

## **Audit Services Proposal**



For the Fiscal Years Ended  
June 30, 2013  
(Option to Extend for 2014 and 2015)

### **Richardson & Company**

550 Howe Avenue, Suite 210  
Sacramento, California 95825  
Phone (916) 564-8727  
Fax (916) 564-8728

Contact Person:

**Ingrid Sheipline, Brian Nash or Joe Richardson**  
Isheipline, bnash or jrichardson@richardsoncpas.com

April 19, 2013

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April 19, 2013

## **Mountain House Community Services District**

Attn: Gay A. Giles, Finance Director  
230 S. Sterling Drive, Suite 100  
Mountain House, California 95391

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

### **OUR UNDERSTANDING OF THE SERVICES TO BE PERFORMED**

We will audit and express an opinion on the fair presentation of the Mountain House Community Services District financial statements in conformity with U.S. generally accepted accounting principles for the year ending June 30, 2013, with an option to extend for the years ended June 30, 2014 and 2015. The audits will be conducted in accordance with U.S. generally accepted auditing standards and the standards set forth for financial audits contained in *Government Auditing Standards (1994)* issued by the Comptroller General of the United States as revised. In conjunction with our audit, we will also issue a report on internal controls and compliance, a management report and auditor's communication letter.

### **OUR COMMITMENT TO PERFORM TIMELY SERVICES**

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

You have indicated that our draft reports for the audits shall be available for review no later than November 1. To ensure meeting these reporting deadlines, we will begin our preliminary planning and perform tests of controls in the May/June timeframe. We will provide the District with an audit plan, including list of schedules and other work requested no later than May 31. We will plan to commence fieldwork in mid to late September, or at such time as the books have been closed and all documents and analyses have been completed. We will ensure final copies of the reports are available for the December 11 Board of Directors meeting. We will provide the District with the priority and timely service it deserves.

## **OUR EXTENSIVE EXPERIENCE WITH LOCAL GOVERNMENTS**

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

## **LOCAL EXPERIENCED PERSONNEL**

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

## **OUR PROFILE AND COMMITMENT TO QUALITY**

Richardson & Company is a regional certified public accounting firm established in 1991 and located in Sacramento. We have a staff of twenty-two, including sixteen CPAs. We are the fourteenth largest accounting firm operating in the Sacramento area. We provide audit, accounting, tax and business advisory services to numerous entities, including governmental entities, nonprofits, financial institutions, SEC registrants, real estate partnerships, a magazine circulation audit, the largest water district in the world located in Los Angeles and other clients primarily located in northern California. During the past five years, we have performed 64 public agency audits.

We are a member of the Center for Audit Quality of the American Institute of Certified Public Accountants (AICPA) and participate in the AICPA National Peer Review Program. We are

registered with the Public Company Accounting Oversight Board (PCAOB) created by the Sarbanes-Oxley Act to inspect firms that audit SEC registrants. All firms that join the Center for Audit Quality agree to adhere to published quality control standards and submit to peer reviews and PCAOB inspections of their practice every three years. We have passed all eight peer reviews and both PCAOB inspections of our practice.

\* \* \* \* \*

Once again, we would like to thank you for the opportunity to discuss our services, present our qualifications, and submit our proposal to serve as independent auditors for the District. For the preceding reasons and many others as outlined in this proposal, we are exceptionally well qualified to provide the District with outstanding services. The proposal is a firm and irrevocable offer for a minimum of 60 days.

If you have questions, please contact Ms. Ingrid Sheipline, Director of Audit Services, Brian Nash, Director of Audit Services, or me by telephone (916) 564-8727, fax (916) 564-8728, correspondence addressed to 550 Howe Avenue, Suite 210, Sacramento, California 95825 or email sent to [isheipline](mailto:isheipline), [bnash](mailto:bnash) or [jrichardson@richardsoncpas.com](mailto:jrichardson@richardsoncpas.com).

Very truly yours,

RICHARDSON & COMPANY



Joe R. Richardson, CPA

## FIRM QUALIFICATIONS AND EXPERIENCE

### License to Practice in California

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

### Independence

The firm is independent of the District as defined by generally accepted auditing standards and U.S. General Accounting Office's *Government Auditing Standards* (1994 addition, with all subsequent amendments). The firm has no conflict of interest related to the District and has not entered into any professional relationships with the District. If we were to enter into such agreements during the period of this agreement, we would notify you in writing.

### Insurance Requirements

We maintain professional liability, worker's compensation, commercial general liability and bodily injury, automobile liability and property damage insurance coverage with at least at the levels required by the District and in some cases higher.

### Firm Profile and Experience

Introduction to Our Firm: Richardson & Company is a regional CPA firm founded in 1991 and located in Sacramento. We have a total staff of twenty-two, including sixteen CPAs, all of which are involved in governmental audits. We are the fourteenth largest firm operating in the Sacramento area. We provide audit, accounting, tax and business advisory services to numerous governmental, commercial and nonprofit entities, including the largest water district in the world located in Los Angeles and other organizations primarily located in the Sacramento and San Francisco-Oakland bay areas and as far north as Eureka, California and south as Whittier, California.

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

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

- We conduct the audits of the basic financial statements of numerous special districts, including water and fire districts, as well as a number of cities, which provide services similar to these of the District. Our experience performing these audits of basic and special purpose governmental financial statements has made us thoroughly familiar with

the application of generally accepted governmental accounting principles. These specific agencies are listed in the References section of this proposal.

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

In addition, our key team members have gained extensive governmental accounting and auditing experience in their previous positions with Ernst & Young LLP, including the following:

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

Staffing: We anticipate the total number of employees assigned to the District's audit on a full-time basis to be five, including the audit director, senior manager, manager, and up to two senior or staff accountants. No part-time or subcontracted staff will be utilized. We are not proposing as a joint venture or consortium. Joe Richardson, Principal; Ingrid Shepline, Director of Audit Services; or Brian Nash, Audit Director, are authorized to answer questions and to bind the firm. Their contact information is on the title page of this proposal.

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

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

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

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

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

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



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

Federal/State Reviews: Our firm has not been the subject of any federal or state desk or field reviews of its audits during the past three years or ever. The firm is not currently or has not previously been the subject of any disciplinary actions.

## **PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS AND EXPERIENCE**

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

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

### Brian Nash, CPA (Engagement Audit Director or "Partner" Equivalent)

Brian, an audit director with our firm, would have overall responsibility for planning, directing and coordinating our services for you. Since significant and timely project manager involvement is a cornerstone of our quality control procedures, he will be involved in all phases of our audit work from initial planning through report preparation. He has nineteen years of professional accounting and auditing experience and has provided services to a variety of clients, including most of the special districts, cities, nonprofits, banks, water agencies and other entities described in the preceding sections of this proposal. Brian received a Bachelor of Science degree in accounting with honors from California State University, Sacramento. He is a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants.

### Ingrid M. Shepline, CPA (Audit Director and Concurring Reviewer)

Ingrid serves as our Director of Audit Services and would serve as a second, additional or concurring reviewer. Formerly an audit manager with Ernst & Young LLP, she is a Certified Public Accountant with twenty-eight years of experience. Ingrid has supervised and conducted the fieldwork for a variety of clients including special districts, cities, nonprofit organizations, banks, insurance agencies, manufacturers and distributors. While with Ernst & Young LLP, she specialized in governmental entities and grant compliance auditing, and has attended or taught numerous governmental education seminars. She is currently serving or has served almost all of the previously mentioned governmental entities.

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

Joe R. Richardson, CPA, MBA (Firm Managing CPA)

Joe is the firm's managing CPA and would have overall responsibility for our services for you and to ensure we have sufficient staffing and other resources. He is a Certified Public Accountant with over thirty years of professional accounting and auditing experience, including twelve years as a senior audit manager with Ernst & Young LLP. He has provided services to a wide variety of clients, including governmental entities (city, county, state and special districts), water utilities, nonprofit organizations, banks, manufacturers, distributors, cooperatives, real estate and construction. He has served or is currently serving all of the previously mentioned cities and governmental entities.

Joe has also been the controller of a large association, taught several auditing courses, participated in the quality review of a national firm office, performed peer and quality reviews of other local firms and has provided a wide variety of business advisory services covering such areas as budgeting, cash management, cost allocation and computerized accounting systems. He has also attended a number of courses related to governmental and nonprofit accounting and auditing.

David Chiaravalloti, CPA (Audit Senior Manager)

David, a senior audit manager with our firm, will organize, conduct, review and evaluate field work and will be responsible for the planning and report preparation and review under the direction of Brian. He has extensive experience auditing cities and other governmental entities with Richardson & Company and another CPA firm. He has eighteen years of professional experience, including ten years with our firm. David received a Bachelor of Science degree in accounting from California State University, Sacramento.

Richard Jones, CPA (Audit Manager)

Rick, a Certified Public Accountant, and a senior manager with our firm, will work closely with Brian and David in planning, conducting fieldwork, report preparation and workpaper review. He has extensive experience auditing governmental entities for the past eight years. He has thirty-six years of professional experience, including over eight years with our firm. Rick's experience includes twenty-four years with the U. S. Air Force, where he retired with the rank of Lt. Colonel. His experience included twelve years of operational flying as a navigator and program management of weapon systems programs. He also spent six years as a contractor with the U. S. Air Force performing program management and financial responsibilities for communication systems programs.

Rick received a Bachelor of Arts degree in economics from the University of Massachusetts and a masters' degree from Troy State University and the Air Force Institute of Technology.

Eric Swensen (Audit Manager)

Eric Swensen is a manager with our firm and will work with David and Rick with planning, conducting fieldwork and report preparation. Eric has over five years of experience providing accounting and auditing services to government, nonprofit, and financial services industry clients, including a number of special districts. Eric has a Bachelor of Science from DeVry University.

### Daniel Wright, CPA (Senior Auditor)

Daniel Wright, a Certified Public Accountant and senior auditor with our firm, will work with David and Rick planning, conducting fieldwork and report preparation. He has two years in public accounting, during which he has performed numerous financial statement audit engagements in conformity with generally accepted auditing standards and government auditing standards. He currently provides accounting and auditing services to special districts, cities, non-profits, financial institutions and other clients. Daniel has a Bachelor of Science in Accounting from Loyola Marymount University, Los Angeles.

### Staffing Continuity

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

Our ability to provide staffing continuity is demonstrated by the fact Joe Richardson and Ingrid Sheipline have worked together since the firm's inception twenty-two years ago and five years prior to that while with Ernst & Young LLP. Brian Nash has been with our firm for nineteen years. Seven of our managers and directors have worked with Joe, Brian and Ingrid for the past seven to twenty years. Of the remaining twelve staff members, three have been with our firm from five to eight years. We have consistently demonstrated our firm's ability to recruit, train and maintain a quality staff as evidenced by our excellent peer review results for the past twenty-two years and our ability to consistently attract and serve quality clients.

We will strive to maintain continuity of staff as long as the individuals are employed by the firm but should there be a need to replace a key staff member, the District will have the right to approve or reject the replacement. Changes to other audit personnel will be with individuals with substantially the same or better qualifications or experience. We can ensure quality audit services even if there is staff turnover because we have senior level staff work on-site for the duration of the audit, providing assistance and supervision to junior staff. The District would be a priority client of the firm and we would ensure we provide the District with experienced staff members in all aspects of the audit, including on-site fieldwork.

### Governmental Continuing Professional Education

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

significant issues relating to governmental accounting standards and grant compliance presented by top government experts from throughout the country. We also provide internally developed classes addressing current accounting and auditing issues pertinent to our clients. Topics of these courses attended by each of the staff above over the past three years have included the following:

Annual Governmental Accounting and Auditing Conference	Communicating Internal Control in Government Audits
Audit Documentation	GASB, New Standards
Post-employment Benefits	Detecting Fraud: SAS 99 and the Public Sector
Dealing with Restricted Net Assets	Financial Reporting – New Guidance New Initiative
Single Audit Quality: More Deficiencies	Government Fraud: Profiling & Prevention
Audit Risk Assessment Standards	New Guidance: From Intangibles to Real Property
New Guidance: From Derivatives to OPEB	Communicating Internal Control - How to Implement SAS No. 115
Fraud: Exposures and Solutions	Capital Punishment: The State Budget and Legislation Outlook for Local Government
GASB Update - GASB 51, and GASBs 53 through 62	GASB 54 - Implementation Issues for Preparers and Auditors
The Reporting Model - Revisiting GASB 34	Single Audits - What practioners Should Know
Audit Issues/Compliance Update	State of Pension Accounting and Financial Reporting Standards
Governmental Legal Update	Yellow Book update on Independence, Conceptual Framework, CPE and Fraud
GASB update - new pronouncements, exposure drafts and work in progress including GASB 57 to 66	
State and Local Government update on Legislation	
What you need to know about the Brave New (and old) World of Redevelopment Agencies	

## SPECIFIC AUDIT APPROACH

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

### Scope of Services

We understand that the District requires an audit of its basic financial statements for the fiscal year ended June 30, 2013 with an option to extend for 2014 and 2015, including all procedures necessary for the issuance of an opinion regarding the fairness of the presentation of the financial statements in conformity with U.S. generally accepted accounting principles. The audits will be conducted in accordance with U.S. generally accepted auditing standards, the standards set forth for financial audits contained in *Government Auditing Standards (1994)* issued by the Comptroller General of the United States as revised, and the Minimum Audit Requirements and Reporting Guide for California Special Districts as required by the State Controller's Office. These services will include the following:

1. Perform an audit in accordance with generally accepted auditing standards and *Government Auditing Standards* of the basic financial statements of the District, related disclosures and supplementary information consistent with generally accepted accounting principles for governmental agencies.
2. Express an opinion on the financial statements as to whether they present fairly, in all material aspects, the financial position of the District and the changes in financial position in conformity with generally accepted accounting principles (GAAP), and issue an independent auditor's report stating this opinion.
3. Test internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, in accordance with *Government Auditing Standards*, and issue a report on their consideration.
4. Apply limited audit procedures to Management's Discussion and Analysis (MD&A) and required supplementary information, including budgetary comparison information.
5. Prepare Report to Board of Directors and Management which identifies control deficiencies, significant deficiencies and material weaknesses, if any, and our recommendations for improvements in accounting and administrative controls.
6. Present and discuss annual financial statement and results of operations to the Board of Directors during its December meeting.
7. Make an immediate, written report of all illegal acts of which we become aware to the General Manager.
8. Provide general consultation as required, during the year, on financial accounting and reporting matters.
9. Retain audit workpapers for at least three (3) years.



## **Audit Approach**

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

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

In order to familiarize ourselves with the District's accounting processes, including internal controls that are in place, we will provide the District with a list of questions, and will meet with District personnel to discuss them. We will also determine the provisions of any and all federal and state and county orders; statutes; ordinances; charters; bond covenants; administrative code or other rules and regulations that have a significant financial impact on the District. We will review organization charts and any accounting procedures manuals to obtain an understanding of the District.

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

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

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

We provide our clients with a detailed list of items needed during the audit well in advance to allow for sufficient time to gather the information. This approach minimizes disruption to District staff during the course of the audit. A sample list is included in this proposal starting on page 26.

Program Execution: During this stage of our audit, we will perform the tests of transactions processed through the accounting system, direct tests of account balances and tests of compliance with laws, regulations and contracts. We plan to use either random or systematic sample selection methods to perform such tests. We will utilize analytical procedures in all areas of the audit, especially revenues and expenses. We will perform all requested tasks as one integrated engagement and will schedule the timing of our field work so that there will be minimal disruption of the day-to-day operations. We will perform testing of internal controls in the areas of cash receipts, cash disbursements and payroll, with sample sizes ranging from 5 to 40 items, which will depend on the size of the population. We will select our samples randomly from number sequences or other documents provided by the District. This work will be performed at an interim date and will take approximately two days to complete.

We will perform analytical procedures to assist us in identifying areas of risk for which substantive procedures will be performed. However, we believe analytical procedures alone will not identify all potential significant misstatements and will detail test certain balance sheet and income statement accounts that our experience has shown are frequently misstated, such as certain receivables and subsequent payments that may need to be accrued as liabilities. This analytical and substantive testing will be performed after year-end and will take approximately three days to complete. The standard turnaround time from end of fieldwork through audit report issuance is approximately 30 to 60 days; however, we will prioritize the completion of the audit and issuance of the report to ensure we meet the District's timetable and expectations. We will utilize computer software during the engagement, including during the on-site fieldwork, for all workpaper preparation and for developing the lead schedules and trend analysis reports used in the audit process.

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



## Work Plan

Task	Timing	Estimated Hours				Total
		Principal/ Director	Senior Manager	Managers	Senior/ Staff	
<b>Audit Planning:</b>						
Begin audit planning process Internal control/systems documentation and evaluation	May/June	5	8	10		23
Develop audit programs Prepare audit assistance package and confirmation letters						
Risk assessment						
<b>Compliance and Internal Control Testing:</b>						
Tests of transactions for cash receipts, disbursements, payroll	June/July	4	16	16	16	52
Tests of compliance with laws, regulations and contracts						
<b>Substantive Testing:</b>						
Cash and investments	September	13	28	66	36	143
Revenue and receivables						
Payroll and related liabilities						
Expenses for goods and services and related liabilities						
Capital assets						
Debt and debt service expenditures						
Equity and other credits						
<b>Reporting and Wrap-up:</b>						
Delivery of draft reports	No later than November 1	8	8	8	8	32
Delivery of final reports	Early December					
Meet with Board of Directors	December 11					
Total Annual Audit Hours		<u>30</u>	<u>60</u>	<u>100</u>	<u>60</u>	<u>250</u>

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

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

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

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

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

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

Less disruption to the District--Our audit plan will result in the most effective and efficient combination of internal control and account balance testing. We have many of the District's contracts, debt agreements and other significant agreements from past audits as well as an understanding of important audit issues due to our experience with the District. This will eliminate duplicate procedures and unnecessary tasks, minimizing the necessary number of auditors and, consequently, result in less disruption of District personnel.

### **Anticipated Potential Audit Problems**

The District requested in the RFP that we identify and describe any anticipated potential problems with the audit, the Firm's approach to resolving these problems and specific assistance that may be requested from the District. Based on our review of the financial statements, we do not anticipate any audit problems. If issues are noted during the audit process, we will bring them to the attention of the Finance Department Director immediately to allow time to address the issue and still meet the District's deadlines. Because we have more experienced staff in the field than most firms, issues are identified more promptly than in most other firms.

## REFERENCES

Key personnel in our firm began their careers with Ernst & Young LLP serving governmental entities and other clients. Since leaving the international CPA firm of Ernst & Young LLP, Joe Richardson, Ingrid Sheipline and their team have built a practice oriented toward providing services equal in caliber to those provided by firms operating on a national level. Many of our present and past clients are former national-firm clients and include the following governmental organizations that we have served during the past three years:

### Special Districts (ranked based on hours incurred)

- Funds and accounts of the California Department of Water Resources on behalf of the Metropolitan Water District of Southern California, including special analyses and projects related to its contract with the State
- Sacramento Metropolitan Fire District (audit of basic financial statements (BFS), federal grant compliance auditing under the Single Audit Act and other special work)
- El Dorado Irrigation District (audit of BFS, an award-winning Comprehensive Annual Financial Report (CAFR) and single audit)
- Florin Resource Conservation District (audit of BFS and CAFR)
- Oakdale Irrigation District (audit of BFS and CAFR)
- Merced Irrigation District (audit of BFS and preparation of the State Controller's Report)
- Cosumnes (formerly Elk Grove) Community Services District (audit of BFS and an award-winning CAFR)
- Sacramento Public Library Authority (audit of BFS)
- South San Joaquin Irrigation District (audit of BFS and federal grant compliance auditing under the Single Audit Act)
- South Feather Water and Power (audit of BFS)
- Tuolumne Utilities District (audit of BFS)
- Sacramento Suburban Water District (audit of BFS and other special work)
- Yolo County Transportation District (audit of BFS and federal grant compliance auditing under the Single Audit Act)
- Tri-Dam Project and the Tri-Dam Power Authority (audit of BFS and preparation of the State Controller's Report)
- Fair Oaks Water District (audit of BFS, award-winning CAFR and other special work)
- Sacramento Transportation Authority (audit of BFS and an award-winning CAFR)
- Sacramento Regional Fire/EMS Communication System (audit of BFS)
- Carmichael Water District (audit of BFS and preparation of the State Controller's Report)
- Rio Linda/Elverta Community Water District (audit of BFS)
- Paratransit (audit of BFS includes federal and other governmental grant compliance auditing)

- El Dorado County Transit Authority (audit of BFS and federal grant compliance auditing under the Single Audit Act)
- Transport System of the University of California at Davis (audit of BFS, preparation of the State Controller's Report and federal grant compliance auditing under the Single Audit Act)
- Citrus Heights Water District (audit of BFS and preparation of the State Controller's Report)
- Yuba-Sutter Transit Authority (audit of BFS and federal grant compliance auditing under the Single Audit Act)
- Yolo-Solano Air Quality Management District (audit of BFS)
- American River Flood Control District (audit of BFS)
- Calaveras Council of Governments (audit of BFS)
- Calaveras Transit (audit of BFS)
- El Dorado County Transportation Commission (audit of BFS and preparation of the State Controller's Report)
- Sacramento Area Council of Governments Local Transportation Funds of the Counties of Sacramento, Sutter, Yolo and Yuba and Sacramento County State Transit Assistance Fund (compliance auditing)
- Association of California Healthcare Districts - The Alpha Fund (workers compensation risk pool for rural hospitals) (audit of BFS and State Controller's Report)
- Regional Water Authority (audit of BFS)
- Sacramento Groundwater Authority (audit of BFS)
- State Water Project Contractors Authority (audit of BFS and preparation of the State Controller's Report)
- Yolo County Local Agency Formation Commission (audit of BFS)
- Wilton Fire Protection District (audit of BFS)
- Pacific Fruitridge Fire Protection District (audit of BFS)
- Courtland Fire Protection District (audit of BFS and federal grant compliance auditing under the Single Audit Act)
- South Yuba Water District (audit of BFS and preparation of the State Controller's Report)

Cities (ranked based on hours incurred)

- City of Elk Grove (audit of BFS, award-winning CAFR, Transportation Development Act Fund, Gann Limit and federal grant compliance auditing under the Single Audit Act)
- City of Chico (audit of basic financial statements (BFS), award-winning Comprehensive Annual Financial Report (CAFR), Redevelopment Agency, Public Financing Authority, Joint Powers Authority, Gann Limit and federal grant compliance auditing under the Single Audit Act)

- City of Lincoln (audit of BFS, Gann Limit, Redevelopment Agency and federal grant compliance auditing under the Single Audit Act)
- City of American Canyon and American Canyon Fire District (audit of BFS, Gann Limit and CAFR)
- City of Citrus Heights (audit of BFS, award-winning CAFR, Transportation Development Act Fund, Gann Limit and federal grant compliance auditing under the Single Audit Act)
- City of Sutter Creek (audit of BFS and Gann Limit)
- City of Colfax (audit of BFS and federal grant compliance auditing under the Single Audit Act)
- Cities of Folsom, Rancho Cordova, Galt, Isleton, Sacramento, Davis, Live Oak, Yuba City, Marysville, Wheatland, West Sacramento, Winters and Woodland Transportation Development Act Funds (compliance auditing)
- El Dorado County and City of Placerville Transportation Development Act Funds (compliance auditing)

In addition, we have previously provided auditing services to the following governmental organizations (more than three years ago):

- City of West Sacramento (audit of BFS, award-winning CAFR, Transportation Development Act Fund, Redevelopment Agency and federal grant compliance auditing under the Single Audit Act)
- City of Dixon (audit of BFS, CAFR, Redevelopment Agency, Public Financing Authority, Transportation Development Act Fund and federal grant compliance auditing under the Single Audit Act)
- City of Folsom (audit of BFS, Redevelopment Agency and an award-winning CAFR)
- City of Rocklin (audit of BFS, Redevelopment Agency and Public Financing Authority)
- City of Marysville (audit of BFS, Transportation Development Act Fund, Community Development Agency, Levee District and federal grant compliance auditing under the Single Audit Act)
- Cosumnes (formerly Elk Grove) Community Services District (audit of BFS and an award-winning CAFR)
- City of Biggs (audit of BFS)
- City of Colusa (audit of BFS and federal grant compliance auditing under the Single Audit Act)
- City of Rancho Cordova (audit of BFS, CAFR and preparation of the State Controller's Report)
- Town of Loomis (audit of BFS)
- San Juan Water District (audit of BFS, award-winning CAFR and the State Controller's Report)
- Solano County Water Agency (audit of BFS and the State Controller's Report)
- Yuba County Water Agency (audit of BFS)

- South Sutter Water District (audit of BFS)
- Colusa Indian Community Council (audit of BFS and federal grant compliance auditing under the Single Audit Act)
- United Auburn Indian Council (audit of BFS)
- California State Assistance Fund for Enterprise, Business and Industrial Development (audit of BFS and federal grant compliance auditing under the Single Audit Act)
- San Joaquin Council of Governments (audit of BFS, award-winning CAFR and federal grant compliance under the Single Audit Act)
- Cities of Escalon, Lodi, Manteca, Lathrop, Ripon and Tracy and County of San Joaquin Transportation Development Act Funds (compliance auditing)
- San Joaquin County Local Transportation Fund and State Transit Assistance Fund (compliance auditing)
- San Joaquin Regional Transit District (compliance auditing)
- Cities of Manteca, Lathrop, Tracy, Lodi and Ripon Transit Systems (compliance auditing)
- Funds and accounts of the U.S. Bureau of Reclamation (USBR) on behalf of the Central Valley Project Water Association and various water districts including Santa Clara Valley Water District, East Bay Municipal Utility District, Contra Costa Water District, Sacramento Municipal Utility District and Placer County Water Agency

We have emphasized throughout our proposal that Richardson & Company provides quality service. Please contact any of these references to confirm our ability to provide the type of service you are seeking.

Name of referenced entity:	South San Joaquin Irrigation District
Name of client contact and title and phone number:	Bere Lindley, Finance (209) 249-4681 <a href="mailto:blindly@ssjid.com">blindly@ssjid.com</a>
Engagement Director:	Brian Nash
Total hours:	390
Services Performed:	Audit of the financials in accordance with generally accepted auditing standards, <i>Governmental Auditing Standards</i> and a single audit.
Completion dates:	Audits completed for the years ended December 31, 2011 and 2012

\* \* \* \* \*

Name of referenced entity:	Tri-Dam Project and Power Authority
Name of client contact and title and phone number:	Rick Dodge, Finance Manager (209) 965-3996, ext. 120 <a href="mailto:rdodge@tridamproject.com">rdodge@tridamproject.com</a>
Engagement Director:	Brian Nash

Total hours: 243  
Services Performed: Audit of the financials in accordance with generally accepted auditing standards and *Governmental Auditing Standards*.  
Completion dates: Audits completed for the years ended December 31, 2010, 2011 and 2012.

\* \* \* \* \*

Name of reference entity: City of Elk Grove, California  
Name of principal contact, title and phone number: Shell Mercurio, Former Accounting Manager (916) 601-0533  
[pshantic3@comcast.net](mailto:pshantic3@comcast.net)

Engagement Director: Brian Nash

Total hours: 1,200

Services performed: Audit of the financial statements in accordance with generally accepted auditing standards, *Government Auditing Standards* and the Single Audit Act, where applicable. Drafting of the Comprehensive Annual Financial Report. Audit includes the Redevelopment Agency, a blended component unit, and the Gann Limit. We also perform Transportation Development Act compliance auditing.

Completion dates: Audits completed for the years ended June 30, 2008, 2009 and 2010

\* \* \* \* \*

Name of referenced entity: City of Chico, California  
Name of principal contact, title and phone number: Frank Fields, Accounting Manager (530) 879-7329  
[ffields@ci.chico.ca.us](mailto:ffields@ci.chico.ca.us)

Engagement Director: Ingrid Shepline

Total hours: 1,000

Services performed: Audit of the financial statements and CAFR in accordance with generally accepted auditing standards, *Governmental Accounting Standards* and the Single Audit Act, where applicable. Audit includes the Redevelopment Agency, Public Financing Authority and Joint Powers Authority, blended component units, and the Gann Limit.

Completion dates: Audits completed for the years ended June 30, 2008, 2009, 2010, 2011 and 2012.

## **OTHER INFORMATION**

### **Additional Information Required**

We do not require additional information from the District, if we were selected to provide audit services, before we accepted the engagement.

### **Delegation or Subcontract Responsibilities**

We will not delegate or subcontract our responsibilities without prior written consent of the District.



## COST PROPOSAL

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

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

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

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

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

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

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

Classification	Hourly Rates	Hours Per Year	Fee
Principal/Audit Directors	\$ 180	30	\$ 5,400
Senior Manager	160	60	9,600
Managers	130	100	13,000
Seniors	110	60	6,600
		250	34,600
Travel expenses			700
Discount			(9,400)
Total "Not-to-Exceed" Annual Audit Fee June 30, 2013			\$ 25,900
Total "Not-to-Exceed" Annual Audit Fee June 30, 2014			\$ 26,400
Total "Not-to-Exceed" Annual Audit Fee June 30, 2015			\$ 26,900
Grand Total			\$ 79,200

Classification	Hourly Rate		
	2013	Option Year 2014	Option Year 2015
Directors	\$ 180	\$ 184	\$ 187
Senior Managers	160	163	166
Managers	130	133	135
Supervisors	120	122	125
Seniors	110	112	114
Staff	90	92	94
Clerical Staff	60	61	62

#### **Rates for Additional Professional Services**

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

# PEER REVIEW REPORT



First Financial Bank Building  
400 Pine Street, Ste. 600, Abilene, TX 79601  
325.672.4000 / 800.588.2525 / f: 325.672.7049  
www.dkcpa.com

## System Review Report

December 27, 2012

To the Owner  
**Richardson & Company**  
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of **Richardson & Company** (the firm) in effect for the year ended September 30, 2012. 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. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of **Richardson & Company** in effect for the year ended September 30, 2012, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. **Richardson & Company** has received a peer review rating of *pass*.

*Davis Kinard & Co, PC*  
Certified Public Accountants

**PREPARED BY CLIENT (PBC) LIST**  
**LIST OF SCHEDULES AND OTHER INFORMATION**

**Advance Preparation Package – Interim Procedures**

**Please return the following to us as soon as they are available:**

1. Beginning and ending check numbers for checks written, EFT's and ACH's during the fiscal year.
2. Beginning and ending payroll check or electronic payment numbers.
3. Beginning and ending receipt numbers, including electronic receipts
4. Provide contact information for year-end confirmations so we may prepare confirmations for deposits, investments, debt and other significant long-term liabilities and attorneys.
5. General ledger in Excel showing account number, account name, actual year-end balance and final budget and report showing assignments to each line item of the financial statements for 2012.

**Please have the following items available when we begin fieldwork:**

**Risk Assessment**

6. Strategic Plan, General Plan and Capital Plans.
7. Finance Committee Charter, if any.
8. Code of conduct or Conflict of Interest Policy.
9. Accounting policies and procedures showing flow of transactions and who processes and approves receipts, disbursements, payroll, capital assets, etc.
10. Monthly and yearly closing checklists used.
11. File of job descriptions.
12. Example performance evaluations.
13. Copy of Personnel Manual, including hiring policies and procedures.
14. Copy of anti-fraud or whistleblower policies.
15. Purchasing policy
16. Example financial reports provided to the Board of Directors for the two months selected.
17. Example financial information reviewed by management for two months selected.
18. Various internal control questionnaires.
19. Documentation of accounting system access by employees.

**General**

20. Investment policy
21. Travel and Expense reimbursement policy.
22. Any other financial-related policies or ordinances.
23. Board of Directors members and employees listing (including job title).
24. Employee phone number list.
25. Statement of Economic Interests (Form 700) for the Board members and top management.
26. Files of journal entries made during the fiscal year and related documentation.
27. Receipts for employee expense reimbursements and credit card statements for sample selected.

For the following internal control samples, reports we use are indicated below. However, providing read only system access would be acceptable.

### **Cash Receipts**

28. Access to Billing Registers for fiscal year.
29. Utility bills and payment stubs for a sample of customers (sample to be provided by the auditor).
30. Water, wastewater and stormwater rates in effect during the fiscal year.
31. Example posting of billings into the general ledger for the months selected.
32. Pull the related bank statement for selected samples of cash receipts.
33. We will need to see postings in the general ledger for a sample of cash receipts.

### **Cash Disbursements**

34. Pull supporting vendor's invoice, contract, and cancelled check for the selected sample of checks. (Sample will be provided after check sequences are provided to us).
35. Listing showing names of those authorized to approve disbursements.
36. Chart of accounts (account number, account description, fund number and fund description).
37. We will need to see posting in the general ledger for a sample of cash disbursements.

### **Payroll Disbursements**

38. Pull Personnel files, timesheets and payroll checks for a sample of employees.
39. Salary Schedules/MOU's in effect during fiscal year.
40. Payroll calendar for the year.

### **Long-Term Debt**

41. Official statements and amortization schedules for outstanding debt.
42. Journal entry to record the issuance and refunding of any new debt during the fiscal year, if any.
43. Supporting documentation and calculations for amounts recorded for premiums, discounts and issuance costs on new debt issued.

### **Capital Assets**

44. Capital asset detail and depreciation detail list.
45. Invoices for selected additions.
46. Detail of repair and maintenance accounts and invoices for large expenses to review for need to capitalize (will provide scope).

## Audit Preparation Package- Year-End Procedures

### **Please return the following items to us as soon as they are available:**

1. Provide the general ledger for all funds in electronic format as of June 30 (including account number, account title, original and final budget).
2. If any new funds were established or deleted or any fund names were revised during the year, please provide a new fund listing showing fund number, fund name, and which funds, if any, are combined for reporting in the financial statements.

### **Please have the following items available when we begin fieldwork:**

3. Variance explanations for certain balance sheet and income statement accounts. (Items needing explanation to be provided by auditors).

### **Cash and Investments**

4. Bank reconciliation as of June 30, including lists of deposits-in-transit and outstanding checks.
5. Copy of investment statements as of June 30 and reconciliation to the general ledger.
6. San Joaquin County investment pool statement as of June 30.
7. Provide a copy of the investment earnings allocation spreadsheets for the year.
8. Provide a calculation supporting the amount recorded as fair-value adjustment (summary showing original cost, market value and unrealized gain/loss) and journal entry to record the fair value.
9. Adjust all funds that have a deficit cash balance with due to/from other funds.
10. Schedule of credit ratings and maturity information for investments, including related supporting documentation.
11. Calculation of investments greater than 5% of investments.
12. Summary of FDIC insured deposits.
13. Treasurers Report as of June 30 provided to the Board.

### **Accounts Receivable**

14. Detail listing of what makes up all receivable and due from other governments at June 30, including dates amounts were subsequently received (subsequent receipts not needed for utility billings).
15. Reconciliation of the utility billing system receivables to the general ledger at June 30. Provide support for reconciling items.
16. Supporting documentation for accruals related to property taxes and special assessments.
17. Identify any accruals that warrant deferral due to not meeting the availability period requirements.
18. Calculation of any unbilled utility receivables at June 30, if any.
19. Utility billing aging summary report as of June 30.
20. Liens proof list or other evidence of liens placed on delinquent accounts.
21. Provide support for calculation of the utility billing allowance for doubtful accounts needed at June 30, 2013, if any.

### **Capital Assets**

22. Rollforward of capital assets.
23. Reconciliation of cost and accumulated depreciation on the rollforward to the Asset Depreciation Listing at June 30.
24. Reconciliation of capital outlay expenditures to capital asset additions for governmental funds.
25. Schedule of depreciation expense by function and explanation of how determined.
26. Detail listing and rollforward of CIP, if any, and reconciliation of balances to the general ledger.

27. Listing of contracts at the end of the fiscal year where amounts are committed but unexpended as of June 30 for the commitment footnote.
28. Information regarding any capital assets that are impaired or are expected to be shut down in the near term, including cost, accumulated depreciation and expected shut down date.

### **Current Liabilities**

29. Provide a detailed listing of the accounts payable by vendor totaled by fund and GL account number, reconciled to the general ledger.
30. Provide listing of all checks written from July 1 to current date. Provide invoices for checks greater than our scope to be computed.
31. Calculation and related payroll register supporting accrued payroll at June 30, if any.
32. Listing of developer deposits received during the year (or prior years) and the cumulative amounts expended as of June 30. Provide GL detail reports showing where amounts were posted.

### **Long-Term Liabilities**

33. Rollforward schedule of all long-term debt for the fiscal year.
34. Debt maturity footnote.
35. Calculation of compensated absences at June 30. Should include breakdown by fund that agrees to the general ledger. (Include a total of the current portion of all compensated absences that agrees to the rollforward.)
36. Rollforward of compensated absences liability, including additions and used amounts.
37. Determination of the amount currently payable for terminations and retirements and entry to record in the governmental funds.
38. Calculation of the net change in compensated absences liability and the allocation by fund and function, taking into consideration the amounts already reflected in the governmental funds.
39. Calculations of accrued interest payable.
40. Reconciliation of debt service principal expenditure accounts to debt reductions on rollforward to ensure amounts agree.
41. Reconciliation of proceeds from debt accounts, if any, to debt additions on the rollforward to ensure amounts agree.
42. Arbitrage calculations.
43. Calculations showing whether the required bond reserves and debt coverage ratios were met.
44. Calculation of net operating revenues pledged for bonds.
45. Actuarial valuation supporting the accrual established for post-employment benefits.
46. Rollforward of OPEB liability/asset, if any.

### **Fund Equity**

47. General ledger detail for all fund balance accounts with entries during the year, and supporting documentation for entries made directly to fund balance.
48. Identify any restricted resources not expended as of June 30 that need to be reported as restricted net assets.
49. Computation of net assets invested in capital assets, net of debt for enterprise fund and government-wide purposes.
50. Listing of committed and assigned fund balance at June 30, including those made as part of the budget process. (Supporting documentation will be requested on a sample basis).
51. Encumbrance listing showing whether reported as committed or assigned.
52. Support for any prior period adjustments made, such as the entry to write-off deferred charges under GASB 65 if implemented during the year.

### **Revenues/Deferred Inflows/Unearned revenue**

53. Statistics on impact fees charged during the year.
54. Provide schedule/listing of any revenues that were received before year-end but for which services or goods still need to be performed (i.e. deferred inflows or unearned revenues).
55. Analysis of grant revenues compared to corresponding expenditures for the year showing the grants receivable agree to expenditures incurred at year-end.
56. Analysis of what makes up unearned/deferred inflows as of June 30. Identify amounts that are deferred due to not meeting the availability criteria to recognize for government-wide purposes.

### **Expenses**

57. Number of employees at each quarter end in fiscal year 2012 and 2013 from DE 166 or 941's.
58. Actuarial valuation supporting the contribution rate in effect during the year.
59. Summary of Member and Employer retirement plan contributions for the current fiscal year. (Indicate the amount paid by the District on behalf of the employees).

### **Interfund Transactions**

60. Schedule of due to/from other funds by fund as of June 30 and information about which amounts are according to budget vs. unbudgeted and why made.
61. Schedule of transfers in and out for fiscal year with intra-fund transfers eliminated.
62. Copies of any interfund loan agreements.
63. Journal entry and support to record accrued interest on interfund loans.

### **Financial Statements**

64. Support for government-wide entries for governmental funds.
65. Support for classification of revenues as charges for services, capital or operating grants and general revenues.
66. MD&A and related supporting documentation.