SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors **AGENDA NO. V-A**

FROM: Steve Mack, General Manager

Meeting Date: July 2, 2015

SUBJECT: RFP RESULTS FOR AUDITING SERVICES

RECOMMENDED ACTION:

Review RFP results and select an auditor to conduct District audits for FY 2014-15 thru FY 2016-17.

FISCAL IMPACT:

Depending on who is chosen, the cost for the three years will be $24,000 to $33,480.

DISCUSSION:

On the recommendation of prior legal counsel and concurrence of the Board, staff conducted an RFP for an auditor to perform the District's financial audit for FY 2014-15, FY 2015-16, and FY 2016-17. Even though our current auditor, Derek Rampone of Moss, Levy Hartzheim, has been very satisfactory, the rationale for conducting the RFP is to have our audits reflect a "fresh look" at the District's accounting and finances.

RFP packets were sent to six firms. Two firms submitted proposals by the June 22 deadline. Below is a table summarizing their bids:

RFP Results Summary				
Firm	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**	**TOTAL for all three years**
Michael Celentano, CPA	$8,000	$8,000	$8,000	**$24,000**
R.J. Ricciardi, Inc. San Rafael, CA	$11,160	$11,160	$11,160	**$33,480**

Moss, Levy & Hartzheim charged the District $7,950 for the FY 2013-14 audit, but the proposals above include an additional component new to the FY 2014-15 audit: review of the District's compliance with GASB 68, which is a new requirement to report unfunded accrued pension liability.

Background information for each of the firms is attached for your review. Complete copies of the proposal have been reviewed by staff.

Both firms appear qualified to perform the audit. The low bidder, Michael Celentano, was the District's auditor for the five years prior to Moss, Levy & Hartzheim. His work was very acceptable. Staff believes the gap in time since he last audited the District's books will provide the desired "fresh look" at our accounting practices.

Accordingly, staff recommends sending a letter of acceptance to Mr. Celentano and bringing back a contract for approval at the August, 2015 Board meeting.

MICHAEL A. CELENTANO
Certified Public Accountant
PO Box 206
Willow Creek Ca 95573

SWEETWATER SPRINGS
WATER DISTRICT
JUN 18 2015
RECEIVED

June 15, 2015

Board of Directors
Sweetwater Springs Water District
PO Box 48
Guerneville, CA 95446

In reply to your request, I am pleased to present my firm's background, philosophy and services I can offer the Sweetwater Springs Water District and proposal for my examination of the financial statements of the Sweetwater Springs Water District for the fiscal year ending June 30, 2015, 2016 and 2017.

SCOPE OF ENGAGEMENT

My audit will be made in accordance with general accepted auditing standards. My examination will include such tests of the accounting records and other auditing procedures that I may consider necessary to enable me to express an opinion as to the fairness of the financial statements of the Sweetwater Springs Water District as of and for the fiscal year ending June 30, 2015, 2016 and 2017.

I understand that your staff will furnish the following:

a. All financial records, books of accounts, supporting documents, and other related records.

b. Copies of the bylaw, minutes of the Board of Directors, policy directives, grant agreements, contracts, leases, budgets, closeout reports, other documents or data pertinent to the grants, and such other information as may be required in the conduct of the examination.

c. Adequate working space and other facilities for the conduct of the examination.

d. Assistance of personnel as is desired and considered necessary, including but not limited to, the preparation of account analysis, summaries, and other working papers requested.

PROFILE OF MICHAEL A CELENTANO, CPA

Michael A. Celentano, C.P.A. is a modern and vigorous organization that was organized in 1979. My operations are local in scope.

My clients represent nearly all facets of the economic spectrum. Regardless of size, each client receives the personalized service my firm is noted for.

My philosophy of personalized service means that the audit and evaluation of internal accounting controls of the District would be under the personal supervision of Michael A. Celentano C.P.A. Other specialists, using the latest techniques, would be assigned to the engagement as required.

Whenever possible, I would utilize your personnel to keep my chargeable time (and billing) to a minimum.

Auditing services are primarily the examination of financial statements and my opinion, as independent Certified Public Accountant, on the fairness of the presentation of the financial position and operating results. I use the constructive approach in auditing. For example, as a result of acquiring knowledge if client's financial and administrative problems, I often recommend improvements for more effective administrative controls. I also meet current GASB audit standards.

My philosophy and practice is to blend the technical, the practical and the business approach in each engagement.

My accounting department provides such services as design and implementation of manual and computer based information and control systems, preparation of projects, forecasts, and budgets, to name a few.

My management advisory services department has knowledge necessary to service clients in a wide range of functional areas, such as accounting systems, data processing and accounting controls. My purpose is to help clients solve their management problems. The scope of consulting engagement is determined in large by client, and depends partially on the extent of participation by the clients' personnel. My aim is to provide "know how", not manpower.

AUDIT TIMING

The audit for the fiscal year ended June 30, 2015, 2016 and 2017 would commence on or about September and would be completed no later than December of the fiscal year.

AUDIT FEE

Fees for my services are based on the time required to complete my assignment, plus out-of-pocket expenses. Every effort will be made to keep my services to a minimum consistent with the requirements of the engagement. My current hourly rates for an audit examination are as follows:

Partner	$200 per hour
Staff Accountants	$40-$80 per hour
Clerical	$40 per hour

My maximum fee and out-of-pocket costs for my examination of the financial statements for the fiscal year ending June 30, 2015, 2016 and 2017 would be as follows:

Audit per General Accepted Accounting Principles	$8,000 per year ($24,000 total)
Cost to bring District into compliance with GASB 68	$ 0

Although I do not anticipate it and consider the possibility remote, it should be understood that circumstances could arise that would require my services to be extended. In that event I will notify you immediately, and in no event would such an extended examination be conducted unless it was specific direction and approval of the Board.

It is my understanding, in proposing the aforementioned maximum audit fee that the contracts and funds to be audited would not vary significantly in quantity, dollar amount, or nature from those currently in place. I also understand that the condition of your financial records and the accounting procedures employed will not vary significantly from the current conditions and procedures.

Michael A. Celentano, C.P.A. recognizes that its most important product is prompt and effective service of the highest quality. All my efforts are directed toward achieving that aim. I believe I can serve the Mendocino Coast Recreation and Park District to its complete satisfaction. The highest of skills available in my firm would be brought to bear on the servicing the District's needs.

I appreciate this opportunity to present my firm for your consideration and would be pleased to furnish additional information or meet with your finance committee or Board of Directors.

Very truly yours,

Michael A Celentano
Certified Public Accountant

REFERENCES

Gualala Community Services District
PO Box 124
Gualala CA 95445
(707) 884-1715

Ms. Bonnie Adshade

Willow County Water District
151 Laws Avenue
Ukiah, Ca 95482
(707) 462-2666

Mr. David Redding

Cazadero Community Services District
PO Box 508
Cazadero, CA 95421
(707) 538-7513

Mr. Phil Mohrhardt

COUGHLAN
NAPA CPA
COMPANY, INC.

www.CoughlanNapaCPACo.com
Company@CoughlanNapaCPACo.com

System Review Report

December 5, 2013

To Michael A. Celentano, CPA and the Peer Review Committee
of the California Society of Certified Public Accountants

I have reviewed the system of quality control for the accounting and auditing practice of Michael A. Celentano, CPA (the firm) in effect for the year ended June 30, 2013. 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.

In my opinion, the system of quality control for the accounting and auditing practice of Michael A. Celentano, CPA in effect for the year ended June 30, 2013 has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass, pass with deficiency(ies)* or *fail*. Michael A. Celentano, CPA has received a peer review rating of *pass*.

Coughlan Napa CPA Company, Inc.

Constance Coughlan

By: Constance Coughlan

1250 Main Street, Suite 290 • Napa, CA 94559 • telephone: 707.255.0677 • fax: 707.255.0687
Member: American Institute of CPAs • California, Hawaii, & Oregon Societies of CPAs

R. J. RICCIARDI, INC.
CERTIFIED PUBLIC ACCOUNTANTS

June 22, 2015

Ms. Julie A. Kenny
Administrative Manager
Sweetwater Springs Water District
P.O. Box 48
Guerneville, CA 95446

Dear Ms. Kenny:

We understand the importance of price in the decision you are now making, and have based our fee on our best estimates of time and out-of-pocket expenses.

Our estimate assumes that Sweetwater Springs Water District's personnel will provide us with all information we request in our Client Participation List, in the format requested, and send it to us 30 days prior to scheduling the audit field work. If you have insufficient personnel or time to prepare these items, we can assist you in this area and we will discuss with you the additional time required and estimated fee for these services.

We believe that our proposal fee is both reasonable and fair. We are prepared to discuss it further with you should you have any concern in this area.

Sincerely,

R. J. Ricciardi, Inc.
Certified Public Accountants

- ATTACHMENT: PROFESSIONAL FEES AND EXPENSES FOR THREE YEARS ENDING JUNE 30, 2015, 2016 AND 2017

1000 FOURTH STREET, SUITE 400 SAN RAFAEL, CA 94901 TEL (415) 457-1215 FAX (415) 457-6735 www.rjrcpa.com

ATTACHMENT

Fees and Expenses for the Years Ending June 30, 2015, 2016 and 2017

District Audit

		Estimated Hours	*Hourly Rates*	*Estimated Amount*
Director/Manager		40	$150	$ 6,000
Staff		58	$70	4,060
	SUBTOTAL:	98		$10,060
Travel				200
	TOTAL FEE, JUNE 30, 2015:			$10,260
	TOTAL FEE, JUNE 30, 2016:			$10,260
	TOTAL FEE, JUNE 30, 2017:			$10,260

SCO Report

		Estimated Hours	*Hourly Rates*	*Estimated Amount*
Director/Manager		9	$100	$ 900
	SUBTOTAL:	9		$ 900
Travel				–
	TOTAL FEE, JUNE 30, 2015:			$ 900
	TOTAL FEE, JUNE 30, 2016:			$ 900
	TOTAL FEE, JUNE 30, 2017:			$ 900

TOTALS (per year)	**107**	**$11,160**

Proposal to Conduct the Audit of

Sweetwater Springs Water District

For the Fiscal Years Ending June 30, 2015, 2016 and 2017

Proposed By: R. J. Ricciardi, Inc.
Certified Public Accountants
Michael A. O'Connor, CPA
1000 Fourth Street, Suite 400
San Rafael, CA 94901
Telephone: (415) 457-1215

Submitted June 22, 2015

License No. COR5499
Federal Identification No. 20-1398210

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R. J. RICCIARDI, INC.
CERTIFIED PUBLIC ACCOUNTANTS

June 22, 2015

Ms. Julie A. Kenny
Administrative Manager
Sweetwater Springs Water District
P.O. Box 48
Guerneville, CA 95446

Dear Ms. Kenny:

We are pleased to submit, in response to your request, the following proposal for the audit of Sweetwater Springs Water District for the years ending June 30, 2015, 2016 and 2017.

We believe that the selection of a public accounting firm is a very important decision. Our local firm can offer the strength and experience necessary to meet the challenges at hand. In summary:

- We specialize in auditing government-assisted and nonprofit programs. Consequently, we are acutely aware of the operating and accounting problems inherent to such organizations and can provide competent professional services tailored to your needs.
- The management staff assigned to this engagement have the following audit experience:

	Estimated Governmental or Nonprofit Experience
• Ralph J. Ricciardi, CPA	50,000 hours
• Michael O'Connor, CPA	45,000 hours
• Hiep Pham, CPA, MBA	35,000 hours

- The lead auditor on this engagement will be Mr. Michael A. O'Connor, CPA. Mr. O'Connor is a member of the California State Municipal Finance Officers Association and Government Finance Officers Association. He is also a member of the GFOA Special Review Committee. Mr. O'Connor has reviewed or prepared over 50 GFOA Certificated CAFR's and has been the lead auditor on over 300 single audits. He has also prepared over 100 TDA Audit Reports.
- Our firm has audited the following similar programs:
  - Clear Creek Community Services District
  - Bodega Bay Public Utilities District
  - Cameron Park Community Services District
  - El Dorado Hills Community Services District
  - Strawberry Park and Recreation District
  - City of Alturas
  - City of Willits
  - City of Calistoga
  - City of Rio Dell
  - City of Monterey
  - Marina Coast Water District

1000 FOURTH STREET, SUITE 400 SAN RAFAEL, CA 94901 TEL (415) 457-1215 FAX (415) 457-6735 www.rjrcpa.com

- Attached in an Appendix is the firm's quality review. This review included a review of specific government engagements.
- Our examination will include a list of comments to management regarding the present state of Sweetwater Springs Water District's accounting system. This document will recognize strengths of the Accounting Department as well as provide recommendations for improvement.
- The firm does not have any current projects that would prevent it from completing this engagement in a timely manner, and further, we are not committed to a project with Sweetwater Springs Water District that would constitute a conflict of interest or impair our independence.
- The firm is committed to performance within a reasonable time period; we estimate that the audit will be completed and a report issued by December of each year, unless the District would like the audit completed sooner.
- This proposal is firm for 60 days.
- The individuals authorized to make representations and bind the firm are:

Ralph J. Ricciardi, CPA/Michael O'Connor, CPA
1000 4th Street, Suite 400
San Rafael, CA 94901
Telephone: (415) 457-1215
Fax: (415) 457-6735
E-mail: ralph@rjrcpa.com or michael@rjrcpa.com

We appreciate the opportunity to present this proposal and look forward to becoming more familiar with Sweetwater Springs Water District. We want your business and are making a personal and professional commitment to provide you the highest quality of services available.

Sincerely,

R. J. Ricciardi, Inc.
Certified Public Accountants

Firm Profile

Structure

R. J. Ricciardi, Inc. is a certified public accounting firm located at 1000 4th Street, San Rafael, California. Established in 1976, the firm is committed to providing clients with the finest quality of accounting services available. In particular, we have developed significant expertise in auditing governmental and nonprofit entities, and a comprehensive understanding of the issues and challenges facing the financial and accounting personnel of such organizations. Furthermore, the firm has an excellent reputation for technical assistance and cooperation with the auditee's staff.

The firm's total staff is 9 professionals and the management staff consists of the following individuals:

Ralph J. Ricciardi, CPA, CEO Director
Michael A. O'Connor, CPA, Director
Hiep Pham, CPA, MBA, Director
June Nguyen, CPA, Manager

The firm and all key professional staff assigned are properly licensed to practice in California.

We believe that continuity of audit personnel and institutional knowledge are instrumental in providing a quality audit. The lead auditor on this engagement has been employed at our firm for the past 24 years and will be committed in serving Sweetwater Springs Water District for the term of this agreement. References and continuing education are provided at the back. We understand Sweetwater Springs Water District reserves the right to request replacement of any members of the auditing team at any time. Sweetwater Springs Water District will also be notified in advance of any changes made by us concerning the make-up of the auditing team after the work has begun.

Range of Services

The firm offers a full range of accounting services including tax preparation (for both nonprofit and for-profit clients), management consulting, general accounting, and auditing. Each of these areas will be of value to Sweetwater Springs Water District, in particular our industry expertise in auditing federally-assisted programs.

Quality Review

The firm has undergone a quality review as required by the A.I.C.P.A. and Government Audit Standards. *(See Appendix D for Quality Review Report.)*

Small Business Concern

The firm meets both Federal and State small business concern qualifications. Our State of California Small Business Number is 84211.

Mandatory Criteria

• *Licensing/Independence*

R. J. Ricciardi, Inc. is a properly certified public accounting firm in California. In addition, our firm meets the independence standards of the GAO, *Standards for Audit of Governmental Organizations, Programs, Activities and Functions* (2003 Revision) with regard to Sweetwater Springs Water District.

• *Record of Excellence*

The firm meets all qualifications and requirements imposed by the California State Board of Accountancy.

Further, the firm and its staff affirm that:

We have no record of substandard work.
We have not been debarred or suspended.
We are not under review for debarment or suspension.

Approach to the Examination

Audit Objective

The objective of the work to be performed under the agreement will be the examination and expression of an opinion on Sweetwater Springs Water District's financial statements for the years ending June 30, 2015, June 30, 2016 and June 30, 2017. We will also assist in preparation and review of year-end closing entries and adjustments. Such an examination is subject to the inherent risk that errors or irregularities may not be detected. If conditions are discovered which lead to the belief that material errors, defalcations, or other irregularities may exist, or if any other circumstances are encountered which require extended services, we will promptly advise the requester. Finally, no extended services will be performed unless they are authorized in the contractual agreement or in an amendment to the agreement.

The examination will be performed in accordance with U.S. generally accepted auditing standards and will include auditing procedures to ensure that all laws and regulations have been complied with during the fiscal year. In addition, the examination will be performed in accordance with the provisions of: (1) *Standards for Audits of Governmental Organizations, Programs, Activities, and Functions* promulgated by the Comptroller General of the United States, which pertain to financial and compliance audits; and (2) *State of California Controller's Minimum Audit Requirements and Reporting Guidelines for Special Districts.*

Work Plan

Advance planning is the key to any successful engagement. In relation to other firms involved in audits, we believe we provide for a higher proportion of director's time in planning the engagement. With careful and extensive planning, we tailor our audit program to fit the unique aspects of each client. Through this means, we are able to better target our audit work, get to the core of accounting issues and systems, and thus provide more meaningful information to our clients.

The first step in the planning process is the preparation of a time line and work plan by significant segments. This schedule appears subsequently, encompassing the time period from July through December. Upon award of the engagement, we solicit additional input from the client and preliminarily evaluate and become familiar with their accounting system. We then revise the work plan to include details and specifics to "map out" our approach to the audit. The refinement of the work plan is, however, a continual process which occurs throughout the audit.

An integral part of preliminary planning is the assignment of staff best qualified to work on the particular engagement. We foresee, in the course of the audit, a substantial amount of director's time spent on on-site supervision. These factors, combined with communication with Sweetwater Springs Water District, will facilitate the inclusion of new ideas and experience into the initial work plan.

Ultimately, this process leads to a quality audit that is performed in a timely and efficient manner.

Proposed Segmentation of the Audit Engagement

1. Planning

a) Gain an understanding of Sweetwater Springs Water District's controls

b) Test controls noted above

c) Inquire about fraud and related risks

d) Assess fraud risk

e) Review and obtain risk management policies

f) Discuss with management and document control environment

g) Send confirmations

h) Document other inquiries (contingencies and related party and subsequent events)

i) Discuss observations with management

2. Year-End Testing

a) Perform analytical review and inquire about fluctuations

b) Perform year end audit tests on Sweetwater Springs Water District's accounts

c) Exit conference and communicate audit adjustments

3. Presentation and Disclosure

a) Review Financial Statements and complete GFOA checklist

b) Communicate changes to Management

c) Prepare Management report and send draft

d) Final Management/Director review

e) Report issuance

Computer Assisted Auditing Techniques

We use Prosystems Fx Engagement auditing software, Microsoft Excel and Word, and Adobe Acrobat to prepare reports and to assist us with managing the trial balances, audits and creating reports. We use judgmental sampling not software to choose audit samples. Audit samples will be chosen judgmentally and haphazardly. The purpose of the test of compliance will be to meet single audit compliance requirements. Also to detect any weaknesses in the internal control system, risk of fraud, and material differences with account balances. We prefer to receive as much information as possible in an electronic format and provide a secure FTP site, if the client prefers not to use email.

Approach to Internal Control Structure

Audit staff will send Sweetwater Springs Water District (the District) an internal control questionnaire. The Audit Director will discuss with the District's staff the answers to the internal control questionnaire. The Director will type up the narrative on the various District internal control cycles. The District's staff will review and make any changes to the narrative. The audit staff will then test the internal controls of the District as noted in the narrative. Any findings or weaknesses will be discussed immediately with the District's staff and the District will have an opportunity to respond.

Approach to Determining Laws and Regulations Subject to Audit Test Work

Review of government grant contracts and related laws and regulations, transportation development act regulations, Measure A laws and regulations based on the outcome of communications with the District, other laws and regulations and other areas of human resources GAAP, state and local government code, and any other applicable laws and regulations. Legal confirmations will be sent to attorneys the District does business with during the fiscal year.

Identification of Anticipated Potential Audit Problems

We do not foresee any at this time. However, we are happy to assist the District should any arise during the course of the audit.

New Accounting Laws and Principles

We will notify the District of any impending changes that will affect the audit, and assist them with implementation if necessary.

IT Controls Audit Procedures

1) Inquire about system controls; 2) Walk through system controls; 3) Review data input and reports generated; 4) Review approval of transactions and related reports; and 5) Observe the District staff's use of hardware and software.

Similar Engagements Performed within the Past 5 Years

Clear Creek Community Services District

Scope: Basic Financial Statements	Audit Year: 6/30/14
Total Hours:	76
Partner:	Michael O'Connor
CAFR Yes/No:	No
Contact Information:	See reference list, Appendix C-3

Humboldt Community Services District

Scope: Basic Financial Statements	Audit Year: 6/30/14
Total Hours:	90
Partner:	Michael O'Connor
CAFR Yes/No:	No
Contact Information:	See reference list, Appendix C-3

Bodega Bay Public Utilities District

Scope: Basic Financial Statements	Audit Year: 6/30/14
Total Hours:	80
Partner:	Michael O'Connor
CAFR Yes/No:	No
Contact Information:	See reference list, Appendix C-3

City of Calistoga

Scope: Basic Financial Statements, CAFR, SAR	Audit Year: 6/30/14
Total Hours:	213
Partner:	Michael O'Connor
CAFR Yes/No:	Yes
Contact Information:	See reference list, Appendix C-3

Town of Colma

Scope: Basic Financial Statements, partial CAFR	Audit Year: 6/30/14
Total Hours:	116
Partner:	Michael O'Connor
CAFR Yes/No:	Partial
Contact Information:	See reference list, Appendix C-3

Alameda County Mosquito Abatement District

Scope: Basic Financial Statements	Audit Year: 6/30/14
Total Hours:	61
Partner:	Michael O'Connor
CAFR Yes/No:	No
Contact Information:	See reference list, Appendix C-3

Sweetwater Springs Water District

Work Plan by Significant Segments

	July–Aug.	*Oct.–Dec.*	*Hours*
PLANNING Meet with client to discuss transition plan.	•		4
Consult with management regarding internal control, computer and financial reporting. Review the Districts's organizational chart, current year audit objectives of the District, current litigation involving the District, new Federal, State and local legislation affecting the District, material subsequent events, and review of prior year audit reports and findings.	•		10
Review contracts and grants from funding sources.	•		4
Perform Fraud Risk Assessment.	•		4
COMPLIANCE Identify significant issues and resolve as soon as possible to preclude end-of-audit surprises.	•		1
Document and evaluate significant accounting systems.	•		10
Perform all necessary compliance testing using various checklists to cover the following areas: Petty cash, investments, cash, minutes, contracts, ordinances, revenue, receivables, service revenue, proprietary funds, expenditures, accounts payable, payroll and related liabilities, inventories, property, equipment and capital expenditures, debt and debt service expenditures, fund equities, grants, single audit compliance and other pertinent areas.	•	•	16
FINANCIAL Perform year-end substantive testing including using tailored audit programs to test year end account balances, third party confirmations, verify material balances, the District's compliance with its budget and additional compliance testing as needed.		•	25
Exit conference.		•	1
Discuss findings with management.		•	1
Review Draft Audit Reports and Financial Statements, including GASB 34 Requirements.		•	20
Complete/issue Financial Reports and Management Letter.		•	2
		Total Estimated Hours:	98

Project Management

Sweetwater Springs Water District

Engagement Team

The following is a synopsis of each team member's professional background. Detailed resumes are included in the appendix to this proposal.

Ralph J. Ricciardi, CPA, CEO Director

Mr. Ricciardi is the engagement CEO Director. With over 30 years of experience, most of which is in auditing federally-assisted and nonprofit programs, he offers the highest degree of expertise in the industry. His experience includes, more specifically: indirect cost allocation plans, contract compliance, OJT contracting, fixed unit price contracts, and performance-based contracts. Ralph Ricciardi will be responsible for the ongoing management and supervision of all services.

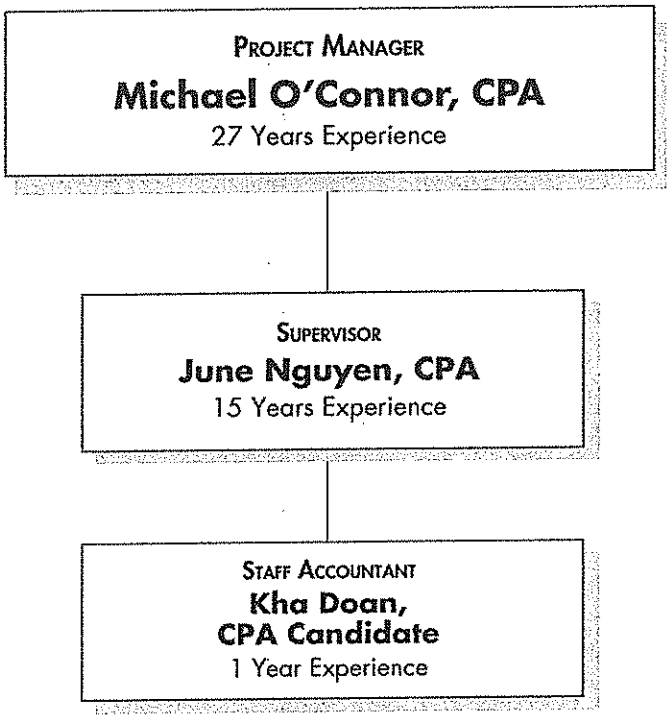
Michael A. O'Connor, CPA, Director

Mr. O'Connor joined our firm in April 1991 bringing three and a half years of accounting experience. His prior experience includes the audit of commercial entities as well as HUD projects and ten city and Special District audits. His current experience includes Transportation Commissions, Head Start, NASA, NSF, Health and Human Services, Department of Labor, CSBG and various other funding streams. Mr. O'Connor will be the lead person and Project Manager for this project.

Hiep Pham, MBA, CPA, Director

Mr. Pham will be the CPA Director available to review work on this engagement. His auditing experience includes Head Start, Child Care, NASA and NSF, JTPA, WIA, Conservation Corps, Low Income Energy Assistance Program (LIEAP), Community Services Block Grants, Community Development Block Grants, Area Agency on Aging, various other nonprofit programs and governmental entities.

Onsite Engagement Team



Ancillary Services

In addition to being a full service accounting firm, over the years we have obtained certain areas of expertise. First and foremost in setting us apart from other firms is our vast experience in the auditing of federally-assisted programs. However, other services, in which we have accomplished a high degree of proficiency, follow:

Internal Control System Review

Because of our experience with nonprofit and Federal grant auditing, we have the ability to review internal control systems from the standpoint of "materiality" vis-a-vis the almost endless list of compliance control systems required by Federal and State funding sources. For this reason, we feel we are in a somewhat unique position to review and evaluate internal control systems of nonprofit clients and issue an opinion on them.

Indirect Cost Allocation Plans

We have been helpful to a number of our clients in the development, implementation, and/or review of Indirect Cost Allocation Plans.

Fixed Unit Price Contracts / Performance Based Contracts

Our firm has several clients that are subject to both fixed unit and performance based contracts. These contracts can be complex; we can offer the know-how and experience to assist in their development.

Computer Conversions

We can offer assistance in EDP systems conversions as well as pre-audit assistance to determine if computer installation/conversion was satisfactorily accomplished. We have facilitated conversions for a number of our clients, and would be pleased to provide such services to you when and if they are needed.

Close-out Report Reconciliations

Funding sources frequently express disappointment in the limited financial information they receive from the Schedule of Federal Financial Assistance (Single Audit Report). They ask for additional information regarding a reconciliation between the Schedule of Federal Financial Assistance and the Funding Agency's Close-out Report. We have provided many clients with special reporting sections in their audit report that satisfy this request and/or respond to special requirements with which the District must comply. We believe that this valuable service is essential in maintaining good relations between our clients and their funding sources.

Staff Resumés

Ralph J. Ricciardi, CPA

CEO Director (License 1975 21701E)

Personal Data

Graduated from Golden Gate University, San Francisco, in 1969. A member of the California Society and American Institute of Certified Public Accountants, and practicing Certified Public Accountant in San Rafael, California. A resident of the City of Novato, California, and a former member of the Novato Beautification and Environmental Action Group and the Novato Civic Center Committee.

Experience

Presently CEO Director of the Certified Public Accounting firm he founded in San Rafael, California. Prior to starting the practice, he was employed by the following C.P.A. firms:

- Rich Benson & Company, San Francisco
- Wolf & Company, San Francisco
- Barlow, Davis & Wood, San Francisco

The following list of experience does not necessarily relate to present practice or any previous employer, but is grouped in various categories to indicate concentration and/or expertise in certain areas.

Scientific Research

SETI Institute – NASA, NSF, other funding
AmTech – NASA Funded
Bay Area Environmental Research Institute – NASA Funded
Rotorcraft Industry Technology Association, Inc. (RITA) – NASA and other funding
Molecular Research Institute (MRI) – NASA, NIH, and other funding
Point Reyes Bird Observatory – D.O.D. Foundations, Department of Agriculture, NASA and other funding

Nonprofit Organizations

WIA/JTPA Programs (DOL Funded)

Tulare County
Mendocino County
Marin County
Del Norte County

WIA/JTPA Programs (continued)

Shasta County
Tehama County
Trinity County
Plumas County
Modoc County
Lassen County
San Luis Obispo County
Mother Lode Consortium (Sonora)
Fresno County PIC
NoRTEC PIC
Butte County PIC

CSBG/CDBG/ECIP/LIHEAP (Health and Human Services Funding)

Community Action Marin (Marin County)
Proteus, Inc. (Tulare County)
TEACH, Inc. (Modoc County)
King Community Action Organization (Kings County)
C-SET (Tulare County)
CVOC (Merced/Stanislaus Counties)

Head Start (Health and Human Services Funding)

Child, Family and Community Services, Inc.
(Southern Alameda County)
IHSD (San Mateo County)
Community Action Marin (Marin County)
Sierra Cascade Family Opportunities
(Plumas, Lassen, Modoc and Sierra Counties)
C.A.P.E. (Southern Alameda County)
Kings Community Action Organization (Kings County)

Transportation (DOT Funding)

Stanislaus Area Association of Governments
(Stanislaus County)
Stanislaus County Transit (Stanislaus County)
Plumas County Transit (Plumas County)

Special Districts

Clear Creek Community Services District (Water)
Northern Rural Training Employment Consortium (JTPA)
Kings/Tulare Area Agency on Aging (Aging)

Mr. Ricciardi's audit experience *(continued)*

Other Nonprofits (Various Funding Sources)

Scientific Research
Conservation Programs
Education Programs
Hospice
Literacy Training
Economic Development Councils
Food Banks
Legal Aid Programs
Youth Counseling

Commercial Entities

Transportation Industry
Manufacturing Companies
Construction Companies
Securities Dealers
Automobile Dealerships
Food Processing Companies
Farms
Commercial Building Rentals
Home Builders
Vending Machine Company
Financial Institutions

Michael A. O'Connor, CPA

Director (License 1990 55781E)

Personal Data

A native of Novato, Mr. O'Connor graduated from St. Mary's College in 1987, receiving a Bachelor's Degree in Business Administration with an emphasis in Accounting. Michael obtained his CPA License in May of 1990. Mr. O'Connor is a member of the ***Government Finance Officers Association*** of the United States, American Institute of Certified Public Accountants, and the California Society of CPA's.

Experience

In 1987, Mr. O'Connor accepted a position with Seiler and Company in Redwood City, California. At that time he worked on Housing and Urban Development audits as well as audits of various commercial entities.

From 1989 through March, 1991, he served as a Senior Accountant for C.G. Uhlenberg & Company in Redwood City, California. During this time Mr. O'Connor supervised audits of the following:

- City of Redwood City
- City of Cupertino
- City of Campbell
  (Awarded the GFOA and CSMFO Certificate of Achievement)
- City of Pittsburg
  (Awarded the GFOA and CSMFO Certificate of Achievement)
- City of Menlo Park
  (Awarded the GFOA and CSMFO Certificate of Achievement)
- City of San Bruno
- The Town of Los Altos Hills
  (Awarded the GFOA and CSMFO Certificate of Achievement)
- The Town of Woodside
- The Town of Portola Valley
- The Town of Atherton
- Purisma Hills Water District
- The Dublin/San Ramon Services District
- The North Marin Water District
- Sausalito and Marin City Sanitary District
- South Bay Systems Authority

Mr. O'Connor's audit experience *(continued)*

Since joining the firm Mr. O'Connor's audit experience includes:

Municipalities and Special Districts

Alameda Resource Conservation District
Amador County Transportation Commission
City of Alturas
City of Amador
City of Crescent City
City of Livingston
City of Monterey
City of Newman
City of Patterson
City of Willits
Clear Creek Community Services District
Del Norte Local Transportation Commission
Highlands Recreation District
Indian Valley Community Services District
Kentfield Fire Protection District
Livermore-Amador Valley Water Management Agency
Marin City Community Services District
Marin Healthcare District
Marinwood Community Services District
Mendocino Council of Governments
Mendocino Transit Authority
Napa County Mosquito Abatement District
Napa River Reclamation District
Placer County Transportation Planning Agency
Pleasant Hill Recreation and Park District
Pleasant Hill Senior's Club
Ross Valley Fire District
Stanislaus Regional Transit
Strawberry Recreation District
Tehama County Transportation Commission
Town of Colma
Town of San Anselmo
Transportation Authority of Marin
Ukiah Valley Sanitation District

Mr. O'Connor's audit experience *(continued)*

Child Care Programs/Head Start

Community Action Marin – San Rafael, CA
Institute for Human and Social Development – So. San Francisco, CA
Child Family and Community Services – Fremont, CA
Sierra Cascade Family Opportunities — Quincy, CA

WIA/JTPA Programs

Community Services and Employment Training – Visalia, CA
Plumas Job Training Center – Quincy, CA
San Luis Obispo PIC – San Luis Obispo, CA
Proteus Inc. – Visalia, CA
Mother Lode Job Training Agency – Sonora, CA

CSBG/CDBG/ECIP/LIHEAP

Community Action Marin – San Rafael, CA
Proteus Inc. – Visalia, CA
Community Services and Employment Training – Visalia, CA

Scientific Research

SETI Institute – Mountain View, CA
(NASA, NSF, other)
Molecular Research Institute – Mountain View, CA
(NASA, NIH, Commercial)
American Technology Alliances – Redwood City, CA
(NASA, Commercial)

Other Nonprofits

Lassen Economic Development Corp. – Westwood, CA
California Maritime Academy Foundation – Vallejo, CA
MATRIX – Novato, CA
Training Employment and Community Help, Inc. – Alturas, CA
Bay Institute of San Francisco – San Rafael, CA
Family Service Agency of Marin - San Rafael, CA
Support for Families of Children with Disabilities – San Francisco, CA
National Poetry Association – San Francisco, CA
Prison Law Office – San Rafael, CA
Women Helping All People – Marin City, CA
The Friends of Photography – San Francisco, CA

Hiep T. Pham, CPA

Director (License 1999 77877)

Personal Data

Mr. Pham is a resident of San Jose. He has a Bachelor's Degree in Business Administration with an emphasis in Accounting from Saint Mary's College of California and an MBA from California State University Hayward.

Experience

Mr. Pham's experience in auditing includes:

Municipalities and Special Districts

City of Newman
Clear Creek Community Services District – Anderson, CA
Westside Community Hospital District – Newman, CA
City of Livingston

JTPA Programs

Fresno Private Industry Council, Inc. – Fresno, CA
Proteus, Inc. – Visalia, CA
Mendocino Private Industry Council, Inc. – Ukiah, CA
Mother Lode Job Training Agency – Sonora, CA
Siskiyou Training and Employment Program, Inc. – Weed, CA
Job Training Center of Tehama County – Red Bluff, CA
Trinity Occupational Training, Inc. – Weaverville, CA

CSBG/CDBG/ECIP/LIHEAP

Community Action Marin – San Rafael, CA
Proteus, Inc. – Visalia, CA

Child Care Programs / Head Start

Child, Family & Community Services, Inc. – Fremont, CA
Community Action Marin – San Rafael, CA
Community Association for Preschool Education – Livermore, CA
Institute for Human and Social Development – So. San Francisco, CA

NASA Funded Programs

Molecular Research Institute – Palo Alto, CA
SETI Institute – Mountain View, CA

Other Non-profits

Child Advocate and Special Assistance Programs
Disability Programs
Emergency Shelter and Transitional Housing Programs
Legal Aid Programs
Multimedia Technology
Scientific Research
California Youth Soccer Association

June Nguyen, CPA

Audit Manager II (License 2004 89110)

Personal Data

Ms. Nguyen is a resident of Sonoma County. She has a Bachelor's Degree in Business Administration with an emphasis in Accounting from Sonoma State University.

Experience

Ms. Nguyen's experience in auditing includes:

Municipalities and Special Districts

Bel Marin Keys CSD – Bel Marin Keys, CA
Ukiah Valley Sanitation District – Ukiah, CA
Area 12 Agency on Aging – Visalia, CA
Clear Creek Community Services District – Anderson, CA

JTPA Programs

Proteus, Inc. – Visalia, CA
Mendocino Private Industry Council, Inc. – Ukiah, CA
Siskiyou Training and Employment Program, Inc. – Weed, CA
San Diego Workforce Partnership – San Diego, CA

CSBG/CDBG/ECIP/LIHEAP

Proteus, Inc. – Visalia, CA
The Ford Street Project – Ukiah, CA
Community Action Marin – San Rafael, CA
Community Services & Employment Training – Visalia, CA
Community Action Commission of Santa Barbara County – Santa Barbara, CA

Child Care Programs/Head Start

Child, Family & Community Services, Inc. – Fremont, CA
Community Action Marin – San Rafael, CA
Kings Community Action Organization – Hanford, CA
Community Action Commission of Santa Barbara County – Santa Barbara, CA

NASA Funded Programs

Bay Area Environmental Research Institute – Sonoma, CA

Other Non-profits

Hospice of Napa Valley – Napa, CA
California/Nevada Community Action – Sacramento, CA
Associated Students of Sonoma State University – Rohnert Park, CA
Sonoma Student Union Corporation – Rohnert Park, CA
California Maritime Academy Foundation – Vallejo, CA
Marin Advocates for Children – San Rafael, CA
Marin Art Council – San Rafael, CA
Casa Allegra Community Services – San Rafael, CA
Matrix Parent Network and Resource Center – Novato, CA

Education and Training

Education and Training

The firm's staff has been keeping abreast with the State and Federal laws, regulations and policies as they pertain to the auditing of Federally assisted programs, the Single Audit Act, AICPA pronouncements, general accounting updates and changes in the tax laws.

Staff and conferences attended within the last four years are as follows:

Staff/Conference	*Year*	*Hours*
■ Ralph J. Ricciardi, CPA		
Industry Ethics in CA	2014	4
Financial Statement Fraud	2014	12
Government & NonProfit Accounting	2014	24
Cloud Computing	2014	8
Nonprofit Auditing & Accounting Principles	2014	8
Guide to Single Audits	2013	8
Auditing for Fraud Detection	2013	12
Agreed-Upon Procedures	2013	2
Ethics for California CPAs	2013	4
Yellow Book Interpreted	2012	8
Quickbooks Accounting	2012	16
■ Hiep Pham, MBA, CPA		
A-133 Audits	2014	8
Detecting Fraud in Organizations	2014	16
Industry Ethics in CA	2013	4
Financial Statement Fraud	2013	12
Government & NonProfit Accounting	2013	24
Individual Income Tax	2012	24
Governmental Accounting & Reporting	2012	8
Not-for-Profit Organizations	2012	8
■ Michael O'Connor, CPA		
A-33 Audits	2014	8
Employee Benefit Plans Conference	2014	8
GASB 67/68 Implementation Task Force	2014	4
Accounting for Pension & OPEB	2013	8
Advanced Financial Reporting	2013	20
Audits of 403 (b) Plans	2013	8
Detecting Fraudulent Financial Report	2013	8
Financial Statement Preparation for Quickbooks clients	2013	8
Governmental Auditing & Accounting	2013	8
Governmental Accounting & Reporting	2013	8
Individual Income Tax	2013	24
Regulatory Ethics	2013	4
Preparing a CAFR	2012	8
Successor Agency Training	2012	8

References

References

The best recommendations a CPA firm can have are those of existing clients. We are, therefore, including a partial list of references and encourage you to contact them.

Clear Creek Community Services District	
Kurt Born, General Manager	(530) 357-3723
Humboldt Community Services District	
Paul Rodrigues, Finance Manager	(707) 443-4558
Bodega Bay Public Utilities District	
Felix Hernandez, III, General Manager	(707) 875-3332
City of Calistoga	
Gloria Leon, Admin Services Director	(707) 942-2803
Town of Colma	
Charles Francis, Town Manager	(650) 997-8300
Alameda County Mosquito Abatement District	
Clarence Lam, Administrative/Financial Manager	(510) 783-7744

Quality Review

DEV CPA David E. Vaughn CPA (209) 957-8806, fax (209) 957-9589
4540 Gnekow Drive, Stockton, Ca. 95212-1307

System Review Report

November 27, 2013

To the Shareholders,
R. J. Ricciardi, Inc., Certified Public Accountants,
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 R. J. Ricciardi, Inc., Certified Public Accountants (the firm) in effect for the year ended May 31, 2013. My peer review was conducted in accordance with 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 procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

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

In my opinion, the system of quality control for the accounting and auditing practice of R. J. Ricciardi, Inc., Certified Public Accountants in effect for the year ended May 31, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail.* R. J. Ricciardi, Inc., Certified Public Accountants has received a peer review rating of *pass.*

David E. Vaughn, CPA