

## **AUDIT INFORMATION**

Subject **Fw: [CSDA-listserv] Audit**  
From Shelli Lamb <lamb@rcrd.org>  
To Rose Corona <rose.corona@teamrcd.org>  
Date 2016-07-29 15:56



Rose:

See information about AB 2613 below. This could be an option for TEAM RCD.

Shelli Lamb

Sent from my LG Optimus G Pro.

----- Original message-----

**From:** Dillon Gibbons  
**Date:** Fri, Jul 29, 2016 3:46 PM  
**To:** csda-listserv@mail-list.com;  
**Subject:** RE: [CSDA-listserv] Audit

James,

CSDA is currently sponsoring legislation to help reduce the costs of audits for smaller special districts. While this legislation won't be able to reduce your immediate costs, it will help districts with annual revenues under \$150,000 in the future. The legislation is AB 2613, authorizes additional alternatives to the annual audit requirements for special districts that both process their financial transactions through the county's financial system and have annual revenues below \$150,000, as follows:

- a) Upon unanimous request of the governing board of the special district and with unanimous approval of the board of supervisors, the district may replace the annual audit with an agreed-upon procedures engagement (AUP).
- b) Upon annual unanimous request of the governing board of the special district and with annual unanimous approval of the board of supervisors, the district may replace the annual audit with an annual financial compilation performed by the county auditor.

Both of these new options will reduce the time needed for auditors to perform, thereby reducing billable hours and lowering the overall costs of meeting the state's auditing requirements.

AB 2613 is anticipated to pass the Senate on Monday, and we hope it will make it to the Governor's desk and be signed by the end of August.

If you or anyone else has questions about this legislation, please feel free to give me a call or shoot me an email.

Sincerely,

Dillon Gibbons  
Legislative Representative  
California Special Districts Association  
1112 I Street, Suite 200  
Sacramento, CA 95814  
P: 916.442.7887  
C: 916.290.3741

F: 916.442.7889

Register now for the CSDA Annual Conference & Exhibitor Showcase  
October 10 - 13 in San Diego

A Proud California Special Districts Alliance Partner.  
California Special Districts Association  
Special District Risk Management Authority  
CSDA Finance Corporation

-----Original Message-----

From: [csda-listserv@mail-list.com](mailto:csda-listserv@mail-list.com) [<mailto:csda-listserv@mail-list.com>] On  
Behalf Of SSCVMD Sent: Friday, July 29, 2016 12:00 PM  
To: [csda-listserv@mail-list.com](mailto:csda-listserv@mail-list.com)  
Subject: RE: [CSDA-listserv] Audit

James,  
I'm with a small District too. I work for a Veterans Memorial District and if you measure it by parcels - we have 1 - the Veterans Memorial Building. So we're very small. We found ourselves in the same situation a few years back and an audit hadn't been done in a while. We had to do a 5-year audit to bring us up to date and then an annual audit moving forward. That 5-year audit cost \$7,000 in 2014 and we now pay \$5,000 for an annual audit, plus another \$500 to file the Financial Transaction Report to the state.

Best of luck. Hope this info helps.  
Christine West  
South Santa Clara Valley Memorial District

-----Original Message-----

From: [csda-listserv@mail-list.com](mailto:csda-listserv@mail-list.com) [<mailto:csda-listserv@mail-list.com>] On  
Behalf Of Garden Valley Ranch Sent: Thursday, July 28, 2016 3:29 PM To:  
[csda-listserv@mail-list.com](mailto:csda-listserv@mail-list.com) Subject: [CSDA-listserv] Audit

Good afternoon,

Truncated 499 characters in the previous message to save energy.

-----  
NOTE:

Click "REPLY" to send your response to the sender only. Please use this option for "me too", "I agree" or "please contact me directly" messages.

Click "REPLY ALL" to send your response to the entire list.

Sign your messages with your name, district name, and email address.

Post new message topics/questions to the list by sending it to [CSDA-listserv@mail-list.com](mailto:CSDA-listserv@mail-list.com).

[www.csda.net](http://www.csda.net) 1112 I Street, Suite 200 Sacramento, CA 95814 USA

To unsubscribe, switch to/from digest, get on/off vacation, or change your email address, click here.  
< <http://cgi.mail-list.com/u?ln=csda-listserv&nm=lamb%40rcrd.com> >

**PROPOSAL FOR PROFESSIONAL AUDIT SERVICES  
Elsinore-Murrieta-Anza  
Resource Conservation District**

**For the Fiscal Year Ending  
June 30, 2016**



***Respectfully Submitted by:***

**Jeff Nigro, CPA, CFE  
Nigro & Nigro, PC  
jnigro@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**

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NIGRO & NIGRO<sup>PC</sup>

A PROFESSIONAL ACCOUNTANCY CORPORATION

June 1, 2016

Carol Lee Brady  
EMARCD  
PO Box 2708  
Temecula, CA 92593-2078

Dear Ms. Brady:

Thank you for the opportunity to submit this proposal to provide auditing services for the EMARCD. Based on our history with the District, I believe our firm would continue to be a great fit and have 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.

A district's relationship with its audit firm can be a valuable one, and choosing a firm based on the lowest fee will not always guarantee that the best firm is selected. 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". We will be a resource to you throughout the year, and we will keep you informed on a regular basis, not just on the audit progress but other issues as well.

We are most proud of the fact that in the past year, most of our audit clients chose to renew their audit contracts with our firm - even those that were required to go out to bid. In some cases, we were selected even though we were the highest bid, but our clients recognized the value that they receive for the dollars that they spend.

I look forward to meeting with you to discuss our proposal and appreciate this opportunity to present our Firm for your consideration.

Sincerely,

Jeffrey Nigro, CPA, CFE  
Audit Services Partner

AICPA Governmental  
Audit Quality Center

## PROFILE OF THE PROPOSER

### Licensed 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.

### Statement of Independence

Our standards require that we be without bias with respect to your operations. The Firm is independent of EMARCD and its component units, as defined by auditing standards generally accepted in the United States of America and the U.S. General Accounting Office's "Governmental Auditing Standards".

### Size and Location of Offices

The firm was originally established in 1999, and for the next eleven years operated under the name of Nigro & White. In August 2010, the firm changed back to its original name of Nigro & Nigro and added a third partner. In 2013, we opened our second office in Northern California in order to better serve our growing client base in the San Francisco Bay Area. The Firm now has five partners and a professional staff of 19 accountants in its Murrieta office 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, but our focus is on governmental agencies just like you.

*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

### 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
Audit Manager	1	1
Audit Supervisor	3	3
Audit Senior	2	1
Audit Junior/Intern	6	-
Support Staff	4	-
<b>Total</b>	<b>21</b>	<b>10</b>

*\*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".*

## PROFILE OF THE PROPOSER (continued)

### Peer Review

Our firm's most recently issued peer review report can be found under the "Additional Documents" section of the proposal. We are proud to report that the peer review opinion is "Pass", which indicates that our firm complies with the stringent quality control standards set by the AICPA, the national professional organization of CPAs. As required by our membership in the Government Audit Quality Center (GAQC), the peer review included selection of a sample of governmental audit engagements.

### 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. All of our audit reports for the past three years have been accepted by the State Controller's Office. The Firm had one audit engagement selected for a federal quality control review by the U.S. Department of Education, who determined that our audit was performed in accordance with generally accepted auditing standards, Government Auditing Standards, and OMB Circular A-133.

## QUALIFICATIONS

### Importance of Certified Public Accountants (CPAs)

Approximately 30% of accountants in the State of California are CPAs. At Nigro & Nigro, our percentage is nearly double - 10 of our 17 accountants are CPAs. We understand that the CPA designation is a valuable credential for advancing a career in accounting and auditing. It demonstrates the in-depth knowledge of accounting principles and practices, including applicable laws and regulations. In addition, a CPA license is widely respected as a gauge of quantitative skills and high standards of professionalism.

An accountant cannot do the same work as a Certified Public Accountant, whereas a CPA can do all work of an accountant. A CPA is generally trusted more than an accountant in financial matters. Even if an accountant's views are valued, the last word is always from a Certified Public Accountant.



### 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.

## Jeffrey Nigro, CPA, CFE Partner

*"As the partner on the audit, I will make myself available to you at all times. Our commitment is to provide an outstanding customer service experience."*



Jeff has more than 25 years of experience auditing school districts, county offices of education and special districts. This experience, garnered from nine years with a major local audit firm and now as a founding partner at Nigro & Nigro since 1999, is in addition to his real world experience as a Fiscal Services Manager in a large unified school district. In addition to his extensive knowledge of school business and financial issues, Jeff has a passion for helping clients to establish and maintain sound anti-fraud programs and procedures.

### **Local Educational Agency Audits:**

Jeffrey Nigro was a Senior Audit Manager with a southern California CPA firm that specializes in K-12 audits for the first nine years of his career. He then moved to a school district fiscal management position to acquire hands-on experience before starting his own firm in 1999. Mr. Nigro is an expert in all aspects of governmental auditing and accounting, having worked on a variety of assignments and issues.

### **Consulting Services:**

Mr. Nigro has experience in a variety of governmental accounting issues, garnered from his public accounting experience and experience as a Fiscal Services Manager. He regularly consults with clients in areas of:

### **Training:**

- Accounting workshops and training
- Governmental accounting
- Fraud prevention and detection

### **Financial Reporting:**

- OMB Circular A-133 Audits
- Performance Audits
- Year-end closing procedures
- Cash flows
- Budget development and projections
- Multi-Year projections

### **Other Areas:**

- Anti-fraud program implementation
- Enrollment projections
- Asset safeguard and control
- CAFR development

### **Education:**

Bachelor of Business Administration, Accounting  
California State University, Fullerton, 1991

### **Licenses and Certifications:**

- Certified Public Accountant, California
- Certified Fraud Examiner
- School Business Management Certificate, California State University, Fullerton

### **Professional Affiliations:**

- California Association of School Business Officials (CASBO) Eastern Section, Associate Member
- Association of Certified Fraud Examiners

### **Continuing Education:**

- GFOA Annual Conference
- CASBO Annual Conference (past presenter)
- SSC Finance & Management Conferences
- ACSA School Business Academy (presenter)
- Government Accounting & Auditing Conference
- In-house training for audit staff (presenter)
- Annual CFE Fraud Conference

## Peter Glenn, CPA Manager

*"I enjoy being a significant contributor to the audit team. I bring a receptive, professional, and inquisitive approach to each job in addition to my sharp rapier wit!"*



Peter joined the firm in 2011 after nearly four years of previous public accounting and auditing experience. Peter will work under the general direction of the partner. Peter is our choice for new special district 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 LEAs, other governmental audits and agreed-upon procedure engagements. Prior to joining the firm, he worked for four years at another public accounting firm, developing his auditing skills. He has previously been the in-charge accountant for all of our special district 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:

### **Financial Reporting:**

- Year-end closing procedures
- Capital assets and depreciation schedules
- Long term debt schedules
- GASB standards implementation

### **Special District Accounting:**

- Internal controls
- Financial reporting & GASB 34
- Assistance with CAFR preparation
- Annual report of financial transactions

### **Other Governmental Agencies Recently Served:**

- Central Basin Municipal Water District
- EMARCD
- Riverside County Park & Open Space District

### **Education:**

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

### **Licenses and Certifications:**

- Certified Public Accountant, California

### **Professional Affiliations:**

- American Institute of Certified Public Accountants (AICPA)
- California Association of School Business Officials (CASBO) Eastern Section, Associate Member

### **Continuing Education:**

- School District Conference
- CASBO Annual Conference
- SSC Finance & Management Conferences
- Government Accounting & Auditing Conference
- In-house training for audit staff (presenter)

## Michael Klein, CPA, CMA, EA, CGMA Supervisor

*"I love building personal relationships with my clients that are based on trust and good rapport. I enjoy helping them navigate the challenges of accurately reporting past financial results & confidently projecting their financial future."*



Michael dedicates himself to serving the not-for-profit and local government community with issues related to governance and financial management. Having extensive experience volunteering and working with several of these organizations, Michael provides valuable insight to his clients, helping them navigate challenging economic times and understand the complex accounting rules applicable to not-for-profit organizations. A 2007 graduate of UC Berkeley, Michael pursued a career in public accounting and obtained his Certified Public Accountant and Certified Management Accountant designations to provide greater expertise and knowledge in the field.

### **Audit Services:**

Michael Klein began his auditing career with Nigro & Nigro in 2011, participating in audits of local government agencies, including charter schools, nonprofit organizations and agreed-upon procedure engagements. Michael has recently focused almost exclusively on charter and nonprofit organizations. His extensive background as an auditor brings valued insights to all his consulting engagements.

### **Consulting Services:**

Michael has experience in a variety of governmental, charter school and not-for-profit accounting, tax, and audit concerns, derived from his audit and consulting experience with those industries. He regularly consults with clients in the areas of:

### **Financial Reporting:**

- Preparation of interim reports, cash flow statements, and multi-year projections
- Consulting and training on year-end closing procedures and audit preparation
- Capital assets and depreciation schedules
- GASB and FASB
- Internal control studies and best practices
- Bank reconciliations
- Standardized Account Code Structure (SACS) classifications
- Not-for-Profit reporting standards

### **Other Areas:**

- State and Federal compliance
- Advanced QuickBooks knowledge
- Tax preparation
- Financial statements
- Other accounting needs
- Good governance practices
- Operational studies

### **Education:**

- Bachelor of Arts, Economics and Political Science, University of California, Berkeley, 2007

### **Licenses and Certifications:**

- Certified Public Accountant, California
- Certified Management Accountant, California
- Chartered Global Management Accountant, California
- Enrolled Agent, California

### **Professional Affiliations:**

- American Institute of Certified Public Accountants (AICPA)
- Institute of Management Accountants (IMA)

### **Continuing Education:**

- School District Conference
- CASBO Annual Conference
- SSC Finance & Management Conferences
- Government Accounting & Auditing Conference
- In-house training for audit staff (presenter)

**QUALIFICATIONS (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 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 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.***

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 (continued)

### References

We currently conduct nearly 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 list of three of the governmental clients we have audited within the past three years. Jeff Nigro was the engagement partner on each of the engagements listed.

**Elsinore-Murrieta-Anza Resource Conservation District**

PO Box 2078                      Rose Corona  
Temecula, California 92593      Project(s): Financial Statement Audits  
(951) 387-8992

**Pauma Valley Community Services District**

33129 Cole Grade Road              Mindy Houser  
Pauma Valley, California 92061      Project(s): Financial Statement Audits  
(760) 742-1909

**Mission Resource Conservation District**

1588 South Mission Road, Suite 100      Judith Mitchell  
Fallbrook, California 92028      Project(s): Financial Statement Audits  
(760) 728-1332

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.

## AUDIT APPROACH

### 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 suite 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.

## SPECIFIC AUDIT APPROACH (continued)

### Segmentation of Engagement (continued)

#### 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.

## OBJECTIVES, SCOPE AND TIMING

The Firm will perform the audit examinations of the financial statements of the Elsinore-Murrieta-Anza Resource Conservation District, including the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows for the year ended June 30, 2016. The audited financial statements of the District will be delivered to the Board of Directors no later than two weeks prior to the second regular meeting in October. The District will also be provided with a letter of reportable conditions, if any, with constructive comments relating to the system of internal controls of the District.

## ADDITIONAL INFORMATION

### Client Testimonial

"As Superintendent of Schools for California's fourth largest county, maintaining the fiscal integrity of our 23 local school districts as well as the Riverside County Office of Education is an extremely high priority-especially during this deep, protracted economic recession. Our organization depends on the high caliber professional accountancy services provided by *Nigro and Nigro*. Their staff are experts in the field of public education finance and accounting. They offer a wide range of services including from annual audits, customized professional development workshops, fraud investigation and fiscal analysis. I would highly recommend *Nigro and Nigro* for professional accountancy services."

*"I would highly  
recommend Nigro and  
Nigro for professional  
accountancy services."*

*Kenneth M. Young,  
Riverside County Superintendent of Schools*

### 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.



**FEES, HOURLY RATES, & ASSISTANCE REQUIRED OF DISTRICT STAFF**

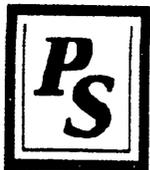
**Audit Fees**

<b>2015-16</b>			
<b>STAFF LEVEL</b>	<b>Hours</b>	<b>Standard Hourly Rates</b>	<b>Total</b>
Partner	16	\$ 180	\$ 2,880
Supervisor	40	\$ 110	\$ 4,400
Staff	24	\$ 75	\$ 1,800
<b>TOTAL AUDIT HOURS</b>	<b>80</b>		<b>\$ 9,080</b>
<i>Less: Discounted Fees (Client Loyalty Discount)</i>			<i>\$ (2,996)</i>
<i>Plus: State Controller's Financial Transaction Report</i>			<i>\$ 316</i>
<b>Total Proposed Audit Fees</b>			<b>\$ 6,400</b>
<b>2016-17</b>			
<b>STAFF LEVEL</b>	<b>Hours</b>	<b>Standard Hourly Rates</b>	<b>Total</b>
Partner	16	\$ 184	\$ 2,944
Supervisor	40	\$ 114	\$ 4,560
Staff	24	\$ 78	\$ 1,872
<b>TOTAL AUDIT HOURS</b>	<b>80</b>		<b>\$ 9,376</b>
<i>Less: Discounted Fees (Client Loyalty Discount)</i>			<i>\$ (3,094)</i>
<i>Plus: State Controller's Financial Transaction Report</i>			<i>\$ 318</i>
<b>Total Proposed Audit Fees</b>			<b>\$ 6,600</b>
<b>2017-18</b>			
<b>STAFF LEVEL</b>	<b>Hours</b>	<b>Standard Hourly Rates</b>	<b>Total</b>
Partner	16	\$ 187	\$ 2,992
Supervisor	40	\$ 117	\$ 4,680
Staff	24	\$ 82	\$ 1,968
<b>TOTAL AUDIT HOURS</b>	<b>80</b>		<b>\$ 9,640</b>
<i>Less: Discounted Fees (Client Loyalty Discount)</i>			<i>\$ (3,181)</i>
<i>Plus: State Controller's Financial Transaction Report</i>			<i>\$ 341</i>
<b>Total Proposed Audit Fees</b>			<b>\$ 6,800</b>

**Assistance Needed from Client**

We work hard to ensure that the District is notified in advance of our visits to prepare records. In general, we work with the District and acquire information from their financial system electronically. It is expected that the District will make its financial data available, including capital asset records, information on payables, receivable and federal financial aid information.

# **ADDITIONAL DOCUMENTS**



**P**OWELL & **S**PAFFORD, INC.  
CERTIFIED PUBLIC ACCOUNTANTS

Jesse C. Powell, CPA (I-1)  
Estrid E. Spafford, CPA

License Holder, California Certified Accountant  
Member, American Institute of Certified Public Accountants

## SYSTEM REVIEW REPORT

To the Owners of  
Nigro & Nigro, P.C.  
and the Peer Review Committee of the CalCPA Peer Review Program

We have reviewed the system of quality control for the accounting and auditing practice of Nigro & Nigro, P.C. (the firm) in effect for the year ended August 31, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*.

In our opinion, the system of quality control for the accounting and auditing practice of Nigro & Nigro, P.C. in effect for the year ended August 31, 2014, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Nigro & Nigro, P.C. has received a peer review rating of *pass*.

February 10, 2015

**Technical Proposal**  
**Independent Auditor Services for the**



**E.M.A.R.C.D.**

**Elsinore-Murrieta-Anza**  
**Resource Conservation District**

**Prepared by:**

**Fedak & Brown LLP**  
Certified Public Accountants  
6081 Orange Avenue  
Cypress, California 90630  
(657) 214-2307



**Contact Person:**

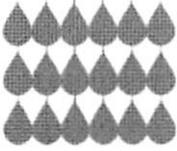
Christopher J. Brown, CPA, CGMA, Partner  
[chris@fedakbrownllp.com](mailto:chris@fedakbrownllp.com)

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

**Fedak & Brown LLP**  
Certified Public Accountants

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

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

May 23, 2016

Ms. Carol Lee Brady  
Elsinore-Murrieta-Anza  
Resource Conservation District  
P.O. Box 2708  
Temecula, California 92593

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

Dear Ms. Carol Lee Brady:

We appreciate the opportunity to submit our proposal to provide independent auditor services for the Elsinore-Murrieta-Anza Resource Conservation District (District) for the fiscal year ended June 30, 2016. In response to your inquiry of Fedak & Brown LLP (Firm), we have prepared a proposal that reflects our understanding of the District's audit requirements and demonstrates our capability and commitment to serve. We intend to demonstrate that our Firm is the right professional services firm for the District.

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

*Focused on the Special District Industry*

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

Our Firm currently audits approximately 60 special districts in the State of California including community service, airport, harbor, library, transit etc.; therefore, enabling our Firm to continuously be immersed throughout the year in the financial and operational issues of special districts like the Elsinore-Murrieta-Anza Resource Conservation District.

*Organized to Serve the District*

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

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

Ms. Carol Lee Brady  
Elsinore-Murrieta-Anza  
Resource Conservation District  
May 23, 2016  
Page 2

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

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

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

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

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

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

We look forward to hearing from you soon.

Cordially,

*Fedak & Brown LLP*

**FEDAK & BROWN LLP  
CERTIFIED PUBLIC ACCOUNTANTS**

# Requirements of the Annual Audit

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## Executive Summary

The purpose and scope of our audit will be to perform a financial and compliance audit of the District's basic financial statements and required supplemental schedule in accordance with generally accepted auditing standards, and the "Standards for Audits of Governmental Organizations, Programs, Activities and Functions," promulgated by the General Accounting Office (GAO) (the Yellow-Book - 2011 Revision), as of and for the fiscal year ended June 30, 2016. The audit will be comprised of the following elements:

1. **Audit of the District's Basic Financial Statements;**
2. **Preparation and submission of the District's Annual Financial Transactions Report; and**
3. **Preparation of the District's Management Reports**

### *Management Letter*

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

### *Audit Committee Letter and Meeting*

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

Also, Government Auditing Standards requires an additional reporting standard that auditors must follow. It requires the auditor to communicate his/her responsibility in a financial statement audit, including responsibilities for testing and reporting on internal controls and compliance with laws and regulations.

### *Other Needs*

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

## Firm Provided Affirmations

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- A. Fedak & Brown LLP affirms that the Firm is independent of the District, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States.
- B. Fedak & Brown LLP affirms that the Firm and all key professional staff are properly registered and licensed to practice in the State of California.
- C. Fedak & Brown LLP affirms that the Firm has in place and will provide the required insurance coverage and Accord insurance form to the District upon acceptance of the audit engagement.
- D. Fedak & Brown LLP affirms that it has the necessary experience to conduct high quality audits of local government and enterprise special districts in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
- 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 Agency 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. Our predecessor firm, Charles Z. Fedak & Company, CPAs – An Accountancy Corporation, has been through more than three peer reviews with satisfactory results. Additionally, our predecessor firm has never been censured or disciplined from the State Board of Accountancy.
- I. Fedak & Brown LLP affirms that it will allow the District or its designee access to pertinent District audit workpapers, 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 Official: \_\_\_\_\_  
Name: Christopher J. Brown, CPA, CGMA  
Title: Partner  
Firm: Fedak & Brown LLP  
Date: May 23, 2016

## Our Firm & Project Organization

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### *Identification of Proposer and Geographic Location to the District*

Fedak & Brown LLP, Certified Public Accountants, is celebrating over 35 years of client service with offices in Orange and Riverside Counties. Our Firm is a full service firm licensed to practice in the State of California, providing accounting, audit, and consulting services for governmental and commercial enterprises, as well as extensive tax planning for domestic and international entities. Our Governmental Services personnel are trained professionals with extensive experience in governmental accounting, auditing, and consulting services.

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

Our Firm is fully computerized in-house and utilizes portable computers on all audit engagements. We utilize CCH ProSystems *fx* Engagement @ Audit Software.

### *Project Organization*

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

## Other Services Offered

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

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

A target audit is usually comprised of the following actions:

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

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

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

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

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

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

## Peer Review

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### *Quality Control*

The Board of Directors of the District can measure the quality of the opinions expressed by Fedak & Brown LLP by evaluating the level of professional standards maintained by 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, are pleased to announce the successful completion of our most recent independent quality review of our accounting and auditing practice, which included a review of 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 unqualified 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.

**Marcia J. Hein, CPA**

3922 Cromborough Drive

Windsor, CO 80550

Phone: (970) 775-7332 e-mail: [marcia@mjh-cpa.com](mailto:marcia@mjh-cpa.com)

System Review Report

March 8, 2016

To the Partners  
Fedak & Brown LLP (fka Charles Z. Fedak & Co.)  
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 (fka Charles Z. Fedak & Co.) (the firm) in effect for the year ended September 30, 2015. My peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of my peer review, I considered reviews by regulatory entities, if applicable, in determining the nature and extent of my procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. My responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on my review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards*.

In my opinion, the system of quality control for the accounting and auditing practice of Fedak & Brown LLP (fka Charles Z. Fedak & Co.) in effect for the year ended September 30, 2015, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Fedak & Brown LLP (fka Charles Z. Fedak & Co.) has received a peer review rating of *pass*.

Marcia J. Hein, CPA

Marcia J. Hein, CPA

## Special District Clients Served

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

**The following is a listing of Special District Clients we have served by County**

### **Kern County**

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

### **Los Angeles County**

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

### **Santa Barbara County**

*Goleta Water District  
Montecito Water District  
Santa Maria Public Airport Authority  
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  
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  
Pomona Valley Protective Agency  
San Bernardino Valley Water Conservation District  
Victor Valley Wastewater Reclamation Authority  
Victor Valley Water District  
Victorville Water District  
Water Facilities Authority - JPA  
West Valley Mosquito and Vector Control District  
West Valley Water District*

### **San Diego County**

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

### **Ventura County**

*Oxnard Harbor District  
Pleasant Valley Recreation and Park District  
Saticoy Sanitary District  
Triunfo Sanitation District  
Ventura County Regional Energy Alliance  
Ventura County Resource Conservation District  
Ventura Regional Sanitation District*

### **Northern California/ Bay Area**

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

## Professional References of Similar Engagements

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### Experience and Technical Competence

We have prepared a listing of some of our governmental audit clients on the previous page. We believe that this listing exemplifies that we have significant experience in conducting high quality audits of local governments and enterprise special districts. The governmental audit team that we have assembled for the District may have conducted some of these audits over the past year. Our team has significant experience in auditing special district governmental agencies. Also, some members of our team, while working for other firms, have worked with clients that are or have electric power utilities – such as Metropolitan Water District.

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

- |                                                                                                                                                       |                                                                                                                                       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| 1. Mr. Carlos Corrales, Controller<br>Castaic Lake Water Agency<br>27234 Bouquet Canyon Road<br>Santa Clarita, CA 91350<br>(661) 297-1600 x 237       | Wholesale Water Agency &<br>Retail Water District<br>Annual Audit – CAFR<br>Engagement Partner: Chris Brown<br>Total Hours: 450 hours |
| 2. Mr. Ray Harton, Finance Manager<br>Monte Vista Water District<br>10575 Central Avenue<br>Montclair, CA 91763<br>(909) 624-0035 x 110               | Retail Water District<br>Annual Audit – CAFR<br>Engagement Partner: Chris Brown<br>Total Hours: 280 hours                             |
| 3. Mr. Darryl Barrow, General Manager<br>Westborough Water District<br>2263 Westborough Boulevard.<br>South San Francisco, CA 94080<br>(650) 589-1435 | Retail Water & Wastewater District<br>Annual Audit<br>Engagement Partner: Chris Brown<br>Total Hours: 140 hours                       |
| 4. Ms. Kathy Chang, Finance Manager<br>Scotts Valley Water District<br>2 Civic Center Drive<br>Scotts Valley, CA 95066<br>(831) 658-3241              | Retail Water District<br>Annual Audit<br>Engagement Partner: Chris Brown<br>Total Hours: 160 hours                                    |
| 5. Mrs. LeAnn Markham, Adm Serv. Mgr<br>Lake Hemet Municipal Water District<br>26385 Fairview Avenue<br>Hemet, CA 92544<br>(951) 658-3241 x 230       | Retail Water District<br>Annual Audit<br>Engagement Partner: Chris Brown<br>Total Hours: 180 hours                                    |

## Summary of Qualifications of Personnel

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### Our Firm's Staff

We have included resumes of our Firm's key employees including the partners, manager, and supervisors. All of our Firm's employees are licensed as Certified Public Accountants (CPA) in the State of California or in the process of attaining their license.

#### *Technical Partner*

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.

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.

#### *Engagement Partner*

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. Mr. Brown holds a Bachelor's Degree from California State University, San Bernardino. He has extensive experience in the areas of governmental financial reporting while working at a national firm and servicing our Firm's clients.

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

#### *Governmental Audit Manager*

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

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

#### *Governmental – Audit Supervisors*

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

Mr. Andy Beck – over eleven years of experience in accounting and auditing governmental entities, not-for-profit organizations, and employee benefit plans

Mr. Jeffrey J. Palmer – over ten years of experience in accounting and auditing governmental entities, not-for-profit organizations, and private industries

## Resumes of Key Personnel

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### CHARLES Z. FEDAK, CPA, MBA TECHNICAL REVIEW PARTNER

#### Education

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

#### Employment Record

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

#### Work Experience

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

#### Business Qualifications - Associations

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

#### Public Work

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

## Resumes of Key Personnel, continued

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

#### Education

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

#### Employment Record

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

#### Work Experience

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

#### Business Qualifications - Associations

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

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

## Resumes of Key Personnel, continued

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### JONATHAN P. ABADESCO, CPA AUDIT MANAGER

#### Education

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

#### Employment Record

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

#### Work Experience

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

#### Business Qualifications – Associations

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

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

## Resumes of Key Personnel, continued

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### ANDY BECK, CPA AUDIT SUPERVISOR

#### Education

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

#### Employment Record

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

#### Work Experience

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.

#### Business Qualifications

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

#### Continuing Professional Education

##### Governmental Accounting and Auditing Annual Update

- California Society of Municipal Finance Officers Annual Conference
- GASB Basic Financial Statements for State and Local Governments
- Pension Accounting and Financial Reporting: New Standards
- Single Audits: OMB Circular A-133 Annual Update

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.

## Resumes of Key Personnel, continued

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### JEFFREY PALMER AUDIT SUPERVISOR

#### Education

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

#### Employment Record

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

#### Work Experience

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

#### Business Qualifications – Associations

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

#### Continuing Professional Education

- Governmental Accounting and Auditing Annual Update
- California Society of Municipal Finance Officers Annual Conference
- GASB Basic Financial Statements for State and Local Governments
- Pension Accounting and Financial Reporting: New Standards
- Not-for-profit Organizations Annual Update
- Single Audits: OMB Circular A-133 Annual Update

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

## Our Specific Approach to your Audit

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### *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 client's schedules when scheduling segments of the audit or requesting documentation in order to minimize disruption during the audit process.
- We strive to utilize accounting support already prepared by our clients in order to avoid duplication or unnecessary requests for audit supporting schedules.
- We have developed an electronic audit-binder strategy that has worked well with our governmental clients to analyze audit supporting schedules that agree with the trial balance.
- Our staff is trained and familiar with government accounting and audit concepts, so you will see the difference in working with our professional staff.
- We audit various large and small governmental organizations, allowing us to consult with our clients on implementing various best-practices in their organizations.
- We believe constant communication is the most important part of the audit process; 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.

### *Electronic Audit*

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

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

### *Audit Planning and Interim Audit 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. We have developed a comprehensive, efficient planning process. We will begin the planning of the audit upon notification of award of the contract.

## Our Specific Approach to the Audit, continued

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### *Audit Planning and Interim Audit Testwork, continued*

Tasks to be accomplished during the planning phase include:

- Conducting an Audit Entrance Conference with the audit/finance committee and management to discuss the scope and timing of interim and final audit testwork, availability of the District's accounting staff, prior audit problems encountered, the extent of interim audit testwork to be performed, the establishment of an overall District liaison for the audit, and arrangements for workspace and other needs to conduct the audit testwork.
- Performing a "walkthrough" of major balance and transaction areas to determine if internal controls have been properly designed and implemented. In performing walkthroughs of the District's major balance and transaction areas, we will be obtaining an understanding of the District and its control environment.
- Reviewing minutes of the Board of Directors meetings to obtain information of the District's activities during the fiscal year and develop expectations in relevance to the District's financial information.
- Discussing the status of prior year's audit findings, if any.
- Inquiry and observation of District personnel in accordance with the audit requirements of SAS 99 – *Consideration of Fraud in Financial Statement Audit*.
- Completing an analytical view of the District's year-to-date financial information and the District's budget and related materials. *Analytical procedures* will be utilized in planning the audit which will focus on:
  - Enhancing our understanding of the District and the transactions and events that have occurred since the prior year audit; and
  - Identifying key areas and unusual items that may represent specific risks relevant to the audit (assessment of control risk).

In conjunction with our planning of the engagement, we will perform our *interim audit testwork*. After obtaining an understanding of the District's internal controls and evaluating their design and implementation, we need to determine their effectiveness.

Tasks to be accomplished during the interim audit testwork phase include tests of controls of audit areas where we have determined that the internal controls have been properly designed and implemented, and will prevent, detect and correct material misstatement on a timely manner.

At the conclusion of the audit planning and interim audit testwork phase, we will determine the audit risk for each audit area and customize our audit programs.

### *Final Audit Testwork*

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

Task to be performed during the final audit testwork phase include substantive testing of major account balances, unusual items, and other identified areas where a risk of material misstatement is present. Substantive procedures include confirmation, observation, recalculation and reperformance, inquire, inspection, and analysis.

## Our Specific Approach to the Audit, continued

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### *Audit Completion*

At the completion of the audit each year, we will meet with the District's management team to review our audit findings and any adjusting journal entries. We will communicate all deficiencies in controls which may assist the District in strengthening its internal control structure. Comments and recommendations relating to the accounting system will also be discussed and where appropriate be included in our management letter which will be issued at the conclusion of the examination.

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

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

- *External Factors* - affecting the District including the State and Federal regulatory environment and environmental requirements that affect the District.
- *Nature of the District's Business* - its operations, governance, types of investments it makes and plans to make, bonded indebtedness it has or plans to finance.
- *Strategies and Business Risks* - which may result in material misstatement of the financial statements as a whole, or individual assertions.
- *Measurement and Review of Financial Performance* - we will determine with management those indicators management believes to be important for day to day operations of the District.
- *Internal Controls* - which consists of five components
  - The Control Environment
  - Risk Assessment
  - Information and Communication
  - Control Activities and
  - Monitoring

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

### *Performing Risk Assessments and Other Procedures*

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

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

## Our Specific Approach to the Audit, continued

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### *Assessing the Risk of Material Misstatement*

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

- *Inherent Risk* — the risk that a material misstatement may exist in a relevant assertion due to fraud or error in the absence of internal controls.
- *Control Risk* — the risk that a material misstatement may exist in a relevant assertion due to the failure of internal controls to prevent, detect and correct a misstatement due to fraud or error.

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

### *Assessing Versus Testing Controls*

We will assess the District's controls by reviewing their design and observing that they have been implemented (that is placed in operation); however, based solely on our assessment, we would not necessarily have an adequate basis for considering that *control risk* is low (or even moderate). As part of our audit strategy we would consider further evidence of the effective operation of controls through *sufficient tests of controls* to reach that conclusion.

### *Financial Statement Level and the Assertion Level Risks*

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

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

### *Responding to Assessed Risks*

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

## Our Specific Approach to the Audit, continued

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### *Identification and Communication of Internal Control Matters*

The objective of our audit is to form an opinion on the District's financial statements taken as a whole. Our objective is not to identify deficiencies in internal 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 management and the Board of Directors of the District.

### *Audit Documentation*

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

### *Consideration of Laws and Regulations*

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

### *Communication with Management and the Board*

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

### *Written Communication*

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

The *Internal Control Letter* will communicate significant deficiencies and material weaknesses in internal controls noted during our evaluation of those controls. This letter will also contain our recommendations for any improvements in those controls, which might be needed.

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

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

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

## Our Specific Approach to the Audit, continued

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### *Written Communication, continued*

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

### *Other Assistance*

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

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

### *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 have no benefit for you unless it is applied. This application equates to time spent. We have developed an audit plan that we feel will accomplish the objectives of the District and meet your special needs.

In order to accomplish our audit objectives and meet your deadlines for delivery, the sequence and timing of our procedures are critical. Interim work is to be performed during the months of April through July (District preference) of each year; year-end fieldwork to begin in August of each year (District preference of dates), concluding no later than August 31<sup>st</sup> of each year; and delivery of the Final auditor's opinions on the financial statements and Management Letter no later than October 15<sup>th</sup> of each year or earlier per District requirements.

## Our Specific Approach to the Audit, continued

### *Timing of Our Procedures, continued*

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

Timing	Activity (See Appendix A for more details)
April - July (schedule meeting during this period)	Conduct audit entrance conference.
During April - July each year (1 day scheduled during this period at the District's convenience)	Perform preliminary procedures including: transition efforts, initial control assessments, minute and contract/major agreement review, major transaction review, conduct EDP review, final controls assessment, determination of specific audit procedures, provide finance department with audit plan and listing of audit schedules required, conduct progress conference with key Finance personnel. Complete test for Federal Awards.
During August (TBD) (1 working day during this period)	Commence audit fieldwork and execute detailed audit plan, conduct progress conference with key Finance personnel.
By September 30 <sup>th</sup>	Present drafts of the Annual Financial Report Opinions, Management Report, Other Letters and conduct an exit conference.
By October 10 <sup>th</sup>	Provide final recommendations, revisions and suggestions of the District Financials.
By October 15 <sup>th</sup>	Deliver Final Opinions and then present the Financials to Board.

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

Fiscal Year - 2016				
Audit Steps	Partner	Manager/ Supervisor	Staff	Total
Planning	1	2	1	4
Controls Testwork	2	2	7	11
Substantive Testwork	2	8	7	17
Reporting	3	4	1	8
	8	16	16	40

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

## Our Specific Approach to the Audit, continued

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### *Professional Education*

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

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

Based on our knowledge of the District we are not aware of and do not anticipate any audit issues or problems.

As previously mentioned, part of our approach is to actively look for opportunities where we can provide assistance towards accounting and operational issues. We will initiate rather than respond. If we believe a situation is developing, we will approach the District, offer to investigate and provide recommendations. If a formal project to address the problem is called for, we will define the approach, execute the assignment and follow through with implementation assistance.

The bottom line is Fedak & Brown LLP strives to be an integral part of the District's financial process. We seek to be partners with the District in financial reporting and continually looking to help define areas of improvement for the District's internal control processes.

**Cost Proposal**  
**Independent Auditor Services for the**



**E.M.A.R.C.D.**

**Elsinore-Murrieta-Anza**  
**Resource Conservation District**

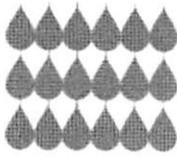
**Prepared by:**

**Fedak & Brown LLP**  
Certified Public Accountants  
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**Contact Person:**

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May 23, 2016

Ms. Carol Lee Brady  
Elsinore-Murrieta-Anza  
Resource Conservation District  
P.O. Box 2708  
Temecula, California 92593

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

Dear Ms. Carol Lee Brady:

Based on our understanding of the Elsinore-Murrieta-Anza Resource Conservation District's (District) requirements, our fee for audit services at our discounted rates for the fiscal year ending June 30, 2016 will be \$6,000. This fee is based on our understanding of the District's audit requirements.

Our estimate for out-of-pocket expenses is a separate estimate and may not be utilized in total to the amount estimated. The components of this audit services fee proposal and out-of-pocket costs for the fiscal year ending June 30, 2016 are itemized in the attached Exhibits.

Also, we have included the cost to prepare the State Controller's Report for the District. This cost is itemized in the attached Exhibits.

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

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

I am authorized to make representations for Fedak & Brown LLP, and am duly authorized to sign a contract with the Elsinore-Murrieta-Anza Resource Conservation District.

\_\_\_\_\_  
Christopher J Brown, CPA CGMA

May 23, 2016

\_\_\_\_\_  
Date

## Exhibit I – Proposed Hours and Our Fees

### Proposed Hours and Our Fees

We anticipate that, for the year ending June 30, 2016, the audit of the District will approximate 40 audit hours. These hours, by major area, are summarized as follows:

Audit Steps	Fiscal Year - 2016			
	Partner	Manager/ Supervisor	Staff	Total
Planning	1	2	1	4
Controls Testwork	2	2	7	11
Substantive Testwork	2	8	7	17
Reporting	3	4	1	8
	8	16	16	40

As shown above, we expect approximately 60% of the engagement hours to come from the Partners and Supervisor assigned to the District.

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

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

Based upon the present size and scope of the District's activities, 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. We have provided a breakdown of our current hourly rates applied to this engagement on the attached Schedule of Fees by Hours on page 4 of this cost proposal.

In accordance with your request for proposal and the Office of Management and Budget Circular A-128 and State requirements, we will maintain our work papers for at least 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 want the Board to understand that we will provide any assistance and answer any questions that the District's staff or members of the Board may have when they arise for the entire duration of our contract. We find it important to stay abreast of the District's activities and accounting issues during the entire engagement.

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

## Exhibit II – Schedule of Professional Fees

<u>Total Engagement Fees By Fiscal Year</u>	<u>Audit Service Fees*</u>	<u>Not-to-Exceed Out -of-Pocket Costs**</u>	<u>Preparation of State Controller's Report</u>	<u>Total Engagement</u>
Fiscal Year 2016	\$ <u>5,520</u>	<u>280</u>	<u>200</u>	<u>6,000</u>

\* Professional audit services fees – labor only.

\*\* Estimate of out-of-pocket costs consist of: travel, mileage, postage and printing costs – may not be fully utilized.

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

See our Schedule of Fees by Hours estimated per engagement on the following page.

## Exhibit III – Schedule of Fees By Hours

<b>FISCAL YEAR 2016</b>			
<b>Breakdown of Fees by Hours</b>			
	<u>Hours</u>	<u>Hourly Rates</u>	<u>Total</u>
<b>Fiscal Year 2016 Audit of:</b>			
District's Basic Financial Statements			
Partner - Engagement	6	\$ 200	\$ 1,200
Partner - Technical	2	200	400
Manager/Supervisor	16	150	2,400
Staff	16	95	1,520
<b>Total Financial Statement Audit for 2016</b>	<u>40</u>		<u>5,520</u>
<b>Out-of-Pocket Expenses (Travel, Postage &amp; Printing Costs)</b>			280
Preparation of the District's Annual State Controller's Report	<u>2</u>	\$ 100	<u>200</u>
<b>Total Maximum for 2016 Audit</b>			<u>\$ 6,000</u>