

OCEANO COMMUNITY SERVICES DISTRICT

AUDIT PROPOSAL

For Fiscal Year Ending June 30, 2017,
with options for Fiscal Years Ending June 30, 2018 and 2019

Submitted By:

Moss, Levy & Hartzheim LLP
2400 Professional Parkway, Suite 205
Santa Maria, CA 93455
Phone: 805.925.2579
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Submitted On:

December 18, 2017

Contact Person:

Ronald A. Levy, CPA
rlevy@mlhcpas.com

OCEANO COMMUNITY SERVICES DISTRICT
AUDIT PROPOSAL
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Attention: Carey Casciola
Oceano Community Services District
1655 Front Street
Oceano, CA 93445

We are pleased to respond to the Oceano Community Services District's (the District) Request for Proposal for independent auditing services. We have prepared our proposal to address each specification included in the District's Request for Proposal.

After 60 years in public accounting and more than 40 years of performing nonprofit and local governmental audits, it is extremely gratifying to witness the continued growth of Moss, Levy & Hartzheim LLP. The firm has evolved from a one-person operation to a regional public accounting firm with offices in Beverly Hills, Santa Maria, and Culver City with clients throughout the State of California, as well as thirty-one other states. We and the entire staff are pleased with not only the continuing development of the firm, but also the progress and economic health of our clients. We understand that governmental accounting is a specialized industry with its own accounting standards and requirements and that is why we strive to constantly improve the quality of our professional services. This degree of dedication coupled with our ability to inform our clients of any new accounting and auditing issues is paramount to our success.

We feel that our size is such that we are large enough to provide a broad spectrum of services and experience backed by an in-house training program, professional development courses, and an extensive professional library, yet not so large as to become impersonal and rigid. Our informal style allows us to be flexible enough to complete our audits in a timely manner that is the most convenient for each client. Also, this style allows us to be more accessible to our clients when our clients have questions or concerns.

It is our understanding that we will be responsible for expressing an opinion on the District's financial statements in conformity with accounting principles generally accepted in the United States of America. It is also our understanding that we will be responsible for issuing the following:

1. An auditor's opinion letter on the fair presentation of the financial statements of the District in accordance with auditing standards generally accepted in the United States of America.
2. A Management Letter addressed to the Board of Directors of the District, setting forth recommendations for improvements in the Agency's accounting systems.
3. We will communicate in a letter to the Business and Accounting Manager any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. "Non-reportable conditions" discovered by us will also be communicated in the "Management Letter".
4. We will make immediate, written notification to the Board President and Business and Accounting Manager of all irregularities and illegal acts or indications of illegal acts of which we become aware.
5. Preparation and submission of the Report of Financial Transactions to the State Controller's Office.
6. Preparation of a Single Audit Report (if applicable).

We will make all communications to the District as required by the audit standards under which the engagement is performed. Those communications include, but are not limited to:

1. The auditors' responsibility under auditing standards generally accepted in the United States of America.
2. Significant accounting policies.
3. Management judgment and accounting estimates.
4. Significant audit adjustments.

5. Other information in documents containing audited financial statements.
6. Disagreements with management.
7. Management consultation with other accountants.
8. Major issues discussed with management prior to retention.
9. Difficulties encountered in performing the audit.
10. Errors, irregularities, and illegal acts.

All work papers and reports will be retained, at our expense, for a minimum of seven years (or the retention timeframe established by the professional standards, whichever is longer) unless the firm is notified in writing by the District of the need to extend the retention period. The work papers are subject to review by state and county agencies and other individuals designated by the District. Accordingly, the work papers will be made available upon request.

In addition, we will respond to the reasonable inquiries of successor auditors and allow successor auditors to review work papers.

All adjusting journal entries made by us will be discussed and explained to the designated personnel prior to recording.

If convenient for the District's staff, the approximate target dates for an audit would be as follows:

1. Preliminary audit entrance conference with staff – January 8
2. Detailed audit plan – January 8
3. Audit Fieldwork- January 8-10
4. Exit conference with staff – January 10
6. Draft of Financial Statements & Management Letter – February 15
7. Issue Audit Report and final Management Letter – within three days of the District's final approval of these documents
8. Present and discuss annual financial statements with the Board – Date of District's Choice

Minimal assistance of the District's staff is required during the course of the audit, however, we ask that the District provide the following: cooperation in answering questions, requested audit confirmations, bank reconciliations, trial balance at June 30, 2017, detailed general ledger for the fiscal year, and other original documentation supporting amounts and disclosures in the financial statements.

This proposal is a firm and irrevocable offer until February 18, 2018.

Thank you for your consideration and please do not hesitate to contact the authorized representative listed below with any questions, problems, or concerns.

Ronald A. Levy, CPA
Partner
2400 Professional Parkway, Ste. 205
Santa Maria, CA 93455
(805) 925-2579

Sincerely,


Ronald A. Levy, CPA

OCEANO COMMUNITY SERVICES DISTRICT AUDIT PROPOSAL

INDEPENDENCE

Moss, Levy & Hartzheim LLP is independent of Oceano Community Services District, and its component units, as defined by auditing standards generally accepted in the United States of America.

LICENSE TO PRACTICE IN CALIFORNIA

Moss, Levy & Hartzheim LLP is a properly licensed certified public accounting firm in the State of California, license # 5863. All certified public accountants engaged in the audit of the District are licensed to practice in the State of California and have received at least the minimum number of continuing professional education hours required by the State Board of Accountancy to perform audits under professional standards.

FIRM QUALIFICATIONS AND EXPERIENCE

Moss, Levy & Hartzheim LLP is a minority owned regional firm that performs audits of entities throughout the State of California. The firm currently employs 31 professionals and has annual gross revenues between 4.5 and 5.0 million dollars. Eighty-four percent of the 31 total employees are women or belong to an ethnic minority. The firm has three offices in California; Beverly Hills, Santa Maria, and Culver City.

The firm is in good standing with both the America Institute of Certified Public Accounts and the California Society of Certified Public Accountants.

The audit work will be completed by staff from our Santa Maria office.

The Santa Maria office is currently staffed by eight certified public accountants (five partners, two managers, and one supervisor). In addition, the office employs four senior accountants, four staff accountants, and two administrators.

The District will have one partner and one alternate partner assigned to the audit at all times. In addition, a manager, supervisor, and one or two staff accountants will be assigned on a full-time basis to the audit from the Santa Maria office. The Oceano Community Services District will also have a computer specialist assigned to the audit on a full-time basis. This individual assists the audit team in documenting the computer system internal control structure.

Please see *Appendix C - Current and/or Recently Completed Governmental Audits*.

PARTNER, SUPERVISORY, AND STAFF QUALIFICATIONS AND EXPERIENCE

It is the firm's policy to have our partners involved in the management function of our audits. Having multiple partners involved in the engagement allows the District to receive immediate responses to questions about accounting and audit topics, concerns, and recommendations.

Mr. Ronald Levy will be the partner in charge of the District's audit. Mr. Levy will have primary responsibility for the audit. Mr. Levy will be responsible for final review of the District's audit report, financial statements, and the State Controller's Report. Mr. Levy will also be responsible for addressing any questions or concerns that arise during the fiscal year.

Mr. Craig Hartzheim will be the alternate partner assigned to the audit. As alternate partner, it is his responsibility to be familiar with the District, its staff, the audit, and any special problem areas of the District in the event that Mr. Levy is unavailable.

Mr. Adam Guise will be the manager assigned to the audit. As the manager, Mr. Guise will oversee the day to day operations of the audit and will review all audit areas. Mr. Guise will be at the District for 100% of the fieldwork. He performs in-house training for governmental auditing staff members and is in charge of keeping the firm updated on aspects of governmental accounting and auditing issues.

**OCEANO COMMUNITY SERVICES DISTRICT
AUDIT PROPOSAL**

PARTNER, SUPERVISORY, AND STAFF QUALIFICATIONS AND EXPERIENCE-
continued

Mr. Alexander Hom will be the supervisor assigned to the audit. As the supervisor, it will be Mr. Hom's responsibility to oversee the senior staff, the staff accountants, do preliminary reviews of audit sections, and to perform more difficult audit sections.

Mr. Pablo Torres will be the senior assigned to the audit. As the senior, it will be Mr. Torres' responsibility to help oversee the staff accountants, do preliminary reviews of audit sections, and to perform more difficult audit sections.

Mr. David Ortiz will be the Information Technology Director assigned to the audit. Mr. Ortiz has extensive knowledge in auditing EDP functions. Mr. Ortiz will also perform the statistical sampling procedures for the audit. Also, he will document and test the internal control structure of the computer systems.

In addition to the supervisory staff listed above, one or two staff accountants will be assigned to the audit. All staff accountants have degrees from accredited colleges or universities, have received in-house audit training, and at present have at least one year of auditing experience. All staff accountants will be directly supervised by the fieldwork supervising partner assigned to the audit at all times. All partners and staff members have worked on numerous engagements together. Consistently working together will provide the District with a knowledgeable and efficient audit team.

The firm will maintain staff continuity on the engagement throughout the term of the contract, barring any terminations, illnesses, or other unforeseen circumstances. At the request of the District, any Moss, Levy & Hartzheim LLP employee assigned to the audit can be removed and replaced by another qualified employee. Moss, Levy & Hartzheim LLP has an advantage in that there is relatively low turnover in employees, as can be seen on individual resumes, and therefore the firm will not use the District as a training ground for its employees.

Please see *Appendix A - Resumes* for each individual's resume.

SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENT ENTITIES

Please see *Appendix B - References*.

SPECIFIC AUDIT APPROACH

The extent of our work will be what is required to enable us to express an opinion on the financial statements in accordance with:

1. *AICPA Industry Audit Guide for Local Governments,*
2. *AICPA Audit Standards,*
3. *Laws of the State of California,*
4. *Generally Accepted Accounting Principles,*
5. *Our firm's own additional standards and procedures.*

The audit will be conducted in accordance with auditing standards generally accepted in the United States of America.

The primary purpose of the audit is to express an opinion on the financial statements, and such an audit is subject to the inherent risk that material errors or fraud may exist and not be detected by us. If conditions are discovered which lead to the belief that material errors, defalcations, or fraud may exist, or if any other circumstances are encountered that require extended services, we will promptly advise the District.

OCEANO COMMUNITY SERVICES DISTRICT

AUDIT PROPOSAL

SPECIFIC AUDIT APPROACH -continued

Our audit will begin when it is convenient for the District's staff. We estimate this date to be in January to perform audit planning and internal control testing, and in October for year-end fieldwork. Upon acceptance of the audit proposal, the engagement partner or manager will contact your Business and Accounting Manager to discuss the scope and timing of the annual audit, to review any accounting issues known at that time, to prepare audit confirmations, and to address any concerns or questions you may have about the impending audit.

We will schedule approximately three days of fieldwork each fiscal year. We will utilize the prior fiscal year's financial statements and our learned knowledge of your systems to determine materiality for the different audit sections. Each fiscal year, we will select a sample of transactions to determine to what extent the systems are functioning as described to us. The extent of our sample size will depend upon our assessment of the internal control structure. The selection of transactions for testing will be made using a combination of random, systematic, and haphazard sampling techniques. We will identify the strength of the systems upon which we can rely in planning our substantive tests. Our internal control review will meet all the requirements of the AICPA Statement on Auditing Standards (SAS) No. 55, *Consideration of the Internal Control Structure in a Financial Statement Audit*, as amended by SAS Nos. 78 and 99, *Consideration of Fraud in a Financial Statement Audit*. We will also perform preliminary analytical review procedures using the prior fiscal year's audited financial statements.

We will also review the following documents in order to determine compliance with laws and regulations:

- (a) Minutes of the Board of Directors with special attention to: indications of new income sources, including state and local grants; expenditure authorizations and related disbursements, including any special or restrictive provisions; authorization for bank or other debt incurred; awards to successful bidders; authorization for new leases entered into; changes in licenses, fines or fees; and authorization for significant new employees hired,
- (b) New agreements and amendments to new agreements including but not limited to: grant agreements; debt and lease agreements; labor agreements; joint venture agreements; and other miscellaneous agreements,
- (c) Administrative Code, and
- (d) Investment and/or Endowment Policies.

The objective in testing transactions for compliance with laws, regulations, and the provisions of contracts and grant agreements is to express an opinion on whether the District has complied, in all material respects, with applicable compliance requirements, noncompliance with which could have a material effect on each major program. In selecting audit samples for purposes of tests of compliance, we will plan our tests to support a low assessed level of control risk. We will select transactions from each program or area that requires testing. The selection of transactions to test is based on the auditors' professional judgment.

In addition to the work above, we will perform an analytical review of all significant balance sheet and revenue and expense accounts, which includes a comparison of prior fiscal year financial statements and current fiscal year budget, to the fiscal year-end trial balance.

The primary objective of the year-end audit work is to audit the final numbers that will appear in the District's financial statements. Our fieldwork includes procedures required under SAS No. 99, *Consideration of Fraud in a Financial Statement Audit*. We will also maintain compliance with SAS Nos. 103-112 during the fiscal year ended June 30, 2017. These procedures significantly changed the way auditors approach audits and what is required for audits with a fiscal year ended beginning after December 31, 2006. This will entail a risk-based audit approach that will increase the time spent on audit planning. Standards also require interviews with audit committee members (if applicable), and/or members of the board of directors and management.

We will also perform audit procedures such as:

- (a) Confirmations, by positive and negative circularization including but not limited to all cash and investment accounts; selected receivable and income balances; all bonds, loans, notes payable, and capital leases; all notes receivable; all insurance carriers; all legal firms contracted by the District; and other miscellaneous confirmations as deemed necessary,
- (b) Physical verifications and observations of assets,
- (c) Analysis and review of evidential material,
- (d) Interviews and investigative efforts,
- (e) Electronic data processing testing for computer and software reliability, and
- (f) Numerous other procedures as deemed necessary for audit completion.

OCEANO COMMUNITY SERVICES DISTRICT
AUDIT PROPOSAL

SPECIFIC AUDIT APPROACH -continued

SAS No. 99, *Consideration of Fraud in a Financial Statement Audit*, impacts both the planning and the performance of the audit. In planning, the audit team will discuss how and where the financial statements might be susceptible to material misstatement due to fraud. To determine this, we will inquire of management, consider results of analytical procedures, and consider other fraud risk factors. We will review the results of our inquiries and identification of potential fraud areas on a daily basis to ensure compliance with SAS No. 99.

We have extensive knowledge in auditing computer systems. We have assisted numerous clients with the implementation of accounting software and database systems. This assistance has provided our firm with a thorough background in computer systems in both software applications, and auditing such systems. It is our policy to have a computer specialist as part of the audit team. This individual assists the audit team in documenting the computer system's internal control structure and highlighting strengths and weaknesses relating to the computer structure of the District.

Moss, Levy & Hartzhiem LLP uses networked laptop computers for audit fieldwork that connect to our office computer network via the internet. Software used by our staff includes Word, Excel, PPC Engagement Manager, and AuditWare for financial statement preparation. The firm employs a paperless audit approach. We will request the majority of the audit schedules and information electronically.

As part of the audit, we will compose a management letter, informing you of required audit disclosures, and noting certain observations or recommendations that we feel will assist you in strengthening internal control, and/or gaining efficiency in conducting your daily operations. The management letter is intended to be a helpful tool for management based on our experience, and never a critique of operations or management. The management letter is provided to management in draft form, and is subject to revision and approval, prior to issuance.

We will retain working papers and reports at our expense for a period of seven years. In addition, we will make our working papers available, upon your request, to any oversight District or successor auditor, if any.

MAXIMUM PRICE

All out of pocket expenses are included in the fee and no additional costs will be passed on to the District. The District is, however, expected to provide adequate working space and access to a copier. We will provide all items and equipment, including laptop computers, scanners, calculators, and office supplies.

The maximum annual audit fees are as follows:

- Fiscal Year 2016-17: \$18,500
- Fiscal Year 2017-18: \$19,150
- Fiscal Year 2018-19: \$19,820

Respectfully submitted,



Ronald A. Levy, CPA
Moss, Levy & Hartzheim LLP is an Equal Opportunity Employer

APPENDICES

OCEANO COMMUNITY SERVICES DISTRICT

APPENDIX A - RESUMES

RONALD A. LEVY, CPA - PARTNER

- California licensed CPA with 40 years of audit experience with governmental entities.
- Partner in charge of all governmental audits, currently including 30 municipal audits (including Single Audits), 29 school district audits, and 62 special district audits.
- Has assisted governmental clients with year-end closings, key position interviews, preparation of award winning CAFRs, and preparation of State Controller's Reports.
- Honored as CPA of the year (2006) by the Santa Barbara Chapter of the California Special Districts Association.
- Has met or exceeded all continuing education requirements, including recent courses in:
 - 2017, 2016, and 2015 Governmental Accounting Conferences*
 - 2017, 2016, and 2015 School District Conferences*
 - GASB Statement No.34 Training Conference*
 - Compliance Auditing, Audit Sampling and Concluding the Audit*
 - Audits of State and Local Governments*
 - Governmental Accounting Update*
 - The Single Audit Act*
 - Auditor's Reports on Audits of Local Governments*
 - Planning a Governmental Audit Engagement*
- Member of the following:
 - California Society of Municipal Finance Officers
 - American Institute of Certified Public Accountants
 - California Society of Certified Public Accountants
 - California Association of School Business Officials
 - Kiwanis Club
- A Bachelor of Science degree from Oregon State University conferred in 1977.
- Taught accounting courses at a branch of La Verne College and Chapman College.
- Knowledgeable about all areas of tax law.

OCEANO COMMUNITY SERVICES DISTRICT

APPENDIX A - RESUMES

CRAIG HARTZHEIM, CPA – PARTNER (ALTERNATE)

- California licensed CPA with 29 years of audit experience with governmental, non-profit, and commercial entities.
- Engagement partner for governmental and non-profit audits (Beverly Hills office), currently including 40 special district audits (including Los Angeles County Flood Control District and the County Sanitation District of Los Angeles County), 12 school districts and related audits, and 17 municipal audits.
- Has assisted governmental clients with year-end closings, key position interviews, preparation of award winning CAFRs, and preparation of State Controller's Reports.
- Has met or exceeded all continuing education requirements, including recent courses in the following:
 - 2017, 2016, and 2015 Governmental Accounting Conferences*
 - 2017, 2016, and 2015 School District Conferences*
 - Audits of States and Local Governments*
 - Preparing Governmental Financial Statements*
 - GAAS Guide*
 - Other Comprehensive Basis of Accounting (OCBOA) Statements*
 - Audit Standards Update*
 - Implementing SAS No. 112*
 - Implementing SAS No. 114*
 - Auditing Update*
 - Grants Management*
- Member of the following:
 - American Institute of Certified Public Accountants
 - California Society of Certified Public Accountants
- A Bachelor of Science degree in Accounting from Marquette University conferred in 1982.
- Knowledgeable about all areas of tax law including non-profit and payroll tax issues.

OCEANO COMMUNITY SERVICES DISTRICT

APPENDIX A - RESUMES

ADAM GUISE, CPA (PARTNER) – MANAGER

- California Licensed CPA with 10 years of audit experience with governmental, non-profit, and commercial entities.
- A Bachelor of Science degree in Business Administration with concentrations in accounting and financial management from California Polytechnic State University, San Luis Obispo.
- Manager for 8 cities, 3 school district audits, and 7 special districts. The special districts audited are:
 - Transportation Agency of Monterey County*
 - San Luis Obispo Council of Governments*
 - San Luis Obispo Regional Transit Authority*
 - Santa Barbara County Association of Governments*
 - Pleasant Valley Recreation & Parks District*
 - Los Osos Community Service District*
 - Goleta Sanitary District*
- Has assisted governmental clients with year-end closings, preparation of award winning CAFRs, and preparation of State Controller's Reports.
- Has met or exceeded all continuing education requirements, including recent courses in the following:
 - 2017, 2016, and 2015 School District Conferences*
 - 2017, 2016, and 2015 Governmental Accounting Conferences*
 - Audits of State and Local Governments*
 - Single Audits of Governmental Entities*
 - Internal Control Over Governmental Financial Reporting*
 - Advanced Fraud Techniques*
 - California Ethics: Making Ethical Decisions in the Practice of Public Accounting*
- Previous work experience included 2 years auditing publicly traded corporations with an international public accounting firm.

OCEANO COMMUNITY SERVICES DISTRICT
APPENDIX A - RESUMES

ALEXANDER HOM, CPA (PARTNER)– SUPERVISOR

- California Licensed CPA with 8 years of audit experience with governmental, non-profit, and commercial entities.
- A Bachelor of Science degree in Business Administration with a concentration in accounting from California Polytechnic State University, San Luis Obispo.
- Manager for the following special districts:
 - Santa Cruz Regional Transportation Commission*
 - Five Cities Fire Authority*
 - Vandenberg Community Services District*
 - Mosquito and Vector Management District*
 - Goleta Cemetery District*
 - Lompoc Cemetery District*
 - City of Watsonville*
- Manager for 9 school districts and 7 special districts.
- Has attended recent courses in the following:
 - 2017, 2016, and 2015 School District Conferences*
 - 2017, 2016, and 2015 Governmental Accounting Conferences*
 - Audit of State and Local Governments*
 - Single Audits of Governmental Entities*
 - Internal Control and Fraud in Governmental and Nonprofit Entities*
 - California Ethics: Making Ethical Decisions in the Practice of Public Accounting*

OCEANO COMMUNITY SERVICES DISTRICT

APPENDIX A - RESUMES

PABLO TORRES, CPA – SENIOR AUDITOR

- California Licensed CPA with 8 years of audit experience with governmental, non-profit, and commercial entities.
- A Bachelor of Science degree in Business Administration with a concentration in accounting from California Polytechnic State University, San Luis Obispo.
- Auditor for 4 cities, 11 school district audits, 8 special districts, and 2 non-profits.
- Has attended recent courses in the following:

2017, 2016, and 2015 School District Conferences
2017, 2016, and 2015 Governmental Accounting Conferences
Government Financial Reporting
Single Audits of Governmental Entities
Governmental Auditing Standards

DAVID ORTIZ – INFORMATION TECHNOLOGY DIRECTOR

- Eighteen years of audit and computer experience with governmental entities.
- A Bachelor of Science degree in Business Administration with a concentration in accounting from California Polytechnic State University, San Luis Obispo.
- Extensive knowledge of:

Network design and implementation
Network maintenance and troubleshooting
Network security
Microsoft, Mac, and Linux operating systems
Database systems
Various accounting programs

OCEANO COMMUNITY SERVICES DISTRICT

APPENDIX B - REFERENCES

CITY OF ARROYO GRANDE

Audit of basic financial statements, presentation of state controllers report

Contact: Debbie Malicoat, (805) 473-5430

Email: dmalicoat@arroyogrande.org

300 E. Branch St, Arroyo Grande CA 93420

LOS OSOS COMMUNITY SERVICES DISTRICT

Audit of basic financial statements, preparation of state controller's report

Contact: Renee Osborne, (805) 528-9370

Email: rosborne@losososcsd.org

2122 9th Street, Suite 102, Los Osos CA 93402

CITY OF GROVER BEACH

Audit of basic financial statements, preparation of state controller's report

Contact: Gayla Chapman, (805) 473-4550

Email: gchapman@grover.org

154 S. Eighth Street, Grover Beach CA 93433

OCEANO COMMUNITY SERVICES DISTRICT

APPENDIX C - CURRENT AND/OR RECENTLY COMPLETED GOVERNMENTAL AUDITS

SANITATION DISTRICTS

Cayucos Sanitary District
County Sanitation Districts of LA County -
All 25 Districts
Encina Wastewater Authority
Goleta Sanitary District
Orange County Sanitation District-Internal audits

WATER/IRRIGATION DISTRICTS

Foothill Municipal Water District
Main San Gabriel Basin Watermaster
Montecito Water District
Valley County Water District
Valley of the Moon Water District

RESOURCE CONSERVATION DISTRICT

Cachuma
Monterey County

UTILITY DISTRICT

Georgetown Divide Public Utility District

AMBULANCE SERVICES DISTRICTS

Cambria Community Healthcare District
North Coast Emergency Medical Services

FIRE PROTECTION DISTRICTS

Cayucos Fire Protection District

CEMETERY DISTRICTS

Atascadero Cemetery District
Carpinteria Cemetery District
Guadalupe Cemetery District
Lompoc Cemetery District
Oak Hill Cemetery District
San Miguel Cemetery District
Santa Margarita Cemetery District
Santa Maria Cemetery District

BUILDING AUTHORITY

County of San Diego Regional Building Authority

COMMUNITY SERVICES DISTRICTS

Cuyama CSD
Los Alamos CSD
Los Osos CSD
San Simeon CSD
Vandenberg Village CSD

RECREATION AND PARK DISTRICTS

Conejo Recreation and Park District
Mountains Recreation and Conservation
Authority
Pleasant Valley Recreation and Park District
Rancho Simi Park and Recreation District

TRANSPORTATION DEVELOPMENT ACTS

Arroyo Grande
Atascadero
Brawley
Calexico
El Centro
Grover Beach
Holtville
Paso Robles
San Luis Obispo Council of Governments
Santa Barbara Council of Governments
Santa Cruz County Regional Transportation
San Luis Obispo Regional Transit Authority
South County Area Transit
Transportation Authority of Marin County
Transportation Authority of Monterey County

TRANSIENT OCCUPANCY TAX AUDITS

Arroyo Grande
Bellflower
Bishop
Calexico
Carmel
Greenfield
Ojai
Santa Maria
Whittier

OTHER PUBLIC SCHOOL ENTITIES

Academia Semillas Del Pueblo Charter School
East Bay Regional Occupational Program
Family Partnership Charter School
Garr Academy of Mathematics and Entrepreneurial
Studies
Santa Barbara County Special Education Local
Plan Area
Pacoima Charter School
Santa Ynez Valley Charter School
Southern California Regional Occupational Center
Stella Academy
Synergy Charter School
Tri-Valley Regional Occupational Program

OCEANO COMMUNITY SERVICES DISTRICT

APPENDIX C - CURRENT AND/OR RECENTLY COMPLETED GOVERNMENTAL AUDITS

CITIES AND REDEVELOPMENT AGENCIES

Adelanto
Arcata
Arroyo Grande
Atascadero
Bellflower
Brawley
Buellton
Calabasas
Calexico
Camarillo-Internal control audits
Clayton
County of San Diego Redevelopment Agency
Dinuba
El Cerrito
Eureka
Fillmore
Fort Bragg
Greenfield
Grover Beach
Gustine
Healdsburg
Holtville
Imperial
Lathrop
Lemon Grove
Lompoc
Lynwood
Morgan Hill
Oakdale
Ojai
Pacifica
Paradise
Paso Robles
Santa Maria
Susanville
Taft
Tracy
Watsonville
Whittier
Winters
Yuba City

PUBLIC FINANCING AUTHORITIES

The majority of our municipalities issue debt through an established public financing authority.

COUNTIES

Los Angeles County (Master List)
San Diego County (Master List)

SCHOOL DISTRICTS

Acton-Agua Dulce Unified School District
Ballard School District
Bellflower Unified School District
Beverly Hills Unified School District
Blochman Union School District
Bradley Elementary School District
Buellton Union School District
Carpinteria Unified School District
Cayucos Elementary School District
Coast Unified School District
Cold Spring School District
College Elementary School District
Cuyama Joint Unified School District
Eastside School District
El Segundo Unified School District
Garvey School District
Goleta Union School District
Graves School District
Heber School District
Hope Elementary School District
Hughes-Elizabeth Lakes Union School District
Keppel Union School District
Lagunita School District
Lakeside Joint School District
Los Alamos Elementary School District
Los Olivos Elementary School District
Magnolia Union School District
Manhattan Beach Unified School District
Meadows Union School District
Mission Elementary School District
Monrovia Unified School District
Montecito Union School District
Mulberry School District
Novato Unified School District
Orcutt Union School District
Pacific Elementary School District
San Ardo Elementary School District
San Lucas Elementary School District
San Miguel School District
Shandon Unified School District
Solvang Elementary School District
Temple City Unified School District
Templeton Unified School District
Torrance Unified School District
Vista del Mar Elementary School District
Westmoreland Elementary School District
Washington School District

OCEANO COMMUNITY SERVICES DISTRICT

APPENDIX C - CURRENT AND/OR RECENTLY COMPLETED GOVERNMENTAL AUDITS

OTHER DISTRICTS

Beach Cities Health District
County of San Diego - Emergency Services Organization
County of San Diego First 5 Commission
County of San Diego In-Home Supportive Services
Public Authority
County of San Diego Health and Human Services Agency
Child Development Program Grant
County of San Diego MIOCR Grant
County of San Diego RLETC Grant
County of Los Angeles Delta Sigma Theta, Head Start
Program, Inc.
County of San Diego District Attorney's Office of
Auto Insurance Fraud Grant, Urban Auto Fraud
Grant and WC Insurance Fraud Grant
Los Angeles County Flood Control District
Marin/Sonoma Mosquito and Vector Control District
Mosquito and Vector Management District
San Diego Geographic Information Source
Tracy Area Public Facilities Financing Agency
West Contra Costa Integrated Waste Management Authority

OCEANO COMMUNITY SERVICES DISTRICT

Proposal for Professional Auditing Services

***For the fiscal year ending June 30, 2017
(With the option of each of the two subsequent years)***

Submitted by:

ROGERS, ANDERSON, MALODY & SCOTT, LLP

Certified Public Accountants

735 E. Carnegie Drive, Suite 100
San Bernardino, California 92408
(909) 889-0871

December 18, 2017

CONTACT: TERRY P. SHEA, PARTNER
terry@ramscpa.net

ALTERNATE CONTACT PERSON: BRAD A. WELEBIR, PARTNER
bwelebir@ramscpa.net



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

OCEANO COMMUNITY SERVICES DISTRICT
PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

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Attachment A: Recent Government Clients Served



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

December 18, 2017

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Oceano Community Services District
ATTENTION: Carey Casciola, Business and
Accounting Manager
1655 Front Street
Oceano, CA 93445

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Kirk A. Franks, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jay H. Zercher, CPA (Partner Emeritus)
Phillip H. Waller, CPA (Partner Emeritus)

MANAGERS / STAFF

Jenny Liu, CPA, MST
Seong-Hyea Lee, CPA, MBA
Charles De Simoni, CPA
Nathan Statham, CPA, MBA
Gardenya Duran, CPA
Brianna Schultz, CPA
Lisa Dongxue Guo, CPA, MSA

Dear Ms. Casciola,

I am pleased to respond, on behalf of Rogers, Anderson, Malody & Scott, LLP, (RAMS) to your request for a proposal regarding professional auditing services. As a recognized industry leader and innovator, our goal for the past 68 years has been to provide honest, accurate, objective results to all of our clients, including governmental organizations such as yours. Our success in this effort is witnessed by both the growth of our firm and the list of long-term clients who trust us.

At RAMS, we are committed to achieving the highest quality audit possible. We understand the complexity of performing governmental audits and that's why we have a *dedicated team of auditors* that possess the specialized knowledge and experience to help ensure compliance and changes in regulations that may impact your organization. We plan and execute our audits in a way that maximizes audit efficiency and effectiveness and provides you the highest quality services.

We are aware that the District has other proposals to consider. We believe that RAMS would be the appropriate choice for the audit engagement for the following reasons, which are provided in more detail in our proposal. Our firm:

- Has an established reputation in the governmental and not-for-profit accounting and auditing community for providing excellent, timely service and high quality reporting to our clients.
- Performs a risk based audit which enables us to focus on key audit areas allowing us to become more efficient resulting in lower audit fees.
- Provides auditing services to over 50 governmental agencies and not-for-profit organizations, including over 20 special districts.
- Understands the audit process, as a whole, can be a stressful experience for you and your staff; we understand that you will have other commitments and your regular workloads during the audit period. We make every effort to ensure the audit process, from the interim fieldwork to the preparation of the required financial reports, will be as trouble-free as possible for you and your staff. We accomplish this through comprehensive planning of the audit and utilizing our staff in the most efficient and effective manner while keeping disruptions and miscommunications to a minimum.
- Has audit team members that are personable and easy to work with. Through open and responsive communication with all parties involved in the audit process, we work to have the most efficient audit possible by minimizing operational distractions of your staff, while maximizing quality service and products.

MEMBERS

American Institute of
Certified Public Accountants

PCPS The AICPA Alliance
for CPA Firms

Governmental Audit
Quality Center

California Society of
Certified Public Accountants

- Provides extensive training and continuing education to all of our audit staff through a combined use of in-house instruction and third-party providers. Our audit team members are experienced with and receive regular training in performing Single Audits in accordance with Federal OMB Uniform Guidance.
- Is committed to helping you meet all reporting/auditing deadlines, resolving any issues encountered during your audit (e.g., accounting or auditing, new pronouncements, etc.), and providing you with quality audit services.
- Has an extensive internal quality control review process to ensure your financial reports meet the highest standards. In addition to the preparation of financial reports by the engagement team and review by the engagement manager, *each report is also examined by 2 partners and 2 professional proofreaders.*
- Has assisted many of our clients with the preparation of their Comprehensive Annual Financial Reports, and all of our clients that have submitted their reports for the Government Finance Officers Association (GFOA) or California Society of Municipal Finance Officers (CSMFO) awards have received the awards. Our participation as a GFOA reviewer also indirectly benefits our clients in the quality review process.
- Is a full service firm, with specialists in auditing, reviews and compilations, tax planning and preparation, as well as business consulting. The diverse experience and accessibility of the professionals in these areas help us to provide a comprehensive approach to a wide variety of needs.
- Believes that our fee estimate and arrangement provides a fair and reasonable cost, commensurate with the experience of the audit team members, to perform the annual audit services for the District.

Our client driven focus, continued commitment to quality and client service and industry expertise has made RAMS one of the most sought after firms in Southern California.

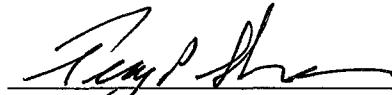
Mr. Shea and Mr. Welebir are authorized to represent the firm, are empowered to submit the bid and authorized to sign a contract with the District. We understand the work to be done as listed in the section of this proposal titled *Services to be provided*. This proposal is a firm and irrevocable offer for sixty (60) days. In addition, we will be committed to meeting any agreed upon time frames.

We can be reached at: 735 E. Carnegie Drive, Suite 100, San Bernardino, CA 92408, (909) 889-0871, terry@ramscpa.net or bwelebir@ramscpa.net.

Thank you for the opportunity to present our proposal qualifications and to serve as independent auditors to the District. We will be committed to exceeding your expectations of an auditor and believe this proposal provides you with information about our firm, the service team members and our customized audit approach. We look forward to having a long and mutually beneficial relationship with the District. Please contact us if you have any questions regarding this proposal.

Respectfully yours,

ROGERS, ANDERSON, MALODY & SCOTT, LLP



Terry P. Shea, CPA
Partner

OCEANO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Firm Overview

Independence

Rogers, Anderson, Malody & Scott, LLP is independent of the District, and any component units, as defined by general standard number two of the generally accepted auditing standards.

We are also independent of the District, and any component units, as defined by the second general standard for government auditing in the U.S. Government Accountability Office's *Government Auditing Standards* (2011).

License to practice in California

Rogers, Anderson, Malody & Scott, LLP is licensed to practice in the State of California. The key professional staff, which includes the partners, managers, and supervisors, are all certified public accountants licensed to practice in the State of California and are in compliance with all applicable Board of Accountancy standards.

About our firm



RAMS was founded in 1948 and is located at 735 E. Carnegie Drive, Suite 100, San Bernardino, California and offers the full range of services expected of a full service accounting firm. We are one of the oldest and most trusted and respected CPA firms in Southern California, with over 68 years of public practice experience, specializing in governmental agency and not-for-profit organization auditing, accounting and management advisory services. Over *fifteen thousand hours per year* are devoted to this area of our practice, which includes cities, redevelopment successor agencies, water districts, other special districts, not-for-profit corporations and joint power authorities. We

do not use our government accounting and auditing practice as "fill work" for the firm, it is a primary focus of it.

We understand that organizations desire that its auditors have a thorough understanding of the complex accounting and compliance issues confronting entities such as yours. Our firm has a long history of governmental accounting and auditing. Over the years, we have gained valuable experience, acquired in-depth knowledge, and obtained the technical expertise needed for governmental accounting and auditing. This expertise has enabled us to provide exceptional, high quality service and to provide solutions at fees we feel represent our value to our clients. In addition, we use our participation in various industry associations to continuously update our knowledge with respect to issues relating to governmental accounting, auditing and operations. Any insight we gain is immediately passed on to our clients if we feel they will benefit from it.

Our firm has a total staff of thirty-four people, which includes seventeen certified public accountants. The staff consists of six partners, two managers, ten supervisors/senior accountants, eleven staff accountants and five support staff. The audit staff consists of twenty-one members who devote over 80% of their time to municipal engagements. The engagement team assigned to the District's engagement will consist of the following full-time staff: three audit partners, one audit manager, one audit senior and one to two staff auditors. All personnel are located in our San Bernardino office.

OCEANO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Firm Overview (continued)

Our firm is committed to providing our clients with the highest quality service at the most reasonable fee. The professionals assigned to the District's financial audit have each made providing quality service their priority.

Single audit experience

Most of our clients, and some of our other not-for-profit clients, have been subject to an audit in accordance with OMB Circular A-133. We recently performed single audits for the following entities:

City of Capitola	City of La Mesa
City of San Marcos	City of Mission Viejo
City of Hawthorn	City of Redondo Beach
City of Wes Covina	City of Twentynine Palms
City of Fillmore	Community Action Partnership of San Bernardino County
City of Rosemead	University Enterprises Corporation at CSUSB
City of San Juan Capistrano	Western Municipal Water District
City of La Verne	

CAFR preparation

We have extensive experience in the preparation of Comprehensive Annual Financial Reports (CAFR). For the fiscal years ended June 30, 2015 and 2016, our staff prepared over 18 CAFR's, and each entity received the Certificate of Achievement for Excellence in Financial Reporting from the GFOA. For the fiscal year ended June 30, 2017, again, our staff prepared over 18 CAFR's for our clients for their submittal to the GFOA. In addition, we have helped many cities and special districts develop their first year's report for submittal. The audit partner on the engagement is also a technical reviewer for the GFOA CAFR award program.

Governmental Audit Quality Center

As a member of the American Institute of CPAs *Governmental Audit Quality Center*, we are committed to adhering to the highest quality standards by voluntarily agreeing to the Center membership requirements, which include designating a partner responsible for the quality of our governmental and not-for-profit audit practice, establishing quality control programs, performing annual internal inspection procedures, and making our peer review report findings publicly available. At RAMS, our goal is to continue to enhance our quality initiatives within our governmental and not-for-profit audit practice to deliver the highest quality audit services possible.

OCEANO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Firm Overview (continued)

In addition, the Governmental Audit Quality Center provides access to comprehensive resources that will assist us in further enhancing the quality of your audit. The Center membership provides us with timely information on a variety of technical, legislative and regulatory subjects that we can in turn apply to your audit to help ensure compliance with the appropriate standards and changes in regulations which we pass on to our clients.

Range of services

Our firm provides various other services in addition to auditing services to governmental and not-for-profit entities, including:



- Finance director and accounting support services
- Study and evaluation of financial condition and fiscal policies
- Transient Occupancy Tax Agreed Upon Procedures
- Franchise (refuse, cable) Agreed Upon Procedures
- Accounting policies and procedures
- Capital improvement program procedures and policies
- Cash management studies
- Financing and public bond offering assistance
- Franchise agreement assistance (ambulance, cable, television, refuse, etc.)

In addition, the firm provides accounting, auditing, attest and consulting services to for profit and not-for-profit entities. We also provide tax preparation and tax consulting services to individuals, corporations and partnerships.

Engagement quality control

We have an extensive internal quality control review process to ensure your audit meets the highest standards. In addition to the preparation of financial reports by the senior member of the engagement team, each report is reviewed by the engagement manager and is also examined by the engagement partner and the technical review partner, and is proofread by two professional staff. In addition, all audit workpapers are reviewed by the in-charge auditor and the partner in-charge of the engagement.

OCEANO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Firm Overview (continued)

External quality control review

As a member of the AICPA Private Companies Practice Section, our firm has participated in "Peer Review" since 1993 and has been examined every three years since that date. Participation in this program ensures that all of our engagements meet the standards of the AICPA, the Yellow Book and the California State Board of Accountancy. Throughout our participation in this program, the firm has received pass ratings from the peer reviewers. The latest review below included reviews of specific governmental entities.

During the current review, an independent firm reviewed our policies and procedures and then inspected a representative sample engagement workpapers and reports, including governmental entities and engagements subject to OMB A-133. For the year ended November 30, 2014, our firm received a "pass" rating which indicates our auditing practice is suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with applicable standards. The results provided confirmation that the custom audit approach and procedures we use are technically sound and in compliance with applicable standards.

The firm is not aware of any federal or state desk reviews or field reviews of its audits during the last three years.

Disciplinary action

The firm **has never** had any disciplinary action taken or pending against it with state regulatory bodies or professional organizations, nor has it ever had any pending or settled litigation, civil or criminal investigations.

Our firm does not have a record of substandard work.

In addition to the external quality control review, our firm performs in-house peer reviews over our audit and attest engagements annually.

Equal Opportunity Employer

Our firm is an equal opportunity employer and is committed to providing employment opportunities to all qualified persons regardless of race, color, sex, religion, national origin or handicap. Our staff represents a wide range of cultures and ethnic backgrounds. We provide opportunities for advancement for all staff based ability, skill and desire to advance.

Grant Bennett Associates
A PROFESSIONAL CORPORATION

Alliott
GROUP
A Worldwide Alliance of Independent
Accounting, Tax and Consulting Firms

SYSTEM REVIEW REPORT

June 30, 2015

To the owners of Rogers, Anderson, Malody & Scott, LLP and the Peer Review Committee of the California Society of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Rogers, Anderson, Malody & Scott, LLP (the firm) in effect for the year ended November 30, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

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

In our opinion, the system of quality control for the accounting and auditing practice of Rogers, Anderson, Malody & Scott, LLP in effect for the year ended November 30, 2014, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Rogers, Anderson, Malody & Scott, LLP received a peer review rating of *pass*.

GRANT BENNETT ASSOCIATES
A PROFESSIONAL CORPORATION
Certified Public Accountants

Grant Bennett Associates



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OCEANO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Experience Summary

RAMS has extensive experience in performing governmental and special district audits, we currently audit 19 cities and 33 special districts, most of which are water, sewer and sanitation districts. From fiscal year 2003-04 to fiscal year 2010-11 we audited over 90 San Bernardino County Special Districts, several of which included water, sewer and street lighting operations. Please see Attachment A for a list of our current clients. We have detailed our qualifications in the Firm Overview and Personnel sections of this proposal.

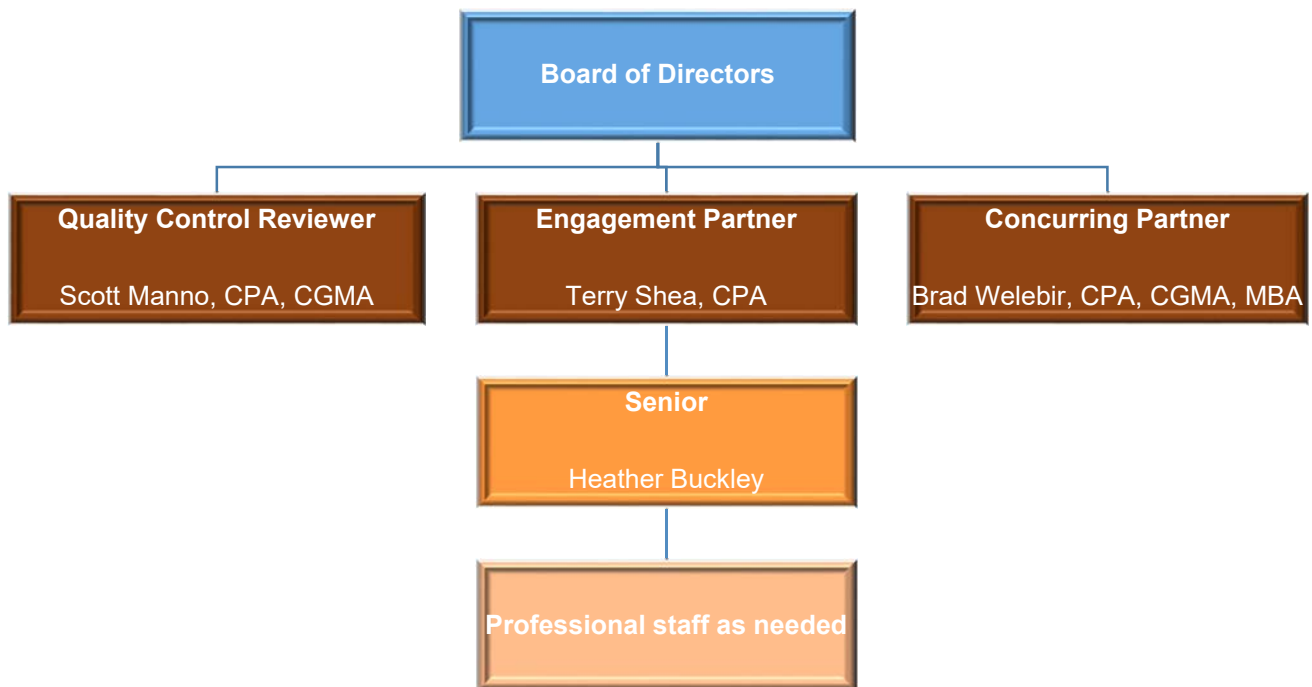
OCEANO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Personnel

The quality of service you receive is dependent on the capabilities of the individuals assigned to the engagement, and the manner in which those personnel resources are organized to efficiently focus their abilities on providing you with the requested audit services. These professionals are highly trained and knowledgeable and have a thorough understanding of the environment in which governmental and not-for-profit entities operate. This experience is a critical component in providing the District with an effective and efficient audit.

Our engagement team will provide significant experience coupled with an extensive, practical understanding of governmental and not-for-profit accounting and auditing along with a broad business perspective. Each member will have access to a wide range of technical resources and knowledge bases which will enable them to provide the District with practical observations and effective solutions.



OCEANO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Personnel (continued)

Partner and supervisory staff involvement

All partners and supervisory staff are working professionals and are actively and continually involved in all aspects of their engagements. We believe that partner and supervisory staff involvement in all areas of the audit is a key aspect of the overall audit process. This involvement includes being on-site for interim and year-end fieldwork, thus facilitating a proper, efficient and effective audit, with minimal disruption of your staff. In addition, the time spent on-site by the partners and supervisory staff ensures they gain an understanding of the entire District's accounting processes and procedures. This understanding will enable them to evaluate and develop opportunities for efficiency as well as offer practical and functional advice for improving your accounting processes and procedures.

All professionals on this engagement have worked on audits similar in nature to the District's, therefore, the District will not have to train our engagement team.

Staff continuity

Continuity of audit staff is a principal concern with our firm. In order to retain our staff, we offer extremely competitive wages, opportunities for advancement, generous medical packages, a retirement plan, bonus opportunities, as well as educational benefits. Even with the benefits we provide, we realize we may lose staff at any given time. Knowing this, we plan to provide staff continuity from year to year, which is in the best interest of the organization and our firm. Continuity ensures an orderly, efficient, and less disruptive audit experience. Since we cannot guarantee staff will remain with us, principal supervisory and management staff, including engagement partners, managers, other supervisory staff, and specialists, may be changed if those personnel leave the firm or are promoted. However, the District reserves the right to accept or reject replacements.

We believe that due to the significant involvement of the partners on all of our engagements, any staff transition would have a minimal effect on the audit efficiency and effectiveness of subsequent years.

Continuing professional education

Our team of auditor specialists stays current in this highly technical practice area by adhering to the continuing professional education requirements of *Government Auditing Standards* as well as the State Board of Accountancy guidelines. All professionals at our firm participate in continuing professional education (CPE) programs, which are sponsored by various organizations including the Government Finance Officers Association, the American Institute of Certified Public Accountants, the California State Society of Certified Public Accountants, the California Society of Municipal Finance Officers and the Association of Government Accountants. Participation in these programs helps us to ensure that our clients are serviced with the best trained and most proficient government and not-for-profit auditors and accountants available. In addition, we provide in-house training taught by our partners and senior level staff using published resources. All staff are required to attend fraud and ethics training. It is our goal to provide our professional staff continuing education which exceeds the minimum standard of 80 hours over two years.

In accordance with our firm's Quality Control document and *Government Auditing Standards (GAS)*, all staff members who work on audits subject to GAS are required to complete CPE in accordance with GAS standards which require 24 hours directly related to governmental accounting and auditing.

In addition to the required CPE, we also use the following to increase our technical knowledge: view the Governmental Audit Quality Center Annual Webcast Update and other relevant seminars and review monthly publications from the AICPA, the GFOA, and various other resources. We also attend conferences and seminars sponsored by the GFOA, California Society of Municipal Finance Officers and the California Special District Association.

OCEANO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Personnel (continued)

Assigned personnel

It is our goal to provide you with capable, competent, and personable individuals who offer an extensive background, not only in governmental and not-for-profit accounting and auditing, but also in general business practices. We offer practical solutions, as well as provide technical support. This enables you to stay at the forefront of governmental and not-for-profit accounting and provides you with the support you need in dealing with the complex issues confronting entities such as yours.

In addition, our engagement team has the managerial and supervisory experience to provide the District with a comprehensive audit of the highest quality, while still focusing on personal service. The resumes of the key engagement personnel assigned to the audit are presented near the end of this proposal. The following individuals will be assigned to the engagement for the entire contract period:

Terry P. Shea, CPA – Partner, Engagement Partner

Terry will be the Engagement Partner. As the engagement partner, he will be responsible for overall engagement quality, as well as ensuring that the engagement is performed in the most effective and efficient manner. He will directly oversee all engagement staff while assisting in planning and performing the engagement as well as reviewing all work-papers prepared during the engagement, in addition to all required reports. He has over 35 years of practical, governmental accounting and auditing experience. Terry provides real world experience to all of our governmental engagements. He has gained this experience by serving as interim/contract finance director for several cities over the years. He served as Interim Finance Director for the City of Perris from July 1998 to October 2001. He currently serves as the Contract Finance Director for one city in Riverside County and one in Los Angeles County.

Brad A. Welebir, CPA, CGMA, MBA – Partner, Concurring

Brad is a partner with the firm. He is licensed to practice as a certified public accountant in the State of California. Brad has over 12 years of public accounting experience and has provided accounting, auditing, and consulting services for municipalities, special districts, water agencies, and various nonprofit organizations. As the concurring partner, Brad will work directly with Terry in planning and performing the engagement. In addition, he will provide technical consultation for the engagement team.

Scott W. Manno, CPA, CGMA – Partner, Quality Control Reviewer

Scott will be the Quality Control Reviewer. He is licensed to practice as a certified public accountant in the State of California. He has been in public accounting for 20 years specializing in serving local governments such as yours. Mr. Manno also serves as a technical reviewer for the GFOA CAFR Award program.

Heather Buckley – Senior Accountant

Heather is a senior accountant with the firm. She has over 4 years' experience in providing accounting and auditing services for municipalities, special districts and various nonprofit organizations. As a senior accountant, she will work closely with the engagement partner and supervisor and be responsible for planning the audit, supervising the staff assigned to the engagement, and performing reviews of all work-papers prepared for the engagement. In addition, he will also be responsible for the preparation of any required reports.

OCEANO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Personnel (continued)

Senior and staff level accountants

All staff employed by us and working on governmental audits are qualified to perform governmental audits. Each staff member is encouraged to take on increased responsibility for engagements previously worked on. This enables our staff to grow on each engagement and allows them to continue to gain the skills and knowledge required to perform the audits.

In summary, we want to emphasize the credentials of the above professionals who will be directly responsible for the quality of service that you will receive. Additionally, our audit team has another attribute that is very important, even though it is intangible -- the professionals assigned to the audits have previously worked together as a multi-disciplined team, thus ensuring a smooth, efficient and effective audit. We are committed to allocating the necessary resources to ensure that we provide continuity of personnel throughout the term of our relationship with the District.

Full engagement team resumes are provided as follows.

OCEANO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Personnel (continued)

Engagement team resumes



Terry P. Shea, CPA
Engagement Partner

Professional experience

Mr. Shea began his career with Thomas, Byrne and Smith in 1981. He spent five years with the firm primarily working on audits of municipalities, special districts, redevelopment and other governmental agencies. He joined Rogers, Anderson, Malody & Scott, LLP in 1987 where he has completed governmental audits including municipalities and provided financial consulting services for various cities.

Education/licenses

Bachelor of Arts degree from California State University, Fullerton
Certified Public Accountant – State of California

Related professional experience

Partial listing of governmental entities recently served (*includes enterprise fund accounting):

Pine Cove Water District	City of Redondo Beach*	Helix Water District
Crestline Village Water District	Western Municipal Water District	Joshua Basin Water District
Vista Irrigation District	Idyllwild Water District	Rosamond CSD
United Water Cons District	Nipomo CSD	City of La Verne*
City of Norco*	Crestline – Lake Arrowhead	City of La Mesa*
City of Mission Viejo*	Water Agency	Jurupa Comm. Services District
Ventura Regional Sanitation District	Yucaipa Valley Water District	S.B. County Special Districts*
	Town of Yucca Valley	

Mr. Shea served as the Interim Finance Director for the City of Perris from July 1998 to October 2001. He currently serves as the Contract Finance Director for one Riverside County city and one Los Angeles County city.

Continuing professional education

Mr. Shea has completed over 120 hours of continuing professional education courses in the past three years, of which, the following select courses are relevant to this engagement:

- ◆ American Institute of Certified Public Accountants, *Foundations in Governmental Accounting*
- ◆ American Institute of Certified Public Accountants, *Governmental and Not-for Profit Conference*
- ◆ California Society of CPAs Education Foundation, *Governmental Auditing Skills*
- ◆ Thomson Reuters, *Audits of State and Local Governments*

Professional affiliations

Mr. Shea is a member of the following professional organizations:

- ◆ American Institute of Certified Public Accountants (AICPA)
- ◆ California Society of Certified Public Accountants (CalCPA)
- ◆ Government Finance Officers Association (GFOA)
- ◆ California Society of Municipal Finance Officers (CSMFO)

OCEANO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Personnel (continued)



Brad A. Welebir, CPA, CGMA, MBA
Concurring Partner

Professional experience

Mr. Welebir joined Rogers, Anderson, Malody & Scott, LLP in January 2004. He works primarily on audits of governmental agencies, small to mid-sized businesses, and nonprofit organizations. Prior to joining our firm, he worked at Sam's Club, where he was the operations manager and at La Sierra Academy as the accountant.

Education/licenses

Masters of Business Administration – Accounting Emphasis from California State University, Fullerton
Bachelor of Arts in Business Administration from La Sierra University
Certified Public Accountant – State of California
Chartered Global Management Accountant – American Institute of Certified Public Accountants

Related professional experience

Partial listing of governmental entities recently served (*includes enterprise fund accounting):

Western Municipal Water District	Helendale CSD
Crestline Village Water District	Crestline-Lake Arrowhead Water Agency
San Geronio Pass Water Agency	San Bernardino Municipal Water District
West Valley Water District	Valley Water Agency
Big Bear Area Regional Wastewater Agency	Running Springs Water District
Mojave Water Agency	Santa Ana Watershed Project Authority

Continuing professional education

Mr. Welebir has completed over 120 hours of continuing professional education courses in the past three years of which the following select courses are relevant to this engagement:

- ◆ Thomson Reuters, *Audits of State and Local Governments*
- ◆ American Institute of Certified Public Accountants, *Foundations in Governmental Accounting*
- ◆ California Society of CPAs Education Foundation, *Governmental Accounting and Auditing Update*
- ◆ American Institute of Certified Public Accountants, *Applying A-133 to Nonprofit and Governmental Organizations*

Professional affiliations

Mr. Welebir is a member of the following professional organizations:

- ◆ American Institute of Certified Public Accountants (AICPA)
- ◆ California Society of Certified Public Accountants (CalCPA)
- ◆ Government Finance Officers Association (GFOA)
- ◆ California Society of Municipal Finance Officers (CSMFO)

OCEANO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Personnel (continued)



Scott W. Manno, CPA, CGMA
Quality Control Partner

Professional experience

Mr. Manno began his career with Thomas, Bigbie and Smith in 1995. He spent six years with the firm primarily working on audits of municipalities, special districts and redevelopment agencies as well as various nonprofit organizations. He joined Rogers, Anderson, Malody & Scott, LLP in July 2001. Currently, Mr. Manno serves as a technical reviewer for the GFOA CAFR Award program. Since 2010, Mr. Manno has been serving as a technical volunteer on the California Special Districts Association Audit Committee and is now a member of the Association's fiscal committee providing accounting and fiscal program guidance. Also, Mr. Manno recently did a presentation on fraud at a state conference.

In addition, he is part of the California State Society of Certified Public Accountants Governmental Accounting and Auditing Committee which meets periodically to discuss current events, pronouncements, etc., including the upcoming implementation of GASB 68.

Education/licenses

Bachelor of Science degree from California State University, San Bernardino
Certified Public Accountant – State of California
Chartered Global Management Accountant – American Institute of Certified Public Accountants

Related professional experience

Partial listing of governmental agencies recently served:

Western Municipal Water District	Vallecitos Water District	Runnings Springs Water District	Crestline Village Water District
San Bernardino Valley Municipal Water District	San Geronio Pass Water Agency	Rincon del Diablo Water District	Twentynine Palms Water District
Pine Cove Water District	Helix Water District	East Valley Water District	Vista Irrigation District
West Valley Water District	Valley Sanitary District	Saticoy Sanitary District	Helendale CSD

Mr. Manno has completed approximately 132 hours of continuing professional education courses over the past three years of which the following select courses are relevant to this engagement:

- ◆ Association of Certified Fraud Examiners, *How to Detect and Prevent Financial Statement Fraud*
- ◆ American Institute of Certified Public Accountants, *Governmental Accounting and Reporting*

Professional affiliations

Mr. Manno is a member of the following organizations:

- ◆ American Institute of Certified Public Accountants (AICPA)
- ◆ California Society of Certified Public Accountants (CalCPA)
- ◆ Association of Certified Fraud Examiners (ACFE)
- ◆ Association of Government Accountants (AGA)
- ◆ Government Finance Officers Association (GFOA)
- ◆ California Special Districts Association (CSDA)
- ◆ California Society of Municipal Finance Officers (CSMFO)

OCEANO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of Services

Services to be provided

The District desires the auditor to express an opinion on the fair presentation of its financial statements in accordance with Generally Accepted Accounting Principles (GAAP), and Governmental Accounting Standard Board (GASB) practices.

In addition, we shall:

- Prepare the financial statements and related notes of the Financial Statements.
- Apply certain limited procedures related to Management's Discussion and Analysis and any Required Supplementary Information.
- Prepare Management Letter that includes significant and less significant (i.e. reportable and non-reportable) recommendations for improvements to internal control.
- Provide a formal update on new state and national developments affecting the District.

Our audit(s) will be in accordance with:

- Generally Accepted Auditing Standards as promulgated by the American Institute of Certified Public Accountants (AICPA).
- The guidelines set forth in the AICPA's Audit and Accounting Guide, *Audits of State and Local Governments*.
- Government Auditing Standards issued by the Comptroller of the United States of America.
- *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (OMB Uniform Guidance).
- Requirements issued by the State Controller's Office
- Requirements issued by the State of California.
- Any other requirements as needed.

The Firm will prepare a report to the Board regarding each of the following:

- The auditor's responsibility under generally accepted auditing standards.
- Significant accounting policies.
- Management judgments and accounting estimates.
- Significant audit adjustments.
- Other information in documents containing audited financial statements.
- Disagreements with management.
- Management consultation with other accountants.
- Major issues with management prior to retention.
- Difficulties encountered in performing the audit.
- Errors, irregularities, and illegal acts.

All working papers and reports will be retained (at our expense) for a minimum of seven (7) years, unless we are notified by the District of the need to extend that retention period.

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

- District General Manager
- Business and Accounting Manager
- Board President if Applicable

Scope of Services (continued)

RAMS engagement approach

Our engagement approach for your audit will be developed using established goals which will enable measurement of the audit process by the engagement partner and supervisor. Our approach involves frequent communication between the partner and the engagement team to ensure that all audit objectives are achieved in accordance with the established goals and that any issues which may arise are communicated and dealt with on a timely basis. Our overall knowledge and expertise in governmental accounting and auditing has allowed us to identify key audit and accounting risks in the government environment. More importantly, the approach provides for a complete reassessment of the management and control environment in each year's audit and thus is capable of responding to changes and will ensure that deadlines are met in issuing the annual financial statements.

Our engagement approach has been developed and refined over many years. The backbone of our approach revolves around the following six elements:

- **Knowledge and experience.** We have been auditing governmental entities like the District, both large and small, for over 68 years. This experience has allowed us to gain in-depth knowledge of the governmental environment which in turn allows us to perform a more efficient and effective audit and enables us to perform detailed risk assessment procedures. These risk assessment procedures allow us to identify significant audit risk areas within the District.
- **Oversight.** Professional judgment is not developed overnight. Our partners, managers and supervisors have been deeply involved in governmental audits on a continuous basis for most of their professional careers. By having direct partner and manager oversight, we are able to design audit strategies that result in effective and efficient audits.
- **Timeliness.** Deadlines are not just "dates" to us, they are professional commitments. All required deadlines will be met.
- **Open communication.** Open lines of communication with all parties (the engagement team members and District Management and staff) throughout the audit process helps to eliminate "surprises." Proper planning and proper use of experienced engagement personnel tend to provide for an effective and efficient audit process. Consequently, inefficiencies, disruptions, and lack of understanding are kept to a minimum.
- **Availability.** All engagement team members are available throughout the year for any questions or additional consultation.
- **Cost effectiveness.** Our customized audit approach and procedures and our experienced auditors help to reduce your overall audit costs.

As indicated in the next section of the proposal, the overall objective of the engagement with the District is to conduct an audit of the financial statements in accordance with required auditing standards and the expression of an opinion on those financial statements. Beyond that initial objective, we believe that our engagement approach provides certain other value added characteristics, at no additional cost, that will benefit the District over the long-term:

- All of our audits are designed to be performed in an efficient and effective way to minimize disruption to the office operations.
- We offer practical observations and recommendations relating to internal control issues, implementation of accounting standards and the policies and procedures regarding both.
- We identify opportunities for operating efficiencies which can be used to decrease operating costs of the District.

OCEANO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of Services (continued)

Audit approach and audit segmentation

The following is a summary of the audit team's audit approach for the District's engagement. The audit will be divided into the following segments:

Segment 1 – Interim testing – planning, pre-audit administration and internal control testing

During this phase of the audit, our principal objectives will be to gather information about the District and its environment, including internal control over financial reporting.

In order to achieve the desired objectives of this phase of the audit, we will:

- Meet with the District's staff in order to determine convenient dates in which we can begin our audit, and to discuss the assistance to be provided by the District's staff.
- Hold brainstorming sessions with engagement team members to discuss the susceptibility of the District's financial statements to material misstatement and fraud.
- Review and evaluate the District's accounting and reporting processes by reviewing the prior year's audit work-papers, any District-prepared documents such as budgets, in-house financial reports, policies and procedures manuals, minutes of board meetings, etc., and by using various analytical procedures. Analytical procedures will enhance our understanding of the District and will help us identify areas that may need further assessment and additional testing.
- Review and retain copies of any pertinent local, state and federal statutes, regulations, or charters that apply to the District.
- Evaluate the design of controls that are relevant to the audit by obtaining a thorough understanding of the District's internal controls over financial reporting and compliance by documenting key internal control components, utilizing questionnaires, walkthroughs, inquiring of the District's personnel, and observing and reviewing key supporting documentation (a more thorough explanation of this process is discussed later in the technical proposal).
- Test controls, if control risk is assessed below the maximum, by selecting a sample of transactions within the audit area being tested and reviewing supporting documentation, and evaluating the completeness of the documentation tested, as well as the adequacy of support and approvals as they appear on the support.
- Document and review with management, any findings noted during the testing of internal controls and provide a preliminary management letter that will include our recommendations for improving any weaknesses in operations. The letter will also include suggestions for improving the efficiency of the District's operations.

This phase of the engagement for the audit will be performed by the senior/supervising accountant and one staff accountant with direct supervision by the audit partner.

OCEANO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of Services (continued)

Segment 2 – Year end testing – substantive testing

During this phase of the audit, our principal objectives will be to assess the risk of material misstatement at the financial statement level and specific assertions, design overall responses to assessed risks and further audit procedures, perform substantive tests, as needed, and complete the audit and evaluate audit findings, if applicable.

In order to achieve the desired objectives of this phase of the audit, we will:

- Determine whether our testing supports the assessed level of risk initially assigned at the financial statement level and at the assertion level.
- Identify significant risks.
- Develop a detailed audit plan.
- Design substantive tests of account balances, designed and modified specifically for the District's operations and assessed level of risk. Substantive procedures could, depending on our risk assessment, may consist of the following (the list below is not all inclusive):
 - Confirmation of cash and investment balances
 - Testing of cash and investment reconciliations
 - Testing GASB 40 disclosures
 - Testing for compliance with the District's investment policy
 - Testing of interest income allocations to the various funds
 - Analytical review and subsequent receipt testing of significant receivables
 - Evaluate if receivables are valued properly and perform tests of balances in conjunction with the testing of revenues
 - Testing of significant inventory and other asset accounts
 - Testing of additions and deletions to capital assets, including CIP accounts
 - Perform a search for unrecorded liabilities
 - Testing of significant liability and accrued liability accounts
 - Evaluate the support for compensated absences
 - Review the valuation of claims and judgments
 - Testing of long-term debt balances and debt covenants
 - Analytical review of interest expense
 - Testing of net position (net asset) classifications
 - Testing of revenues through either analytical procedures and/or detailed testing
 - Testing of expenses through either analytical procedures and/or detailed testing
 - Payroll testing for compliance with approved salary schedules
 - Review the minutes of the board meetings
 - Review significant contracts, debt issuances, leases and other agreements
 - Review of subsequent events after year end (through the completion of our audit)
 - Testing for significant commitments to be disclosed in the financial statements
 - Confirm with legal counsel any significant legal matters affecting the District's financial position

OCEANO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of Services (continued)

Segment 3 - Reporting – Report preparation (workpaper review)/audit conclusion

During this phase of the audit, our principal objectives will be to evaluate whether the financial statements, taken as a whole, are free from material misstatement and form an opinion(s) and issue our report.

In order to achieve the desired objectives of this phase of the audit, we will:

- Determine whether, based on our substantive testing and other procedures, the financial statements, taken as a whole, are free of material misstatement. This will provide the basis for our opinion(s).
- Review of all audit workpapers by the engagement partner and manager/supervisor/senior to ensure that the audit was performed in accordance with the required standards (GAAS, GAGAS, etc.).
- Prepare drafts of all required reports by the agreed-upon dates.
- Conduct an independent review of the financial statement draft by the engagement's quality control partner.
- Issue all reports by the agreed-upon dates.

This phase of the engagement will be performed by the audit senior and one staff accountant with direct supervision by the audit partner. In addition, the engagements quality control partner will perform a detailed quality control review of the financial statements.

The above procedures are a general list of procedures to be performed. After our initial review of the District and our detailed risk assessment, we will customize the engagement and gear it towards the needs of the District and the audit itself. In doing so, we will determine which procedures to perform relative to our risk assessment. All of our audits are customized to each entity, helping to ensure a complete, effective, and efficient audit. The foundation of the above approach is based on open communication coupled with a strong knowledge of District operations and detailed planning at the initial stages of the audit.

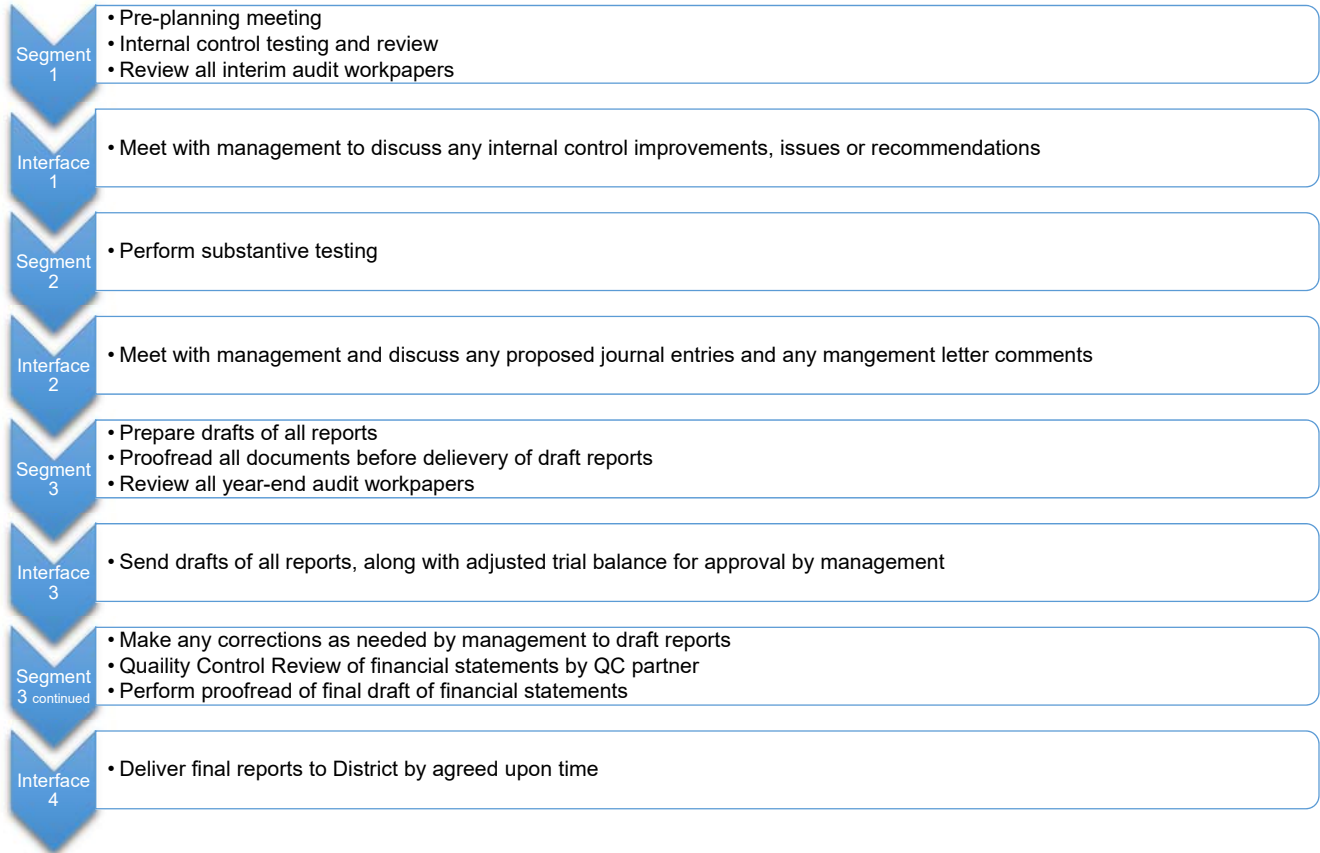
Our firm is dedicated to performing a timely audit engagement. Prior to the start of the audit, we will meet with District staff and decide on adequate timeframes, agreed upon by both the District and us, for the performance of the audit and the release of the financial statements. *We will dedicate the necessary resources to meet any agree upon time frames.*

OCEANO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of Services (continued)

Below is a flowchart of the major tasks and interfaces between the firm and the District:



OCEANO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of Services (continued)

Understanding of internal control over financial reporting

Our approach to obtaining an understanding of the District's internal control over financial reporting will be performed in accordance with professional standards as promulgated by the American Institute of Certified Public Accountants -- our understanding will include the *Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring*. We will use customized procedures which we have developed internally to evaluate your internal control systems. By combining our customized procedures and our detailed knowledge of the District and its environment, we will be able to provide constructive feedback in areas we feel need improvement. In addition to our customized procedures, we will also perform the following:

Control Environment. Through inquiry of the District's personnel, prompted by questionnaires, personal knowledge, and review of the minutes of the District's board meetings, we will obtain an understanding of management's and the District Board's attitudes, awareness and actions concerning the control environment, focusing on the substance of the controls rather than their form.

Risk Assessment. Through inquiry of the District's personnel and the use of questionnaires, we will obtain sufficient knowledge of the District's risk assessment process to understand how management considers risks relevant to financial reporting objectives and decides upon actions to address those risks. This will include understanding how management identifies risks, estimates the significance of these risks, assesses the likelihood of their occurrence, and relates them to financial reporting.

Control Activities. Certain control procedures will be documented during our analysis of the control environment and the accounting system. However, many specific control procedures will still need to be documented that will focus primarily on the District's major transaction cycles. As mentioned above, we will test the District's control procedures on which we intend to rely on for safeguarding assets from unauthorized use or disposition and detecting/preventing unauthorized transactions. Any flow charts, organizational charts and any other manuals, programs, and financial and management information systems will be analyzed during this process.

Information and Communication. Through inquiry of the District's personnel, we will identify the major types of transactions engaged in by the District. We will become familiar with the treatment of those transactions, including how the transactions are initiated, the related accounting records, and the manner of processing the transactions. Finally, we will obtain an understanding of the District's financial reporting process used to prepare financial reports, including the approaches used in making accounting estimates and disclosures.

Monitoring. Through the inquiry of the District's personnel and the use of questionnaires, we will obtain sufficient knowledge of the major types of activities the District uses to monitor internal control over financial reporting. We will also determine how those activities are used to initiate corrective actions.

OCEANO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of Services (continued)

Sample sizes

Our sample sizes will be determined in accordance with the AICPA's *Audit and Accounting Guide, Audit Sampling*, and will be selected using professional judgment as permitted by SAS No. 111: *Amendment to Statement on Auditing Standards No. 39, Audit Sampling*. Our methods are designed to provide the most audit coverage without expending excess time. Our sample sizes will depend upon our preliminary assessment of control risk, our planned substantive testing and analytical procedures as well as our professional judgement.

Approach in drawing samples for compliance testing

Our approach to be taken in drawing audit samples for purposes of tests of compliance will depend on the number of transactions, the amounts of financial assistance provided (as applicable), and the District's internal controls over the respective programs. Our audits are designed to ensure we will select samples that will provide sufficient evidence of the District's compliance with the laws and regulations that will have a material effect on compliance with laws and regulations.

Computer technology in the audit

Our firm has adopted a paperless audit approach. Using our engagement software, all audit team members are linked to each other using a local router which enables them to share information at an almost real-time speed. In addition, once your trial balances and financial statements are entered into our software, we are able to observe your statements in the field allowing us to notice any variances and address them at your office. With this in mind, we would prefer all audit information in an electronic format, particularly trial balances and general ledgers. If electronic formatting is not available, all audit teams have portable scanners and printers while on location during fieldwork. In addition, we can access our accounting and auditing resources through either a wireless or wired internet connection. We link the CAFR schedules directly to our audit software trial balances, and as result, we can provide the District with fund financial statements almost immediately after importing the trial balances. Additionally, journal entries are easy to post to the CAFR schedules and the risk of data entry error is minimized. We can provide the District with our audited trial balances which show the coding of the CAFR schedules for ease of review for District staff. These reports show each account coded to a specific CAFR line item as well as journal entries posted during the audit.

Analytical procedures

In order to properly utilize analytical procedures, industry background and knowledge are needed. With our firm's long history and qualified staff, we believe we have the necessary knowledge and experience to affectively apply analytical procedures. We will utilize analytical review procedures throughout our audit of the District. During the *interim* phase of our audit, we will compare current and prior year unadjusted balances to determine areas that may need additional analysis; we will also compare current year actual amounts to the District's annual budget. During the *final* phase of our audit, we will perform procedures similar to those mentioned above, as well as compare certain financial ratios for current and prior years. We will also conduct certain "reasonableness" tests. Any significant variances are investigated further through inquiry and other substantive testing as deemed necessary until resolved to our satisfaction. Finally, after we have completed our fieldwork, we will compare current and prior year audited balances, keeping in mind expected relationships obtained from our knowledge of the District and various other entities. In addition, we may choose to use various other analytical techniques such as trend analysis, etc.

Unlike many other firms, we use analytical procedures to supplement our substantive testing, not supplant them.

OCEANO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of Services (continued)

Approach in determining applicable laws and regulations

We understand the importance of laws and regulations in planning an audit of a local government or not-for-profit entity and design all of our audits to ensure we test transactions for compliance. As part of our audit process, our audit team will obtain an understanding of the laws and regulations that will have a direct and material effect on the District's financial statements. In determining which laws and regulations are applicable to the District's financial statement audit, we will consult the following sources:

- AICPA Audit and Accounting Guide, *Audits of State and Local Governments*
- California Government Code (investments, GANN limit requirements, etc.)
- U.S. Government Accountability Office's *Government Auditing Standards* (The Yellow Book), 2011 Revision
- Applicable contracts/grants/bond documents of the District
- *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (OMB Uniform Guidance)

After consulting the applicable sources, we will design our audit to provide reasonable assurance of detecting material instances of noncompliance while continuing to refer back to the applicable compliance guideline to ensure changes in compliance are not missed.

Evaluation of internal controls and management letter comments

In connection with each audit, a comprehensive review of internal controls over financial reporting will be performed. Our firm uses customized internal control questionnaires, information technology questionnaires and narratives to gain an understanding of the internal control process during the audit process. If we identify any weaknesses and after discussion with the appropriate District staff, we will submit a management comment letter which will identify weaknesses observed during the audit process. The management comment letter will provide our recommendation for correction and we will also provide management with the opportunity to comment on our findings.

There are three classifications of internal control deficiencies. We will work carefully with your staff to ensure the correct classification of any identified internal control deficiencies. The three classifications are as follows:

- *Control deficiency* – a minor internal control deficiency that can be communicated either verbally or in writing to management.
- *Significant deficiency* – a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance, and must be communicated in writing.
- *Material weakness* – a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis, and must be communicated in writing to those charged with governance.

When we prepare internal control recommendations, we obtain a thorough understanding of the specific circumstances surrounding the finding, and discuss the matters with management prior to drafting the letter. We work with your staff to ensure that the recommendation is reasonable and practical to implement.

OCEANO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of Services (continued)

Audit timing

Audit segments	Proposed timing
Auditor Transition Schedule to meet with your prior auditor to review their working papers.	April 2017
Segment 1 - Planning, pre-audit administration and internal control testing Provide management with a detailed listing of items needed to perform the audit, including the timing of when items are needed.	April 2017
Meet with management for pre-audit planning, and to obtain an understanding of systems, internal controls, and current-year issues. Perform interim audit fieldwork and tests of internal controls.	April 2017
Segment 2 - Substantive testing Send confirmations of cash, investment, and other accounts as deemed necessary.	May 2017
Perform substantive audit fieldwork.	May 2017
Segment 3 - Report preparation (review)/audit conclusion Present draft of financial statements, audit report, and management letter to senior management.	May 2017
Issuance of auditor reports.	June 2017

OCEANO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Proposed Fees

The annual fee for complete audit services, including all anticipated direct and indirect costs is as follows:

Fiscal Year 2016-17	\$23,000
Fiscal Year 2017-18	\$24,000
Fiscal Year 2018-19	\$24,000
Total Fees	\$71,000

OCEANO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

References

Entity: ***Elsinore Valley Municipal Water District***
Scope of work: Financial Audit/CAFR*
Date: Year ending June 30, 2015
Engagement partner: Scott Manno
Contact person: Ms. Karrie Swaine, Accounting Manager, (951) 674-3146, kswaine@evmwd.net
Address: 31315 Chaney Street, Lake Elsinore, CA 92530

Entity: ***Crestline-Lake Arrowhead Water Agency***
Scope of work: Financial Audit
Date: Years ending June 30, 1996 - present
Engagement partner: Terry Shea
Contact person: Ms. Roxanne Holmes, General Manager, (909) 338-1779, clawa@verizon.net
Address: 24116 Crest Forest Drive, Crestline, CA 92325

Entity: ***Ventura Regional Sanitation District***
Scope of work: Financial Audit/CAFR*
Engagement partner: Mr. Terry Shea
Date: Years ending June 30, 2007 - present
Contact person: Ms. Vickie Dragan, Director of Finance & Admin, (805) 658-4646, vickiedragan@vrds.com
Address: 1001 Partridge Drive, Suite 150, Ventura, CA 93003

Entity: ***United Water Conservation District***
Scope of work: Financial Audit/CAFR*
Engagement partner: Mr. Terry Shea
Date: Years ending June 30, 2015
Contact person: Ms. Tina Rivera, Chief Financial Officer, (805) 525-4431, tinar@unitedwater.org
Address: 106 North 8th Street, Santa Paula, CA 93060

Entity: ***Rosamond Community Services District***
Scope of work: Financial Audit
Engagement partner: Mr. Terry Shea
Date: Years ending June 30, 2015
Contact person: Mr. Brad Rockabrand, Finance Director (661) 256-5812, brockabrand@rosamondcsd.com
Address: 3179 35th Street West, Rosamond, CA 93560

* = *received GFOA award.

See Attachment A for a listing of recent government clients served.

RECENT GOVERNMENT CLIENTS SERVED

<u>Government Client</u>	<u>Years Served</u>	<u>CSMFO/ GFOA Awards</u>	<u>Successor Agency</u>	<u>Housing Authority</u>
City of El Cajon	06/30/07 to 06/30/17	Yes	Yes	Yes
City of Fillmore	06/30/08 to 06/30/17		Yes	Yes
Town of Yucca Valley	06/30/08 to 06/30/17	Yes	Yes	Yes
City of San Juan Capistrano	06/30/11 to 06/30/17	Yes	Yes	Yes
City of La Verne	06/30/11 to 06/30/17	Yes	Yes	Yes
City of San Jacinto	06/30/11 to 06/30/17		Yes	Yes
City of Twentynine Palms	06/30/11 to 06/30/17	Yes	Yes	Yes
City of Chino	06/30/11 to 06/30/16	Yes	Yes	Yes
City of La Mesa	06/30/11 to 06/30/17		Yes	Yes
City of Rosemead	06/30/11 to 06/30/17	Yes	Yes	Yes
City of Moorpark	06/30/12 to 06/30/17	Yes	Yes	Yes
City of Mission Viejo	06/30/12 to 06/30/15	Yes	Yes	Yes
City of Menifee	06/30/14 to 06/30/17	Yes		
City of San Marcos	06/30/14 to 06/30/17	Yes	Yes	Yes
City of Capitola	06/30/12 to 06/30/17	Yes	Yes	Yes
City of Redondo Beach	06/30/12 to 06/30/16	Yes	Yes	Yes
City of Loma Linda	06/30/13 to 06/30/17	Yes	Yes	Yes
City of Poway	06/30/14 to 06/30/17	Yes	Yes	Yes
City of Sierra Madre	06/30/12 to 06/30/17		Yes	Yes
Successor Agency to the County of SB	06/30/14 to 06/30/17			
City of Hawthorne	06/30/16 to 06/30/17	Yes	Yes	Yes
City of West Covina	06/30/16 to 06/30/17	Yes	Yes	Yes
City of Aliso Viejo	06/30/16 to 06/30/17	Yes	No	No
City of Claremont	06/30/16 to 06/30/17	Yes	Yes	Yes
Crestline Village Water District	04/30/96 to 04/30/17			
Crestline-Lake Arrowhead Water	06/30/98 to 06/30/17			
San Bernardino Valley Muni Water Dist	06/30/04 to 06/30/17			
Elsinore Valley Municipal Water District	06/30/15 to 06/30/17	Yes		
Ventura Regional Sanitation District	06/30/07 to 06/30/17	Yes		
Saticoy Sanitary District	06/30/07 to 06/30/17			
Helendale CSD	06/30/10 to 06/30/17			
Pine Cove Water District	06/30/10 to 06/30/17			
Western Municipal Water District	06/30/11 to 06/30/16	Yes		
WRCRWA	06/30/11 to 06/30/16			
Vista Irrigation District	06/30/11 to 06/30/16	Yes		
Idyllwild Water District	06/30/11 to 06/30/17			
Vallecitos Water District	06/30/15 to 06/30/17			
29 Palms Water District	06/30/12 to 06/30/15			
Big Bear Area Regional Wastewater	06/30/12 to 06/30/17	Yes		
Beaumont Basin Watermaster	06/30/13 to 06/30/17			
Mojave Water Agency	Accounting support			
Running Springs Water District	Accounting support			
Phelan Pinon Hills CSD	Accounting support			

RECENT GOVERNMENT CLIENTS SERVED (continued)

<u>Government Client</u>	<u>Years Served</u>	<u>CSMFO/ GFOA Awards</u>	<u>Successor Agency</u>	<u>Housing Authority</u>
Costa Mesa Sanitary District	06/30/15 to 06/30/17	Yes		
Yucca Valley Airport District	06/30/15 to 06/30/15			
Inland Empire Resource Cons District	06/30/04 to 06/30/17			
Rosamond Community Services District	06/30/15 to 06/30/17			
Rossmoor Community Services District	06/30/05 to 06/30/17			
Rim of the World Park & Rec District	06/30/06 to 06/30/17			
Ventura County Regional Energy	06/30/07 to 06/30/17			
Heartlands Communications Fac Auth	06/30/07 to 06/30/17			
Heartlands Fire Training Auth	06/30/07 to 06/30/17			
Consolidated Fire Agencies	06/30/14 to 06/30/17			
Riverside County Habitat Con Agency	06/30/15 to 06/30/17			
Santa Ana Watershed Association	12/31/09 to 12/31/17			
SB Fire Training Authority	06/30/10 to 06/30/17			
Capistrano Bay CSD	06/30/13 to 06/30/17			
Ventura County Public Fin Authority	06/30/12 to 06/30/17			
Nipomo CSD	06/30/16 to 06/30/17	Yes		
SBIAA	06/30/17			
West San Bernardino Water District	06/30/17			
WRCOG	06/30/17	Yes		
San Diego Workforce Partnership	06/30/16 to 06/30/17			
Rubidoux CSD	06/30/16 to 06/30/17			
CSUSB - Student Union	06/30/05 to 06/30/17			
CSUSB - Associated Students Inc.	06/30/10 to 06/30/17			
CSUSB - Philanthropic Foundation	06/30/11 to 06/30/17			
CSUSB - University Enterprise Corp	06/30/11 to 06/30/17			