic financial statements.
- Independent Auditors' 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*.

In addition, we will provide the District with a management letter that will give written appraisals of its accounting and related systems. This letter will identify any control deficiencies, significant control deficiencies 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, significant control deficiencies and material weaknesses that need to be reported to management in writing, assuming there are mitigating controls in place. 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 Board and the Audit Committee that allows an opportunity for us to present the audit and management letter. This is an excellent time for the District to resolve any questions it has 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 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, the Board and the Audit Committee, which shall be referred to in the report(s) on internal controls. This separate letter also informs the Board and the Audit Committee of the following:

- 1) The auditor's responsibility under auditing standards generally accepted in the United States of America.
- 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.

All working papers and reports will be retained at the Firm's expense for a minimum of seven (7) years, unless the Firm is notified in writing by the District of the need to extend the retention period.

SPECIFIC AUDIT APPROACH (CONTINUED)

Segmentation of Engagement

STEP 1: Planning

Our goal in preliminary fieldwork is to gain a thorough understanding of your internal controls, processes and procedures. Our goal is to accomplish as much interim fieldwork as possible so that our stay during final fieldwork is kept to a minimum. Our preliminary work focuses on planning and internal control documentation.

STEP 2: Interim Field Work

Internal Control Documentation

Our internal control documentation usually occurs during interim 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 these significant processes.
- 3) Ask "what can go wrong" questions.
- 4) Identify controls in place. This will include both preventative and detective controls.
- 5) Evaluate the design of internal controls.
- 6) Decide whether to test and rely on controls.
- 7) Summarize preliminary fieldwork and submit management letter of all areas of concern.

STEP 3: Final Fieldwork

We assess risks, design procedures and obtain evidence to support financial statement amounts and disclosures during final fieldwork. Our Firm utilizes a methodology designed specifically for special districts. Our process emphasizes continuous communication with our staff.

Assess Risks and Design Procedures

As outlined in the risk based statements of audit standards (SAS 104 to 111), our Firm uses 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 if considered necessary.
- 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 if considered necessary.
- 2) Perform tests of details of account balances and classes of transactions.
- 3) Evaluate quality and sufficiency of audit evidence.
- 4) Evaluate misstatements.

STEP 4: Audit Completion

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 written Firm standards and checklists. We will also review and incorporate any statistical data. This will verify appropriate presentation and disclosure. We will also at this time prepare our management letter that identifies financial trends and recommendations for improvement, reports required communications to the governing board, and discusses change in the environment in which the District operates.

ADDITIONAL INFORMATION

Why We Believe We Are the Best Choice

We pride ourselves on the quality of the work we do and the value we bring to our clients, and that means that we spend the time to “get it right”. I am confident that you will find that the level of involvement from our partners on the audit is unprecedented in the industry. It is this “hands-on” approach from actively involved partners and less reliance on less-experienced staff that sets us apart from the crowd. Our primary goal is to service the special district community with highly competent and trained professionals, who will not simply perform your audit, but will partner with you to help you achieve success.

At Nigro & Nigro, PC, our greatest strengths correspond to your most critical needs; we possess the full spectrum of resources needed to most effectively help the District’s management team and Board members meet their goals – all at a very competitive rate. We believe we are your best choice.

- **Credibility, Reputation, and Resources of a Large Firm** without sacrificing the small-firm touch. Our CPAs and consultants can help you analyze and address financial, operational, and regulatory issues so you can focus attention on serving your citizens. We were originally formed in 1999, and now perform annual audits for approximately 60+ public agencies annually.
- **State-Wide Reach with Local Presence.** At Nigro & Nigro, we have the benefit of having the resources of a state-wide firm while serving you from our Murrieta office. We also have an office in Oakland for additional resources.
- **Efficiency.** Our use of portal software allows you to upload audit documentation at any time, which will minimize disruption to your staff and enable timely completion of all deliverables.
- **An Efficient and Effective Work Plan.** We currently serve over 60+ governmental entities state-wide, including those with enterprise funds, which enables our staff to understand the scope of the audit. We also understand the District’s complexities, not just from a compliance standpoint but also from an operational point of view. We have developed an effective work plan that takes into consideration your needs for high quality audit services, as well as timely deliverables. As a result of our efficient work plan, we commit to meeting your deadlines to complete our auditing services within the time period you specify.
- **Thought Leadership.** Members of our firm have been actively involved as presenters in numerous industry conferences and programs, including the ACSA Professional Development Committee, CASBO, CSBA, CSDA, and CSMFO. We have incorporated our experience with these committees into our audit framework.
- **Engagement Team.** We know that quality people drive quality results, which is why our commitment to you starts with the engagement team members who are selected based on their experience, focus on serving local government agencies, and who are the best fit for you. Each of the District’s engagement team members have completed and exceeded the mandatory requirement for continuing professional education hours as requested in the RFP. Paul Kaymark, Partner, will be the main contact for the District regarding this project.
- **A Focus on Providing Consistent, Dependable Service to Government Entities.** Nigro & Nigro is organized by industry, affording our clients with industry-specific expertise supplemented by valuable local service and insight. Therefore, the District will enjoy the service of members of our Governmental Audit Services Team who have experience with similar special district governmental entities and understand the issues and environment critical to you. You will not have to train our auditors.

ADDITIONAL INFORMATION (CONTINUED)

Testimonial

"Few people have the opportunity to work with someone who was a coach and a mentor-but I did when I worked with Paul. I had the pleasure working directly under Paul's supervision and I was particularly impressed by his ability to handle even the toughest clients – and effortlessly. That skill often takes years to develop, but it seemed to come perfectly natural to him. Paul was one of those rare partners who also naturally serve as an inspiring mentor for the whole staff and I was grateful to learn a lot from him."

*Deana Miller
Accounting Manager
PolyCera, Inc.*

Fraud Hotline



Throughout the audit process, we will make available our fraud hotline reporting service at no additional charge over the period of the contract to ensure the District has an effective anti-fraud program.

DOLLAR COST & OUT-OF-POCKET EXPENSES

| | 2020 | 2021 | 2022 | Total |
|-------|-----------|-----------|-----------|-----------|
| Audit | \$ 12,000 | \$ 12,000 | \$ 12,000 | \$ 36,000 |

ADDITIONAL DOCUMENTS

Audit Services Proposal



**For the Fiscal Years Ended
March 31, 2020, 2021 and 2022**

Richardson & Company, LLP

**550 Howe Avenue, Suite 210
Sacramento, California 95825
Phone (916) 564-8727**

Contact Person:

Ingrid Shepline or Brian Nash
Ishepline@richardsoncpas.com or Bnash@richardsoncpas.com

September 30, 2019

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550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

September 30, 2019

Auburn Area Recreation and Park District
471 Maidu Drive
Auburn, California 95603

Thank you for your interest in our firm and the opportunity to present our proposal to serve the **Auburn Area Recreation and Park District** (the District). We are genuinely enthusiastic about the prospect of serving you because auditing special districts and other governmental agencies with their unique reporting requirements has developed into one of our firm's major areas of expertise. If given the opportunity, you can be sure that we would serve the District with great care and pride.

OUR UNDERSTANDING OF THE SERVICES TO BE PERFORMED

We will audit and express an opinion on the fair presentation of the District's financial statements in conformity with U.S. generally accepted accounting principles for the years ending March 31, 2020, 2021 and 2022. The audits will be conducted in accordance with U.S. generally accepted auditing standards and the standards set forth for financial audits contained in *Government Auditing Standards (1994)* issued by the Comptroller General of the United States, as revised, GASB 34 and 68, OMB Circular A-133, to the extent that federal funds are received, and State Controller's Minimum Audit requirements for California Special Districts. We will also perform certain limited procedures involving supplementary information required by the GASB. In conjunction with our audit, we will also issue a report on internal controls and compliance, a management report and auditor's communication letter. We will also prepare and transmit the Annual Reports of Financial Transactions and will perform agreed-upon procedures on the District's Appropriations Limit as required by the California Code. We understand that the District will require assistance with the calculations and journal entries needed to record the net pension liability and related deferred inflows/outflows. We have the qualifications to assist the District with these entries.

OUR COMMITMENT TO PERFORM TIMELY SERVICES

We have the technical expertise, engagement management skills and staffing resources sufficient to provide you with excellent service and ensure that your reporting deadlines are met. We have consistently planned, scheduled and conducted our audits of the organizations we serve in an efficient and effective manner in order to meet their reporting deadlines.

You have indicated that our draft reports for the audits shall be available for review in an adequate time to meet the District's meeting schedule, typically the first week in July. To ensure meeting these reporting deadlines, we will begin our preliminary planning and perform tests of controls in the March/April timeframe. We will plan to commence fieldwork in May, or at such time as the books have been closed and all documents and analyses have been completed, and we will ensure final copies of the reports are available for the July Finance Committee and Board meetings. We will provide the District with the priority and timely service it deserves.

OUR EXTENSIVE EXPERIENCE WITH LOCAL GOVERNMENTS

In any service organization, it is the people who make the difference. All of our staff have extensive experience auditing governmental entities, including special districts and numerous other governmental agencies including cities. Our team members know and understand the challenges and opportunities confronting governmental entities and our team consists of professionals who have proven their ability to provide auditing and other services to special districts and cities. We have extensive experience with performing audits of special districts including Fair Oaks Recreation and Park District, Sacramento Public Library Authority, Sacramento Metropolitan Cable Television Commission, Mountain House Community Services District, Sacramento Metropolitan Fire District, Sacramento Suburban Water District, Calaveras County Water District, Fair Oaks Water District, Carmichael Water District, Tuolumne Utilities District, Pacific Fruitridge Fire Protection District, Sacramento Regional Fire/EMS Communication Center, Yolo-Solano Air Quality Management District, American River Flood Control District, Yolo County Transportation District, Marin County Transit District, El Dorado County Transit Authority and many others. We have also provided audit services to most of the cities in the Sacramento area including the Cities of West Sacramento, Lincoln, Chico, American Canyon, Sonoma, Colfax, Elk Grove, Citrus Heights, Sutter Creek, Dixon, Folsom, Marysville, Biggs, Colusa, Rancho Cordova and the Town of Loomis, which provide recreation services that are similar to those the District provides. We have also audited the Transportation Development Act (TDA) funds of the various cities and counties in Sacramento, Yolo, Yuba, Sutter, Placer, El Dorado, Calaveras, Butte, Amador and San Joaquin counties. We have extensive experience with preparation of State Controller's Reports, Single Audit Act procedures and reports, letters to underwriters (comfort letters) and preparation and review of Comprehensive Annual Financial Reports (CAFR) for compliance with the GFOA's preparer's checklist in order to receive the Certificate of Achievement for Excellence in Financial Reporting. Having provided all of these services for various governmental entities makes us exceptionally well qualified to provide the services you currently request and to provide you with additional services should you request them in the future.

We have audited a number of agencies that provide parks and recreation services, including a number of cities that include park and recreation activities. Thus, we believe we can demonstrate that we have the expertise needed to provide auditing services to the District. We have audited a number of agencies that use the Great Plains accounting software and have audited agencies, including nonprofits, which use a system for tracking event registrations. We have performed certain agreed-upon procedures on the cash collection processes for recreation activities, including swimming pools and recreation centers. We believe that our vast experience with governmental accounting make us well qualified to perform the District's audit.

LOCAL EXPERIENCED PERSONNEL

Our firm uses more experienced staff to actually perform the work than is typical of larger and other firms. If our firm is selected, we plan to have managers and above spend at least forty-five percent of our total audit time. While larger and other firms may be able to demonstrate significant amounts of experience in the areas of expertise needed to provide the services you require, the specific individuals they actually assign to your engagement may not have the specific experience you need like the team of accountants we will assign to your engagement. The use of more experienced staff will also ensure you will receive quality services.

OUR PROFILE AND COMMITMENT TO QUALITY

Richardson & Company, LLP is a regional certified public accounting firm established in 1991 and located in Sacramento. We have a total staff of twenty-nine, including thirteen CPAs. Our governmental audit staff totals twenty-five, all of which are located in Sacramento. We are among the top 25 largest accounting firms operating in the Sacramento area. We are a certified Disadvantaged Business Enterprise with the California Department of General Services and a certified Woman-owned Business Enterprise with Caltrans. We provide audit, accounting, tax and business advisory services to numerous entities, including governmental entities, nonprofits, financial institutions, SEC registrants, real estate partnerships, a magazine circulation audit, the largest water district in the world located in Los Angeles and other clients primarily located in northern California. During the past five years, we have performed 64 public agency audits.

We are a member of the Center for Audit Quality of the American Institute of Certified Public Accountants (AICPA) and participate in the AICPA National Peer Review Program. We are registered with the Public Company Accounting Oversight Board (PCAOB) created by the Sarbanes-Oxley Act to inspect firms that audit SEC registrants. All firms that join the Center for Audit Quality agree to adhere to published quality control standards and submit to peer reviews and PCAOB inspections of their practice every three years. We have passed all nine peer reviews and three PCAOB inspections of our practice.

WHY WE ARE BEST QUALIFIED

Richardson & Company, LLP is the best qualified to perform the auditing services required by the District for the following reasons:

- We have extensive history in providing high-quality audits to governmental agencies, as previously discussed.
- Our firm uses more experienced staff to actually perform the work than is typical of larger and other firms. If our firm is selected, we plan to have supervisors and above spend a significant percentage of our total audit time. While larger and other firms may be able to demonstrate significant amounts of experience in the areas of expertise needed to provide the services you require, the specific individuals they actually assign to your engagement may not have the specific experience you need like the team of accountants we will assign to your engagement. The use of more experienced staff will also ensure you will receive quality services. The manager will work on-site during the duration of the audit fieldwork and will interact with your fiscal personnel during the audit, as well the other staff assigned to the audit. The audit partner will also spend time on site and will take a “hands on” approach to the engagement.

- We have a thorough audit approach that focuses on substantive testing of the District's accounts. Some firms provide lower cost audits by performing mostly analytical review procedures and the evaluation of internal controls instead of performing substantive testing of account balances. Our audit approach involves a combination of internal control testing and substantive testing. Our thorough approach ensures material misstatements are detected, which should provide a level of comfort to management and the Board.

* * * * *

Once again, we would like to thank you for the opportunity to discuss our services, present our qualifications, and submit our proposal to serve as independent auditors for the District. We are genuinely enthusiastic over the prospect of serving you and sincerely believe that we have the people, experience, resources and reputation to assure you of outstanding services. For the preceding reasons and many others as outlined in this proposal, we genuinely believe that your selection of our firm as the District's independent accountants is the best decision that the District could make.

If you have questions or need additional information, please contact Mr. Brian Nash or me at (916) 564-8727, fax (916) 564-8728, correspondence at 550 Howe Avenue, Suite 210, Sacramento, California 95825 or email sent to bnash@richardsoncpas.com or isheipline@richardsoncpas.com. This proposal is a firm and irrevocable offer for 90 days.

Very truly yours,

RICHARDSON & COMPANY, LLP



Ingrid Sheipline, CPA
Managing Partner

FIRM QUALIFICATIONS AND EXPERIENCE

License to Practice in California

Richardson & Company, LLP and all assigned key professional staff are properly licensed to practice in the State of California.

Firm Profile and Experience

Introduction to Our Firm: Richardson & Company, LLP (successor firm to Richardson & Company) is a regional CPA firm founded in 1991 and located in Sacramento. We have a total staff of twenty-nine, including thirteen CPAs. Our governmental audit staff totals twenty-five, all of which are located in Sacramento. We have two partners, seven managers, four supervisors, seven seniors and nine other professional staff. We are among the top 25 largest accounting firms operating in the Sacramento area. We are a certified Disadvantaged Business Enterprise with the California Department of General Services and a certified Woman-owned Business Enterprise with Caltrans. We provide audit, accounting, tax and business advisory services to numerous governmental, commercial and nonprofit entities, including the largest water district in the world located in Los Angeles and other organizations primarily located in the Sacramento and San Francisco-Oakland bay areas and as far north as Eureka, California and south as Whittier, California.

We provide audit services to governmental entities (cities, water and fire districts, and other special districts, regional transportation planning agencies, Transportation Development Act funding recipients and joint powers authorities), nonprofit organizations, financial institutions and bank holding companies, real estate partnerships, a magazine circulation audit and others. We have provided audit services to most of the cities located within the greater Sacramento region, large water and fire special districts such as the Sacramento Suburban Water District and the Sacramento Metropolitan Fire District and several transportation planning agencies including the Sacramento Area, El Dorado, Calaveras, Butte, Placer, Amador and San Joaquin Councils of Governments and their city and county funding recipients. We perform Single Audit Act and compliance audits for both governmental and nonprofit entities. We provide tax services to our audit clients requiring those services.

The services we provide to our government and other clients prove that we have the ability to provide the services that the District requires. Examples of these services include the following:

- We conduct the audits of the basic financial statements of numerous special districts, including park, water and fire districts, as well as a number of cities, which provide services similar to these of the District. Many of the cities we have audited included the operation of recreation and park services. We have also performed the audit of the Fair Oaks Recreation and Park District, Cosumnes Community Services District, which includes recreation and park services. Our experience performing these audits of basic and special purpose governmental financial statements has made us thoroughly familiar with the application of generally accepted governmental accounting principles. These specific agencies are listed in the Similar Engagements section of this proposal.
- We have performed certain agreed-upon procedures on cash handling activities at recreations centers and swimming pools for two of our cities so we are familiar with the internal control issues that could occur in these activities.

- We have provided the Cities of Elk Grove, Chico, American Canyon, Citrus Heights, West Sacramento, Folsom, Rancho Cordova and Dixon, the Cosumnes Community Services District, Sacramento Suburban Water District, Fair Oaks Water District, Oakdale Irrigation District, Florin Resource Conservation District, San Juan Water District and San Joaquin Council of Governments with extensive assistance in the preparation of their Comprehensive Annual Financial Report (CAFR), including the first CAFR the Sacramento Metropolitan Fire District, City of Rancho Cordova, Florin Resource Conservation District, Consumes Community Services District and San Joaquin Council of Governments had ever prepared.
- We have provided federal compliance auditing services to numerous entities, including the Cities of Elk Grove, Chico, Colfax, West Sacramento, Folsom, Dixon, Citrus Heights, Rocklin, Marysville and Colusa, Sacramento Metropolitan Fire District, Placer County Transportation Planning Agency, El Dorado Irrigation District, South San Joaquin Irrigation District, Yolo County Transportation District, El Dorado County Transit Authority, Marin Transit, Courtland Fire Protection District, Amador Transit, Yuba-Sutter Transit Authority, the Transport System of the University of Davis and Paratransit and to numerous nonprofit organizations receiving federal grants that must also comply with Government Auditing Standards and the Single Audit Act, which are the same standards that apply to the District.
- We performed audits on behalf of the Sacramento Area Council of Governments, El Dorado County Transportation Commission, Butte County Association of Governments, Placer County Transportation Planning Agency, Amador County Transportation Commission, and Calaveras County Council of Governments of the municipalities in Sacramento, Butte, Placer, Amador, Calaveras, El Dorado, Yolo, Yuba and Sutter Counties that receive Transportation Development Act (TDA) revenue. These audits include financial audits of the funds used by the municipalities to account for the TDA money and the trust fund at the Counties as well as an audit of compliance with the TDA and the Single Audit Act.

In addition, Ingrid Shepline has gained an extensive amount of governmental accounting and auditing experience in her previous position with Ernst & Young LLP, including the following:

- Provided auditing services to numerous state and local government units that face the same unique governmental accounting and auditing aspects as the District such as multifund structure, extensive reporting requirements, basis of accounting, and budgetary and other legal compliance requirements. These entities include the California Department of Water Resources Enterprise Fund, Sacramento County, Sacramento County Airport Enterprise Fund, Solano County Private Industry Council, City of Woodland, City of Lodi and California Housing Finance Agency. The audits of Sacramento County, Sacramento County Airport Enterprise Fund and City of Woodland also involved the preparation of award winning CAFRs.
- Established an audit approach for testing for compliance with federal, state and local grant requirements, including application of the Single Audit Act, for Sacramento County, City of Lodi and California Housing Finance Agency.

Staffing: We anticipate the total number of employees assigned to the District's audit on a full-time basis to be five, including the audit partner, manager, and up to two senior or staff accountants. No part-time or subcontracted staff will be utilized.

Quality Control and Peer Review: We are a member of the Center for Audit Quality of the American Institute of Certified Public Accountants (AICPA) and participate in the AICPA National Peer Review Program. We are registered with the Public Company Accounting Oversight Board (PCAOB) created by the Sarbanes-Oxley Act to inspect firms that audit SEC registrants. All firms that join the Center for Audit Quality agree to adhere to published quality control standards and submit to peer reviews and inspections of their practice every three years. We have passed all nine of our peer reviews with a “clean opinion” and three PCAOB inspections. The nine peer reviews cover the entire period our firm has been in existence. Our latest peer review is attached to this proposal. All of our peer reviews have included the review of specific government engagements.

The quality control policies for our auditing practice are described in detail in our firm’s Quality Control Document. All employees and members of our firm are provided with a copy of our Quality Control Document and are responsible for understanding, implementing and adhering to these policies and procedures. Our policies and procedures cover each of the following six elements of quality control: 1) Leadership, 2) Relevant Ethical Requirements, 3) Acceptance and Continuance of Clients and Engagements, 4) Human Resources, 5) Engagement Performance and 6) Monitoring. The adequacy of our quality control system and our compliance with that system are independently evaluated every three years through a peer review.

We also demonstrate our commitment to providing quality service in many other ways, including:

- Organizing, staffing, and managing engagements to provide for appropriate levels of technical competence, experience, supervision and review.
- Undertaking quality control reviews of selected engagements to assure compliance with professional standards.
- Recognizing our obligation to the public as well as to our clients.
- Conducting engagements in accordance with clients whose concern for reputation and integrity is similar to our own.
- Promoting the growth of our firm primarily by referrals from existing clients satisfied with the quality of our services.

In addition to excellent peer review and inspection results, other examples of our commitment to quality include:

- Assisting numerous governmental entities with receiving the Certificate of Excellence in Financial Reporting awarded by the Government Finance Officers Association, including four that received the award on the first attempt.
- Engaging a nationally recognized accounting consultant who has authored several accounting and reporting manuals, including those dealing with SEC matters, as technical support for our firm in addition to the support customarily available through the American Institute and California Society of CPAs.
- Engaging a partner and Director of Audit and Banking Practices for a large midwestern firm to serve as the concurring reviewer for our SEC registrant bank as well as providing consultation with respect to audit and accounting issues for other clients. He has extensive experience auditing banks and public companies as result of more than twenty years with Ernst & Young, KPMG and his current firm.

- Auditing the California Department of Water Resources on behalf of a large Southern California water agency for the past thirty years, including twelve years while key personnel in our firm were with Ernst & Young. The water agency is a consortium of twenty-six cities and water districts serving nearly nineteen million people in the Los Angeles and San Diego areas. It is the largest water district in the world. This large, complex audit of the multi-billion-dollar State Water Project managed by the California Department of Water Resources is on a scale and nature as to rarely be performed by other than “Big Four” international CPA firms.
- Performing several special investigative audits for governmental special districts that have received extensive statewide news media attention. Being selected several times to conduct this special audit work demonstrates that our firm has the resources and expertise to successfully complete difficult, unusual auditing projects in a timely manner. Our investigations discovered several problems and our audit results were made public by the districts involved. The FBI, IRS and district attorney’s office subpoenaed our workpapers to assist them with their investigations. We have testified in federal court and given depositions related to this work which, in certain cases, resulted in managers and assistants serving federal prison sentences.
- Preparing audited financial statements and other information for inclusion in several public offering documents reviewed by the SEC and other CPA firms, including Big Four firms, with minimal insignificant changes.
- Preparing audited financial statements reviewed by the State Board of Accountancy without change.

Federal/State Reviews: Our firm has not been the subject of any federal or state desk or field reviews of its audits during the past three years or ever. The firm and its staff are not currently or have not previously been the subject of any disciplinary actions. The firm has not had pending or settled litigation since inception of the firm.

PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS AND EXPERIENCE

We have the personnel with the necessary professional qualifications and technical ability to provide you with the quality service you are looking for. As you can see from the resumes of our key personnel, we have developed the proficiency in the accounting principles and standards and governmental and grant compliance auditing to ensure you will receive quality work. Our firm philosophy centers around our commitment to the highest level of quality service - delivered by quality people. We have a history of providing technical excellence through teamwork responsive to clients' needs and expectations. Our commitment to quality results in satisfying the needs of our clients by providing value-added services and attracting and retaining clients of the highest caliber.

Our key audit executives will participate heavily in the audit of the District. This assures the District will receive a quality audit managed and executed on-site by seasoned professionals, knowledgeable of the government industry. We believe the quality of our services exceeds that of national and other large firms because our audit team uses more experienced professionals to actually perform the work. National and other firms typically rely heavily on senior and staff accountants to perform audit fieldwork with minimal on-site direction from partners or managers. The following resumes outline the qualifications and experience of our key team members. All of the key team members are licensed to practice as certified public accountants in California.

Ingrid M. Shepline, CPA (Managing Partner and Engagement Partner)

Ingrid serves as our Managing Partner will be the engagement partner. She would have overall responsibility for planning, directing and coordinating our services for you. Since significant and timely partner involvement is a cornerstone of our quality control procedures, she will be involved in all phases of our audit work from initial planning through report preparation. Formerly an audit manager with Ernst & Young LLP, she is a Certified Public Accountant with over thirty years of experience. Ingrid has supervised and conducted the fieldwork for a variety of clients including governmental entities, nonprofit organizations, utilities, banks, insurance agencies, manufacturers and distributors. While with Ernst & Young LLP, she specialized in governmental entities and grant compliance auditing, and has attended or taught numerous governmental education seminars. She is currently serving or has served almost all of the governmental entities listed in this proposal, including most of the special districts and cities, such as Fair Oaks Recreation and Park District, the Cities of Chico, Lincoln, American Canyon, Sutter Creek, Colfax and Sonoma, Mountain House Community Services District, Sacramento Metropolitan Fire District, Sacramento Metropolitan Cable Television Commission, California Fire and Rescue Training Authority, Nevada Irrigation District, Tuolumne Utilities District, Fair Oaks Water District, Sacramento Suburban Water District, Carmichael Water District, Citrus Heights Water District, South Feather Water and Power, Merced Irrigation District, El Dorado Irrigation District, and many other governmental entities.

Ingrid has a Bachelor of Science degree in accounting with honors from California State University, Sacramento. She is a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants, having served on the Board of Directors of the Society's Sacramento Chapter and as a member of the Government and Nonprofit Committee.

Brian Nash, CPA (Audit Partner and Concurring Reviewer)

Brian, a Certified Public Accountant and partner with our firm would serve as the concurring reviewer. He has twenty-five years of professional accounting and auditing experience and has provided services to a variety of clients, including most of the government entities, nonprofits, banks, water agencies and other entities described in the following section of this proposal. He currently serves or has served a number of the special districts and cities, including the Cities of West Sacramento, Citrus Heights, Elk Grove, Cosumnes Community Services District, Sacramento Public Library Authority, Sacramento Metropolitan Fire District, Oakdale Irrigation District, South San Joaquin Irrigation District, Sacramento Suburban Water District, Tri-Dam Project and Power Authority and numerous other governmental agencies. He has extensive experience with implementation of GASB 68 and has performed a number of calculations on behalf of governmental entities. Brian received a Bachelor of Science degree in accounting with honors from California State University, Sacramento. He is a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants.

David Chiaravalloti, CPA (Audit Senior Manager)

David, a senior audit manager with our firm, will organize, conduct, review and evaluate field work and will be responsible for the planning and report preparation and review under the direction of Brian. He will work on-site for the duration of fieldwork. He has extensive experience auditing special districts, cities and other governmental entities with Richardson & Company, LLP and another CPA firm. He has eighteen years of professional experience, including twelve years with our firm. The clients he has served with parks and recreation services include Fair Oaks Recreation and Park District, Mountain House Community Services District, City of West Sacramento, City of Lincoln, City of Citrus Heights, City of Sutter Creek and City of Colfax. David received a Bachelor of Science degree in accounting from California State University, Sacramento. He is a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants.

Staffing Continuity

Richardson & Company, LLP has proven its ability to attract and retain an excellent professional staff to serve our clients and meet our commitments. We currently have twenty-nine professional staff, including thirteen CPA's, and three administrative staff. In addition, while national and other firms have high staff turnover rates, which makes it difficult to provide staffing continuity from year to year, our firm has experienced a very low turnover rate. Accordingly, we commit to maintaining a staffing level sufficient in size and experience to successfully complete the audit each year. We consider staffing to be of the utmost importance because of its significant impact on our ability to provide you with outstanding service.

We have consistently demonstrated our firm's ability to recruit, train and maintain a quality staff as evidenced by our excellent peer review results for the past twenty-eight years and our ability to consistently attract and serve quality clients.

If audit personnel assigned to your audit are changed, the replacements will have substantially the same or better qualifications or experience. We understand that the District retains the right to approve or reject replacements.

Governmental Continuing Professional Education

All members of our firm regularly attend courses on government accounting and auditing issues and grant compliance auditing and are represented on the California Society of CPA's Sacramento Chapter Government Committee to stay abreast of current issues affecting the government industry. Consistent with *Government Auditing Standards*, each of our auditors that are responsible for planning, directing, conducting or reporting on any of our government-related audits completes 80 hours of continuing education and training every two years, including subjects directly related to the government environment and to grant compliance auditing. All personnel that will be assigned to your engagement team have attended the required governmental training programs. Our governmental training program consists of governmental courses offered by professional societies as well as subscription to a training service that includes significant issues relating to governmental accounting standards and grant compliance presented by top government experts from throughout the country. We also provide internally developed classes addressing current accounting and auditing issues pertinent to our clients.

SIMILAR ENGAGEMENTS

References: We have emphasized throughout our proposal that Richardson & Company, LLP provides quality service. Please contact any of these references to confirm our ability to provide the type of service you are seeking. We have provided audit services to these agencies within the past five years.

Name of referenced entity: Fair Oaks Recreation and Park District
Name of principal contact, title and phone number: Jennifer Larkin, Admin Services Manager (916) 966-1036
E-mail address: jlarkin@forpd.org
Address: 4150 Temescal Street
Fair Oaks, CA 95628
Services performed: Audit of the financial statements in accordance with generally accepted auditing standards and *Government Auditing Standards*.
Completion dates: June 30, 2018

* * * * *

Name of referenced entity: Sacramento Metropolitan Fire District
Name of client contact, title and phone number: Ron Empedrad, Controller (916) 859-4510
E-mail address: Empedrad.Ronald@metrofire.ca.gov
Address: 10545 Armstrong Avenue, Suite 200
Mather, California 95655-4102
Empedrad.Ron@metrofire.ca.gov
Services performed: Audits completed of fiscal 2006 through 2015 in accordance with generally accepted auditing standards and *Government Auditing Standards* and the Single Audit Act, where applicable. During 2006 and 2007, we were engaged to analyze payments to vendors and credit card charges for reasonableness, proper authorization and that payments were made in accordance with the District's policies and procedures, after the District had uncovered a violation of bidding and contracting practices in relation to one particular contract. We also evaluated bidding and contracting practices for consistency with District policy. Our investigation disclosed a number of deviations from District policies and procedures.

Completion dates: June 30, 2006 through 2018

* * * * *

Name of referenced entity: City of West Sacramento

Name of client contact, title and phone number: Nitish Sharma, Former Budget Officer of City of West and Sacramento. Currently Director of Finance of the City of Davis
(916) 425-9888

Email address: nsharma@cityofdavis.org

Address: 1110 West Capitol Avenue, 3rd Floor
West Sacramento, California 95691

Services performed: Audit of the financial statements in accordance with generally accepted auditing standards, *Governmental Auditing Standards*, includes drafting of the financial statements.

Completion dates: Audits completed for the years ended June 30, 2007 through 2017

Government Audit Experience: Key personnel in our firm began their careers with Ernst & Young LLP serving governmental entities and other clients. Since leaving the international CPA firm of Ernst & Young LLP, Joe Richardson (deceased), Ingrid Shepline, Brian Nash and their team have built a practice oriented toward providing services equal in caliber to those provided by firms operating on a national level. Many of our present and past clients are former national-firm clients and include the following governmental organizations:

Special Districts

- Fair Oaks Recreation and Park District
- Consumnes Community Services District
- Mountain House Community Services District
- Sacramento Public Library Authority
- Sacramento Metropolitan Cable Television Commission
- Sacramento Transportation Authority
- Sacramento Metropolitan Fire District
- Sacramento Regional Fire/EMS Communication System
- Wilton Fire Protection District
- Pacific-Fruitridge Fire Protection District
- Courtland Fire Protection District
- Herald Fire Protection District
- California Fire Rescue Training Authority
- Fair Oaks Water District
- Del Paso Manor Water District
- Amador Water Agency
- Stanislaus Consolidated Fire District
- Nevada County Consolidated Fire District
- El Dorado County Emergency Services Authority
- California Tahoe Emergency Services Operations Authority
- Yolo Emergency Communication Authority
- American Canyon Fire Protection District
- Dixon Fire Protection District

- Nevada Irrigation District
- El Dorado Irrigation District
- El Dorado County Transportation Commission
- El Dorado County Transit Authority
- El Dorado County Local Agency Formation Commission
- Florin Resource Conservation District
- Citrus Heights Water District
- Glenn-Colusa Irrigation District
- Reclamation District 2035
- Carmichael Water District
- Oakdale Irrigation District
- Merced Irrigation District
- Yuba County Water Agency
- Calaveras County Water District
- Nevada Irrigation District
- South San Joaquin Irrigation District
- South Feather Water and Power Authority
- Tuolumne Utilities District
- Sacramento Suburban Water District
- Yolo County Transportation District
- Tri-Dam Project and the Tri-Dam Power Authority
- Rio Linda/Elverta Community Water District
- Paratransit, Inc.
- Transport System of the University of California at Davis
- Yuba-Sutter Transit Authority
- Yolo-Solano Air Quality Management District
- American River Flood Control District
- Amador County Transportation Commission
- Amador Transit
- Calaveras Council of Governments
- Calaveras Transit
- Sacramento Area Council of Governments Local Transportation Funds of the Counties of Sacramento, Sutter, Yolo and Yuba and Sacramento State Transit Assistance Fund
- Marin County Transit District
- Butte County Association of Governments
- Association of California Healthcare Districts - The Alpha Fund (workers compensation risk pool for rural hospitals)
- Regional Water Authority
- Sacramento Groundwater Authority
- State Water Project Contractors Authority
- Yolo County Local Agency Formation Commission
- South Yuba Water District
- San Juan Water District
- Solano County Water Agency
- South Sutter Water District
- Funds and accounts of the California Department of Water Resources on behalf of a large water agency, including special analyses and projects related to its contract with the State
- San Joaquin Council of Governments
- San Joaquin County Local Transportation Fund and State Transit Assistance Fund

- San Joaquin Regional Transit District
- Funds and accounts of the U.S. Bureau of Reclamation (USBR) on behalf of the Central Valley Project Water Association and various water districts including Santa Clara Valley Water District, East Bay Municipal Utility District, Contra Costa Water District, Sacramento Municipal Utility District and Placer County Water Agency

Cities

- City of West Sacramento
- City of Sonoma
- City of Elk Grove
- City of Chico
- City of Lincoln
- City of American Canyon
- City of Citrus Heights
- City of Ione
- City of Dixon
- City of Folsom
- City of Rocklin
- City of Colfax
- City of Marysville
- City of Biggs
- City of Colusa
- City of Rancho Cordova
- Town of Loomis
- City of Sutter Creek
- Cities of Folsom, Rancho Cordova, Galt, Isleton, Sacramento, Davis, Live Oak, Yuba City, Marysville, Wheatland, West Sacramento, Winters and Woodland Transportation Development Act Funds
- County of Butte and Cities of Oroville, Chico, Gridley, Biggs, and Paradise Transportation Development Act Funds
- El Dorado County and City of Placerville, County of Placer and Cities of Auburn, Lincoln, Loomis, Roseville and Rocklin Transportation Development Act Funds
- Cities of Escalon, Lodi, Manteca, Lathrop, Ripon and Tracy and County of San Joaquin Transportation Development Act Funds
- Cities of Manteca, Lathrop, Tracy, Lodi and Ripon Transit Systems
- Funds and accounts of the California Department of Water Resources on behalf of a large water agency, including special analyses and projects related to its contract with the State

SPECIFIC AUDIT APPROACH

Our extensive experience in auditing ensures that we will concentrate on those areas of highest risk and plan and coordinate our work with management. We will not waste your time and resources by auditing areas that have no material risk to the financial statements. We will perform an assessment of the internal controls for the purpose of determining the procedures necessary to perform our audit, and any recommended enhancements to internal controls that we note during our audit will be communicated to management.

Scope of Services

We understand that the District requires an audit of its basic financial statements, including the preparation of the financial statements, for the fiscal years ended March 31, 2020 through 2022 including all procedures necessary for the issuance of an opinion regarding the fairness of the presentation of the financial statements in conformity with generally accepted accounting principles. The audits are to be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants (AICPA) and the State Controller's Minimum Audit Requirements for California Special Districts. These services will include the following:

1. Prepare the District's financial statements.
2. Perform an audit of the District's financial statements in conformity with generally accepted accounting standards, *Government Auditing Standards* and the State Controller's Minimum Audit Requirements for California Special Districts.
3. Assist the District with calculating its share of net pension liability and related deferred inflows and outflows under GASB 68 from information on the risk pool provided by CalPERS.
4. Observe physical inventory of assets on or around March 31.
5. Express an opinion on the financial statements as to whether they present fairly, in all material aspects, the financial position of the District and the changes in financial position in conformity with generally accepted accounting principles (GAAP), and issue an independent auditor's report stating this opinion.
6. Test internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, in accordance with *Government Auditing Standards*, and issue an independent auditors' report on their consideration.
7. Apply limited audit procedures to the Required Supplementary Information (RSI) and Management's Discussion and Analysis (MD&A).
8. Prepare a Report to the Board of Directors and Management which identifies significant audit findings, difficulties encountered in performing the audit, identify any correct and uncorrected misstatements, disagreements with management, management representations, control deficiencies, significant deficiencies and material weaknesses, if any, and our recommendations for improvements in accounting and administrative controls.
9. Test compliance with Proposition 111, Article XIII.B – Review of Appropriation Limit Calculations.
10. Prepare Annual Financial Transactions Report of the District to the State Controller by the January 31 due date.

Audit Approach

Our audit approach to this engagement is divided into three stages as follows:

Initial Planning: We believe that a smoothly run audit is based upon the early identification and resolution of reporting and auditing issues. Due to the extensive knowledge gained through auditing governmental organizations similar to the District, we will identify such issues in a timely manner and obtain a better understanding of your organization and the external and internal environments in which the District operates. We will examine significant contracts and agreements to determine the effect on the nature and extent of the auditing procedures and to determine laws and regulations subject to test work. Our familiarity with laws and regulations affecting special districts will also be used as a resource for determining the extent of testing needed. We will meet with your personnel to obtain an understanding of your internal control structure policies and procedures and to document the flow of information through the accounting system, including how the accounting system is used to process data, and prepare walkthrough questionnaires with the assistance of your staff.

In order to familiarize ourselves with the District's accounting processes, including internal controls that are in place, we will provide the District with a list of questions, and will meet with District personnel to discuss them. We will review organization charts and any accounting procedures manuals to obtain an understanding of the District.

Program Development: Our risk assessment and evaluation of internal controls will provide the basis for determining the nature, timing and extent of audit procedures for specific transactions and accounts. Our approach to planning the audit will be in accordance with Statement of Audit Standard (SAS) Nos. 104 through 111, as updated by Nos. 122 through 125. Accordingly, we will focus on obtaining an understanding of the control environment, risk assessment, information and communication, and monitoring components. We will document the District's control environment and will perform a walkthrough of significant areas to assess control risk for the purpose of planning our substantive tests. We will perform additional testing of internal controls as needed based on our risk assessment. An overall audit program is the end product of our initial planning. The primary purpose of this phase of our audit approach is to assess the likelihood of material error in the accounts and transactions and to determine the most cost effective and cost-efficient mix of audit procedures. In developing the audit program, our aim will be to:

- Provide a complete audit program for all important financial statement amounts.
- Eliminate redundant audit procedures.
- Use audit procedures that accomplish more than one purpose.

Our audit approach is based on an analysis and understanding of the external and internal risk currently facing the organization we are auditing. Risk analysis enables us to design the most effective and efficient audit program, which evaluates and includes audit tests in relation to the size and probability of these risks. This approach provides us with a uniform method for developing and documenting the basis for our audit program.

We provide our clients with a detailed list of items needed during the audit well in advance to allow for sufficient time to gather the information. This approach minimizes disruption to District staff during the course of the audit.

Program Execution: During this stage of our audit, we will perform the tests of transactions processed through the accounting system, direct tests of account balances and tests of compliance with laws, regulations and contracts. We plan to use either random or systematic sample selection methods to perform such tests. We will utilize analytical procedures in all areas of the audit, especially revenues and expenses. We will perform all requested tasks as one integrated engagement and will schedule the timing of our field work so that there will be minimal disruption of the day-to-day operations. We will perform testing of internal controls in the areas of registration revenue, cash disbursements and payroll, with sample sizes ranging from 5 to 40 items, which will depend on the size of the population. We will select our samples randomly from number sequences or other documents provided by the District. We will utilize computer software during the engagement, including during the on-site fieldwork, for all workpaper preparation and for developing the lead schedules and trend analysis reports used in the audit process.

The work plan on the following page was developed with your deadlines in mind. Upon selection as your independent accountants, we will meet with you, and together we will determine a specific timetable which ensures minimal disruption of your employees. As can be seen from the following work plan, the service team is composed in such a way that each member has adequate supervision and technical support.

Work Plan

| Task | Timing | Estimated Hours | | | | Total |
|---|-------------|------------------------|-------------------|--------|-------|-------|
| | | Principal/ Director | Senior Manager | Senior | Staff | |
| Audit Planning: | | | | | | |
| Begin audit planning process | January | 4 | 7 | 6 | | 17 |
| Internal control/systems documentation and evaluation | | | | | | |
| Develop audit programs | | | | | | |
| Prepare audit assistance package and confirmation letters | | | | | | |
| Risk assessment | | | | | | |
| Compliance and Internal Control Testing: | | | | | | |
| Tests of transactions for cash receipts, disbursements, payroll | March/April | 3 | 8 | 8 | 8 | 27 |
| Tests of compliance with laws, regulations and contracts | | | | | | |
| Asset inventory | March 31 | | | | | |
| Substantive Testing: | | | | | | |
| Cash and investments | May | 8 | 25 | 20 | 20 | 73 |
| Revenue and receivables | | | | | | |
| Payroll and related liabilities | | | | | | |
| Expenses for goods and services and related liabilities | | | | | | |
| Capital assets | | | | | | |
| Debt and debt service expenditures | | | | | | |
| Equity and other credits | | | | | | |
| Reporting and Wrap-up: | | | | | | |
| Delivery of draft reports | early July | 5 | 10 | 6 | 12 | 33 |
| Delivery of final reports | mid July | | | | | |
| Total Annual Audit Hours | | 20 | 50 | 40 | 40 | 150 |

Our audit will be planned so that delivery of all required reports will be accomplished in a timely manner. We believe that the staffing of the audit is sufficient to ensure the timely completion of the audit and to ensure that the work is properly supervised. We would work closely with management to ensure that we provide timely services consistent with your requirements. We will prepare your financial statements consistent with professional standards and will review the drafts of all of our reports with you prior to finalization.

Our firm philosophy centers around our commitment to the highest level of quality service--delivered by quality people. Our tradition of providing technical excellence through teamwork responsive to clients' needs and expectations--and doing so to the very best of our ability--requires that our single focus be on quality. Our commitment to quality results in:

- Satisfying the District's needs by providing value-added services.
- Attracting and retaining clients of the highest caliber.
- Providing personal satisfaction and opportunity for professional growth for every member of our organization.

Some of the specific benefits the District will realize from our audit approach include:

Ongoing Communications with Management--We will work closely with you to resolve issues and serve as the District's advisor on a timely basis. We do not take dogmatic, unyielding positions, and will keep the lines of communications open. We understand the concepts of materiality and will work with District personnel on all issues with materiality in mind. Members of our engagement team will be readily available to answer the District's questions and to respond to the District's needs.

Relevant and insightful suggestions--Our plan and approach requires us to obtain a complete knowledge of the District's operating environment and accounting systems. This will position us well as an "advisor" to District management.

Less disruption to the District--Our audit plan will result in the most effective and efficient combination of internal control and account balance testing. This will eliminate duplicate procedures and unnecessary tasks, minimizing the necessary number of auditors and, consequently, result in less disruption of District personnel.

COST PROPOSAL

Total All-Inclusive Maximum Price, Rates by Level and Out-of-pocket Expenses

Our cost proposal contains all pricing information relative to performing the audit engagement as described in the Request for Proposal. The rates by staff classification level times the anticipated hours for each fiscal year are included in the total all-inclusive maximum price. Our total all-inclusive maximum price contains all direct and indirect costs, including out-of-pocket expenses. Therefore, our fees are all inclusive and represent a not to exceed amount. The maximum fees and estimated hours, including out-of-pocket expenses, are included in the schedule on the following page.

Our goal is to provide quality service using the highest professional standards at a reasonable cost. We plan each assignment carefully and set a time budget for each phase of the engagement. All of our staff are well indoctrinated in the need to use their time to the fullest efficiency.

During the first year, we will spend a significant amount of time becoming familiar with your organization and operations, developing permanent files, and performing our risk assessment, including a more in-depth review of internal controls and processes. We will absorb the cost of this nonrecurring time and view it as an excellent investment in establishing a long-term relationship and in becoming more knowledgeable about your operating environment, which will enhance our ability to provide you with responsive service.

Since Richardson & Company, LLP consists primarily of experienced auditors, you can be sure that you will receive the experience level and quality of service you expect. Our firm will bring to the audits strong technical backgrounds, government accounting expertise and outstanding engagement management skills.

Should you have any questions about the details of our fees, or should our fees not appear competitive with those of the other firms, we would appreciate an opportunity to discuss them with you before you make your final decision.

These estimates do not take into consideration changes in the scope of the audit due to changes in accounting or auditing pronouncements and standards, laws or regulations, the loss of key accounting personnel, material weaknesses in the internal control environment, or significant changes in the scope of the District's operations. These estimates also assume that the District will not receive federal grants that would require a Single Audit. The estimate assumes there will be minimal audit adjustments. We will discuss a new fee estimate with the District if such events occur.

A summary of our fee estimate by task is as follows:

| <u>Services</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|---|------------------|------------------|------------------|
| District Audit | \$ 10,800 | \$ 10,380 | \$ 10,535 |
| Preparation of financial statements | included | included | included |
| Appropriations Limit testing | 300 | 310 | 320 |
| Fee for calculating net pension liability and related deferred inflows/outflows (GASB 68) | 1,000 | 700 | 720 |
| Preparation of State Controller's Report | 500 | 510 | 525 |
| Total Maximum Cost | \$ 12,600 | \$ 11,900 | \$ 12,100 |

The breakdown of our fee by classification is as follows:

| <u>Classification</u> | <u>Hourly Rates</u> | <u>Hours Per Year</u> | <u>Fee</u> |
|---|---------------------|-----------------------|-------------------------|
| Principal/Audit Directors | \$ 180 | 20 | \$ 3,600 |
| Senior Manager | 160 | 50 | 8,000 |
| Senior | 100 | 40 | 4,000 |
| Staff | 90 | 40 | 3,600 |
| | | <u>150</u> | <u>19,200</u> |
| Discount | | | (6,600) |
| Total "Not-to-Exceed" Annual Audit Fee March 31, 2020 | | | <u>\$ 12,600</u> |
| Total "Not-to-Exceed" Annual Audit Fee March 31, 2021 | | | <u>\$ 11,900</u> |
| Total "Not-to-Exceed" Annual Audit Fee March 31, 2022 | | | <u>\$ 12,100</u> |
| Grand Total | | | <u>\$ 36,600</u> |

The discount above gives recognition to the fact the timing of your audit fits extremely well in our schedule and also reflects our commitment to serving governmental agencies.

Rates for Additional Professional Services

In the event that extraordinary circumstances warrant more intensive and detailed services beyond those in the contractual agreement, we will provide in writing and in advance, the reasons for the additional services together with our estimate of costs. No work will be performed without advance approval by the District. Any and all additional work as agreed in advance by the District will be billed at the rates quoted above.

| <u>Classification</u> | <u>Rate Per Hour</u> |
|-----------------------|----------------------|
| Partner | \$ 180 |
| Senior Manager | 160 |
| Manager | 140 |
| Supervisor | 120 |
| Senior | 100 |
| Staff | 90 |
| Administrative | 60 |

PEER REVIEW REPORT



CPAs & BUSINESS ADVISORS

Report on the Firm's System of Quality Control

July 17, 2018

To the Partners of Richardson & Company, LLP
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 Richardson & Company, LLP (the firm) in effect for the year ended March 31, 2018. 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 (Standards). A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

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. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

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.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including a compliance audit under the Single Audit Act.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Richardson & Company, LLP in effect for the year ended March 31, 2018, 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*. Richardson & Company, LLP has received a peer review rating of *pass*.


Eide Bailly LLP

What inspires you, inspires us. eidebailly.com

400 Pine St. Ste. 600 Abilene, TX 79601-5180 T 325.672.4000 TF 800.588.2525 F 325.672.7049 EOE

Richardson and Company, LLP, did provide a full copy of an audit they did for the Fair Oaks Rec and Park District. In an effort to save paper, a copy of this audit may be requested.

Auburn Area Recreation and Park District

**PROFESSIONAL SERVICES
PROPOSAL**

September 25, 2019

Scinto Group, LLP
420 Sierra College Drive, Suite 360
Grass Valley, CA 95945

Contact: Dave Scinto
Telephone: 530-273-3200
Email: dave@sgcpa.biz

Scinto Group, LLP – An Eye for Your Future

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Where ambition and energy meet knowledge and perspective



420 Sierra College Drive, Suite 360, Grass Valley, CA 95945 530.273.3200 (t) 530.273.3207 (f) www.sgcpa.biz

September 25, 2019

Auburn Area Recreation and Park District
Board of Directors
471 Maidu Drive, Suite 200
Auburn, CA 95603

Dear Board of Directors,

This proposal is in response to your request for proposal for the audit of the financial statements of the Auburn Area Recreation and Park District (the District) for the fiscal years ending March 31, 2020, 2021 and 2022 and issue an auditor's report thereon on whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and Government Auditing Standards.

Our combination of experience with non-profit and government organizations and technical expertise assures that your audit report will be accomplished efficiently, accurately and within the required time period. We look forward to working with you. At Scinto Group, LLP, we make ourselves available throughout the year to answer on-going inquiries as an additional benefit included in our proposal fee.

If you have questions or require additional information regarding this proposal, please contact me at your convenience. This proposal is a firm and irrevocable offer for 90 days.

Sincerely,
Scinto Group, LLP

David Scinto, CPA

Section

1

SCINTO GROUP, LLP
TECHNICAL PROPOSAL

SCINTO GROUP, LLP

The partners of Scinto Group, located in Grass Valley, California, have been practicing in the profession of public accounting for over 30 years. Our firm is made up of 10 employees on the with a staff of 5 auditors. The size of our firm allows us to be dedicated to providing our clients with the best service. Our vision is to be instrumental in your financial well-being and that of our community. We understand that trust and faith are virtues that have to be earned over time, one person at a time. Our commitment to building close working and personal relationships with our clients grows stronger every year. We believe that both our firms' and our individual successes result from your success.

Our team of professionals has been assembled to provide expert service in an array of business audit and accounting areas and all of our key professional staff are properly licensed to practice in California. We invest a significant amount of time and money each year into educating and training our team so that they can be ready and capable to address your needs. Our team works closely with each other to ensure that our clients receive the most accurate and timely advice available. Not only that, we enjoy working as a team for a common goal – your satisfaction.

Open and honest communication, accompanied with trust and respect is our number one tool in providing you these expert services. We maintain open communication with your Board Members and Management.

Since its inception, the Firm has been committed to serving assurance clients in a variety of highly specialized industries such as not-for-profit, federally funded agencies, and government entities. We are familiar with the strategic differences and challenges that each organizational structure brings to its operations.

PROFESSIONAL SERVICES

Our menu of services is quite complex. The main staples include attestation services, including audits, reviews and compilations; income tax planning and preparation services; accounting; real-estate-development; project management and business consulting services.

We are also experienced in providing assistance in the following areas:

- Strategic planning
- Evaluation of information technology systems
- Resolution of regulatory matters
- Cash flow management

Our firm has been committed to serving non-profit agencies, local governments, and recipients of federal awards for many years. Specifically, we work with many clients in staying compliant with generally accepted accounting principles. At Scinto Group, we know that audit engagement continuity is as important to you as it is to us, and with our low staff turnover rate, we strive to keep teams consistent year after year. We carefully select the assurance team for each engagement to ensure that we have compiled the appropriate industry expertise.

While many smaller CPA firms and sole-proprietors have taken down their assurance shingle, we have sharpened our pencil and bolstered staff. As we continue with the attestation and income tax services, we are also available to assist with regulatory requirements, internal control design, and other organization-specific services.

We look forward to working with you.

One Firm – One Focus – Your Future.

Section

2

**SUMMARY OF
FIRM'S QUALIFICATIONS**

DAVID SCINTO, CPA

POSITION: Managing Partner, Partner

YEARS OF EXPERIENCE: Thirty-one

INDUSTRY EXPERTISE: Municipal governments, special service Associations, medical, manufacturing companies, software developers, and nonprofit entities.

EDUCATION: Bachelor of Science, Accounting
California Polytechnic University, Pomona

PROFESSIONAL MEMBERSHIPS: American Institute of Certified Public Accountants
California Society of Certified Public Accountants
Government Audit Quality Control Center
Vistage International
Financial Executives International

CAREER PATH: Scinto Group, LLP (2001 - Present; Managing Partner)
RWFS (1995 - 2001; Partner)
Hemming Morse, CPAs (1993 - 1995; Audit Manager)
Eadie + Payne (1988 - 1993; Audit Manager)
General Dynamics (1982 - 1988; Production Analyst)

OTHER: As president and partner of Scinto Group, LLP, Dave brings a wealth of experience working with special Associations, local governments, medical and dental multi-practitioner entities, manufacturing companies, wholesale distributors, software developers, nonprofit entities and other concerns. Prior to becoming a CPA in 1987, Dave worked as a manufacturing analyst for an aerospace manufacturer. That experience, combined with his accounting knowledge, allows him to understand a company's operation and goal, and to provide meaningful contributions. Dave is an active member in Rotary and sits on the Board of Directors for a handful of local Councils.

GREG BLANEY, CPA

POSITION: Staff Accountant, Audit Manager

YEARS OF EXPERIENCE: Seven

INDUSTRY EXPERTISE: Food and beverage, manufacturing and consumer markets companies, nonprofit entities and governmental entities.

EDUCATION: Bachelor of Science, Accounting
Santa Clara University

PROFESSIONAL MEMBERSHIPS: American Institute of Certified Public Accountants

CAREER PATH: Scinto Group, LLP (2019 – Present; Audit Manager)
KPMG, LLP (2012 - 2019; Audit Manager)

OTHER: Prior to joining Scinto Group, LLP, earlier this year, Greg worked for over 6 years in public accounting, performing a wide variety of audits and reviews for large, privately held companies, as well as governmental and nonprofit entities. During these audits, Greg was directly involved in performing all necessary test work over audit areas, as well as preparing and issuing the associated financial statements and auditor's reports. Right before coming to Scinto Group, Greg was one of the audit managers involved with the CalPERS audit. Greg's audit background and experience allows him to bring a highly valued skillset to all attestation engagements and clients.

David and Greg will serve as your engagement partner and manager, respectively. Both are licensed CPAs in California. Scinto Group will also utilize the remaining audit staff to help perform engagement audit work. We recognize that the best measure of our performance, both technically and professionally, is the level of satisfaction and degree of confidence achieved with our existing client relationships. We are proud to include a **representative** list of key governmental entities for which we provide services:

ORGANIZATION**CONTACT AND POSITION**

| | |
|--|--|
| The 36th District Agricultural Association 655 South First Street Dixon, CA 95620 (707) 678-5529 | Patricia Conklin, Chief Executive Officer |
| The 38th District Agricultural Association 900 N. Broadway Turlock, CA 95380 (209) 668-1333 | Matt Cranford, Chief Executive Officer |
| The 30th District Agricultural Association PO Box 70 Red Bluff, CA 96080 (530) 527-5920 | Mandy Staley, Chief Executive Officer |
| The 35th District Agricultural Association 900 Martin Luther King Jr. Way Merced, CA 95341 (209) 722-1506 | Teresa Burrola, Chief Executive Officer |
| Sierra Nevada Memorial Hospital Foundation PO Box 1810 Grass Valley, CA 95945 (530) 477-9700 | Kimberly Parker, Executive Officer |
| The 13th District Agricultural Association 442 Franklin Avenue Yuba City, CA 95991 (530) 674-2196 | Dave Dillabo, Chief Executive Officer |

We understand that your proposal asks to provide a copy of the work product of an audit performed in the last two years. It is our Firm's policy not to distribute work product that includes client or former client information, however, many of these audits can be found on the websites of the organizations listed above.



Section

3

**APPROACH TO ENGAGEMENT
SERVICES**

THE SPECIFIC AUDIT APPROACH**Audit Objective**

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit will be conducted in accordance with auditing standards generally accepted in the U.S. and Government Auditing Standards and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion.

Audit Procedures

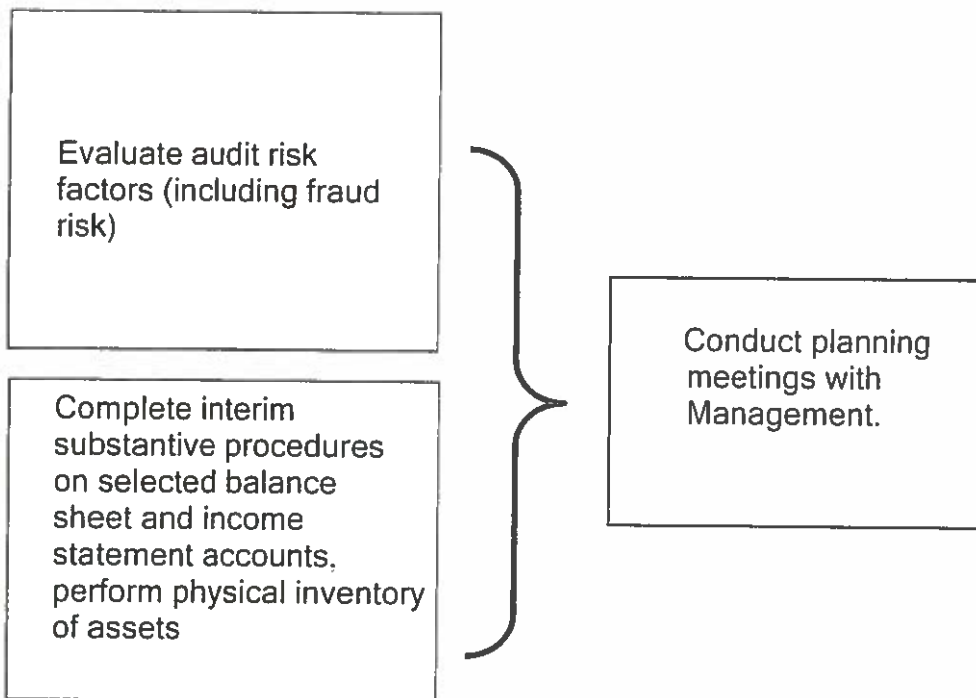
Our audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore our audit will involve judgement about the number of transactions to be examined and the areas to be tested. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of any significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. We will inform you of any material errors that come to our attention and any fraud or illegal acts which come to our attention, unless they are clearly inconsequential. In addition, if during the course of our audit, we identify any significant deficiencies or material weaknesses in your internal control, we have a responsibility to communicate these to the appropriate level of management.

If, for any reason, we are unable to complete our audit of your financial statements resulting from our coming to the conclusion that there are material items missing or issues come to our attention that would make it professionally impossible to provide an unmodified opinion, we will not issue a report on such statement as a result of this engagement.

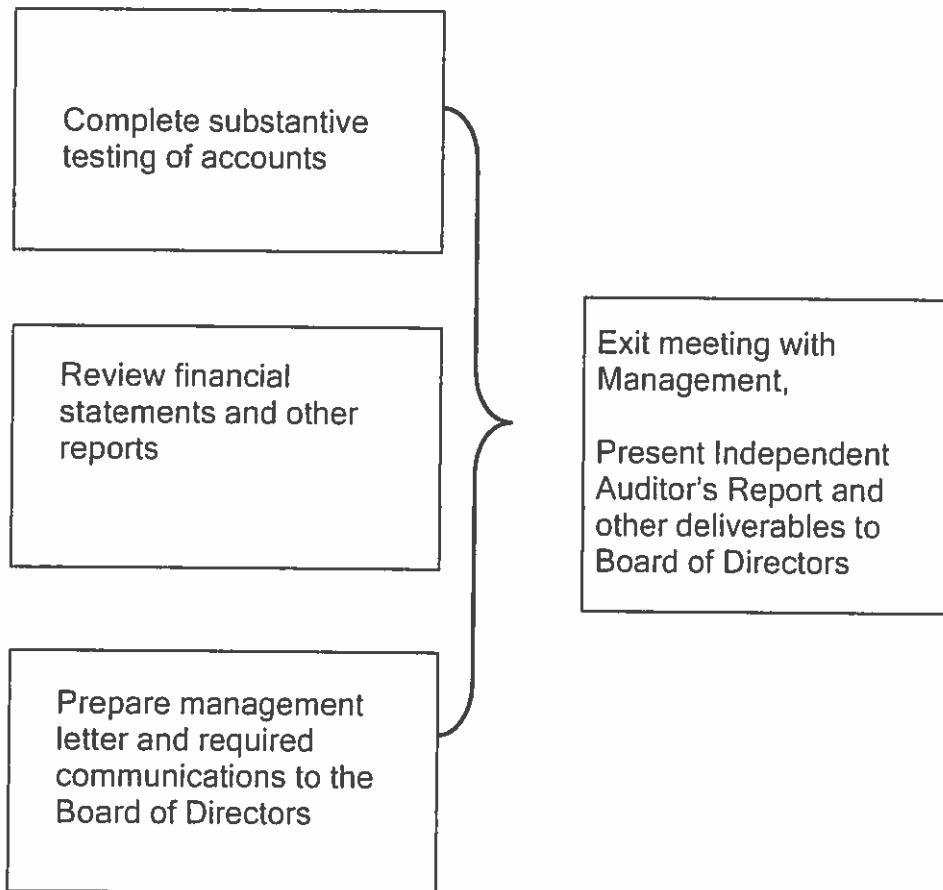
ENGAGEMENT TIMELINE

Our procedures will be customized to each engagement and will include tests of the accounting records and other auditing procedures considered necessary under the circumstances. Our audit scope and related approaches will be designed to efficiently and effectively deliver audited financials statements. Our approach includes a strong emphasis on planning, supervision and monitoring. We believe the approach summarized in the following pages will contribute to a successful audit.

INTERIM FIELDWORK (April of each year):



FINAL FIELDWORK (May - July of each year):



Other Reporting Matters

All reports will be reviewed with management prior to issuance. We have found that this is particularly important as it relates to management letter comments and will eliminate the opportunity for a misunderstanding to occur. The partner will attend meetings in which the financial statements are presented.

Section

4

FEEs FOR PROFESSIONAL SERVICES

***PRESENTATION OF FEES...
A FULL SERVICE APPROACH***

Our fees are based upon a schedule of hourly rates for each team member assigned to the engagement. These rates, which vary in proportion to the team member's level of experience and responsibility, are applied to the hours actually expended on the engagement.

We estimate our fees to provide audit services as follows:

March 31, 2020 - \$15,000

March 31, 2021 - \$16,000

March 31, 2022 - \$17,000

Out-of-pocket expenses are estimated and not to exceed \$5,000 per year. As mentioned previously, we make ourselves available throughout the year to answer on-going inquiries as an additional benefit included in our engagement proposal fee.

In developing our schedule of proposed fees for this engagement, we considered the following internal factors:

- Depth and expertise of management
- Scope and quality of accounting services
- Financial condition of the Organization



**Certified
Public
Accountants**



**Consultants
& Advisors**



AUBURN AREA RECREATION AND PARK DISTRICT

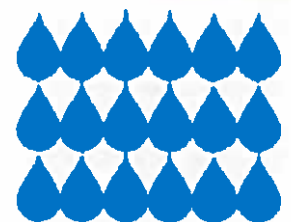
**Proposal to Provide
Audit Services**

**For the Years Ending
March 31, 2020—2022**

**Christopher J. Brown CPA, CGMA
Charles Z. Fedak CPA, MBA**

**6081 Orange Avenue
Cypress, California 90630**

**1945 Chicago Avenue, Suite C-1
Riverside, California 92507**



**Fedak & Brown LLP
Certified Public Accountants**

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8. **Cost Proposal**



Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA, CGMA
Andy Beck, CPA

Fedak & Brown LLP

Certified Public Accountants

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

Riverside Office:
1945 Chicago Avenue, Suite C-1
Riverside, California 92507
(951) 783-9149

September 25, 2019

Ms. Veona Galbraith, Administrative Services Manager
Auburn Area Recreation and Park District
471 Maidu Drive, Suite 200
Auburn, CA 95603

Re: Request for Proposal for Annual Audit Services

Dear Ms. Galbraith:

We appreciate the opportunity to submit our proposal to provide annual audit services for the Auburn Area Recreation and Park District (District) for the fiscal years ending March 31, 2020 through March 31, 2022.

In response to your inquiry of Fedak & Brown LLP (Firm), we have prepared a proposal that reflects our understanding of the District's audit service requirements and that demonstrates our capability and commitment to serve. Our goal is to build a strong a partnership with the District and demonstrate the highest levels of client service.

We understand that you expect a timely audit service conducted in a professional manner in accordance with audit service standards specific to governmental entities such as yours. We are committed to meet all the requirements you have indicated, and we will issue the reports and meet the timing requirements you have requested. 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 within which you work.

Our Firm audits over 60 governmental special districts in the State of California; as a result, this enables our Firm to continuously be immersed in the governmental, financial, and operational issues related to special districts.

Organized to Serve

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

Ms. Veona Galbraith, Administrative Services Manager
Auburn Area Recreation and Park District
September 25, 2019
Page 2

Organized to Serve, continued

While our governmental experience is substantial, it is not the only factor that sets us apart from other firms; moreover, it is the commitment to utilize our 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 the District requires.**

Our approach to the engagement will be to 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. The hardest to quantify may be the relationship aspect of working with one professional service 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's, we are confident that our Firm knows how to address the unique needs of the District.

Our staff members assigned to the District are experienced governmental professionals that have managed numerous audit and attest engagements. Each of our staff has extensive experience that allows for a new outlook 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 adherence to a strict quality control program.

We have assisted many of our clients in the completion of their Comprehensive Annual Financial Report (CAFR) and submit it to the Government Finance Officers Association (GFOA) and California Society of Municipal Finance Officers (CSMFO) for the Annual Awards programs.

We are confident that we will provide the District with consistent staffing 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 engagement team is the best selection for the District.

Our proposal represents our irrevocable offer for a period of 90 days from the date of this letter to provide audit services to the District for the fiscal years ending March 31, 2020 through March 31, 2022. You may contact, Christopher J. Brown or Charles Z. Fedak if you have any questions or need additional information. Chris and Chuck will be your primary contacts during the proposal evaluation period. They may be reached at (951) 783-9149 or (657) 214-2307, or by e-mail respectively.

We look forward to hearing from you soon.

Cordially,

Fedak & Brown LLP

FEDAK & BROWN LLP
CERTIFIED PUBLIC ACCOUNTANTS

Executive Summary

Audit Engagements

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to audits contained in the Government Auditing Standards issued by the Comptroller General of the United States. The audit engagements will be comprised of the following elements:

1. **Audit of the Basic Financial Statements of the District and Assistance in the Preparation of the District's Annual Financial Report;**
2. **Preparation of Management Reports for the District;**
3. **Provide guidance and technical assistance to the District in implementing Governmental Accounting Standards issued, including Annual Accounting Update Session (as required)**

Previous Audits Engagements

The Government Auditing Standards establishes that auditors should evaluate whether the audited entity must take appropriate corrective action to address findings and recommendations from previous engagements that could have a material effect on the subject matter, or an assertion about the subject matter, of the examination engagement.

Reporting Deficiencies in Internal Control, Fraud, Noncompliance with Provisions of Laws, Regulations, Contracts, and Grant Agreements, and Abuse

The Government Auditing Standards establishes that during the performance of Generally Accepted Governmental Auditing Standards (GAGAS) examination engagements, auditors should report, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the subject matter or an assertion about the subject matter and any other instances that warrant attention of those charge with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the subject matter or an assertion about the subject matter of the examination engagement; and (4) abuse that has a material effect on the subject matter of the examination engagement.

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.

Commitment to the Highest Professional Standards

Our Firm is committed to the highest professional standards and our client service teams are fully versed in current professional guidance. Our Firm's extensive experience translates into a service approach that includes providing clients the educational tools to properly implement new accounting pronouncements. We encourage our clients to reach out with questions they may have. ***Our client service teams were integral to the implementation of Governmental Accounting Standards Board (GASB) No. 75 as well as 68 and 71 for Districts and Agencies throughout the State of California. We are fully versed in the specifics of GASB No. 87 – Leases, and are prepared to assist the District in its implementation.*** Our client service approach includes review and assistance with current and pending GASB pronouncements.

Firm Qualifications and Experience, continued

“We Are Committed to the Governmental Special District Industry!”

The following is a listing of some of our Governmental Special District Clients that our Audit Teams have served by County!

Kern County

*Bear Valley Community Services District
Indian Wells Valley Water District
Stallion Springs Community Services District*

Los Angeles County

*Castaic Lake Water Agency
Crescenta 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*

Orange County

*Buena Park Library District
Capistrano Bay Community Services District
East Orange County Water District
El Toro 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 Resource Authority
Yorba Linda Water District*

Riverside County

*Beaumont-Cherry Valley Water District
Cabazon Water District
Coachella Valley Mosquito and Vector Control
Desert Recreation District
Edgemont Community Services District
Idyllwild Fire Protection District
Lake Hemet Municipal Water District
Northwest Mosquito and Vector Control
Santa Ana Watershed Project Authority
Temecula Public Cemetery District
Western Municipal Water District*

Santa Barbara County

*Goleta Water District
Montecito Water District
Santa Maria Public Airport Authority
Santa Ynez Community Services District
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
Helendale Community Services District
Hi-Desert Water District
Inland Empire Utilities Agency
Joshua Basin Water District
Mojave Water Agency
Monte Vista Water District
Phelan Pinon Hills Community Services District
San Bernardino Valley Water Conservation District
Victor Valley Wastewater Reclamation Authority
Water Facilities Authority - JPA
West Valley Mosquito and Vector Control District
West Valley Water District*

San Diego County

*Leucadia Wastewater District
Public Agency Self-Insurance System
Rincon Del Diablo Water District
Vallecitos Water District*

Ventura County

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

Northern California/Bay Area

*Aromas Water District
Avila Beach Community Services District
Butte County Mosquito and Vector Control District
Central Water District
Coastside County Water District
North Marin Water District
McKinleyville Community Services District
Oakdale Irrigation District
Pajaro Valley Water Management Agency
Purissima Hills Water District
San Lorenzo Valley Water District
Scotts Valley Water District
Solano Irrigation District
Soquel Creek Water District
Westborough Water District*

Firm Qualifications and Experience, continued

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 our Firm as discussed in this proposal. The Board of Directors can also measure the performance and quality control of our Firm by evaluating our participation in the profession's peer review process as well as evaluating our Firm's professional standards and quality of work ethic in discussions with our Firm's current client base in the special district industry.

Fedak & Brown LLP is pleased to announce the successful completion of our most recent independent quality review of our accounting and auditing practice, which included a review of specific 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 unmodified opinion in every independent quality review that it has participated in since its inception of the program by the profession.

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 our Firm has an effective quality control system and that our accounting and auditing work conforms to professional standards. Our Firm has not had any clients who have been the subject of any desk reviews. ***Our Firm has never been the subject of any disciplinary action by any State or Federal Agency in its entire existence.***

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 September 24, 1965. Our Firm is committed to affirmative action in hiring practices.

Firm Qualifications and Experience, continued

Marcia J. Hein, CPA

5922 Bromborough Drive
Windsor, CO 80550

Phone: (970) 775-7332 e-mail: marcia@mjhc.com

Report on the Firm's System of Quality Control

April 29, 2019

To the Partners
Fedak & Brown, LLP
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 Fedak & Brown, LLP (the firm) in effect for the year ended September 30, 2018. 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 (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

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. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

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.

Required Selections and Considerations

Engagements selected for review included an engagement performed under *Government Auditing Standards*, including a compliance audit under the Single Audit Act.

As a part of my peer review, I considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of my procedures.

Opinion

In my opinion, the system of quality control for the accounting and auditing practice of Fedak & Brown, LLP in effect for the year ended September 30, 2018, 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*. Fedak & Brown, LLP has received a peer review rating of *pass*.

Marcia J. Hein, CPA

Marcia J. Hein, CPA

Partner, Supervisory, Staff Qualifications and Experience

Summary Qualification of Key Personnel

Our Firm's philosophy is to take a team approach with our clients in conducting our audit engagements. A properly developed, mutually agreeable timeline results in the most efficient engagement. 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, audit managers and audit supervisors involved in the day-to-day audit details of our clients.

You will have an Engagement Partner as well as a Technical Review Partner, a governmental audit manager and a governmental audit supervisor assigned to the District's audit; in addition, one or more staff accountants (governmental auditing staff only) will be assigned to the audit. All team members work in the field while the audit fieldwork is in process. Each team member has the following responsibilities:

The engagement partner is responsible for all services provided to the District. The engagement partner's responsibilities consist of the overall planning, supervision and review of the audit test work, and preparation of the audit report.

The governmental audit manager is responsible for coordinating the audit test work, which includes the on-site supervision of staff, and preparation of the audit report.

Once audit test work is completed, the governmental audit manager will work with the supervisor to complete the reports for the District for all recipients. The manager will be your contact throughout the engagement year.

The governmental audit staff accountant will be in the field conducting the audit test work. The staff accountant is responsible for testing internal controls and substantive testing procedures and will interact with your staff at your staff's convenience.

Prior to discussions with your staff, the staff accountant will make sure that all facts have been evaluated to minimize utilizing your staff's time for audit assistance purposes.

Knowledge and Understanding of Local Environment

The engagement team members strive to be experts within the governmental sphere. We keep ourselves apprised of current issues affecting the District's operating environment.

Partner Participation

The partner in charge of the audit will be available to attend meetings of the District's Administrative/Finance Committee and the Boards 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 report, particularly those that will directly impact its recipients.

Partner, Supervisory, Staff Qualifications and Experience, continued

CHARLES Z. FEDAK, CPA, MBA TECHNICAL REVIEW PARTNER

| | |
|----------------------|--|
| Education: | <p>Bachelor of Science – Business Administration: Accountancy – California State University, Long Beach 1973</p> <p>Master of Business Administration – California State University, Long Beach 1984</p> |
| License: | <p>Certified Public Accountant - 1983</p> |
| Continuing Education | <p>Total hours were 136 hours in last two years of which 32 were in governmental accounting and auditing subjects. Mr. Fedak has the Governmental Auditing Standards requirement for governmental CPE.</p> |
| Memberships | <p>California Society of Certified Public Accountants American Institute of Certified Public Accountants National Association of Corporate Directors</p> |
| Experience | <p>Charles Z. Fedak is a CPA in the State of California and has been in public accounting for forty-two 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 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.</p> <p>Mr. Fedak's public accounting experience includes tenure with Big Four CPA Firms, Ernst & Young ("EY") and KPMG. He is also involved in auditing of governmental and non-profit entities as well as medium to large manufacturing, construction and service oriented corporations. He has thorough knowledge of Generally Accepted Accounting Principles, Governmental Accounting, and Auditing Standards as well as the Single Audit Act. His work experience also includes tax planning and preparation at the corporate, individual, estate and trust levels.</p> <p>Member of Board of Directors – Molina Healthcare, Inc. (MOH) New York Stock Exchange since 2002</p> <ul style="list-style-type: none">➤ Chairman, Compensation Committee – MOH; 2002 – 2006➤ Chairman, Audit Committee – MOH; 2004 – 2019 <p>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.</p> |

Partner, Supervisory, Staff Qualifications and Experience, continued

CHRISTOPHER J. BROWN, CPA, CGMA ENGAGEMENT PARTNER

| | |
|----------------------|---|
| Education: | Bachelor of Arts - Business Administration: Finance – California State University, San Bernardino 1995 Accountancy – California State University, San Bernardino 1999 |
| License: | Certified Public Accountant – 2002 |
| Continuing Education | Total hours were over 90 hours in last two years of which 32 were in governmental accounting and auditing subjects. Mr. Brown has the Governmental Auditing Standards requirement for governmental CPE. |
| Memberships | California Society of Certified Public Accountants American Institute of Certified Public Accountants Government Finance Officers Association California Society of Municipal Finance Officers Association |
| Experience | <p>Christopher J. Brown is a CPA in the State of California and has over eighteen years of experience in public accounting and auditing governmental entities having worked at a national firm. Mr. Brown holds a Bachelor's Degree from California State University, San Bernardino. He has extensive experience in the areas of governmental financial and compliance reporting.</p> <p>Member of Board of Directors – Riverside County Philharmonic</p> <p>Mr. Brown's public accounting experience includes tenure with CPA firm RSM. He is also involved in auditing of governmental and non-profit entities as well as medium to large manufacturing, construction and service oriented corporations. Has thorough knowledge in Generally Accepted Accounting Principles, Governmental Accounting, and Auditing Standards as well as the Single Audit Act.</p> <p>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.</p> <p>He is currently involved on the following major governmental engagements:</p> <ul style="list-style-type: none">➤ Desert Recreation District➤ Phelan Pinon Hills Community Services District➤ Oakdale Irrigation District➤ Monte Vista Water District➤ Hi-Desert Water District➤ McKinleyville Community Services District➤ Victor Valley Wastewater Reclamation Authority➤ Santa Maria Public Airport District➤ Helendale Community Services District➤ Bear Valley Community Services District |

Partner, Supervisory, Staff Qualifications and Experience, continued

ANDY BECK, CPA AUDIT PARTNER/FIELD MANAGER

| | |
|----------------------|--|
| Education: | Bachelor of Arts in Economics – University of California, Irvine 2001 |
| License: | Certified Public Accountant – 2008 |
| Continuing Education | Total hours were 90 hours in last two years of which 24 were in governmental accounting and auditing subjects. Mr. Beck has the Governmental Auditing Standards requirement for governmental CPE. |
| Memberships | California Society of Certified Public Accountants |
| Experience | <p>Over eleven years of experience in public accounting and auditing governmental entities, not-for-profit organizations, and employee benefit plans. Mr. Beck is involved in 40%-45% of the Special District clients served by our Firm.</p> <p>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.</p> <p>He has been involved on the following governmental special districts engagements:</p> <ul style="list-style-type: none">➤ Desert Recreation District➤ Phelan Pinon Hills Community Services District➤ Oakdale Irrigation District➤ Soquel Creek Water District➤ McKinleyville Community Services District➤ Aromas Water District➤ Central Water District➤ San Lorenzo Valley Water District➤ Buena Park Library District➤ Victor Valley Wastewater Reclamation Authority➤ Santa Maria Public Airport District➤ Butte County Mosquito and Vector Control District➤ Antelope Valley Air Quality Management District➤ Avila Beach Community Services District |

Partner, Supervisory, Staff Qualifications and Experience, continued

JEFF PALMER AUDIT SUPERVISOR

| | |
|----------------------|--|
| Education: | Bachelor of Science – Business Administration: Accountancy & Finance – California State University, Long Beach 2005 |
| License: | In Process |
| Continuing Education | Total hours were 74 hours in last three years of which 56 were in governmental accounting and auditing subjects. Mr. Palmer meets the Governmental Auditing Standards requirement for governmental CPE. |
| Memberships | California Society of Certified Public Accountants American Institute of Certified Public Accountants |
| Experience | <p>Over eleven 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.</p> <p>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.</p> <p>He has been involved on the following governmental special districts engagements:</p> <ul style="list-style-type: none">➤ Helendale Community Services District➤ Bear Valley Community Services District➤ Monte Vista Water District➤ Indian Wells Valley Water District➤ North Marin Water District➤ Westborough Water District➤ Victor Valley Wastewater Reclamation Authority➤ Santa Maria Public Airport District➤ Phelan Pinon Hills Community Services District➤ Mojave Desert Air Quality Management District➤ Coastside County Water District |

References

References

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.

| | |
|--|---|
| <p>1. Ms. Sonya Galvez, Accounting Supervisor Desert Recreation District 45-305 Oasis Street Indio, CA 92201</p> | <p>Recreation District Annual Audit 760.347.3484</p> |
| <p>2. Ms. Lori Lowrance, Administrative Services Manager Phelan Pinon Hills Community Services District 4176 Warbler Road Phelan, CA 92371</p> | <p>Community Services District Annual Audit – CAFR 760.868.1212</p> |
| <p>3. Ms. Cammie Morin, Finance Manager Solano Irrigation District 810 Vaca Valley Parkway, Suite 201 Vacaville, CA 95688</p> | <p>Irrigation District Annual Audit – Financial Statement 707.448.6847</p> |
| <p>4. Mr. Ty Staheli, Chief Financial Officer Indian Wells Valley Water District 500 West Ridgecrest Boulevard Ridgecrest, CA 93555</p> | <p>Retail Water District Annual Audit – Financial Statement 760.375.5086</p> |
| <p>1. Ms. Kimberly Cox, General Manager Helendale CSD 26540 Vista Road, Suite B Helendale, CA 92342</p> | <p>Community Services District Annual Audit 760.951.0006</p> |

Firm Provided Affirmations

- A. Fedak & Brown LLP affirms that the Firm and all key professional staff are properly registered and licensed or supervised by certified public accountants in good standing duly authorized to practice in the State of California.
- B. Fedak & Brown LLP affirms that the Firm is independent of the District and the Upper District, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial and compliance audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States.
- C. Fedak & Brown LLP affirms that the Firm currently maintains errors and omissions insurance coverage in the aggregate amount of one million dollars and general liability coverage of two million dollars. The Firm will provide the required insurance coverage and Accord insurance form to the District upon acceptance of the audit engagement.
- D. Fedak & Brown LLP affirms that it has the necessary experience to conduct high-quality audits of local government and enterprise special districts and agencies in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial and compliance audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States and the Single Audit Act.
- 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 this audit 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 it 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.
- I. Fedak & Brown LLP affirms that it will allow the District or their designee access to pertinent District audit work papers, financial reports, and management letters.
- J. Fedak & Brown LLP affirms that it has never filed bankruptcy, there is no pending litigation against the Firm, there are no planned office closings, there are no impending mergers, and there are no potential labor disputes that may impede us the ability to complete the audit for the District.

Signature of Authorized Official: _____



Name: Christopher J. Brown, CPA CGMA

Title: Partner

Firm: Fedak & Brown LLP

Date: September 25, 2019

Our Specific Approach to your Audit

Specific 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 clients' schedules when scheduling segments of the audit or requesting documentation in order to minimize disruption during the audit process.
- We strive to utilize support already prepared by our clients in order to avoid duplication or unnecessary requests for audit supporting schedules.
- We have implemented a paperless audit process that utilizes CCH ProSystems fx Engagement ® and Practitioners Publishing Company software packages. These platforms provide for greater efficiency within the audit process. In addition, we fully embrace the utilization of data extraction capabilities within a client's reporting system to further increase efficiency and reduce demands on client staff time.
- 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, allowing us to consult with our clients on implementing various best-practices in their organizations.
- We believe that regular communication is the most important part of the audit process; as a result, we ask that if you ever have any questions about any financial, accounting, or audit issues, please contact us anytime throughout the year.

Interim Audit Planning and Testwork

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 and their recipients. 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 the planning phase include:

- Conducting an Audit Entrance Conference with the District's Board of Directors and management to discuss the scope and timing of the audit test work, the availability of the District's accounting staff, prior audit problems encountered, the extent of interim audit test work to be performed, the establishment of a liaison for the audit, and the arrangements for workspace and other needs to conduct the audit test work.
- Reviewing the Board minutes, agreements/contracts, and applicable strategy for the audit period.
- Interviewing finance staff regarding internal controls.
- Discussing the status of prior year's audit findings, if any.
- Review of the District's internal control structure and communication of recommendations to the District's management team concerning District policies and procedures.
- Tests of controls of audit areas to determine the effectiveness of the District's internal control structure. (Minimum of 25 selections per area – revenue, expenses, payroll, bank reconciliations)
- Evaluation of any unusual items noted from our analytical procedures.
- Reviewing of important contracts, debt issues, leases and joint power agreements.

Our Specific Approach to your Audit, continued

Interim Audit Planning and Testwork, continued

- 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.

After we obtain an understanding of the District's internal controls, evaluate their design and implementation and perform our interim test work we will determine the nature, scope, and timing for our final audit test work.

Final Audit Test Work

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 accounts receivable, delinquent balances and relative ratios.
- Analysis of unbilled receivables.
- Analysis of allocations of interest income.
- Analysis and testing of capital assets: construction-in-progress, significant additions/disposals, and related depreciation.
- Analysis of deferred outflows of resources balances and related amortization.
- Analysis of accounts payable.
- Performance of a search for unrecorded liabilities.
- Analysis and testing of valuation of the liabilities for compensated absences.
- Analysis of long term debt balances.
- Analysis of the annual roll-forward of net pension liability balances.
- Analysis of net other post-employment benefit liability (as required)
- Analysis of unearned revenue.
- Analysis of deferred inflows of resources balances and related amortization.
- Analysis of the proper establishment of reserves and designations.
- Analysis of significant grant agreements, awards and contracts.
- 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.

The abovementioned analysis and inquiries are only a sample of the tests performed during the examination and is not 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. We will communicate all deficiencies in controls which may assist the District in strengthening the internal control structure. Comments and recommendations relating to the accounting system will also be discussed. Finally, we will discuss all findings noted during the engagement. After discussion, the final report will be submitted to the District.

Our Specific Approach to your Audit, continued

Identification and Communication of Internal Control Matters

The objective of our audit is to form an opinion on the District. Our objective is not to identify deficiencies in internal controls; 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 those charged with governance and the District's management.

Audit Documentation

We will document matters pertaining to our audit planning and audit test work. The audit documentation will clearly demonstrate procedures performed, evidence obtained, and conclusions reached.

Communication with Management and the Board of Directors

In addition to our written reports, we believe an oral presentation to the District's management, Administrative/Finance Committee, and the Board of Directors, to be a minimum service provided by our Firm and would be pleased to schedule a mutually convenient time for such a presentation at the conclusion of the engagement or any time during the progression of the audit.

Other Assistance

Providing management assistance requires more than having talented people on staff; it requires a pro-active approach. 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. For instance, 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 required, we will define the approach, execute the assignment and follow through with implementation assistance.

Our Specific Approach to your 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 our Firm employs. We stress employs because all of the knowledge and expertise shown on paper will reap no benefit to you unless it is applied. This application equates to time well spent. We have developed an audit plan that we feel will accomplish the objectives of the District and will 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. Per the District's schedule requirements, interim fieldwork will begin in January through March (including inventory observation) of each year (the District's preference of dates). Final fieldwork will begin in mid-April to June of each year (the District's preference of dates).

Delivery of the draft financial statements and Management Report no later than the Last week of June and delivery of the final reports to the District will be no later than the Board of Directors meeting in July of each fiscal year or earlier per the District's requirements.

In the table that follows, we provide a summary of our planned activities and their timing based on our understanding of District requirements:

| Timing | Activity (See Appendix A for more details) |
|--|--|
| Between January and March (TBD) | Provide Audit Plan Conduct audit entrance conference. 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 (if required). Communication with District's management about interim fieldwork status and any potential findings or issues. |
| Between Mid-April through June (TBD) | Commence audit fieldwork. Conduct audit exit conference, including discussion of draft AJE's and Management Letter comments (if any). |
| By June 30 th | Provide the preliminary draft of the financial statements and management report to the District for review. |
| By July (TBD) | Provide final reports to the District, including final financial statements and management reports. |
| By the District's July meeting date (TBD) | Deliver Final Opinions and then Present the Financials and audit results to the Board. |

TBD – To Be Determined. Based on Client requirements

Proposed Hours and Segmentation of the Audit

See our Cost Proposal for further information of the segmentation of the proposed audit process by hours and staffing.



Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA, CGMA
Andy Beck, CPA

Fedak & Brown LLP

Certified Public Accountants

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September 25, 2019

Ms. Veona Galbraith, Administrative Services Manager
Auburn Area Recreation and Park District
471 Maidu Drive, Suite 200
Auburn, CA 95603

Re: Request for Proposal for Annual Audit Services

Dear Ms. Galbraith:

Based on our understanding of the Auburn Area Recreation and Park District (District) requirements, our Maximum fee for annual audit services, State Controller's Report, and out-of-pocket expenses at our discounted rates for the fiscal year ending March 31, 2020 will be **\$18,900**. 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 all-inclusive maximum price for the fiscal years ending March 31, 202 through 2022, will be **\$19,320** and **\$19,740**, respectively.

Our estimate for out-of-pocket expenses may not be utilized in total to the amount estimated. Again, these fees are based on the estimated costs to complete the audit. The components of this audit services fee proposal and out-of-pocket costs for the fiscal years ending March 31, 2020 through 2022 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 Agency.

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

September 25, 2019

Date

Exhibit I – Proposed Hours and Our Fees

Proposed Hours and Our Fees

We anticipate that, for the fiscal years ending March 31, 2020 through 2022, the audit of the District will require approximately 150 audit hours. These hours, by major area, are summarized as follows:

| Financial Statement Audit Hours | | | | |
|--|----------------|----------------|--------------|--------------|
| Audit Steps | Partner | Manager | Staff | Total |
| Planning | 2 | 4 | 10 | 16 |
| Controls Testwork | 4 | 12 | 24 | 40 |
| Substantive Testwork | 6 | 12 | 44 | 62 |
| Reporting | 8 | 12 | 12 | 32 |
| | 20 | 40 | 90 | 150 |

As shown above, we expect approximately 40% of engagement hours to come from the Partners and Managers assigned to the engagements.

Working on the premise that we will be provided with all the documents listed per our audit requirements (will be provided prior to commencement of fieldwork), we expect to perform the audit of the District at fees as stated in the attached Schedule of Professional Fees on Page 3 for the fiscal year ending March 31, 2020 through 2022, 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 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 audit.

In accordance with your request for proposal, we will maintain our work papers for a minimum of seven years and make them available to the District, state agencies, the General Accounting Office, and other parties upon the direction of the District. We have provided a breakdown of our current hourly rates, which would apply to this engagement on the attached Schedule of Professional Fees by Hours on Page 4 of this cost proposal.

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 Boards 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 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 agencies, we will provide you with accounting updates (GASB) to assist 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

Aubrun Area Recreation and Park District

| Engagement Fees By Fiscal Years | Audit Service Fees* | State Controller's Report | Not-to-Exceed Estimate of Out of Pocket Costs** | Total Engagement |
|--|------------------------|---------------------------------|---|---------------------|
| Fiscal Year 2020 | \$ 15,800 | 600 | 2,500 | 18,900 |
| Fiscal Year 2021 | 16,220 | 600 | 2,500 | 19,320 |
| Fiscal Year 2022 | 16,640 | 600 | 2,500 | 19,740 |
| Total Three Year Contract Price | \$ 48,660 | 1,800 | 7,500 | 57,960 |

- * Professional fiscal audit services fees – labor only. Includes preparation of the Annual Financial Report.
- ** Estimate of out-of-pocket costs consist of: travel, mileage, postage and printing costs.

Exhibit III – Schedule of Professional Fees by Hours

| Auburn Area Recreation and Park District Fiscal Year 2020 | | | |
|--|--|--|--|
|--|--|--|--|

Breakdown of Fees by Hours

| | <u>Hours</u> | | <u>Hourly Rates</u> | | <u>Total</u> |
|---|--------------|----|---------------------|-----------|---------------|
| Fiscal Year 2020 Audit of: | | | | | |
| District's Annual Financial Report | | | | | |
| Partner - Engagement & Technical Manager | 20 | \$ | 150 | \$ | 3,000 |
| Supervisor/Staff | 40 | | 140 | | 5,600 |
| | 90 | | 80 | | 7,200 |
| Total Financial Statement Audit for 2020 | 150 | | | | 15,800 |
| State Controller's Report | 5 | | 120 | | 600 |
| Out-of-Pocket Expenses (Travel, Postage & Printing Costs) | | | | | 2,500 |
| Total Audit for 2020 | | | | \$ | 18,900 |

| Auburn Area Recreation and Park District Fiscal Year 2021 | | | |
|--|--|--|--|
|--|--|--|--|

Breakdown of Fees by Hours

| | <u>Hours</u> | | <u>Hourly Rates</u> | | <u>Total</u> |
|---|--------------|----|---------------------|-----------|---------------|
| Fiscal Year 2021 Audit of: | | | | | |
| District's Annual Financial Report | | | | | |
| Partner - Engagement & Technical Manager | 20 | \$ | 154 | \$ | 3,080 |
| Supervisor/Staff | 40 | | 144 | | 5,760 |
| | 90 | | 82 | | 7,380 |
| Total Financial Statement Audit for 2021 | 150 | | | | 16,220 |
| State Controller's Report | 5 | | 120 | | 600 |
| Out-of-Pocket Expenses (Travel, Postage & Printing Costs) | | | | | 2,500 |
| Total Audit for 2021 | | | | \$ | 19,320 |

| Auburn Area Recreation and Park District Fiscal Year 2022 | | | |
|--|--|--|--|
|--|--|--|--|

Breakdown of Fees by Hours

| | <u>Hours</u> | | <u>Hourly Rates</u> | | <u>Total</u> |
|---|--------------|----|---------------------|-----------|---------------|
| Fiscal Year 2022 Audit of: | | | | | |
| District's Annual Financial Report | | | | | |
| Partner - Engagement & Technical Manager | 20 | \$ | 158 | \$ | 3,160 |
| Supervisor/Staff | 40 | | 148 | | 5,920 |
| | 90 | | 84 | | 7,560 |
| Total Financial Statement Audit for 2022 | 150 | | | | 16,640 |
| State Controller's Report | 5 | | 120 | | 600 |
| Out-of-Pocket Expenses (Travel, Postage & Printing Costs) | | | | | 2,500 |
| Total Audit for 2022 | | | | \$ | 19,740 |

Fedak & Brown, LLP, did provide a full copy of an audit they did for the Desert Recreation District. In an effort to save paper, a copy of this audit may be requested.

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Stockton, CA 95202

ITEM: 4.8

DISCUSSION ITEMS:

1. Review of last five years of volunteer hours.
2. Fee Waiver Log.
2. County Mitigation Fund, current balance \$487,738.

Discussion Item #1. Cover Sheet - Five-Year History of Volunteer and Work Release Hours

Auburn Area Recreation and Park District (ARD) Standing Finance Committee October, 2019

Background

On September 18, 2019, Director Lynch requested a 5-year history of ARD's Volunteer hours by others.

The total average Volunteer hours are 6,892.6 annually.

ARD peaked with the highest volunteer hours in 2014-2015 with a total of 13,245.68, most of which came from a steady stream of work release workers.

ARD's lowest year was 2015-2016 with 2,570.5 hours reported for volunteers.

Volunteer and Work Release Hours

| <u>2014 - 2015</u> | <u>Hours</u> | |
|----------------------|-----------------|--|
| Youth Services | - | |
| Facilities & Grounds | 9,953.93 | |
| Recreation | <u>3,291.75</u> | |
| | | <u>13,245.68</u> Total Hours for YR '14 - '15 |
| <hr/> | | |
| <u>2015 - 2016</u> | | |
| Youth Services | - | |
| Facilities & Grounds | 2,457.00 | |
| Recreation | <u>113.50</u> | |
| | | <u>2,570.50</u> Total Hours for YR '15 - '16 |
| <hr/> | | |
| <u>2016 - 2017</u> | | |
| Youth Services | 62.42 | |
| Facilities & Grounds | 5,000.00 | |
| Recreation | <u>475.27</u> | |
| | | <u>5,537.69</u> Total Hours for YR '16 - '17 |
| <hr/> | | |
| <u>2017 - 2018</u> | | |
| Youth Services | 315.42 | |
| Facilities & Grounds | 6,792.00 | |
| Recreation | <u>895.83</u> | |
| | | <u>8,003.25</u> Total Hours for YR '17 - '18 |
| <hr/> | | |
| <u>2018 - 2019</u> | | |
| Youth Services | 52.30 | |
| Facilities & Grounds | 2,607.10 | |
| Recreation | <u>2,445.15</u> | |
| | | <u>5,104.55</u> Total Hours for YR '18 - '19 |

FEE WAIVER LOG

| DATE | NAME | ORGANIZATION | RENTAL FEES | CUSTODIAL AND PERMIT FEES | WAIVED FEES | CO-SPONSORED EVENT | MONTHLY TOTAL | YTD TOTAL |
|--------|----------------|--|-------------|---------------------------|-------------|--------------------|---------------|------------|
| Apr-19 | Jean Hixon | Western States Trail- Sierra Room | \$225.00 | \$30.00 | \$255.00 | No | | |
| Apr-19 | Thomas Eckert | Bureau of Reclamation-Sunset Room | \$540.00 | \$60.00 | \$600.00 | No | | |
| Apr-19 | Allison Harvey | Placer Hills Education Foundation-MV Picnic sites | \$225.00 | \$90 cstd \$30 alcohol | \$112.50 | No | | |
| Apr-19 | Diana Boyer | FATRAC- Conference Room at Rec. Park | \$75.00 | \$30.00 | \$105.00 | No | | |
| Apr-19 | Mike Mason | Kids First- Regional Picnic Sites | \$198.00 | \$30.00 | \$99.00 | No | | |
| Apr-19 | Linda LoBue | Sight Word Busters- Lakeside Room Celebrating K, 1st & 2nd students from Rock Creek School | \$176.00 | \$30.00 | \$156.40 | No | | |
| | | | | | | | \$1,329.90 | \$1,329.90 |
| May-19 | Jim Moore | Auburn Host Lions-Recreation Picnic sites | \$100.00 | \$80.00 | \$50.00 | No | | |
| | | | | | | | \$50.00 | \$1,379.90 |
| Jun-18 | Jean Hixon | Western States Trail Foundation-Sierra Room | \$202.50 | \$0.00 | \$202.50 | No | | |
| Jun-18 | Herb Grounds | Feed The Hungry of Auburn-Picnic areas Recreation Park | \$100.00 | \$60.00 | \$50.00 | No | | |
| Jun-18 | Chris Peilert | Freedom Church- Picnic 1 & 2 Regional Park | \$100.00 | \$60.00 | \$50.00 | No | | |
| | | | | | | | \$302.50 | \$1,682.40 |
| Jul-18 | Frida Diaz | Child Advocates of Placer County-Recreation Park Picnic site #1 | \$50.00 | \$30.00 | \$25.00 | No | | |
| Jul-18 | Jim Moore | Auburn Host Lions Club- Recreation Park picnic sites 1 and 2 | \$100.00 | \$60.00 | \$50.00 | No | | |
| Jul-18 | Bree Renz | Auburn Eck Center/CA Satsang Society- Lakeside Room | \$200.00 | \$30.00 | \$180.00 | No | | |
| | | | | | | | \$255.00 | \$1,937.40 |

