

ATTACHMENT A

FECHTER & COMPANY

Proposal for Fiscal Auditing Services

Georgetown Divide Public Utility District
For the Year Ending June 30, 2016, 2017 and 2018
With an option to extend for an additional two years

April 20, 2016

Fechter & Company
Certified Public Accountants
1870 Avondale Avenue Suite 4
Sacramento, CA 95825

Contact: Craig R. Fechter, CPA
T (916) 333-5360 F (916) 244-0116
Email: Cfechter@Fechtercpa.com

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April 20, 2016

Vaughn Johnson, CPA
Georgetown Divide Public Utility District
6425 Main Street
Georgetown, CA 95634

Dear Ms. Johnson:

Fechter & Company, Certified Public Accountants, is pleased to present our proposal to provide audit or review services to the Georgetown Divide Public Utility District (the District). The Statement of Firm Qualifications and the credentials listed in the resumes of our team will demonstrate our qualifications, competence, and capacity to perform the audit services requested within the time frame required by the District.

This proposal is an irrevocable offer valid for 60 days after the date of the proposal. I am authorized to represent and to obligate the firm contractually to the District. I am located at 1870 Avondale Avenue, Suite 4, Sacramento, CA 95825, and you can contact me by telephone at (916) 333-5360.

Thank you for considering our proposal. We look forward to a long and successful working relationship with you and your management team.

Very Truly Yours,

A handwritten signature in black ink, appearing to read 'Craig R. Fechter', written in a cursive style.

Craig R. Fechter, CPA, President
Fechter & Company, Certified Public Accountants

Firm Profile

Fechter & Company, CPAs is a professional corporation formed in April 2005. We provide finance consulting and auditing services to governmental and non-profit entities. We specialize in serving agencies with annual budgets of less than \$25 million.

Fechter & Company is based in Sacramento, with a staff of 4 Certified Public Accountants. Our relatively small practice offers several advantages to you:

- Experienced auditors perform all audit procedures from initial planning meetings through fieldwork to financial statement preparation.
- You receive a high level of personal service with easy access to professionals who can answer your questions and facilitate the audit process.
- Because the firm president performs and supervises on-site fieldwork, the turnaround time from the end of our fieldwork to the report draft is typically only 10 days.
- Working with the same auditors from year to year greatly reduces the time your staff spends familiarizing us with your business procedures. Your audit process becomes increasingly efficient.
- Fechter & Company is pleased to note that Mr. Lamar Edwards, who is of African American descent, is a non-equity partner.

Licensing and Independence

- Our firm is licensed as a certified public accounting firm in the state of California.
- Each CPA in our firm meets the independence requirements of the American Institute of Certified Public Accountants and the Government Auditing Standards, 2003 revision, published by the U.S. General Accounting Office.
- Our firm has had no disciplinary action taken or pending since its inception in 2005.
- There are no conflicts of interest with the District or its personnel.
- We will continue to maintain requisite insurance coverage—professional liability, workers compensation, business occupancy and auto insurance—throughout the course of our engagement.

Firm Profile (Continued)

Engagement Partner and Staff for This Assignment

Mr. Craig Fechter will serve as partner in charge for the audit engagement. He will review the progress of the audit team, assist in resolving technical issues, and evaluate reports and deliverables for overall quality. Craig is licensed to practice as a certified public accountant in California.

Ms. Sandy Sup will serve as the on-site audit manager and will be responsible for the daily management and delivery of services. She will be responsible for planning the audit and assuring that the design of audit programs dictate the audit procedures we believe are necessary to accomplish the objectives of the audit. Sandy will work closely with the client to ensure issues are identified and addressed and that the delivery of services is timely. Sandy is also licensed to practice as a certified public accountant in California.

Mr. Robert White, an audit senior, will assist with the fieldwork. He will test those transactions that are significant to the financial statements including cash disbursements and receipts, payroll, and capital assets.

Internal Quality Control Procedures

- Each member of our firm meets the continuing education and external quality control review requirements.
- Each audit staff is required to complete annual update courses for both Government/A-133 and non-profit audits. These courses, which together comprise 26 hours of continuing education, help our audit staff maintain awareness of technical changes in both regular and single audits.
- During the years our firm is not peer reviewed, we conduct annual internal reviews. A principal inspects 4 randomly selected audits and makes notations and recommendations in the same manner as an external peer review. This helps to keep our working papers and audit processes fresh.
- Prior to being released, each audit is reviewed by a partner who is not involved with the audit or the client. Although our audit staff is extremely experienced, we continually strive to improve our audit quality, from the planning stages to the final report. We

Firm Profile (Continued)

actively encourage all staff to suggest new or different procedures.

Technology and Security

We maximize both efficiency and security by using technology recognized as standard in the accounting industry. These are some examples:

- **Microsoft Office Applications**
Since most of our clients use Microsoft applications, we likewise use the programs, which enable us to collaborate on projects.
- **Engagement CS**
We use Engagement CS paperless auditing system to cut processing time and costs. All information can be uploaded to our secure file transfer website.
- **Biometric User Security**
All staff computers are protected with biometric access restrictions.
- **Data Storage**
All data is backed up to our local server daily through our secure VPN. In addition, our server data is backed up daily off-site.
- **Our firm subscribes to approximately a dozen industry periodicals and newsletters. We proactively inform our clients about potential changes in related accounting legislation and standards so they can quickly assess the impact on their organizations. In addition, we offer an annual Government Accounting Standards Board (GASB) and Financial Accounting Standards Board (FASB) update course to our clients at no additional charge.**

Other affirmations

- Our peer review has been completed and sent to the state society of CPAs for approval. We received an unmodified opinion.
- We will not limit the # of adjustments for the audit. We would expect the staff to reasonably make sure the books were closed at year-end or we would issue a management comment.

References

Special Districts Audited

Approximately 70 percent of our firm's revenues are derived from governmental and non-profit audits under *Government Auditing Standards* as published by the U.S. General Accounting Office. Current clients and services performed are as follows:

East Contra Costa Irrigation District

Scope of audit work: Fechter & Company, CPAs was engaged to provide a financial statement audit for the East Contra Costa Irrigation District under Government Auditing Standards and OMB A-133.

Services provided: Audit of the GASB 34 financial statements, management letter and report on internal control structure, and preparation of annual report of financial transactions of special districts.

Engagement partner: Craig R. Fechter, CPA

Contact information:

Pat Corey, District Manager
1711 Sellers Avenue
Brentwood, CA 94513
925-634-3544

Bayshore Sanitary District (wastewater)

Scope of audit work: Fechter & Company, CPAs was engaged to provide a financial statement audit for the Bayshore Sanitary District under Government Auditing Standards and OMB A-133. Size of general fund budget – 2.5 million. The agency has one finance staff.

Services provided: Audit of the GASB 34 financial statements, management letter and report on internal control structure, and preparation of annual report of financial transactions of special districts.

Engagement partner: Craig R. Fechter, CPA

Contact information:

Joann Landi, Finance Director
36 Industrial Way
Brisbane, CA 94005
1-415-467-1144

References (continued)

Olivehurst Public Utility District

Scope of audit work: Fechter & Company, CPAs was engaged to provide a financial statement audit for the Olivehurst Public Utility District under Government Auditing Standards and OMB A-133.

Services provided: Audit of the GASB 34 financial statements, management letter and report on internal control structure, and preparation of annual report of financial transactions of special districts.

Engagement partner: Craig R. Fechter, CPA

Contact information:

Rebecca Courtright, Finance Director
1970 9th Avenue
Olivehurst, CA 95961
530-743-4657

Rio Linda – Elverta Community Water District

Scope of audit work: Fechter & Company, CPAs was engaged to provide a financial statement audit for the Rio Linda – Elverta Community Water District under Government Auditing Standards and OMB A-133.

Engagement partner: Craig R. Fechter, CPA

Contact information:

Mary Henrici, General Manager
730 L St,
Rio Linda, CA 95673
916-991-1000

Specific Audit Approach

The District requests that the auditor express an opinion on the fair presentation of its financial statements in accordance with accounting principles generally accepted in the United States of America. We propose that the engagement be divided into the following segments:

Phase I

- Initial planning and preparation
- Preliminary analysis, report preparation, cash and other confirmations
- Information gathering
- Evaluating internal controls

Phase II

- Fieldwork
- Post-field-work activities (e.g., follow-up on pending items, collection of confirmation letters, etc.)

Phase III

- Report finalization and final analysis
- Report delivery and Board of Directors presentation

Initial Planning and Preparation

As the first step in our planning and preparation phase, we will meet with the staff of your company to establish a working relationship. We expect this meeting will involve the District's manager and its controller.

We will deliver a Prepared-by-Client list (PBC), which details the items we will need to perform the audit. We will resolve any ambiguities or questions we or the District might have about the services we are to perform.

We will gather contact information for the District's bankers, attorneys, prior accountant, and other relevant parties, and make inquiries as required by *Government Auditing Standards*.

We will examine prior year's financial statements to develop audit plans for each significant balance sheet and income statement account.

Specific Audit Approach (continued)

Preliminary analysis

The primary focus of an audit is to develop expectations and compare actual financial results against those expectations. We will compare the current year's results with budgetary expectations to identify any areas of material misstatement.

Report Preparation

Unlike other firms, we prepare financial statements prior to field work. Doing so allows us to focus on the overall financial position of the organization and limits our testing of clearly insignificant areas.

Cash and Other Confirmations

We will confirm cash with the bank, any material year-end accounts or grants receivable, grants or donations received during the year, debt outstanding at the end of the year, and any other financial transaction that we consider material to the financial statements as a whole. The decision to confirm a statement item depends on the materiality of the item, the susceptibility of the item to misstatement, or the likelihood of fraud.

Information Gathering

We will obtain the information requested in the PBC along with any associated report required.

1. Testing statistical samples

During sample selection we consider three questions: (1) purpose of the test—attribute or balance testing, (2) susceptibility of the population or process to fraud or misstatement, and (3) size of transactions—small and numerous, or large and infrequent.

2. Testing revenues and disbursements

In testing revenues and disbursements, we determine that the attribute being tested is applied to the transaction as approved by the District's Management and Board; we do not determine whether a balance is valued properly. For example, our sample for disbursements test has two purposes—attributes testing, and control testing. In attribute testing we see whether the amounts posted to the general ledger agree with the invoices and canceled checks. Since disbursements have the potential for defalcation, we check for any suspect or significant transactions that appear to be out of place in your detailed general ledger. We may select 20 items based on the results of a random number generator, and select another 20 to 40 items by scanning the detailed general ledger. The result is an overall sample of 20 to 40 invoices to confirm compliance

Specific Audit Approach (continued)

with board-approved procedures. We determine sample sizes in accordance with the objective of the test, the population to be sampled, and the risk associated with that population. The sample size also depends on the size of the population and whether or not we will be able to properly stratify populations into individually significant and individually insignificant items.

3. Examining the District's internal control structure

Among the items included in the PBC is a questionnaire regarding internal controls. We will review the completed questionnaires and compare them with procedures the District has established for actions such as purchasing, cash and check collections, inventorying fixed assets, billing, payroll disbursement, and budgeting. We will then audit each area of internal control that will materially affect the audit.

4. Determining pertinent laws and regulations

We will examine items such as grant agreements to determine their effect on the District, and audit them if necessary. We will also examine pertinent ordinances to determine whether the District is in compliance.

5. Assessing risk

Generally accepted auditing standards require that we assess the risks of material misstatement and fraud. After analyzing internal controls and evaluating potential weaknesses, we will determine which areas of the audit carry the risk of material misstatement, and take steps to mitigate that risk.

6. Testing for functionality of internal controls

We will conduct random tests on a year-to-year basis to determine the functionality of the District's internal controls. We will randomly select customers and trace each step of each payment into the system over the course of a year. We will audit any area of potential weakness with a specifically designed test.

7. Water District specific procedures

Water Districts have a number of different risk factors and areas due to the nature of the district, with the many different types of programs and services offered. We design specific audit procedures to address these risks.

Specific Audit Approach (continued)

Fieldwork

With the assistance of Company personnel, we will test the balances resulting from the following procedures:

- Cash deposits
- Internal control of disbursements
- Payroll
- Revenues
- Inventory control
- Billing and collections
- Unrecorded liabilities

We will also discuss with the Board any specific concerns or procedures they want performed.

Post-fieldwork Activities

Once we complete our fieldwork, we will resolve any pending items and ensure that all requested third-party confirmations have been received. After the District has reviewed the financial statements and any proposed adjusting journal entries, we will obtain signed representation letters from the District and from its counsel that confirm or explain any pending litigation against the District and its effect on the audited financial statements.

Report Finalization and Final Analysis

Prior to finalizing the financial statements, we will perform a second comparison of current year results with prior year results, and budgetary expectations to actual results. Performing these tests subsequent to the audit work provides additional assurance that the financial statements are free of material misstatement.

Report Delivery and Board of Directors Presentation

We will deliver our report in person to the Board of Directors. We will also attend a board meeting to answer questions that the Board may have. Our aim is to create an open line of communication between our firm and your organization so the Board feels comfortable asking for help with any questions or issues that may arise during the year.

Audit Timeline

Audit Timeline

Because the firm president performs and supervises on-site fieldwork, the turnaround time from the end of our fieldwork to the report draft is typically only 10 days. Completion of the final audit report depends on how promptly the District's staff is able to provide needed reports and confirmations. The typical turnaround is within 3 weeks. The following table shows our timeline for completing the major tasks of the audit.

Phase	Audit Task	Estimated Timeline
I	Entrance conference	July 2016
	Initial planning and audit planning Prepared-by-Client list Information from bankers, attorneys Prior year's statements	July 2016
	Preliminary analysis Report preparation Cash and other confirmations Internal controls Information gathering Statistical sampling and testing Revenues and disbursements Internal controls Laws and regulations Risk assessment Functionality testing	July 2016
II	Fieldwork: 4-5 days Cash deposits Internal control of disbursements Payroll Revenues Inventory control Billing and collections Unrecorded liabilities	Sep 2016
	Post-fieldwork activities Third-party confirmations	Sep/Oct 2016
III	Report finalization and final analysis Final analysis	Oct 2016
	Report draft delivery Final report delivery	Nov 2016

Compensation

Proposed Fee Schedule for June 30, 2016

Total Maximum Fee: \$ 15,800

Proposed Fee Schedule for 2016

Total direct engagement costs for the year will not exceed \$800.

For the cost of the 2017 and 2018 fiscal years we would have an annual increase of 3%.

The above fee quote is a fixed price to be charged for all services rendered in connection with the audit. Our best understanding is that the following must be performed – performing auditing standards under GASB standards, preparing the financial statements, and preparation of the Special Districts financial transactions report as required by the California State Controller. We will default to what the request for proposal defines as needed services should any questions arise.

We recognize the District may wish to have the option to extend the contract by two following years and we accordingly implicitly agree to this two-year extension, should the District so choose. Fees for audits in the following years are estimated to increase by approximately 3% per year, sufficient to cover a cost of living increase.

Single Audit

If the District is ever subject to a single audit requirement, our firm will perform the District's single audit for a maximum fee not to exceed \$2,500 per grant audited. Should the District have more than one grant, we will charge a lesser amount for each grant audited.

Qualifications

Craig R. Fechter, CPA

Fechter & Company, Certified Public Accountants

Classification: President

Years of Experience: 15

Mr. Fechter is the president of Fechter & Company, Certified Public Accountants.

Academic Background

Master of Science in Taxation at Golden Gate University, 2012

Bachelor of Science in Business Administration, Accountancy,
California State University at Sacramento, 2001

Professional Certifications and Affiliations

Certified Public Accountant

Member California Society of Certified Public Accountants

Member American Institute of Certified Public Accountants

Adjunct Professor of Accounting, University of California, Davis Extension

Executive Committee, Big Brothers Big Sisters of the
Greater Sacramento Area

Scoutmaster, Boy Scouts of America, Troop 320

Facilities, Transportation & Finance Committee,
San Juan Unified School District

Past Finance Committee Chair, San Juan Education Foundation

Relevant Experience

Since his graduation from Sacramento State in 2001, Mr. Fechter has worked for two regional CPA firms. During college, he worked for a local sole practitioner. Mr. Fechter has performed financial statement audits of numerous counties and local government agencies, including other non-profit agencies. He has performed these audits in the capacity of both a staff auditor, lead auditor, and engagement partner.

Qualifications (continued)

Craig R. Fechter, CPA (continued)

Financial Statement Audits

Mr. Fechter has participated in the following audits in the capacity of engagement partner:

Greater Vallejo Recreation & Parks District
Alpine Fire Protection District
Lakeside Fire Protection District
Borrego Springs Fire Protection District
Bonita-Sunnyside Fire Protection District
Carpinteria-Summerland Fire Protection District
South Lake County Fire Protection District
Stanislaus Consolidated Fire Protection

References for the above clients, who worked exclusively with Mr. Fechter, are available upon request.

Single Audit Act Compliance Audits

Mr. Fechter has participated in the following single audits in the capacity of lead auditor:

Marin County
MAAP, Inc.
San Joaquin County
Stanislaus County
Sierra County
San Luis Obispo County
Lassen County

Continuing Professional Education

Mr. Fechter takes annual courses on the Governmental Accounting & Audit Update. He has recently completed a course in the implementation of the new Auditing Standards (SAS 108-114). He also serves on the accounting advisory board for UC Davis Extension and teaches a course, which serves as a source of CPE for Mr. Fechter.

Mr. Fechter is an accomplished public speaker and published author. He has taught CPE courses for the American Society of Women Accountants (Sacramento chapter). He is also the author of accounting-related articles published by *Comstock's Magazine* and *The Nugget*, the journal of the Sacramento District Dental Society.

Qualifications (continued)

Sandy Sup, CPA, MBA

Fechter & Company, Certified Public Accountants

Classification: Audit Manager

Years of Experience: 15

Ms. Sandy Sup is an audit manager in the firm of Fechter & Company, Certified Public Accountants.

Academic Background:

Sandy is a licensed Certified Public Accountant in the State of California with the authority to sign attest reports under California law. She received her Bachelor's degree from the University of New Hampshire and an MBA from California State University, Sacramento. She has performed audits of numerous local governmental agencies, including counties, cities and special districts.

Professional Certifications/Accomplishments:

Certified Public Accountant

Relevant Experience:

Sandy has been auditing government entities for more than 14 years. She has audited 28 of the 58 counties in California as well as numerous cities and districts in California and Nevada. This work included primary responsibility for the preparation of Comprehensive Annual Financial Reports as well as many other financial reports, including single audit reports. All of the Comprehensive Annual Financial Reports for which Sandy served as the primary preparer were considered for, and awarded, the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association. Sandy served as a reviewer on the Special Review Committee of the Government Finance Officers Association that is responsible for awarding the Certificate of Achievement for Excellence in Financial Reporting for more than four years.

Professional Associations

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

Qualifications (continued)

Sandy Sup, CPA, MBA (continued)

Below is a list of audits that Sandy managed during employment with Fechter & Company:

- Rio Linda Water District (2015)
- Banta Carbona Irrigation District (2015)
- East Stanislaus Resource Conservation District (2013-2014)
- Greenfield Fire Protection District (2014-2015)
- El Dorado County Fair Association (2014)

Below is a partial list of the entities for which Sandy performed audit work during employment with her former firm:

Audits of California Counties/Districts:

• Alpine	• Mendocino	• Shasta
• Amador	• Mono	• Stanislaus
• Butte	• Monterey	• Sierra
• Calaveras	• Napa	• Siskiyou
• El Dorado	• Nevada	• Sutter
• Humboldt	• Placer	• Tehama
• Inyo	• San Joaquin	• Trinity
• Lake	• San Luis Obispo	• Yolo
• Lassen	• San Luis Obispo	• Yuba
• Marin	• Air Pollution CD	
	• Santa Cruz	

Below is a list of audits that Sandy managed during employment with her former firm:

• Amador County (2012 – 2014)	• Nevada County (2014)
• Butte County (2008 – 2014)	• City of Porterville, CA (2012-2014)
• El Dorado County (2008 – 2014)	• Citrus Heights Water District (2007 – 2009)
• Inyo County (2012 – 2014)	• Sierra County (2008 – 2013)
• Lake County (2012 – 2014)	• Siskiyou County (2012 – 2013)
• Marin County (2012 – 2014)	• Sutter County (2008 – 2010, 2013 – 2014)
• Mono County (2012 – 2014)	
• Monterey County (2004 – 2006)	
• Napa Sanitation District (2010 – 2014)	

Sandy meets the continuing professional education requirements for performing audits in accordance with Government Auditing Standards, which require that she receive 80 credit hours of continuing professional education every two years with at least 24 of those hours being specifically related to the governmental accounting and auditing.

Qualifications (continued)

More detailed resumes are available upon request.

Robert C. White, Senior Accountant, CPA Candidate Fechter & Company, Certified Public Accountants

Classification: Senior Accountant

Years of Experience: 5

Mr. Robert White is a Senior Accountant in the firm of Fechter & Company, Certified Public Accountants.

Academic Background:

Mr. White graduated in 2006 from California State University of Sacramento with a Bachelor of Science degree in Business Administration, with a concentration in Accountancy.

Relevant Experience:

Conducted a variety of audits in accordance with the Yellow Book and governmental auditing standards. The majority of Mr. White's public accounting experience is related to providing auditing services in order to issue year-end audited financial statements for the following type of entities:

- Special districts (Water, Fire, and Cemetery)
- Counties
- Cities
- Banks

Below is a partial list of audits that Robert has performed during employment with Fechter & Company:

- Oliverhurst Public Utility District (2011-2014)
- East Contra Costa Irrigation District (2012-2014)
- Banta Carbona Irrigation District (2015)
- Boulder Creek Recreation and Park District (2012-2013)
- Arden Manor Recreation and Park District (2011-2014)
- Greater Vallejo Recreation and Park District (2011-2015)

ATTACHMENT B

FEDAK & BROWN



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

Fedak & Brown LLP

Certified Public Accountants

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

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

May 23, 2016

Ms. Victoria Knoll, Office Manager
Georgetown Divide Public Utility District
P.O. Box 4240
Georgetown, CA 95634-4240

Re: Request for Proposal for Independent Audit Services

Dear Ms. Knoll:

Fedak & Brown, LLP is pleased to respond to your Request for Proposal for Independent Audit Services for the Georgetown Divide Public Utility District (District). We appreciate this opportunity given to us to present our professional qualifications. Because of our extensive public experience of serving governmental special districts for over thirty five years, we believe that our firm can more than meet the auditing and accounting needs of the District.

Enclosed please find our Proposal for Independent Audit Services for the District for the fiscal year ending June 30, 2016 through 2018. We have included in our proposal resumes of the individuals who will be assigned to this engagement as well as a discussion of our background and experience in serving governmental entities.

The annual services that would be provided for the District would be as follows:

1. Perform a financial audit of the Basic Financial Statements of the District;

We understand that the District will be responsible for preparing this report. Our audit would be conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States. We would express an opinion as to whether the financial statements and related notes conform to accounting principles generally accepted in the United States of America.

2. Perform a review and make recommendations on the internal control structure, which consists of the Control Environment, Accounting System and Control Procedures. Annually, we will prepare and issue a SAS 115 management letter. Also, we shall make an immediate and written report of any irregularities and illegal acts or indication of illegal acts coming to our attention. We will also, annually, issue our SAS 114 audit committee letter to communicate with those in charge of governance.

The two services above describe the benefits your organization would receive from Fedak & Brown LLP. We understand the timetable to perform all of the work outlined in the request for proposal, and we are committed to completing the work with the timetable specified in your request for proposal.

Georgetown Divide Public Utility District
May 23, 2016
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All working papers and reports will be retained (at our expense) for a minimum of seven (7) years, unless we are notified in writing by the District of the need to extend the retention period. Upon request, we will make working papers available to parties as required by applicable laws or through professional guidelines. We will also make our working papers available, upon request of the District, except in cases where providing the working papers may compromise the integrity and quality of the audit process. In addition, we will respond to reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

On behalf of all of our staff we look forward to working with you, the Board of Directors and all of the Staff of the District in the future. For purposes of this proposal, Christopher J. Brown, Partner is authorized to make representations for our firm. I can be reached at (657) 214-2307 ext. 30 or by email at chris@fedakbrownllp.com.

We look forward to hearing from you soon.

Cordially,



Christopher J. Brown, CPA, CGMA

CJB/rmm

Enclosures

Technical Proposal

Independent Audit Services for the



Georgetown Divide Public Utility District

Prepared by:

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



Contact Person:

Christopher J. Brown, CPA, CGMA, Partner
chris@fedakbrownllp.com

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

Fedak & Brown LLP

Certified Public Accountants

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

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

May 23, 2016

Ms. Victoria Knoll, Office Manager
Georgetown Divide Public Utility District
P.O. Box 4240
Georgetown, CA 95634-4240

Re: Request for Proposal for Independent Audit Services

Dear Ms. Knoll:

We appreciate the opportunity to submit our proposal to provide independent audit services for the Georgetown Divide Public Utility District (District) for the years ending June 30, 2016 through 2018. In response to your inquiry of our firm, we have prepared a proposal that reflects our understanding of the District's audit requirements and demonstrates our capability and commitment to serve. We intend to demonstrate that Fedak & Brown LLP (Firm) is the right professional services firm for the District.

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

Focused on the Special District Industry

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

Our Firm currently audits approximately 60 special districts in the State of California including water, wastewater community service, airport, harbor, library, transit etc.; therefore, enabling our Firm to continuously be immersed throughout the year in the financial and operational issues of special districts like the Georgetown Divide Public Utility District.

Organized to Serve the District

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

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

Ms. Victoria Knoll, Office Manager
Georgetown Divide Public Utility District
May 23, 2016
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Our approach to the engagement will establish a delivery system for providing a truly exceptional level of service. Each element of that system, including staffing, audit approach, communication and coordination, will be examined and refined to fit the needs of the District.

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

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

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

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

Our proposal represents our irrevocable offer for a period of 180 days from the date of this letter to provide audit services to the District for the fiscal years ending June 30, 2016 through 2018. If you have any questions or need additional information, please contact me at (657) 214-2307 or by e-mail at Chris@fedakbrownllp.com or Chuck@fedakbrownllp.com.

We look forward to hearing from you soon.

Cordially,

Fedak & Brown LLP

FEDAK & BROWN LLP
CERTIFIED PUBLIC ACCOUNTANTS

Requirements of the Annual Audit

Executive Summary

The purpose and scope of our audit will be to perform a financial and compliance audit of the District's basic financial statements and supplemental schedules in accordance with generally accepted auditing standards, and the "Standards for Audits of Governmental Organizations, Programs, Activities and Functions," promulgated by the General Accounting Office (GAO) (the Yellow-Book - 2011 Revision), as of and for the years ending on June 30, 2016 through 2018. The audit will be comprised of the following elements:

1. **Audit of the District's Basic Financial Statements; and**
2. **Preparation of the District's Management Reports**

Management Letter

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

Audit Committee Letter and Meeting

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

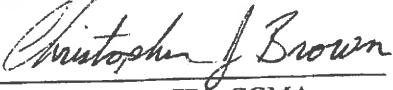
Also, Government Auditing Standards requires an additional reporting standard that auditors must follow. It requires the auditor to communicate his/her responsibility in a financial statement audit, including responsibilities for testing and reporting on internal controls and compliance with laws and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

Other Needs

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

Proposer Affirmations

- A. Fedak & Brown LLP affirms that the Firm is independent of the District, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.
- B. Fedak & Brown LLP affirms that the Firm and all key professional staff are properly registered and licensed to practice in the State of California.
- C. Fedak & Brown LLP affirms that the Firm has in place and will provide the required insurance coverage and Accord insurance form to the District upon acceptance of the audit engagement.
- D. Fedak & Brown LLP affirms that it has the necessary experience to conduct high quality audits of local government and enterprise special districts in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
- E. Fedak & Brown LLP affirms that it will meet your timing requirements to begin and complete the audit of the District.
- F. Fedak & Brown LLP affirms that it will staff the audit of the District with experienced personnel and not use these audits as training grounds for new staff and that no person designated as "key" to the project shall be removed or replaced without the prior written consent of the District.
- G. Fedak & Brown LLP affirms that it has never been the subject of any lawsuits, claims of fraud, malpractice and/or disciplinary action by any State or Federal District in relation to the firm's governmental practice in its entire existence.
- H. Fedak & Brown LLP affirms that it has not been censured or disciplined from the State Board of Accountancy. Our predecessor firm, Charles Z. Fedak & Company, CPAs – An Accountancy Corporation, has been through more than three peer reviews with satisfactory results. Additionally, our predecessor firm has never been censured or disciplined from the State Board of Accountancy.
- I. Fedak & Brown LLP affirms that we will allow the District or its designee access to pertinent District audit workpapers, financial reports and management letters.
- J. Fedak & Brown LLP affirms that we have never filed bankruptcy, there is no pending litigation against the Firm, there are no planned office closings, there are no impending mergers, and there are no potential labor disputes that may impede us the ability to complete the audit for the District.

Signature of Official: 

Name: Christopher J. Brown, CPA CGMA

Title: Partner

Firm: Fedak & Brown LLP

Date: May 23, 2016

Our Firm & Project Organization

Identification of Proposer and Geographic Location to the District

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

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

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

Project Organization

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

You will have an engagement partner, an engagement manager, and a governmental audit supervisor assigned to the audit of the District at all times. In addition, one staff accountant (governmental auditing staff only) will be assigned to the audit. Each member of the team has the following responsibilities:

The engagement partner is responsible for all services provided to the District. The engagement partner's main responsibilities consist of the overall planning, supervision and review of the audit testwork and preparation of the financial statements.

The governmental audit supervisor is responsible for coordinating the audit testwork and preparing the financial statements. The supervisor's main responsibility is to coordinate the audit testwork and the on-site supervision of staff. Once the audit testwork is completed, the supervisor will work with the staff to complete the financial reports for the District. The supervisor will be your contact throughout the engagement year.

The governmental audit staff accountant will be in the field conducting the audit testwork. The staff accountant is responsible for the test of the District's internal controls and substantive testing procedures over the District's financial balances and transactions. The staff accountant will interact with your staff at your staff's convenience. Before discussions with your staff, the staff accountant will make sure that all facts have been evaluated to minimize your staff's time in providing audit assistance.

Other Services Offered

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

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

A **target audit** is usually comprised of the following actions:

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

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

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

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

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

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

Peer Review

Quality Control

The Board of Directors of the District can measure the quality of the opinions expressed by Fedak & Brown LLP by evaluating the level of professional standards maintained by our Firm as discussed in this proposal. The Governing Board can also measure the performance and quality control of the Firm by its evaluating our participation in the profession's peer review process as well as evaluating our Firm's professional standards and quality of work ethic in discussions with the Firm's current client base in the special district industry.

Fedak & Brown LLP, are pleased to announce the successful completion of our most recent independent quality review of our accounting and auditing practice, which included a review of specific governmental audit engagements. Our Firm's governmental audit engagements were reviewed as they related to governmental agencies and other special districts in the field of governmental auditing. After a thorough study of our procedures and work practices, the reviewers concluded that our Firm complies with the stringent quality control standards established by the American Institute of Certified Public Accountants (AICPA). Our Firm has received an unqualified opinion in every independent quality review that it has participated in since its inception of the program by the profession.

A team of independent CPAs, who were appointed by the California Society of Certified Public Accountants, conducted the review. Using guidelines established by the AICPA, the reviewers determined that the Firm has an effective quality control system and that our accounting and auditing work conforms to professional standards. The Firm has not had any clients who have been the subject of any desk reviews. *The Firm has never been the subject of any disciplinary action by any State or Federal Agency in its entire existence.*

Our continued participation in required periodic quality reviews, our voluntary membership in the AICPA and California Society of CPAs, as well as our continuing professional education supports our commitment to quality and our high standards for client service.

Fedak & Brown LLP is an equal opportunity employer and certifies that our firm is in compliance with the Civil Rights Act of 1964, the State Fair Employment Practice Act, and all other applicable federal and state laws and regulations relating to equal opportunity employment, including Executive Order No. 11246 of June 24, 1965. Our Firm is committed to affirmative action in hiring practices.

Marcia J. Hein, CPA

3922 Cromborough Drive

Windsor, CO 80550

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

System Review Report

March 8, 2016

To the Partners
Fedak & Brown LLP (fka Charles Z. Fedak & Co.)
and the Peer Review Committee of the California Society of CPAs

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

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

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

Marcia J. Hein, CPA

Marcia J. Hein, CPA

Special District Clients Served

“We Are Committed to the Special District Industry!”

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

Kern County

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

Los Angeles County

*Castaic Lake Water Agency
Crescenta Valley Water District
Greater Los Angeles County Vector Control District
Long Beach Airport
Long Beach Water Department
Palmdale Water District
Palos Verdes Library District
San Gabriel Valley Municipal Water District
Sanitation Districts of LA County
Southern California Library Cooperative
Valley County Water District
Water Replenishment District*

Orange County

*Buena Park Library District
Capistrano Bay Community Services District
East Orange County Water District
El Toro Water District
Irvine Ranch Water District
Mesa Consolidated Water District
Nature Reserve of Orange County
Rossmoor/Los Alamitos Area Sewer District
Santiago County Water District
Southern California Coastal Water Resource Authority
Yorba Linda Water District*

Riverside County

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

Santa Barbara County

*Goleta Water District
Montecito Water District
Santa Maria Public Airport Authority
Santa Ynez Community Services District
Summerland Sanitary District*

San Bernardino County

*Baldy Mesa Water District
Big Bear City Community Services District
Big River Community Services District
Chino Basin Water Conservation District
Chino Basin Watermaster
Hi-Desert Water District
Inland Empire Utilities Agency
Joshua Basin Water District
Mojave Water Agency
Monte Vista Water District
Phelan Pinon Hills Community Services District
Pomona Valley Protective Agency
San Bernardino Valley Water Conservation District
Victor Valley Wastewater Reclamation Authority
Victor Valley Water District
Victorville Water District
Water Facilities Authority - JPA
West Valley Mosquito and Vector Control District
West Valley Water District*

San Diego County

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

Ventura County

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

Northern California/ Bay Area

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

Professional References

Experience and Technical Competence

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

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

1. Mr. Carlos Corrales, Controller
Castaic Lake Water Agency
27234 Bouquet Canyon Road
Santa Clarita, CA 91350
Wholesale & Retail Water Agency
Annual Audit – CAFR
661.297.1600 x 237
2. Mr. Ray Harton, Finance Manager
Monte Vista Water District
10575 Central Avenue
Montclair, CA 91763
Retail Water District
Annual Audit – CAFR
909.624.0035 x 110
3. Ms. Cammie Morin, Finance Manager
Solano Irrigation District
810 Vaca Valley Parkway, Suite 201
Vacaville, CA 95688
Irrigation District
Annual Audit
707.448.6847
4. Mrs. LeAnn Markham, Adm Serv. Mgr
Lake Hemet Municipal Water District
26385 Fairview Avenue
Hemet, CA 92544
Retail Water District
Annual Audit
951.658.3241 x 230
5. Ms. Kathy Chang, Finance Manager
Scotts Valley Water District
2 Civic Center Drive
Scotts Valley, CA 95066
Retail Water District
Annual Audit
831.600.1904

The Audit Team

Key Staffing

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

Engagement Partner

Charles Z. Fedak is a CPA in the State of California and has been in public accounting for forty-three plus years, having worked seven years at the national firm level before starting his own practice in January of 1981. Mr. Fedak holds a Bachelors of Science Degree in Accounting and a Masters in Business Administration from California State University, Long Beach. He has had extensive experience in the audits of governmental entities including cities, towns, and special districts while working at the national firm level as well as in our firm.

Mr. Fedak has also participated in various tours and educational trips sponsored by the Metropolitan Water District including the southern section of the Colorado River and the northern portion of the California Delta as they both relate to the State Water Project.

Engagement Partner

Christopher J. Brown is a CPA in the State of California and has over eighteen years of experience in public accounting and auditing governmental entities. Mr. Brown holds a Bachelor's Degree from California State University, San Bernardino. He has extensive experience in the areas of governmental financial reporting while working at a national firm and servicing our Firm's clients.

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

Governmental Audit Manager

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

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

Governmental – Audit Supervisors

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

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

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

Resumes of Key Personnel

CHARLES Z. FEDAK, CPA, MBA TECHNICAL REVIEW PARTNER

Education

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

Employment Record

- 4/15- Present Fedak & Brown LLP
 Cypress, California

- 1/81 – 4/15 Principal in the firm of
 Charles Z. Fedak & Company, CPAs
 An Accountancy Corporation
 Cypress, California

- 2/75 – 1/80 KPMG
 Certified Public Accountants
 Newport Beach, California

- 6/73 – 2/75 Ernst & Young
 Certified Public Accountants
 Santa Ana, California

Work Experience

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

Business Qualifications – Associations

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

Public Work

- Member of Board of Directors – Molina Healthcare, Inc. (MOH)
New York Stock Exchange since 2002
- * Chairman, Compensation Committee – MOH; 2002 – 2006
- * Chairman, Audit Committee – MOH; 2004 – 2014

Resumes of Key Personnel, continued

CHRISTOPHER J. BROWN, CPA, CGMA ENGAGEMENT PARTNER

Education

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

Employment Record

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

Work Experience

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

Business Qualifications - Associations

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

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

Resumes of Key Personnel, continued

JONATHAN P. ABADESCO, CPA AUDIT MANAGER

Education

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

Employment Record

3/15 – Present	Manager – Governmental Audit & Consulting Fedak & Brown LLP Cypress, California
12/12 – 2/15	CFO/Controller Inland Counties Legal Services Riverside, California
8/08 – 11/12	Audit Supervisor – Audit & Assurance Group Lopez and Company, LLP Chino Hills, California
11/05 – 11/06	Audit Team Manager – Audit & Assurance Group Ernst and Young, LLP Dubai, United Arab Emirates
9/03 – 11/05	Audit Supervisor – Audit & Assurance Group PricewaterhouseCoopers, LLP Manila, Philippines
8/01 – 9/03	Senior Auditor – Audit & Assurance Group BDO Seidman, LLP Manila, Philippines
6/00 – 7/01	Senior Accountant KPMG, LLP Manila, Philippines

Work Experience

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

Business Qualifications – Associations

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

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

Resumes of Key Personnel, continued

ANDY BECK, CPA AUDIT SUPERVISOR

Education

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

Employment Record

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

Work Experience

Over eleven years of experience in public accounting and auditing governmental entities, not-for-profit organizations, and employee benefit plans. **Mr. Beck is involved in 40%-45% of the Special District clients served by our Firm.**

Business Qualifications

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

Continuing Professional Education

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

Mr. Beck has provided significant audit, accounting and consulting services to various governmental entities. In these attest engagements, he has been involved in the strategic planning processes, design and implementation of policies and procedures.

Resumes of Key Personnel, continued

JEFFREY PALMER AUDIT SUPERVISOR

Education

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

Employment Record

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

Work Experience

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

Business Qualifications – Associations

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

Continuing Professional Education

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

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

Our Specific Approach to your Audit

Specific Audit Approach

Our Firm's audit approach is tailored to each client in the following manner:

- We understand the significant work requirements of our clients. We work with our client's schedules when scheduling segments of the audit or requesting documentation in order to minimize disruption during the audit process.
- We strive to utilize accounting support already prepared by our clients in order to avoid duplication or unnecessary requests for audit supporting schedules.
- We have developed an electronic audit-binder strategy that has worked well with our governmental clients to analyze audit supporting schedules that agree with the trial balance.
- Our staff is trained and familiar with government accounting and audit concepts, so you will see the difference in working with our professional staff.
- We audit various large and small governmental organizations, allowing us to consult with our clients on implementing various best-practices in their organizations.
- We believe constant communication is the most important part of the audit process; as a result, we ask that if you ever have any questions about any financial, accounting, or audit issues, please contact us anytime throughout the year.

Electronic Audit

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

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

Audit Planning and Interim Audit Testwork

Planning is necessary to ensure a quality audit, efficient use of professional staff and timely delivery of reports. Adequate planning of the audit is essential to minimize disruption of the ongoing daily operations of the District. We have developed a comprehensive, efficient planning process. We will begin the planning of the audit upon notification of award of the contract.

Our Specific Approach to the Audit, continued

Audit Planning and Interim Audit Testwork, continued

Tasks to be accomplished during the planning phase include:

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

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

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

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

Final Audit Testwork

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

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

Our Specific Approach to the Audit, continued

Audit Completion

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

Understand the District and the District's Business

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

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

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

Performing Risk Assessments and Other Procedures

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

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

Our Specific Approach to the Audit, continued

Assessing the Risk of Material Misstatement

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

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

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

Assessing Versus Testing Controls

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

Financial Statement Level and the Assertion Level Risks

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

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

Responding to Assessed Risks

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

Our Specific Approach to the Audit, continued

Identification and Communication of Internal Control Matters

The objective of our audit is to form an opinion on the District's financial statements taken as a whole. Our objective is not to identify deficiencies in internal controls; however, when control deficiencies are identified in the course of our audit and if they constitute significant deficiencies or material weaknesses, we will communicate in writing those deficiencies to management and the Board of Directors of the District.

Audit Documentation

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

Consideration of Laws and Regulations

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

Communication with Management and the Board

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

Written Communication

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

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

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

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

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

Our Specific Approach to the Audit, continued

Written Communication, continued

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

Other Assistance

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

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

Timing of Our Procedures

We understand that the District is looking for value in the professional relationship they have with their auditors. Value comes from the knowledge, experience and dedication that our Firm employs. We stress “employs” because all of the knowledge and expertise shown on paper will have no benefit for you unless it is applied. This application equates to time spent. We have developed an audit plan that we feel will accomplish the objectives of the District and meet your special needs.

In order to accomplish our audit objectives and meet your deadlines for delivery, the sequence and timing of our procedures are critical. Interim work is to be performed during the months of April through July (District preference) of each year; year-end fieldwork to begin in August or September of each year (District preference of Dates), concluding by the week of October 15th of each year; and delivery of the Final auditor’s opinions on the financial statements and Management Letter no later than November 1st of each year or earlier per District requirements.

Our Approach to the Audit, continued

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

Timing	Activity (See Appendix A for more details)
April - July (schedule meeting during this period)	Conduct audit entrance conference.
During April - July each year (1 day scheduled during this period at the District's convenience)	Perform preliminary procedures including: transition efforts, initial control assessments, minute and contract/major agreement review, major transaction review, conduct EDP review, final controls assessment, determination of specific audit procedures, provide finance department with audit plan and listing of audit schedules required, conduct progress conference with key Finance personnel. Complete test for Federal Awards, if required.
During August – September (TBD) (1 working day during this period)	Commence audit fieldwork and execute detailed audit plan, conduct progress conference with key Finance personnel.
By October 15 th	Present drafts of the Annual Financial Report Opinions, Management Report, Other Letters and conduct an exit conference.
By October 25 th	Provide final recommendations, revisions and suggestions of the District Financials.
By November 1 st	Deliver Final Opinions and then present the Financials to Board.

Proposed Hours and Segmentation of the Audit

Audit Steps	Fiscal Years - 2016 and 2017				Fiscal Year - 2018 *			
	Partner	Manager	Staff	Total	Partner	Manager	Staff	Total
Planning	3	6	2	11	4	6	2	12
Controls Testwork	5	8	22	35	5	8	22	35
Substantive Testwork	6	10	36	52	6	12	38	56
Reporting	8	12	24	44	9	14	26	49
	<u>22</u>	<u>36</u>	<u>84</u>	<u>142</u>	<u>24</u>	<u>40</u>	<u>88</u>	<u>152</u>

* Includes additional audit hours for the implementation of GASB 75 in fiscal year 2018.

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

Our Approach to the Audit, continued

Professional Education

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

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

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

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

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

Cost Proposal

Independent Auditor Services for the



Georgetown Divide Public Utility District

Prepared by:

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



Contact Person:

Christopher J. Brown, CPA, CGMA, Partner
chris@fedakbrownllp.com



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

Fedak & Brown LLP

Certified Public Accountants

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

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

May 23, 2016

Ms. Victoria Knoll, Office Manager
Georgetown Divide Public Utility District
P.O. Box 4240
Georgetown, CA 95634-4240

Re: Request for Proposal for Independent Audit Services

Dear Ms. Knoll:

Based on our understanding of the Georgetown Divide Public Utility District (District) requirements, our fee for audit services at our discounted rates for the fiscal years ending June 30, 2016 is **\$13,670**. The fee is based on our understanding of the District's audit requirements.

Assuming there is no substantial change in the District's activities and operations, our fee for audit services for the fiscal year ending June 30, 2017 would be **\$13,954**.

In fiscal year 2018, the District will be implementing the provisions of Governmental Accounting Standards Board No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our fee for services reflects additional audit hours required in association with the new standards implementation. Assuming there are no additional changes in the District's activities and operations, our fee for audit services for the fiscal year ending June 30, 2018 will be **\$15,288**.

Our estimate for out-of-pocket expenses is a separate estimate and may not be utilized in total to the amount estimated. The components of this audit services fee proposal and out-of-pocket costs for the years ending June 30, 2016 through 2018 are itemized in the attached Exhibits.

Also, we have included the cost to prepare the District's Single Audit Report to be prepared for the District in case the District's total federal grants exceed \$750,000. This cost is itemized in the attached Exhibits.

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

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

I am authorized to make representations for Fedak & Brown LLP and am duly authorized to sign a contract with the Georgetown Divide Public Utility District.

Christopher Brown, CPA, CGMA

May 23, 2016

Date

Exhibit I – Proposed Hours and Our Fees

Proposed Hours and Our Fees

We anticipate that, for the fiscal year ending June 30, 2016 through 2017 will approximate 142 hours (152 hours in 2018 due to the implementation of GASB 75). These hours, by major area, are summarized as follows:

Audit Steps	Fiscal Years - 2016 and 2017				Fiscal Year - 2018 *			
	Partner	Manager	Staff	Total	Partner	Manager	Staff	Total
Planning	3	6	2	11	4	6	2	12
Controls Testwork	5	8	22	35	5	8	22	35
Substantive Testwork	6	10	36	52	6	12	38	56
Reporting	8	12	24	44	9	14	26	49
	<u>22</u>	<u>36</u>	<u>84</u>	<u>142</u>	<u>24</u>	<u>40</u>	<u>88</u>	<u>152</u>

* Includes additional audit hours for the implementation of GASB 75 in fiscal year 2018.

As shown above, we expect approximately 41% to 42% of engagement hours to come from the Partners and Managers assigned to the District.

Working on the premise that we will be provided with a year-end trial balance, along with an audit package of reconciled balances and supporting schedules of all balance sheet accounts, we expect to perform the audit of the District at fees as stated in the attached Schedule of Professional Fees on Page 3 for the fiscal years ending June 30, 2016 through 2018.

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

Based upon the present size and scope of the activities of the District, we expect to perform the services enumerated above at our standard hourly rates. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to the audits. We have provided a breakdown of our current hourly rates, which would apply to this engagement on the attached Schedule of Professional Fees by Hours on Pages 4 through 5 of this cost proposal.

In accordance with your request for proposal and the Office of Management and Budget Circular A-128, we will maintain our work papers for at least five years and make them available to the District, state agencies, the General Accounting Office, and other parties upon the direction of the District.

We want the Board to understand that we will provide any assistance and answer any questions that the District's staff or members of the Board may have when they arise for the entire duration of our contract. We find it important to stay abreast of the District's activities and accounting issues during the entire engagement.

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

Exhibit II – Schedule of Professional Fees

Fiscal Year	District Total Audit Service Fees*	Estimated Not-to-Exceed Out-of-Pocket Costs**	Total Not-to-Exceed Amount	Optional Single Audit Fee***	Total Not-to-Exceed with Optional Item
Fiscal Year 2016	\$ 13,670	1,200	14,870	4,990	19,860
Fiscal Year 2017	13,954	1,213	15,167	5,098	20,265
Fiscal Year 2018	15,288	1,233	16,521	5,206	21,727
Total	\$ 42,912	3,646	46,558	15,294	61,852

* Professional Audit Service Fees - Labor Only

** Estimated Out-of-Pocket Costs Consist of: Travel, Mileage, Postage & Printing Costs

*** As Required

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

See Our Personnel Hourly Rates and Hours Estimated per Engagement on the following pages.

Exhibit III – Schedule of Fees By Hours

FISCAL YEAR 2016

Breakdown of Fees by Hours

	Hours		Hourly Rates		Total
Fiscal Year 2016 Audit of:					
District's Basic Financial Statements					
Partner - Engagement	16	\$	125	\$	2,000
Partner - Technical	6		125		750
Manager	36		105		3,780
Senior/Staff	84		85		7,140
Total Financial Statement Audit for 2016	142			\$	13,670
Out-of-Pocket Expenses (Travel, Postage & Printing Costs)					1,200
Total Maximum for 2016				\$	14,870
Optional Item Asked to be Priced by the District (if needed):					
Single Audit of Federal Awards					
Partner - Engagement	4	\$	125	\$	500
Partner - Technical	2		125		250
Manager	8		105		840
Senior/Staff	40		85		3,400
Total Optional Item for 2016	54			\$	4,990
Total Maximum with Optional Item for 2016				\$	19,860

FISCAL YEAR 2017

Breakdown of Fees by Hours

	Hours		Hourly Rates		Total
Fiscal Year 2017 Audit of:					
District's Basic Financial Statements					
Partner - Engagement	16	\$	127	\$	2,032
Partner - Technical	6		127		762
Manager	36		107		3,852
Senior/Staff	84		87		7,308
Total Financial Statement Audit for 2017	142			\$	13,954
Out-of-Pocket Expenses (Travel, Postage & Printing Costs)					1,213
Total Maximum for 2017				\$	15,167
Optional Item Asked to be Priced by the District (if needed):					
Single Audit of Federal Awards					
Partner - Engagement	4	\$	127	\$	508
Partner - Technical	2		127		254
Manager	8		107		856
Senior/Staff	40		87		3,480
Total Optional Item for 2017	54			\$	5,098
Total Maximum with Optional Item for 2017				\$	20,265

Exhibit III – Schedule of Fees By Hours, continued

FISCAL YEAR 2018 Breakdown of Fees by Hours

	Hours		Hourly Rates		Total
Fiscal Year 2018 Audit of:					
District's Basic Financial Statements	16	\$	129	\$	2,064
Partner - Engagement	8		129		1,032
Partner - Technical	40		109		4,360
Manager	88		89		7,832
	152	*		\$	15,288
Total Financial Statement Audit for 2018					1,233
Out-of-Pocket Expenses (Travel, Postage & Printing Costs)					16,521
Total Maximum for 2018				\$	16,521
* Includes additional audit hours for implementation of GASB No. 75 in fiscal year 2018.					
Optional Item Asked to be Priced by the District (if needed):					
Single Audit of Federal Awards	4	\$	129	\$	516
Partner - Engagement	2		129		258
Partner - Technical	8		109		872
Manager	40		89		3,560
Senior/Staff	54			\$	5,206
Total Optional Item for 2018					21,727
Total Maximum with Optional Item for 2018				\$	21,727

ATTACHMENT C

MOSS, LEVY & HARTZHEIM, LLP



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA
ALEXANDER C HOM, CPA
ADAM V GUISE, CPA
TRAVIS J HOLE, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES
433 N. CAMDEN DRIVE, SUITE 730
BEVERLY HILLS, CA 90210
TEL: 310.273.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES
5800 HANNUM AVENUE, SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

To the Board of Directors and Management
of the Georgetown Divide Public Utility District

We are pleased to respond to the Georgetown Divide Public Utility District's Request for Proposal for independent auditing services.

After 59 years in public accounting and 39 years of performing 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 full service public accounting firm with offices in Beverly Hills, Culver City, and Santa Maria and 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 perform the financial statement audit of the District for the fiscal year ended June 30, 2016. Our audit would be conducted in accordance with *Government Auditing Standards*, accounting principles generally accepted in the United States of America, and *Minimum Audit Requirements and Reporting Guidelines for California Special Districts*.

If convenient for the District staff, the approximate target dates for the fiscal year 2016 audit would be as follows:

1. Entrance conference and audit fieldwork – Week of October 24th
2. Draft report – No later than November 11th (provided by the District)
3. Final report – No later than December 30th

It is expected that Mr. Ron A. Levy would be the technical (concurring) partner in charge of the District's audit. He will be responsible for reviewing the District's basic financial statements and all other required statements and reports. He may also be responsible for addressing any of the District's questions or concerns that arise during the year. He has assisted numerous municipalities and special districts and has prepared award-winning CAFRs.

Mr. Craig Hartzheim will be the engagement partner assigned to the audit. As engagement partner, he will review all audit areas. He has assisted many municipal and special district clients and has also prepared award-winning CAFRs.

Mr. Derek Rampone will be the manager assigned to the audit. He will oversee the day-to-day operations of the audit and perform more difficult audit sections.

Mr. Ricky Kuo will be the senior accountant assigned to the audit. As senior accountant, it will be his responsibility to oversee the staff accountant, do preliminary reviews of audit sections, and to also perform more difficult audit sections.

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

We are proposing the following audit fee for the fiscal year ended June 30, 2016:

	<u>Maximum fee not to exceed</u>
District Audit & Management Report	\$ 16,080
Discount - 10%	<u>(1,608)</u>
Total all-inclusive maximum fee	<u><u>\$ 14,472</u></u>

Single audit price is \$3,500 and is not included above. Includes one major program.

All out-of-pocket expenses are included in the fee. No costs will be passed on to the District.

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

- | | | |
|--|--|---|
| (1) Craig A. Hartzheim, CPA
Partner
5800 Hannum Avenue
Suite E
Culver City, CA 90230
(310) 670-2745 | (2) Hadley Hui, CPA
Partner
5800 Hannum Avenue
Suite E
Culver City, CA 90230
(310) 670-2745 | (3) Ron A. Levy, CPA
Partner
5800 Hannum Avenue
Suite E
Culver City, CA 90230
(310) 670-2745 |
|--|--|---|

Under penalties of perjury, I declare that I am entitled to represent the firm, empowered to submit the bid and I am an authorized signer. There are no and have never been any financial interests between any officials or employees of the Georgetown Divide Public Utility District and Moss, Levy & Hartzheim, LLP.

Respectfully submitted,



MOSS, LEVY & HARTZHEIM, LLP

Moss, Levy & Hartzheim, LLP is an equal opportunity employer

ATTACHMENT D

MANN, URRUTIA, NELSON CPAs & ASSOCIATES, LLP

PROPOSAL TO PROVIDE AUDIT SERVICES
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
MAY 10, 2016



MANN • URRUTIA • NELSON CPAs & ASSOCIATES, LLP

CONTACT: JUSTIN WILLIAMS, CPA, CVA, PARTNER

SACRAMENTO OFFICE • 2515 VENTURE OAKS WAY, SUITE 135 • SACRAMENTO, CA 95833 • O.916.929.0540 • F.916.929.0541

WWW.MUNCPAS.COM

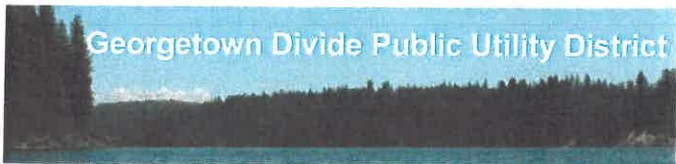


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MANN • URRUTIA • NELSON CPAs & ASSOCIATES, LLP
GLENDALE • ROSEVILLE • SACRAMENTO • SOUTH LAKE TAHOE • KAUAI, HAWAII

May 10, 2016

Board of Directors
Georgetown Divide
Public Utility District
PO Box 4240
Georgetown, CA 95634

Dear Members of the Board,

The partners and staff of Mann, Urrutia, Nelson CPAs & Associates LLP are pleased to present our proposal to provide professional services. Our Firm has experienced continuous growth and success as we meet and exceed client expectations. Our overall goal is to provide responsive, innovative services of the highest quality to our clients.

We understand that Georgetown Divide Public Utility District requires timely audit services and we are committed to meeting all terms, conditions, and requirements as addressed in the request for proposal. With our experience and expertise, we fully understand the audit requirements, as well as your expectations.

We understand that the scope of services will be the following:

1. Audit the financial statements of the Georgetown Divide Public Utility District for the year ending June 30, 2016.
2. Prepare and submit Annual Report of Financial Transactions to the State Controller's Office, if requested.
3. Perform Single Audit, when required.

The audit will be performed in accordance with generally accepted accounting principles; generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *the Basic Audit Program and Reporting Guidelines for California Special Districts*, as prescribed by the State Controller.

The key to our success and growth includes properly trained staff, timely communication in all aspects of the audit, planning, and understanding how to structure each audit to ensure efficiencies are achieved. MUN CPA's success in retaining our clients is due to our commitment to outstanding quality, timely completion of work and our ability to retain key staff.

We believe our unique combination of technical expertise, combined with our philosophy of total client commitment throughout all phases of the engagement provides our clients the highest quality service and products available.

We are confident that our proposal addresses your needs and look forward to discussing and reviewing its content with you. We would welcome this opportunity to differentiate our Firm from our competition and further discuss our approach in providing quality service.

Sincerely,

A handwritten signature in blue ink, appearing to read "Justin Williams".

Justin Williams, CPA, CVA
Partner



FIRM QUALIFICATIONS AND EXPERIENCE

Mann, Urrutia, Nelson, CPAs & Associates LLP is a locally established and respected full service accounting and auditing firm that has provided continuous services including audit, tax, consulting, litigation support, business valuations, and forensic accounting for the past twelve years. Our commitment to our clients has enabled the firm continued growth and success at developing and maintaining strong professional relationships. Our firm consists of 50 well trained professionals and four office locations in Sacramento, Roseville, South Lake Tahoe, and Glendale, California.

We separate ourselves from our competition by:

- ◇ Extensive Partner involvement on each engagement
- ◇ Manager and/or Partner always on site during fieldwork
- ◇ Consistent and experienced staff
- ◇ Timeliness of communications
- ◇ Proactive approach in addressing complex issues early in the engagement
- ◇ Availability to clients as a specialized resource
- ◇ Professionalism with understanding

Our industry specialization includes governmental, not-for-profit, retirement plans, and for-profit business entities with clients ranging from small organizations to organizations with over \$500 million in assets. We are voluntary members of the following organizations:

Government Audit Quality Control Center
California Municipal Treasurers Association
League of California Cities
CalNonprofits

California Society of Municipal Finance Officers
California Municipal Treasurers Association
California Special Districts Association
Impact Foundry (formerly Nonprofit Resource Center)

Membership in these centers provides our firm with additional resources designed to enhance our audit quality and apply best audit practices to our engagements. We have access to the latest developments in accounting, auditing, and the various rules and regulations that affect the different audits and industries.

Sacramento Office

Audit engagements are performed primarily out of the Sacramento office. We have twelve full time governmental audit staff members consisting of two firm partners, four managers, three seniors and three staff accountants. Five (5) will be dedicated to the Georgetown Divide Public Utility District should services be awarded to our firm. While the majority of audit engagements are performed out of the Sacramento office, our various office locations allow us to expand our services throughout the State of California. We have provided audit services to governmental entities and nonprofits throughout northern and central California. We perform Single audits and compliance audits for our municipal and nonprofit clients as well as provide tax services to our audit clients that request it.

Our firm undergoes a peer review every three years as established by the American Institute of Certified Public Accountants. Our last peer review was completed in May 2013 and resulted in a pass rating (the highest rating possible) on our system of quality control for accounting and auditing. This quality control review included a review of specific government engagements. A copy of this peer review report is included in this proposal.





INDEPENDENCE

Mann, Urrutia, Nelson, CPAs and Associates, LLP is independent of the Georgetown Divide Public Utility District as defined by U.S. generally accepted auditing standards and the U.S. Government Accountability Office's *Government Auditing Standards* (latest edition).

Mann, Urrutia Nelson, CPAs and Associates, LLP is independent of all associated agencies of Georgetown Divide Public Utility District, as defined by U.S. generally accepted auditing standards and the U.S. Government Accountability Office's *Government Auditing Standards*.

If Mann, Urrutia, Nelson, CPAs and Associates, LLP shall enter into a professional relationship that would present a conflict of interest during the period of engagement with Georgetown Divide Public Utility District; a written notice will be presented to the Georgetown Divide Public Utility District defining such conflict, if any.

LICENSE TO PRACTICE

Mann, Urrutia, Nelson, CPAs and Associates, LLP is a properly licensed, certified public accounting firm in the State of California. All certified public accountants involved in audit engagements of the Firm 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 and American Institute of Certified Public Accountants.





STAFF QUALIFICATIONS AND EXPERIENCE

The team assigned to perform the audit of the Georgetown Divide Public Utility District is composed of highly trained professionals with extensive experience in audit engagements. Our small, efficient working group will maintain a knowledgeable, yet non-intrusive, approach to the audit, and in this way, deliver an audit of exceptional quality requiring few disruptions in the conduct of the District's on-going operations. The technical qualifications of Mann, Urrutia, Nelson, CPAs and Associates, LLP personnel selected for this audit ensures service of the highest quality. Engagements at Mann, Urrutia, Nelson, CPAs and Associates, LLP, are conducted under the supervision of an engagement partner and manager, which assures that quality standards are maintained and all client requirements are met.

We propose the following audit team:

JUSTIN WILLIAMS, CPA, CVA, Engagement Partner
MICHELLE NELSON, CPA, CFE, Concurring Partner
ERICA PASTOR, CPA, Senior Manager
MICHAEL BLAIR, CPA, Supervisor

Our commitment to governmental accounting is further amplified by our involvement with respected organizations. The proposed Engagement Partner, Justin Williams, is a presenter for the League of California Cities Municipal Finance Conference, has presented at several CSMFO chapter meetings, and is a member of the California Special Districts Association Audit Committee and Finance Committee. Michelle Nelson, the Concurring Partner, frequently reviews submitted financial statements as a member of the **GFOA Certificate of Achievement for Excellence in Financial Reporting Program**. Senior Manager, Erica Pastor, is a CalCPA, Sacramento Chapter, Board member and both Justin and Erica are leading presences on the CalCPA Accounting & Auditing Committee, Sacramento Chapter.

We are also committed to **non-profit accounting** and helping organizations implement best practices. As philanthropy is an integral part of our firm's core values, many of our staff members serve on various Boards of Directors for non-profit committee organizations. Justin Williams serves as the Treasurer for the non-profit California Capital Airshow, Michelle Nelson serves as Treasurer for three non-profit organizations and is a board member for two other non-profits.

All management staff assigned to this audit has extensive experience in the preparation of CAFRs that have been awarded the **GFOA Certificate of Achievement for Excellence in Financial Reporting**. Seven of our governmental clients require our Firm to prepare and organize the CAFR as part of their scope of services.

All audit partners and managers have been involved in the implementation of GASB financial reporting requirements. In addition to auditing and assisting with the preparation of GASB financial statements, all audit partners and managers have provided hands-on assistance with implementation of new GASB financial reporting requirements. Partner Justin Williams presented on the topic "**GASB Reporting Requirements and Their Effect on Your District**" at the 2015 Annual CSDA conference.

We have NOT had any Field Reviews, Desk Reviews or Disciplinary actions taken against, or pending against, the Firm or any of our staff.





The U.S. Government Accountability Office's Yellow Book, *Government Auditing Standards*, requires auditors to maintain their professional competence through continuing professional education. Each auditor performing work under generally accepted government accounting standards is required to complete a minimum of 80 hours of continuing professional education every two years; 24 of the 80 hours must be directly related to government auditing or the government environment. All of our staff exceed the required educational hours, receiving governmental and Single Audit-specific training throughout the year through external conferences hosted by the CalCPA and internal training provided by our Firm. Furthermore, as 23 local government and non-profit clients have a Single Audit requirement, all engagement team members, including audit staff, have current Single Audit experience. *All staff receive governmental and Single Audit-specific training throughout the year through external conferences hosted by the CalCPA and internal training provided by our Firm.*

Our Firm takes great pride in not only selecting high quality staff members, but providing them an environment designed for their success and betterment. With that said, all senior audit management staff and engagement partners have been with our firm for no less than eight years. We believe our history of low staff turnover is an asset we are proud to present to the Georgetown Divide Public Utility District.

We believe staff continuity on engagements is essential to that engagement being successful. Our Firm's mission statement reads:

To provide responsive, innovative services of the highest quality to our clients; and to provide a positive, rewarding environment encouraging our employees to fulfill their professional and personal goals.



JUSTIN WILLIAMS, CPA, CVA
Engagement Partner

Justin's professional career includes more than 19 years of public and private accounting experience, of which 17 years has been heavily concentrated on audits of governmental, not-for-profits, employee benefit plans and privately held businesses throughout Northern California. Justin will serve as partner in charge for the audit engagement.

- INDUSTRY EXPERIENCE:** Special Districts
Cities
Not-for-profit
Privately held businesses
Retirement/ employee benefit plans
- OTHER EXPERTISE:** GASB implementation
Board of Directors training
Federal Single Audit grant compliance
Federal and State compliance and financial reporting
Fraud investigations
Internal control implementation
Peer reviews
- CURRENT RELEVANT ENGAGEMENT EXPERIENCE:** Tahoe City Public Utilities District City of Novato
South Tahoe Public Utility District City of Gridley
Rodeo Sanitary District City of Rio Vista
Ironhouse Sanitary District City of Piedmont
Association of California Water Agencies City of Patterson
Sacramento-Yolo Mosquito & Vector District
- DESIGNATIONS:** Certified Public Accountant (CPA)
Certified Valuation Analyst (CVA)
- PROFESSIONAL MEMBERSHIPS:** American Institute of Certified Public Accountants
California Society of Certified Public Accountants
GFOA Budget Awards Program
National Association of Certified Valuation Analysts
Society of California Accountants
CSDA Audit Committee Member
CSDA Finance Committee Member
National Institute of Pension Administrators, Sacramento Chapter
- EDUCATION:** Bachelor of Science, Accounting
Case Western Reserve University – Cleveland, Ohio
- COMMUNITY SERVICE:** Treasurer, California Capital Airshow
Previous Treasurer and Board Member, Capital Stage Company





MICHELLE NELSON, CPA, CFE
Concurring Partner

Michelle founded and continues to manage the Audit practice of Mann, Urrutia, Nelson CPAs & Associates, LLP. She has specialized in auditing for over 30 years, focusing on such industries as for-profit companies, governmental, non-profit and retirement entities. As a Certified Fraud Examiner, Michelle has provided expert insight in the areas of fraud prevention, detection and implementing processes/internal controls to hinder fraud.

INDUSTRY EXPERIENCE: Special Districts
Not-for-profit
Cities
Privately held businesses
Retirement/ employee benefit plans

OTHER EXPERTISE: Board retreats and trainings
Consulting on new accounting and auditing pronouncements
Federal and grant compliance
Financial reporting
Fraud engagements
Review and evaluation of internal controls

CURRENT RELEVANT ENGAGEMENT EXPERIENCE: Solano County Water Agency
Santa Nella County Water District
Sacramento-Yolo Mosquito & Vector District
City of Hollister
Town of Truckee
Town of Paradise
City of Pinole
City of Marina

DESIGNATIONS: Certified Public Accountant (CPA)
Certified Fraud Examiner (CFE)
Certified Valuation Analyst (CVA)

PROFESSIONAL MEMBERSHIPS: American Institute of Certified Public Accountants
California Society of Certified Public Accountants
Nevada Society of Certified Public Accountants
GFOA Cert. of Achievement for Excellence in Financial Reporting Program
CalCPA Governmental Accounting & Auditing Committee, Sac. Chapter
National Association of Certified Valuation Analysts
Association of Certified Fraud Examiners

EDUCATION: Bachelor of Science, Accounting
University of Nevada – Reno, Nevada
Masters Program, Taxation (In process)
Golden Gate University – San Francisco, California

COMMUNITY SERVICE: Treasurer, Project R.I.D.E. Inc.
Treasurer, Teaching Everyone Animals Matter (TEAM)
Board President, Chester Foundation
Board member and previous Treasurer, Rails to Trails Foundation





ERICA PASTOR, CPA
Senior Manager

Erica has 12 years of public accounting experience and spent over seven years working for Mann Urrutia Nelson CPA's & Associates, LLP. Erica has considerable experience serving clients in the government industry, specializing in providing audit and accounting services to counties, cities and special districts. She has significant experience preparing and reviewing CAFRs and auditing grants under the Single Audit Act.

- INDUSTRY EXPERIENCE:** Special Districts
Cities
Not-for-profit
Privately held businesses
Retirement/ employee benefit plans
- OTHER EXPERTISE:** Financial statement preparation
OMB Single Audit compliance
GASB implementation
Accounting services
Comprehensive Annual Financial Reports (CAFR)
Reviewed and compiled financial statements
Agreed-upon procedures
Audit committee training
Internal control evaluation
Other grants and contracts compliance
- CURRENT RELEVANT ENGAGEMENT EXPERIENCE:** Tahoe City Public Utilities District
Solano County Water Agency
Sacramento-Yolo Mosquito & Vector District
League of California Cities
City of Novato
City of Hollister
City of Rio Vista
City of Piedmont
City of Patterson
Town of Truckee
- DESIGNATIONS:** Certified Public Accountant (CPA)
- PROFESSIONAL MEMBERSHIPS:** American Institute of Certified Public Accountants
CalCPA Governmental Accounting & Auditing Committee, Sacramento Chapter Co-Chair
CalCPA, Sacramento Chapter, Board Member
- EDUCATION:** Bachelor of Science, Managerial Economics
UC Davis – Davis, California
Certificate of Accountancy
National University – Sacramento, California





MICHAEL BLAIR, CPA
Supervisor

Michael has over 3 years of public accounting experience with our firm. As Senior Accountant, he provides audit services to a wide range of industries, including governmental, nonprofit and for-profit entities. Prior to joining our firm, Michael provided personal income tax and payroll tax services with a firm in Pasadena, California. He also gained experience in performing day to day accounting transactions, as he worked in the real estate industry for several years.

INDUSTRY EXPERIENCE:	Special Districts Not-For-Profit Cities For-profit entities
OTHER EXPERTISE:	Internal control evaluation Accounting services Inventory observations OMB Single Audit compliance Other grants and contracts compliance Financial statement preparation Bookkeeping Services Payroll Tax
CURRENT RELEVANT ENGAGEMENT EXPERIENCE:	Tahoe City Public Utility District South Tahoe Public Utility District Santa Nella County Water District Solano County Water Agency Ironhouse Sanitary District Rodeo Sanitary District Sacramento-Yolo Mosquito & Vector District City of Hollister Town of Paradise League of California Cities Town of Truckee
DESIGNATIONS:	Certified Public Accountant (CPA)
PROFESSIONAL MEMBERSHIPS:	American Institutes of Certified Public Accountants California Society of Certified Public Accountants
EDUCATION:	Bachelor of Science, Accounting Azusa Pacific University –Azusa, CA





AUDIT APPROACH

Our audit process begins with the assignment of staff to the engagement. Our engagement team has the expertise to provide a level of service desired and deserved by your organization. Our engagements are supervised by the engagement partner and the manager. As high-level involvement is vital to a quality audit, the partner and manager's time will account for approximately 30% of total hours spent on the engagement. Our team's approach is to be efficient yet non-intrusive.

We believe on-going communication throughout the entire audit will ensure that all aspects of the audit are thoroughly addressed. We encourage regular communications throughout the year, not just during fieldwork. As such, we do not anticipate any potential audit problems to arise during our engagement.

Audit Planning

Our audit planning process includes a risk assessment of the District and review of the control environment. We begin with a pre-planning meeting to ensure that management's expectations and our expectations are communicated prior to commencing the audit. We will confirm our understanding of the engagement deadlines and ensure these are met timely. In addition, we will provide a list and samples of schedules specifically tailored to the Georgetown Divide Public Utility District to aid the District's staff in preparing schedules and providing audit documentation.

Communication

Planning and continual communication are essential to developing the appropriate procedures, working collaboratively to resolve any identified issues, and meeting your timelines. We will communicate contemporaneously and directly with management and audit committees of the board regarding results of our procedures, and will anticipate and respond to any concerns of management and the committee.

Risk Assessment

As part of our extensive planning phase, the engagement team will discuss with management and the District Board issues surrounding the applicable industry, the District's internal & external environment, significant events, as well as economic, political, and social factors to determine and document areas of risk. Once areas of risk have been identified, the next process will be to review the control environment.

Laws and Regulations

We will review the laws and regulations covering the District's grants and major programs as part of the Single Audit testing. Based upon our inquiry with the District's staff and review of administrative policies, etc. we will determine the relevant laws and regulations that will be subject to additional test work.



Control Environment

We will document and test the following control processes to evaluate their effectiveness in preparing reliable financial statements:

- ◇ Disbursements
- ◇ Receipts
- ◇ Payroll
- ◇ Financial reporting
- ◇ Journal entry process
- ◇ IT and general computer controls
- ◇ Federal and state programs

Based on our understanding of the District's risks and control environment, we will design our substantive procedures and communicate our audit approach to management. As part of our review and documentation of the control environment, we may have recommendations for enhancing controls and/or efficiencies. These recommendations will be discussed with management prior to any comments included in a formal management letter.

Substantive Procedures

Substantive audit procedures are designed based on our risk assessment process. Complex and high risk accounts will be identified early in the audit process and these accounts will be assigned to the manager and/or partner for actual testing. Our substantive audit procedures will include the following:

- ◇ Tests of account details
- ◇ Analytical procedures
- ◇ Use of data analysis software
- ◇ Unpredictability tests
- ◇ Review of management's estimates
- ◇ Review of subsequent events and contingencies

Sample Sizes and Statistical Sampling Techniques

Audit sampling provides the auditor an appropriate basis on which to conclude on an audit area by examining evidence from a sample of a population. We utilize both statistical and non-statistical sampling techniques as described in the AICPA's Audit Sampling Guide, depending on the type of testing being performed. Internal control, substantive and compliance testing samples are generally selected using non-statistical techniques. Sample sizes are determined by risk assessment and nature of the population. We may use statistical sampling to assist with forensic testing in areas which have a higher risk of misstatement due to fraud.



Preparation of Audit Report and Review

Audit workpapers are reviewed throughout the audit by the manager and engagement partner. Before we leave your offices, the file will be substantially reviewed and any issues will be discussed and resolved. The financial statements are prepared by the audit manager. All reports are reviewed by the engagement partner and concurring partner.

Upon approval, we will issue drafts of all reports based on a predetermined schedule allowing adequate time for review and distribution of reports.

Technological Advantages

We utilize the latest technology, including virtual servers, smart devices and online libraries to provide us with the most up-to-date information to better serve our clients. First, our online client portal ShareFile gives us the capability of sending and receiving information to and from our clients faster and more securely. As portals are encrypted and use password protection to ensure that data can only be viewed by the appropriate client, we are dedicated to protecting the District's confidential information.

Furthermore, we streamline our audit process and organize support documents through use of the program CaseWare Working Papers. By effectively reviewing large volumes of data through these programs, we are able to develop a better understanding and gain a broader view of the Georgetown Divide Public Utility District. These technologies enable us to increase both the scope of our engagement and the reliability of our audit opinion more efficiently, as a larger amount of information can be processed, analyzed and interpreted in a short time frame.

Work Paper Retention

Audit programs, workpapers and reports will be retained for a period of seven (7) years after the completion of the audit and made available for inspection by the Georgetown Divide Public Utility District, oversight or cognizant agencies, parties designated by the federal or state governments, auditors of entities of which the Georgetown Divide Public Utility District is a sub recipient of grant funds or component unit, and additional auditors if requested by them.



FEE PROPOSAL

This agreement will cover the year ending June 30, 2016. In accordance with the Request for Proposal for Audit Services issued by the Georgetown Divide Public Utility District we hereby submit the following cost proposal:

Fees for Services

Service	6/30/2016	Subsequent years (Up to 3 yrs.)
Audit the financial statements of Georgetown Divide Public Utility District	\$16,000	\$16,000
State Controller's Report, if requested	2,000	2,000
Single Audit, if required	3,500	3,500
Total Fees	\$21,500	\$21,500

Schedule of Professional Fees and Expenses to support the all-inclusive maximum price

	Hours	Standard Hourly Rates	Quoted Hourly Rates	2016
Partner	24	250	190	4,500
Senior Manager	24	190	160	3,800
Supervisory Staff	60	160	130	7,800
Staff	60	110	90	5,400
Total Not-to-Exceed Fees	138			\$21,500





Additional Professional Services

Mann, Urrutia, Nelson, CPAs and Associates, LLP may also furnish other accounting services, which may include advisory and system accounting services as requested by Georgetown Divide Public Utility District. If it should become necessary for the District to request Mann, Urrutia, Nelson, CPAs and Associates, LLP to render any additional services to either supplement the services requested to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract between the District and Mann, Urrutia, Nelson, CPAs and Associates, LLP. Any such additional work agreed to between the District and Mann, Urrutia, Nelson, CPAs and Associates, LLP shall be performed at the quoted supplemental hourly rates listed above.

<u>Position</u>	<u>Standard Hourly Rates</u>
Partner	\$ 250
Manager	190
Senior Staff	160
Staff	110





PARTIAL LIST OF SIMILAR CLIENTS / REFERENCES

Mann, Urrutia, Nelson CPAs has provided audit services for several other district/governmental entities that are similar to that which is requested by the Georgetown Divide Public Utility District. We also provide audit services to 26 non-profit organizations. We welcome the District to contact any of our clients listed below.

Governmental Clients

Clients	Name and Position	Address
Tahoe City Public Utilities District	Ramona Cruz, Director of Accounting (510) 583-3796 rcruz@tcpud.org	PO Box 5249 Tahoe City, CA 96145
Solano County Water Agency	Katherine Phillips Administrative Services Manager (707) 455-1112 kphillips@scwa2.com	810 Vaca Valley Rd., #203 Vacaville, CA 95688
Ironhouse Sanitary District	Michael Welty, Accountant (530) 878-3988	450 Walnut Meadows Dr. Oakley, CA 94561
Santa Nella County Water District	Amy Montgomery, General Manager (209) 826-0920	12931 State Highway 33 Santa Nella, CA 95322

Non-Profit Clients

Clients	Name and Position	Address
Assn. of California Water Agencies	Daniel Gumpert, Finance Mgr. (916) 441-4545 DanG@acwa.com	901 K Street, Suite 100 Sacramento, CA 95814
Center for Human Services	Carmen Wilson, Finance Director (209) 526-1476 cwilson@centerforhumanservices.org	2000 W. Briggsmore Ave., #1 Modesto, CA 95350
Sacramento Regional Conservation Corp	Kala Dean, Controller (916) 386-8394 ext. 276 kdean@saccorps.org	6101 27 th Street Sacramento, CA 95822





CITY OF PINOLE

2131 Poor Street
Pinole, CA 94564

Tel: (510) 724-9000
Fax: (510) 724-9826

Prospective Audit Clients

Re: Professional Reference for
Mann, Urrutia, Nelson CPA's & Associates

To Whom It May Concern:

I am pleased to offer my full and unreserved recommendation for retention of *Mann, Urrutia, Nelson CPA's (MUN)*.

I has been my good fortune to take the lead in the financial management and fiscal reporting of two California cities, during my tenure in local government. During that time, *MUN* was selected through competitive bidding to perform the external auditing and completion of Comprehensive Annual Financial Reports (*CAFR document*) for both Auburn and Pinole. Completion of these tasks included preparation of separate component unit reports for Redevelopment Agencies, and included the review of "full service" municipalities, operating Enterprise Funds for Airport, Transit and Wastewater Treatment activities. Additionally, as deemed appropriate *MUN* was retained under separate contracts for Agreed Upon Procedure Engagements, related to cash handling discrepancies and controls, grant compliance, and redevelopment agency close-out projects.

At all times, *MUN* has completed their contractual obligations on time and within budget. The Principals of this Accounting/Auditing Firm are hands-on and on-site during field work activities, providing supervision and mentoring to their Junior Associates. My personal belief is that *MUN* offers a unique perspective to Government Auditing, in that they take the time to fully understand the individual nuances of similar but distinct reporting entities, and then generate a meaningful client dialog about the accuracy and more importantly the completeness of the financial reporting that they oversee. I believe that *MUN* is especially cost competitive with their peers, due to the time efficiencies generated by their investment in fully computerized workpaper preparation. We routinely, submit our "client prepared" account reconciliations, trial balance information and other financial documentation in electronic format, which is also a beneficial to us as the audit client.

Please do not hesitate to call upon me directly (510-407-3979 or 510-724-9823) for additional information regarding *MUN*.

Sincerely,

Richard H. Loomis, CCMT/CFIP
City of Pinole, California



MAY 10, 2016

PEER REVIEW REPORT



SYSTEM REVIEW REPORT

To the Partners
Mann, Urrutia & Nelson, CPAs and Associates, LLP
and the Peer Review Committee of the CALCPA Peer Review Program

We have reviewed the system of quality control for the accounting and auditing practice of Mann, Urrutia & Nelson, CPAs and Associates LLP (the firm) in effect for the year ended December 31, 2012. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

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

In our opinion, the system of quality control of the accounting and auditing practice of Mann, Urrutia & Nelson, CPAs and Associates, LLP in effect for the year ended December 31, 2012 has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. Mann, Urrutia & Nelson, CPAs and Associates, LLP has received a peer review rating of *pass*.

Burr Pilger Mayer, Inc.

San Jose, California
May 8, 2013

ACCOUNTANTS & CONSULTANTS





MANN • URRUTIA • NELSON CPAs & ASSOCIATES, LLP

WWW.MUNCPAS.COM

ATTACHMENT E

PATEL & ASSOCIATES, LLP

Georgetown Divide Public Utility District

Proposal for Auditing Services

For the Fiscal Year Ending June 30, 2016

Submitted by:



PATEL & ASSOCIATES, LLP

Federal Employer ID Number: 36-4781081

Engagement Partner: Sanwar Harshwal

Contact Info: (858) 784-1622, SHarshwal@patelcpa.com

May 25, 2016

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TRANSMITTAL LETTER

May 25, 2016

Georgetown Divide Public Utility District

ATTN: Wendell Wall, General Manager
P. O. Box 4240
Georgetown, CA 95634-4240

Dear Wendell Wall and Evaluation Committee members,

Patel & Associates, LLP is pleased to respond to your request for proposal to provide audit and tax services to the Georgetown Divide Public Utility District for the fiscal year ended June 30, 2016. Our proposal is based upon the guidelines set forth by the GDPUD as well as our current understanding of the GDPUD's operations and service needs. We believe that we are well qualified to provide you knowledgeable and effective service.

We believe that we will be responsive to your needs because of the experience we have in auditing state and local governments. You will find that key members of our staff have had extensive experience in audits of state and local governments, tribes and tribal governments, housing authorities, school districts, state agencies and not-for-profit organizations and are quite familiar with the GDPUD's auditing and reporting requirements. We feel that with this experience and expertise, our firm is well qualified to complete this engagement with the best professional results possible.

We believe that we are well qualified to provide you knowledgeable and effective service. Patel & Associates, LLP is pleased to highlight the following credentials, for your consideration:

- The audit team proposed has extensive experience in audits of state and local governments, audit requirements under revised Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), and federal and state compliance requirements. Additionally, the team is familiar with all of your programs.
- Patel & Associates, LLP will provide professional services and deliver the reports in a timely manner. Mr. Sanwar Harshwal will play a major role in this and in any future year engagements and ensure that the level of service you have been accustomed to be maintained. We will allocate sufficient time and resources for your audit, and ensure proper communication with you and your staff to assure that the audit is completed on time.
- We are prepared to commit the resources necessary to conclude in a satisfactory and professional manner, and to provide assurance and deliver the required reports in the stipulated time period.

- As a professional firm, we believe in fulfilling all commitments to the GDPUD and exceeding your expectations.
- With a keen eye for integrity and efficiency, we will keep you constantly informed throughout the audit process.
- Our proposal is a firm and irrevocable offer for one hundred and twenty days (120).

Understanding of the work to be performed:

We understand that you require us to perform Annual Audit and Single Audit in compliance with Government Auditing Standards. In addition, we will be available to provide some accounting work, such as the State Controllers Report, if required. We have included detailed understanding of the work to be done in "Audit Approach" section.

Should you have any questions regarding our proposal, please do not hesitate to contact Mr. Sanwar Harshwal. We look forward to providing our services to the Georgetown Divide Public Utility District.

Patel & Associates, LLP is a small business enterprise and 100% multi-minority owned CPA firm.

Sincerely,

Patel & Associates, LLP
Certified Public Accountants



Sanwar Harshwal
Engagement Partner

FIRM QUALIFICATIONS AND EXPERIENCE

Patel & Associates, LLP is a local firm of Certified Public Accountants offering auditing, management consulting and special services to its clients, which consist primarily of governmental and institutional organizations. The firm is the result of a direct effort of professionals who consolidated their experience and resources in order to provide a broader range of high quality services to their clients. Members of the firm have accumulated over four decades of experience in public accounting; primarily with international certified public accounting firms while employed in high supervisory positions.

Individually, the partners and management staffs are recognized in their respective areas for leadership roles which they part take in promoting the high ideals of the accounting profession and for producing the highest quality services. Collectively, Patel & Associates, LLP represents the experience responsible for the formulation, planning, management and execution of over 3,000 engagements of governmentally funded organizations with aggregate funding in excess of \$3,500,000,000 over the past twenty-five years.

The firm encourages its members to participate in community activities as well as trade or industry associations to round out our involvement in our profession and community. Our involvement in these activities assures that we are up-to-date on relevant information that will assist us in counseling and serving our clients in their unique and particular problems.

Patel & Associates, LLP has office in Oakland with associated office in Albuquerque, New Mexico. The location of our offices permits a wide geographical coverage that better serves our clients and permits us access to a variety of personal experience in numerous industries. The work on this engagement will be performed from our Oakland, California office. The firm has twenty-five staff members comprising of two partners, three managers, three supervisors and seventeen staff members. One senior manager, one senior auditor and two staff members will be available on full time basis and others on part time basis.

We separate ourselves from our competition by:

- Extensive Partner involvement on each engagement
- Manager and/or Partner always on site during fieldwork
- Consistent and experienced staff
- Timeliness of communications
- Proactive approach in addressing complex issues early in the engagement
- Availability to clients as a specialized resource
- Professionalism with understanding

Philosophy of the Firm

We view ourselves to be an extended resource of GDPUD's management. Our experience and skills will be provided to enhance GDPUD's goals. We will concentrate on maintaining a close and constructive relationship with you at all times.

Services Provided by the Firm

Patel & Associates, LLP is a full service professional office providing comprehensive services commonly associated with large firms. The office is divided into the following departments and provides the following services:

- **Audit Services:** like single audit, financial audit, internal audit, employees benefit plan audit, performance audit, corporate reporting, regulatory compliance, revenue recognition, company's audit etc.
- **Tax Services:** including Business Tax calculation and regulatory form submission, International Tax, Personal Tax, State & Local Tax, Indirect Taxes, Tax Accounting, Tax planning, Tax Transaction Advisory Services, Tax Reporting & Strategies, Tax controversy & dispute resolution and Tax policy & administration.
- **Management Advisory Services:** Provides consulting services in designing, modifying and installing computer systems; selecting and evaluating computer hardware and software systems and consulting in management information systems.
- **Accounting Services:** like Accounting Software Implementation, Accounts Payable & Accounts Receivable Management, Business Accounting, Cloud Accounting, Professional Outsourcing, General Ledger Reconstruction, Payroll Services etc.
- **Technology Services:** including but not limited to providing technology solutions to business problems, recommending accounting and business software, overseeing installation and training of business software and many more.

License to practice in California

Patel & Associates, LLP is a Certified Public Accounting firm duly licensed under the authority of the California State Department of Consumer Affairs. Also our all assigned key professional staff is licensed to practice in California.

Other Memberships

Patel & Associates, LLP is a member of the Governmental Audit Quality Center (GAQC) and Employee Benefit Plan Audit Quality Center (EBPAC) of the American Institute of Certified Public Accountants (the "AICPA") and the Center for Audit Quality, an affiliate of the AICPA.

Continuing Education

Our membership in AICPA's private practices section and because the audits we perform entities and other nonprofit agencies, requires us to meet the continuing education requirements. We are fully aware of the GAO's requirements of 24 hours of continuing education and training in subjects directly related to the government environment and government auditing. Our firm and the staff are in compliance with these requirements.

Independence

We are independent to conduct the audit under the AICPA, the Securities and Exchange Commission and the U.S. Government Accounting Office's rules.

Before accepting any new engagement, we conduct a thorough check to ensure that there are no conflicts of interest or independence issues. This procedure is in compliance with the independence requirements of all regulatory agencies and, specifically, in compliance with the Standard for Audit of Governmental Organizations, Programs, and Activity Functions, as published by the U.S. General Accounting Office (GAO). If selected as your auditor, we will maintain and monitor our independence as well as reassess our independence with respect to your organization on an annual basis. We will continue to evaluate our independence as your external auditors and will give the GDPUD written notice of any professional relationships involving the GDPUD and its component unit, if entered into, during the period of the audit contract.

Standard Quality Audit

Patel & Associates, LLP have always been a hallmark for quality of its audit work. It is perpetrated in providing high-quality service without compromising the timely submission of your audit report. We have never been debarred or suspended or that our firm's contracts are never rejected for substandard audits.

Patel & Associates, LLP meets all specific requirements imposed by the state, local law or rules and regulations. Since our audit practice is concentrated in nonprofit and governmental entities receiving Federal and State funds, our workpapers are reviewed by Federal and State Auditors on a regular basis.

Single Audit Expertise

Patel & Associates, LLP has remarkable experience auditing in accordance with circular OMB A-133. Our team has mastered auditing federal programs under Department of Energy, Department of Homeland Security, Department of Education, Department of Health & Human Services, Department of Housing and Urban Development, and Departments of Interior, Justice, and Labor. The team allotted to your assignment has collectively performed over 60 single audits in the United States including state and local governments and school districts.

Peer Review / Quality Control

Patel & Associates, LLP belongs to the Private Practices Section of the AICPA and has successfully completed nine Peer Reviews under the regulations of the AICPA. This is a program dedicated to ensuring that participating firms have quality control systems in place over their accounting and auditing practices. This program also includes a review of our governmental client bases that have single audit requirements. We were pleased to receive a peer review rating of pass, and believe it reflects our commitment to perform quality work. We have also undergone a quality control review by the United States Department of Housing and Urban Development mandated by the Single Audit Act of 1984. The audit selected for review was accepted without change.

Our peer review certificate is enclosed here.



MANN • URRUTIA • NELSON CPAs & ASSOCIATES, LLP
GLENDALE • ROSEVILLE • SACRAMENTO • SOUTH LAKE TAHOE • KAUAI, HAWAII

SYSTEM REVIEW REPORT

To the Managing Partner
Patel and Associates, LLP
and the Peer Review Committee of the CalCPA Peer Review Program

We have reviewed the system of quality control for the accounting and auditing practice of Patel and Associates, LLP (the firm) in effect for the year ended May 31, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our 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 *Government Auditing Standards* and audits of employee benefit plans.

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

Mann Urrutia Nelson CPAs

Sacramento, California

October 29, 2014

Why Patel & Associates, LLP:

Beneath are our firm's experience which describes that we are different from other firms being considered and our selection as your auditor is the best decision you could make:

Communicative & Responsive: We believe in communicating with clients before, during, and after the audit process. Our clients are updated regarding the status of the audit throughout, and there will be no hidden costs involved. We will communicate with your management while on-site to keep you updated on the audit process. You will also receive emails, phone calls, messages and updates from the Patel & Associates, LLP portal on a regular basis. We are responsive and solution oriented; provide quick response on matters that require immediate attention. We believe in building a professional relationship that will last beyond the audit process.

Technology Driven: We believe in providing quality rather than just quantity. We will not require your staff to make extraneous copies of documents nor provide tedious support—we value your staff time, and we will use their time respectfully to add value to a successful and timely audit. Our professional team is fully equipped and we carry our own portable equipment such as laptops, scanners, printers, and any other supplies we need in order to avoid unnecessary utilization of your staff. We are also open to and encourage paperless audit, which is an automated workflow of electronic files that facilitate greater productivity, collaboration, and efficiency.

Cost Effective: Patel & Associates, LLP was founded on the principle of providing audit and consulting services at a reasonable cost. The amount of audit work to be performed is defined by professional standards – so what is the basis for substantial variation in audit fees among different firms? Typically, this is a result of partner compensation and firm overhead, resulting in a wide range of billable rates for partners and personnel. At Patel & Associates, LLP we don't believe in unnecessary overhead, we use state-of-the-art technology and standardized billing rates and audit hours, with no surprises. Therefore, we are able to provide quality and reliable audit services at a reasonable cost.

Personnel and Staff Continuity: We focus on our team members as well as our clients. Our turnover is significantly lower than other national and regional service firms. This staff continuity enables us to develop and maintain in-depth understanding of your operations, management style, and operating practices, which ultimately allows us to offer you experienced resources, value-added services, industry specialization and overall better personal service. Our culture stresses the importance of executive presence throughout projects and engagements.

Our Managing Partner On-site: Our clients are valuable to us. Our Firm's partners do not believe in just talking to you on the phone, they participate in the on-site engagement and provide exemplary client service to ensure transparency during the audit process. You can count on Sanwar Harshwal, the Managing Partner, being available on site at least 20-25% of the time when your audit is in process. He will be available to answer all the questions related to this engagement during the entire term of contract.

Georgetown Divide Public Utility District

Quality Assurance: The staff members of Patel & Associates, LLP have many years of experience auditing government entities. We offer training on regular basis to improve skills & competence. The team makes a concerted practice to review and study current professional publications issued by regulatory bodies and professional standards boards that are relevant to government audits. Our team has a good understanding of the work environment and audit needs of school districts. This knowledge and experience gives us the opportunity to offer suggestions for improvements to your internal controls and operations.

The Real-Time Reference Library is available online around the clock while working at the client's location. It is an all-inclusive and comprehensive searchable database of all relevant accounting and auditing literature, including:

- All statements, interpretations, implementation guides and codifications issued by the Governmental Accounting Standards Board;
- All statements, interpretations, implementation guides and codifications issued by the Financial Accounting Standards Board; and
- All Audit and Accounting Guides issued by the American Institute of Certified Public Accountants.

This database also includes all relevant U.S. Government auditing and compliance documents, including:

- OMB Circulars A-87 and A-133
- GAO's Government Auditing Standards
- OMB Compliance Supplements

This Real-Time Reference Library is available to our audit team members in real-time as they perform auditing procedures. The immediate benefit to you is an instant response to technical questions and quality assurance in presenting financial statements and audit reports.

A Collaborative Approach in Finalizing Your Report: Our audit staff will communicate with you and provide guidance throughout the audit process. We will work with you proactively to communicate any discrepancies as they arise, giving you sufficient time to provide information to address issues before completion of the audit report. We will also provide guidance on rectifying any prior-year findings and on implementing corrective business practices for the future.

Key Personnel: The key members of our audit team have extensive knowledge of and many years of experience working with school districts, housing authorities, tribal schools, state and local governments, not-for-profit organizations, educational entities, casinos, tribes and tribal governments and regulations promulgated by the Government Accountability Office and the Office of Management and Budget. In addition to the key personnel listed, additional staff will be assigned from our pool of professionals.

Technical Experience

In Patel & Associates LLP professional life we have accomplished more than 50 audit engagements for governmental units including: counties, cities, fire departments, school districts, housing authorities. In the past 5 years we have engaged with the following:

Non Profit Organizations

- AIDS Project of the East Bay
- Alameda County Mental Health Association, Inc.
- A Betterway, Inc.
- Adelante, Inc.
- African American Aids Support Services Institute
- Alcohol Policy Network (formerly Community Recovery Services)
- American Lung Association in California
- American Red Cross (Solano County)
- Art, Research Curriculum & Associates
- Asian Pacific Islander Legal Outreach
- Asian and Pacific Islander American Health Forum
- Associated Students, Inc. of California State University, Hayward
- Carnales Unidos Reformando Adictos
- Center for Independent Living
- Center for Training and Careers
- Centro Legal De La Raza
- Chinese for Affirmative Action
- Coalition For Elders Independence, Inc.
- Community Clinic Consortium
- Community Drug Council, Inc.
- Community Health for Asian Americans
- Community Oriented Correctional Health Services
- Countywide Alcohol and Drug Services
- Daytop Village, Inc. (California)
- Deaf Counseling, Advocacy and Referral Agency
- East Bay Conversion and Reinvestment Commission
- East Bay Agency for Children
- East Bay Community Recovery Project
- Emeryville Center for the Arts
- Family Bridges, Inc.
- Family Paths, Inc.
- Filipino-American Seniors Opportunities Development Corporation
- Filipino Task Force on Aids
- Filipinos for Affirmative Action, Inc.
- Association of Asian Pacific Community and Health Organization
- Building Opportunities for Self-Sufficiency (BOSS)
- Bay Area Center For Law and The Deaf
- Bay Area Community Services
- Bay Area Lupus Foundation
- Bay Area Young Positives
- California Anchor Residence Group Home
- California Coalition Against Sexual Assault
- California Communications Access Foundation
- California Housing Partnership Corporation
- California Interscholastic Federation
- California Rural Legal Assistance
- California Wilderness Coalition
- Friendship House Association of American Indians, Inc.
- Jobs for Homeless Consortium, Inc.
- Jubilee West, Inc.
- La Familia Family Services of Alameda County
- Lao Family Community Development, Inc.
- Legal Aid Society of Alameda County
- Legal Center for Elderly and Disabled
- Lincoln Child Center
- Livermore Valley Performing Arts Center
- Mexican American Community Agency
- Mission Cultural Center for Latino Arts
- Napa County Legal Assistance
- National Office of Samoan Affairs, Inc.
- National Task Force on Aids Prevention
- New Leaf Services for our Community
- Oakland Asian Students Educational Services
- OBECA/Arriba Juntos
- Old Oakland Housing Development Corporation
- Options Recovery Services

Non Profit Organizations

- Gardner Family Care Corporation
- Gardner Family Health Network, Inc.
- Global Education Partnership
- Hemophilia Foundation of Northern California
- Henry Robinson Multi Service Center
- Hiawatha Harris, M.D., Inc. dba Pathways to Wellness Medication Clinic
- Hispanic Chamber of Commerce
- Hope Hospice, Inc.
- The ACBA/Volunteer Legal Service Corporation
- The Alameda County Bar Association
- The Alameda County Bar Foundation
- The World Without War Council, Inc.
- Tri-Valley Haven for Women
- United Way of Solano County
- University Union, Inc. of California State University, Hayward
- Youth and Family Services, Inc.
- Pacific Asia Travel Association
- PATA Foundation
- Pets Are Wonderful Support
- Professional Management Development Corporation
- Redwood Legal Assistance
- Regional Administrative Facilities Corporation
- Richmond Neighborhood Housing Services, Inc.
- San Jose Police Activities League
- Santa Clara Community Legal Services
- Second Chance, Inc.
- Sexual Minority Alliance of Alameda County
- Solano County Legal Assistance
- Spanish Speaking Citizens Foundation
- Spanish Speaking Unity Council
- Spectrum Community Services, Inc.

State and Local Governments

- City of Port Hueneme
- City of Oakland
- City of Santa Cruz
- City of San Leandro
- City of San Francisco
- City of Emeryville
- City of San Mateo
- City of Hayward
- City of San Francisco
- City of Fairfield
- State of California
 - State of California Office of Economic Opportunity (SOEO)
 - CALTRANS
 - Employment Development Department
 - Office of the Auditor General
 - Department of Veterans Affairs
- City of East Palo Alto
- City of Crescent City
- City of Vallejo
- County of Santa Clara
- County of Sonoma
- City of Berkeley
- City of Pleasanton
- City of San Mateo
- City of Newark
- City of Redwood City
- City of San Jose
- City of Union City
- City of Richmond
- City of Albany
- City of Alameda
- City of Fremont

Counties

County of Alameda

- Community Based Organization Audits
- Alameda County Housing and Community Development Agency - Housing and Community Development and Lead Poisoning Prevention
- Alameda County Public Works Department
- Alameda County Housing and Community Development - Bond Audit
- Alameda County Social Services - Food Stamp
- Oakland-Alameda County Coliseum Authority
- Alameda County Congestion Management Agency
- Alameda County Health Care Services Agency
- Alameda County Auditor-Controller's Agency
- City of Oakland, Office of Public Works
- Alameda County Fire Department
- Alameda County Transportation Authority

Contra Costa County

- Public Works Department
- Emergency Medical Services

Santa Clara County

- Single Audit (Sub Contractor)
- County of Santa Clara JTPA Program
- Mental Health Short Doyle Program
- Sheriff's Department – Inmate Welfare Fund

County of San Mateo

- JTPA Program
- Menlo Park Fire Protection District
- Department of Community Services

Santa Cruz County

- Single Audit
- Mental Health - Short Doyle Program

Solano County

- City of Vallejo (Sub Contractor)
- Local Transportation Fund
- Mental Health - Short Doyle Program

Del Norte County

- Del Norte County
- Del Norte County Solid Waste Management

Other Counties

- Short Doyle Program - City and County of San Francisco
- Mental Health - Short Doyle Program - County of Yolo
- Mental Health - Short Doyle Program - County of Monterey
- Single Audit (Sub Contractor) - Sonoma County
- Mental Health - Short Doyle Program - County of Tulare

Housing Entities

- Housing Authority of San Mateo County
- Housing Authority of the County of Alameda
- Housing Authority of the City of Richmond
- Housing Authority of the County of Butte
- Housing Authority of City of Dublin
- Housing Authority of the City of Richmond
- Housing Authority of the County of San Joaquin
- Housing Authority of the County of Yolo
- Housing Authority of the County of Contra Costa
- Housing Authority of the City of Eureka and County of Humboldt
- Housing Authority of the City of Port Hueneme
- Housing Authority of the City of Santa Barbara
- Tulare County Housing Authority
- Santa Clara County Housing Authority
- Contra Costa County Housing Authority
- Vallejo City Housing Authority
- San Bernardino Housing Authority
- Alameda City Housing Authority
- Suisun City Housing Authority
- San Francisco Housing Authority
- Housing Authority of the County of Mariposa
- Housing Authority of the City of Benicia
- Housing Authority of City of Livermore
- Housing Authority of City of Oakland
- Berkeley Housing Authority

Federal Clients

- United States Department of Education
- United States Department of Housing and Urban Development
- United States Department of Health and Human Services
- United States Department of Labor
- United States Bureau of Indian Affairs
- United States Small Business Administration
- United States Department of Commerce
- United States Department of Economic Development Administration
- Office of Minority Business Enterprises
- Environmental Protection Agency
- Urban Mass Transit Administration
- Office of Minority Business Enterprises
- Social Security Administration
- Office of Native American Programs
- Public Works Administration
- legal Services corporation
- Securities and Exchange Commission
- Community Services Administration

Educational Entities

- Oakland Military Institute College Preparatory Academy
- West Sacramento Valley Charter School
- Aurora High School
- American-Indian Public Charter School
- East Oakland Leadership Academy
- Garfield Charter School
- Growing Children Charter School
- Language Academy of Sacramento
- Liberty Family Academy
- North Oakland Community Charter School
- Oakland Charter Academy
- Oakland Unity High School
- Dolores Huerta Learning Academy
- Ernestine C. Reems Learning Academy of Technology and Arts
- Escuela Popular Del Pueblo
- Sojourner Truth Learning Academy
- Willow Education Foundation dba Bay Area Technology School
- Belmont-Redwood Shores School District
- Marin Community College District
- San Jose Community College District (Special Programs)
- Peralta Community College District (Special Programs)
- La Honda-Pescadero Unified School District
- Brisbane School District
- Jefferson School District
- Pacifica School District
- San Mateo-Foster City School District
- Bayshore Elementary School District
- Ravenswood City School District
- Redwood City School District
- North Monterey County Unified School District
- Jefferson Union High School District
- Benicia Unified School District
- Castro Valley Unified School District
- Fairfield-Suisun Unified School District
- Franklin-McKinley School District
- Napa Valley Unified School District
- North Sacramento School District and Vallejo City Unified School District
- D-Q University
- New College of California
- The National Hispanic University
- South Western Community College District
- Cabrillo Community College District
- California State University, Sonoma (Athletic Programs)
- California State University, Humboldt (Child Care Programs)

REFERENCES

1. Mr. Orville L. Roaché, Executive Director
Our Common Ground, Inc.
631 Woodside Road Redwood City, CA 94061
Phone: 650/364-7988
2. Ms. Corinne Jan, R.N., Executive Director
Family Bridges, Inc.
168 11th St, Oakland, CA 94607
Phone: (510) 839- 2022.
3. Mr. Alfredo Villasenor, Executive Director
Community Child Care Council, Inc. of Santa Clara County
150 River Oaks Pkwy F-1, San Jose, CA 95134
Phone: 408/487-0747
4. Ms. Lyda Mata, Controller
Family Paths, Inc.
1727 M.L.K. Jr Way #109, Oakland, CA 94612
510/893-9230
5. Ms. Debbie Eison, Executive Director
Creative Child Care, Inc.
1105 N Sacramento St, Stockton, CA 95202
209/941-9100
6. Ms. Elaine Henning, Executive Director
Santa Cruz County Parents Association, Inc.
9047 Soquel Dr # D, Aptos, CA 95003
Phone: (408) 688-2152
7. Ms. Kathy Ko Chin, President & CEO
Asian & Pacific Islander American Health Forum
1 Kaiser Plaza #850, Oakland, CA 94612
Phone: (415) 568-3301.
8. Ms. Brenda Storey, Executive Director
Mission Neighborhood Health Center
1221 Oak Street
Room 249, Oakland, CA 94612
Phone: (415) 552-1013

STAFF QUALIFICATIONS AND EXPERIENCE

Patel & Associates, LLP has the professional staff resources to commit to conclude on the audit contemplated and we will commit the staff identified in this proposal for the hours required to successfully complete the examination of the GDPUD. No complaints have been leveled against any of our team members by the state board of accountancy or other regulatory authority.

The core of our professional staff is an audit team. This is made up of three staff levels: staff, senior and audit managers or supervisors. The size of the audit teams we intend to use will be flexible, depending on the size of a particular organization being audited. Considering this, we intend to provide several audit teams that will be used in the audits contemplated. However, the components of our audit team can be highlighted best as follows:

- **Staff Auditor:** An individual with a four-year college degree in accounting or a related field with sufficient experience to prepare an internal control questionnaire, identify control weaknesses and make recommendations for changing the nature and extent of validation tests and other audit procedures. This individual is under the direct supervision of the Audit Senior.
- **Audit Senior:** An individual with a four-year college degree in accounting or related field with sufficient audit experience to meet the certification requirements by the CPA licensing board of the state in which he resides and actively engaged toward obtaining certification. The individual must be capable of directing the day-to-day conduct of the field work, including the review of the work performed by the staff auditor(s), preparing audit reports and communicating daily field work issued and problems to high level personnel. The Audit Senior report directly to the Manager in charge of the audit team and participates in audit program and time budget preparation.
- **Audit Supervisor:** An individual with a four-year college degree in accounting or a related field with sufficient experience in the day-to-day activities of directing, controlling and reviewing the work of staff and audit seniors in the field. The individual is given the responsibilities of conferring regularly with the audit team, planning and directing engagements and reviewing and approving reports and workpapers for managers' consideration.
- **Audit Manager:** Must be a senior accountant with at least five years of public accounting experience and must have the capabilities of handling complex engagements. The individual must be capable of directing, controlling and reviewing the work of Audit Seniors and also contacting top officials of the client on all aspects of an engagement. The individual is given the responsibility of conferring regularly with the Audit Seniors overall planning and directing of engagements and reviewing and approving reports for Partner's consideration.
- **Engagement Partner:** The Partner in the engagement has the ultimate responsibility for all work performed by the audit team and is assigned to perform an overall review to insure compliance with general, field and reporting requirements of the profession's special requirements.

In summary, Patel & Associates, LLP has the knowledge, background and resources to perform the audit of the GDPUD, and we hope this proposal will distinguish our firm to be the most qualified to fulfill your audit needs.

Staff Training

Staff training is an ongoing effort. Patel's staff undergoes intensive training so they can be introduced to overall audit programs, understand the purpose and the overall importance in performing an examination. Staffs are introduced to the firm's approach to indexing, composition of audit work papers, files and the firms' audit forms. In fact, hands on training reiterate this training with actual audit experience. The staffs are assigned an area of performance and the senior or supervisor will go over the program steps with them. As skills are acquired, the responsibility is extended and more complex and challenging areas are introduced.

Since the firm does audits of a governmental nature and of non-profit agencies, we recognize the need and importance of compliance audits and the effort made by the federal government for single audits in the past few years; the firm had developed training programs for its staff introducing among other publications the following:

- Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*
- The Single Audit Act of 1984 (Public Law 98-502)
- OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations"
- OMB Circular A-102 (Revised), March 3, 1988, "Grants and Cooperative Agreements with State and Local governments"
- OMB Circular A-87, "Cost Principles for State and Local Governments"
- OMB "Compliance Supplement for Single Audits of State and Local Governments"
- OMB Catalog of Federal Domestic Assistance (CFDA)
- GAO Government Auditing Standards-Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, 1994 Revision (the Yellow Book) - excerpts pertaining to financial audits.

We have an extensive library which updates on publications among others for GAAP, GASB, GAAP, etc. The key personnel on a regular basis attend continuing education courses and seminars in the governmental and commercial sector presented by the California Society of CPA's and the AICPA.

Considering the requirements of this proposal, the firm will ensure that a partner is available along with managers who are experienced in GDPUD Audits, Redevelopment Agency Audits, Special Districts, and in single audit compliance requirements throughout the length of our service to the Authority under this engagement.

For the purposes of this engagement, it is anticipated that the staff assigned will receive training peculiar to this engagement and foresee what they can expect to encounter. The training will introduce any special areas, legislation, regulation and the agencies expected to be audited.

Quality Review

The function of quality review is in actuality performed at all levels by personnel with supervisory positions. However, a staff member is assigned to perform a final review of working papers for compliance with generally accepted auditing standards, office policies and procedures and special requirements. A quality review is performed by the partner of the firm for all reports prior to release.

Manager and supervisor will also review the workpapers and may comment on the details reviewed by the senior. The review emphasizes that the overall audit plan has been successfully completed. Expansion of scope, deletions or other problems encountered will be discussed with the senior. This review also ascertains that the workpapers properly support balances to be ultimately reported upon and conclusions which might require comments in the audit report.

A Senior and Manager, in conjunction with the Partner, will prepare the audit report. The Partner will review the audit plan, the audit program and the audit conclusions and the composition of the report. Wording, notes to the financial statements, and recommendations will be evaluated for propriety. The audit report, once typed and proofread will again be reviewed by another staff prior to being signed and released.

Quality Control

Quality control is a paramount concern at Patel & Associates, LLP and it will be the responsibility of each member, from clerical to partners. Therefore, quality control is first exercised by the firm when hiring individuals that will become part of and perpetuate the firm. In this manner, quality sets the pace and tone for training, advancement, administration and professional services.

The American Institute of Certified Public Accountants, which is generally recognized by the profession and the public as the instrument through which certified public accountants maintain their professional standards, has established certain considerations for quality control by independent auditors. These are:

- *Independence*
- *Assignment of personnel to engagements*
- *Consultation*
- *Supervision*
- *Hiring*
- *Professional Development*
- *Advancement of Personnel*
- *Acceptance and Continuation of Clients*
- *Inspection*

These considerations address the nature of the professional and the firm in conducting its affairs and are interlard. Therefore, each consideration has been incorporated into the firm's policies and practices.

Staff Resumes

- Sanwar Harshwal, *CPA, CIA, CISA, CFE, FCA, CRMA, CGMA, CCA*
- Ramesh C. Patel, *CPA*
- Monica Singhai, *CPA*
- Albert Hwu, *CPA*
- Fadi Shahin, *Bachelors Accounting*

Management of the Engagement

The audit will be managed by the Engagement Partner with extensive municipal accounting and governmental audit experience, Mr. Harshwal has been in charge of various large audits, governmental funded programs and community based organizations receiving federal and state funds. The field work will be directed under Ms. Monica Singhai, CPA. The following summarizes the proposed management of this engagement:

Name/Position

Responsibility

Sanwar Harshwal, CPA Engagement Partner	Sanwar Harshwal will be the Engagement Partner in charge of administration, reviews, planning of audit, approval of the audit scope and work, Partner review of work and liaison with the GDPUD. He is responsible for the conduct of the field work, coordination of the audit plan, ensuring that the plan formulated is effectively followed and managed. He will coordinate the audit with the manager and supervisor to ensure that the field work is progressing properly, that the audit teams' effort is given proper management and coordination, and that the various audit components are being performed efficiently and timely. He also has the responsibility for meeting with the GDPUD management to keep them informed regarding the progress of the audit. The responsibility also extends to ensuring smooth interaction of the firm with the GDPUD. He has final authority in the conduct of the engagement and assumes full responsibility for the work performed.
Ramesh Patel, CPA Consultant	Ramesh Patel will be responsible as a second reviewer of the workpapers and the audit report to ensure that it meets all the current professional standards.

**Monica Singhai, CPA
Senior Manager**

Monica Singhai is in charge of planning the audit, review of the audit effort, and guidance of the examination. She is responsible for the conduct of the field work in conjunction with supervisor, to ensure coordination of the audit plan, provide instruction and coordination to senior and staff accountant on GDPUD systems, on site reviews, and assistance in report preparation. Monica is responsible for review of working papers, financial statements, and reports of discussion with the GDPUD. She will direct senior and staff accountant; review audit programs and ensure that assignments are accomplished within the budgeted time; review working papers for accuracy and completeness, and review the financial statements for suitability of presentation and adequacy of disclosures. She will follow the progress of the engagement and help resolve accounting/auditing problems as they arise. This will ensure that the audit plan formulated and approved by the Engagement Partner is effectively followed and managed. The responsibility also extends to ensuring smooth interaction between the firm and the GDPUD. Monica will also serve as resource for Staff technical questions.

**Fadi Shahin
Manager**

Fadi Shahin is in charge of field work and conducting tests and studies, directing necessary revisions and assisting the partner and senior manager. He will provide continuity of audit effort, consistency of work and attainment of audit goals

**Albert Hwu, CPA
Staff Auditor**

Albert will conduct tests and studies, interacts with client's staff, updates the audit programs and is responsible for all walk-throughs and risk assessments activities.

Staff Continuity

We focus on our team members as well as our clients. Our turnover is significantly lower than other national and regional service firms. We believe that continuity in staff not only provides for an efficient audit but also provides GDPUD with resources of professionals who has a prior knowledge, understanding and background of GDPUD operations to provide valuable assistance and advise. Because of this we have selected a team of auditors that will remain with us and provide the services in future years. Because of this we have selected a team of auditors that will remain with us and provide the services in future years. Because of this we have selected a team of auditors that will remain with us and provide the services in future years.

We are able to retain best people and provide project team because we focus significantly on our people. This focus has led us to implement a variety of work-life initiatives that improve our retention and allow us to serve you better.

SANWAR HARSHWAL **ENGAGEMENT PARTNER**

Sanwar is the partner in charge of Patel & Associates, LLP's auditing practice; he is a globe trotter and a trained technical speaker on auditing and global accounting standards, IT and internal controls, on fraud prevention, and on examinations and internal audits. With over 35 years of experience with governmental audits, Sanwar is also a leading expert on emerging accounting challenges for tribal organizations.

During the last 5 years, Sanwar provided over 400 hours of training to several professionals on GASB, GAS, OMB A-133, FASB, SAAS, IFRS, COSO, COBIT, internal audits, fraud prevention and examination, and Tribal governmental governance issues. In addition to having significant experience in audits, strategic assessments of accounting function, and internal control structures, Sanwar has extensive experience in evaluating complex accounting and finance issues.

SANWAR'S PROFESSIONAL CREDENTIALS:

EDUCATION

- B.S. Business Accounting
- Bachelor of Law

CERTIFICATION

- Certified Public Accountant - State of California (CPA)
- Certified Public Accountant - State of Arizona (CPA)
- Certified Public Accountant - State of New Mexico (CPA)
- Certified Public Accountant - State of New Washington (CPA)
- Chartered Accountant - The Institute of Chartered Accountants of India
- Certified Information System Auditor (CISA)
- Certified Fraud Examiner (CFE)
- Certified Internal Auditor (CIA)
- ORACLE Financial Consultant (Oracle Business Suite)
- Chartered Global Management Accountant (CGMA)
- Certified Risk Management Assurance (CRMA)
- Certified Construction Auditor (CCA)

PROFESSIONAL MEMBERSHIP

- Member of AICPA
- Member of California CPA Society of Certified Public Accountants
- Member of Information Systems Audit and Control Association, USA
- Member of Association of Certified Fraud Examiners, USA
- Member of Institute of Certified Internal Auditors
- Member of National Association of Construction Auditors
- Member of NM CPA Society

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CPE Courses Completed during last 3 years:

Sponsoring Organization	Location	Course Description	Dates	CPE Hours
NMSAO	Santa Fe	Govt Auditing	4/1/13	5
HC Jaipur	Webinar	Govt Auditing	4/5/13	12
AICPA	Online	Audits of 403(b) Plans: The Basics	4/12/13	1
AICPA	Online	Auditing 401(k) Plans: Planning	4/12/13	2
AAG	Albuquerque	Govt Auditing	4/16/13	6
AAG	Albuquerque	Govt Auditing	4/16/13	2
AICPA	Online	2012 Annual A&A Update: Accounting Standards Updates	4/18/13	1
AICPA	Online	2012 Annual A&A Update: Fair Value Accounting	4/29/13	1
AICPA	Online	2012 Annual A&A Update: Variable Interest Entities	5/8/13	1
HC Jaipur	Webinar	Govt Auditing	5/22/13	12
PES LP	Online	CA Regulatory Ethics	5/23/13	2
NMCPA	Albuquerque	Govt Auditing	5/23/13	8
AICPA	Online	Ethics: Pointer Electronics, Inc. - You are the Engagement Quality Review (Concurring) Partner	5/24/13	1
AICPA	Online	Ethics	5/24/13	2
NMCPA	Albuquerque	Govt Auditing	5/24/13	6
NMCPA	Albuquerque	Ethics	5/24/13	2
NMCPA	Albuquerque	Govt Auditing	5/25/13	8
AICPA	Online	2012 Annual A&A Update: Compilation and Review Update	5/28/13	3
AICPA	Online	Forensic Accounting: Documents, Reports, Deposition Phase, Witness Stand, & Alternative Solutions	5/30/13	2
AICPA	Online	Forensic Accounting: Scams, Schemes, and AU Section 316 (AU-C Section 240)	5/30/13	1
AICPA	Online	Forensic Accounting: Analytical and Investigative Techniques	5/30/13	3

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AICPA	Online	Forensic Accounting: Unique Role and Engagement of the Forensic Accountant	5/30/13	1
AICPA	Webinar	Fraud CPE	8/12/13	12
CPE Discount Store	Web Based	Auditing development	5/23/14	16
CPE Discount Store	Web Based	Not for Profit Accounting Reporting and Analysis	5/26/14	8
CPE Discount Store	Web Based	Internal Control and Fraud Detection	5/27/14	10
CPE Discount Store	Web Based	Govt Accounting And Reporting	5/28/14	10
HC San Diego	Webinar	Fraud Prevention and Detection in State and Local Govts	6/16/14	12
HC San Diego	Webinar	COSO Framework 2013	6/17/14	12
NMCPA	Santa Fe	Govt. Auditing	5/18/15	5
NMCPA	Santa Fe	Govt. Accounting	5/18/15	1
NMCPA	Santa Fe	Economics	5/18/15	2
NMCPA	Santa Fe	Govt. Accounting	5/19/15	5
NMCPA	Santa Fe	Spec. Knowledge	5/19/15	2
NMCPA	Santa Fe	Finance	5/19/15	1
CPE Discount Store	Web Based	Ethics for CA	5/19/15	4
NMCPA	Santa Fe	Govt. Auditing	5/20/15	4
NMCPA	Santa Fe	Govt. Accounting	5/20/15	2
NMCPA	Santa Fe	Ethics	5/20/15	2
CPE Discount Store	Web Based	Fraud Auditing & Forensic Accounting	8/5/15	20
AICPA	Live Webinars	Audits of HUD-Assisted Projects	12/28/15	4
AICPA	Live Webinars	Annual Tax Update: Corporations and Pass-Through Entities	12/29/15	8
Harshwal & Co LLP	Web Based	Audit & Accounting	Various dates	54
ISACA	Online	ISACA Approved CPE for CISA Certification	Various dates	90
Total CPE Hours				366

RAMESH C. PATEL CONSULTANT

Mr. Patel has been in charge of various large audits, governmental funded programs and community based organizations receiving federal and state funds.

Mr. Patel has over forty years' experience while employed at Pannell, Kerr and Forster and as a partner of Patel, Shah & Joshi. This association has given Mr. Patel experience in the field of international accounting as well as compliance auditing of foreign associations. While at Patel & Associates, LLP, Mr. Patel has acquired extensive experience in audits of large Governmental entities, Non Profit Organizations and Special Districts.

RAMESH'S PROFESSIONAL CREDENTIALS:

EDUCATION

- Bachelor of Commerce degree with a concentration in Accounting from Bombay University.
- Chartered Accountant

CERTIFICATION

- Certified Public Accountant - State of California (CPA)
- Fellow of the Institute of Chartered Accountants in England and Wales
- Certified Public Accountant - Kenya

PROFESSIONAL MEMBERSHIP

- Member of AICPA
- Member of California Society of Certified Public Accountants
- Member of Institute of Chartered Accountants, in England and Wales
- Associate member of the British Institute of Management.

CONTINUING EDUCATION

Mr. Patel has for the past several years attended the Audits of HUD-Assisted Projects, Advanced Auditing of HUD-Assisted projects, Annual School District conference conducted by the California Society of Certified Public Accountants. Also attended the annual local government Industry Seminar conducted by AICPA and CSCPA. He has taken continuing education - courses in areas of government and Not for Profit Organization audits provided by AICPA and CSCPA. Mr. Patel has attended AICPA seminar on GASB's New Financial Reporting Model and Financial Statements of Not-for-Profit Organizations. Attended California CPA Education Foundation Course on GASB 34 - For State and Local Governments. He made a presentation on the impact of OMB Circular A-133 on Audits of Financial Statements before the Finance Directors meeting of various community based health clinics in the Bay Area.

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CPE Courses Completed during last 1 year:

Sponsoring Organization	Location	Course Description	Dates	CPE Hours
California CPA Educational Foundation	Webcast	Employee Benefit Plans Annual Audit Conference	4/30/2015	8
California CPA Educational Foundation	Webcast	Audits of 403(b) Plans	6/25/2015	8
California CPA Educational Foundation	Hotel Nikko SF	Defensive Auditing - Surviving peer Review Inspections and Litigation Exposure	7/20/2015	8
California CPA Educational Foundation	Hotel Nikko SF	The Mysteries of Audit Sampling Revealed	7/22/2015	8
California CPA Educational Foundation	Hotel Nikko SF	Ethical and Legal Standards for CPA's	8/21/2015	8
California CPA Educational Foundation	Webcast	Single Audits: A Case Study Approach	8/27/2015	8
California CPA Educational Foundation	CalCPA Studio	HUD Audits of Multi-Family Housing Projects Audit Requirements under the HUD Audit Guide and A-133	8/28/2015	8
Total CPE Hours				64

MONICA SINGHAI
SENIOR MANAGER

Senior Manager with Patel & Associates, LLP with over thirteen years of experience in audit and accounting. She has been with the firm for over ten years.

MONICA'S PROFESSIONAL CREDENTIALS:

EDUCATION AND COMPUTER SKILLS

- Bachelor of Science in Accounting from Jabalpur University, India
- Excellent computer knowledge of the software programs including Excel, Microsoft Word, E-Tools, Peachtree, MAS 90, Audit Ware for School Districts, Go Systems for Audit and E-Tools.

CERTIFICATION AND PROFESSIONAL MEMBERSHIP

- Certified Public Accountant - State of California (CPA)
- Member of AICPA
- Member of California Society of Certified Public Accountants
- Chartered Accountant - The Institute of Chartered Accountants of India

EXPERIENCE

Ms. Singhai has performed various audit tasks related to planning of the audit and conducting and supervising field work. Preparation of workpapers, test of controls, test of compliance under OMB Circular A-133 and standards and procedures for Audits of California K-12 local Educational Agencies issued by California State Controllers, test of disbursements, test of unrecorded liabilities and general audit procedures. She has performed various desks and field audits pertaining to Education, Community Health Clinic, Housing Authority, Governmental and Nonprofit engagements. She has been a senior manager on several School District, Non Profit and Governmental Audit engagements.

Ms. Singhai has worked on financial and compliance engagements under the Single Audit Act of 1984 and OMB Circular A-133 and has significant experience in implementation of GASB Statement No. 34 and other GASB pronouncements.

CONTINUING EDUCATION

Ms. Singhai has attended seminars conducted by the California Society of Certified Public Accountants, AICPA on local governments and Not for Profit Organizations. Attended CSCPA conferences for School Districts and Government Accounting and Auditing for past several years and attended seminar on GASB 34 - For State and Local Governments. She also has attended seminars on Governmental Financial Reporting Standards and Practices, and Advanced Auditing of HUD - Assisted projects.

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CPE Courses Completed during last 1 year:

Sponsoring Organization	Location	Course Description	Dates	CPE Hours
California CPA Educational Foundation	Webcast	Anticipating and Preventing an Ethical Crisis	2/5/2015	4
California CPA Educational Foundation	Webcast	The New Compilation and Review Standards	3/4/2015	8
California CPA Educational Foundation	Webcast	School Districts Conference	5/8/2015	8
California CPA Educational Foundation	Webcast	Governmental Accounting and Auditing	5/2/2015	8
California CPA Educational Foundation	Webcast	Not-for-Profit Organizations Conference	5/20/2015	8
Total CPE Hours				36

FADI SHAHIN MANAGER

Manager with Patel & Associates, LLP with over thirteen years of experience in audit and accounting. He has been with the firm for the past two years.

FADI'S PROFESSIONAL CREDENTIALS:

EDUCATION AND COMPUTER SKILLS

- Bachelors in Accounting and Certified Public Accountant in Jordan.
- Excellent computer knowledge of the software programs including Excel, Microsoft Word, QuickBooks, Peachtree, MAS 90, Fast Advantage, Engagement-CS, Case Ware, Pap Systems, FAS Asset Depreciation and Lacerte Tax Program.

CERTIFICATION

- Mr. Shahin is in the process of procuring his California CPA license

EXPERIENCE

Mr. Shahin has ten years of experience having worked as Senior Auditor and Audit Manager at Deloitte & Touche and KPMG in the Middle East.

He has performed various audit tasks related to planning of the audit and conducting and supervising field work. He has been engaged with our Housing Authority, Governmental and Nonprofit engagements. He has followed procedures presented by standards and procedures for Audits of Special Districts issued by California State Controllers and performed test of disbursements, test of unrecorded liabilities, compliance and general audit procedures. He has performed various desk and field audits on hospitals and health services providers as well as evaluated provider accounting and cost reporting systems, verification of costs claims, eligibility of patients under Medicare Programs and cost allocation formulas. He has planned and performed audit procedures for various Governmental and Non Profit Organizations which is supervised by him.

Mr. Shahin has worked extensively on financial and compliance engagements under the Single Audit Act of 1984 and OMB Circular A-133.

CONTINUING EDUCATION

Mr. Shahin has attended seminars conducted by the California Society of Certified Public Accountants, AICPA local governments and Not for Profit Organizations. He has attended the annual School District's Conference and seminars on SFAS 116 - Accounting for Contributions Received and Contributions Made, and SFAS 117 - Financial Statements of Not-for-Profit Organizations. He has attended seminars on Applying A-133 to Non Profit Organizations and Governmental Organizations. He has attended seminars on Governmental Financial Reporting Standards and Practices and GASB 34.

ALBERT HWU, CPA
STAFF AUDITOR

Albert Hwu has been engaged with several accounting and audits of governments and school districts for over a year. He is proficient in the operating nuances of accounting and auditing packages and demonstrates up-to-date knowledge of auditing and accounting pronouncements. Albert has worked on financial and compliance engagements under the Single Audit Act of 1984 and OMB Circular.

ALBERT'S PROFESSIONAL CREDENTIALS:

EDUCATION

- Bachelor of Accountancy

CERTIFICATION

- Certified Public Accountant- State of Washington (CPA)

PROFESSIONAL MEMBERSHIP

- Member of AICPA

EXPERIENCE

Mr. Albert has performed various audit tasks related to planning of the audit and conducting and supervising field work. He has been engaged with our School Districts, Housing Authority, Governmental and Nonprofit engagements. He has followed procedures presented by standards and procedures for Audits of California K-12 local Educational Agencies issued by California State Controllers, Special Districts issued by California State Controllers and performed test of disbursements, test of unrecorded liabilities, compliance and general audit procedures. He has performed various desk and field audits on hospitals and health services providers as well as evaluated provider accounting and cost reporting systems, verification of costs claims, eligibility of patients under Medicare Programs and cost allocation formulas.

Mr. Albert has worked on financial and compliance engagements under the Single Audit Act of 1984 and OMB Circular A-133.

CONTINUING EDUCATION

Mr. Albert has attended various seminars conducted by the AICPA local governments and Not for Profit Organizations. He has attended seminars on Applying A-133 to Non Profit Organizations and Governmental Organizations. He has attended seminars on Governmental Financial Reporting Standards and Practices and GASB 34.

AUDIT APPROACH

At Patel & Associates, LLP, our professionals have extensive experience performing state and local governments audit and our team has a broad understanding of the work environment and audit needs of the GDPUD. We will provide audit services during Fiscal Year June 30, 2016.

Scope of Work to be Performed:

1. We will perform annual audit in compliance with Government Auditing Standards and meet with audit committee and or board of directors, as necessary.
2. We will conduct single audit following the single audit act.
3. We will provide State Controllers Report or other assistance for accounting work as per the requirements of GDPUD.

Understanding of Requirements

The two most critical components of the audit are (1) to have continuity and consistency in the auditors involved and (2) have the entire audit team from partners to staff, understand and be aware of the technical requirements of the engagement. Therefore, careful audit planning is emphasized along with written instructions and a comprehensive workshop is carried out for the staff engaged.

We have ascertained that this effort not only serves to state the line of organization and responsibility from the commencement, but also serves to discuss the areas of concern and applicable audit techniques to be adopted in the examinations proposed to be conducted.

Our plan will involve a comprehensive Entrance Meeting with the GDPUD's Audit Committee and management. During this phase we hope to establish the timetable for examination, and identify dates for future meetings to report upon our progress of the examination.

Shortly thereafter, the partners and the manager will meet with the GDPUD Manager and Finance Director to be able to obtain a more detailed outline of the GDPUD's financial systems and process. This will help us to determine the extent and concentration of our audit effort, obtain knowledge and understanding of the legal and reporting requirements by obtaining pertinent statutes, regulations, charter provisions, bond coverage and other requirements. The meeting will serve as the guideline to prepare and outline our audit planning memorandum and the audit plan.

Upon completion of the audit plan, we will meet with the GDPUD Officials to go over our plan. During the meeting we hope to share our understanding of the audit approach and fine tune the dates of commencement, the assistance available to us, the assistance the GDPUD may need from us and the introduction of the Audit Team Seniors to the GDPUD Officials.

In the next step, a conference will be initiated with the audit team to be assigned. The conference will serve as the platform to share our audit plan and programs, discuss areas of concern, identify audit teams and dates and address any and all pertinent questions from our staff.

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Specific Audit Approach

Our audit scope recognizes that the GDPUD has several important internal controls in place. The audit plan will allow us to set our scope of the overall internal controls after a thorough evaluation of the internal accounting controls. This will be fulfilled by working closely with the accounting personnel to ensure that we understand the current system before beginning any audit examination.

During the audit, our audit team will work progressively to enhance the GDPUD's operations, procedures and resource optimization, which the auditors believe are in the GDPUD's best interests to consider provided such new approaches are pragmatic and can be implemented economically.

We will consider matters as internal control, organization, budget management, personnel policies, management, operating and EDP usage, alertness and controls, and various other related matters and will report to the management on opportunities available for improvements.

We will plan and organize our procedures so as to avoid duplicating work and coordinate our efforts to enable us to express our opinion on the basic financial statements and in meeting the requirements of the Georgetown Divide Public Utility District (the GDPUD) and other interested parties.

Use of Technology in the Audit

We envision an approach to auditing your computerized systems that consists of an examination of the controls within your technology infrastructure. This evaluation will report whether the information system safeguards assets, maintains data integrity and is operating effectively and efficiently to achieve your goals or objectives.

We have an entire group of professionals dedicated to information technology and risk management that may be used on your engagement. We would also use the District's current hardware and software capabilities to facilitate an efficient process of accessing data from its system where possible for our audit procedures.

Patel & Associates, LLP has found significant added value and increased efficiency in the use of computer-assisted auditing techniques (CAAT), including paperless audit software, an automated audit program system and a variety of electronic templates. Our innovative utilization of our EDP software provides us with the compatibility and ability to interface and support the basic UAN Workbench.

Our staff personnel carry portable equipment to download and format financial statements, from your systems, to satisfy acceptable report presentation format. The software utilized for the purpose will facilitate Random Number generation for samples, analytical ratios and variances for our Analytical Review Procedures.

Audit Plan

We stress careful audit planning, interim work designed to evaluate the systems of internal controls, early completion of field work and timely submission of reports. We are familiar with the reporting requirements and presentation of financial statements in accordance with GASB Statement No. 34. We have substantial experience in preparation of Comprehensive Annual Financial Statements in accordance with GASB 34 format. Our proposed areas and the segmentation of the engagement are illustrated as follows:

Phase I - Planning:

- Collect pertinent documents.
- Read minutes of Governing Body.
- Plan the GDPUD participation.
- Evaluate internal controls.
- Analytical Review Procedures
- Evaluate EDP system.
- Discuss format of report and exceptions, if any.
- Meet with the GDPUD management to review audit status.
- Preparation of Correspondence
- Review Prior Auditor's Workpapers

Phase II - Review and test:

- Revenues: General Fund, Special Revenue Fund, Debt Service Fund, Capital Projects Fund and other Fiduciary Fund Types and Account Groups
- Expenditures for the above funds
- Compliance and Federal Laws and Regulations including the requirements of the Single Audit Act
- Cash and Investments
- Receivables and Other Assets
- Property and Equipment
- Accounts payable and accrued liabilities
- Annual leave and Long-term debt
- Other liabilities and Fiduciary liabilities
- Interfund activities & Fund/Equity Balances
- Pension obligations and Reserves
- Analytical Review Procedures

Phase III - Prepare reports

- Review financial audit reports with the GDPUD management
- Analytical Review Procedures
- Review management letters
- Make oral presentations, if required

Audit Philosophy

Our approach to the audits focuses on the risk elements of each agency and related systems of internal control, and channels the audit into priority areas prone to higher degrees of risk. This technique is adopted on a regular basis as computer-based audit techniques and advanced sampling techniques extend the auditor's capability. We will refer to Sections 310A and 320B of *Statement of Auditing Standards No. 1* of the American Institute of Certified Public Accountants published in 1979. In addition to the above, we will review the following:

- SAS No. 52 – Omnibus Statement on Auditing Standards - 1987
- SAS No. 56 – Analytical Procedures
- SAS No. 77 – Planning and Supervision
- SAS No. 78 – Consideration of Internal Control in a Financial Statement Audit
- SAS No. 85 – Management Representation
- SAS No. 89 – Audit Adjustments
- SAS No. 99 – Consideration of Fraud in a Financial Statement Audit
- SAS No. 103 – Audit Documentation
- SAS No. 104 – Due Professional Care in the Performance of Work
- SAS No. 106 – Audit Evidence
- SAS No. 107 – Audit Risk and Materiality in Conducting an Audit
- SAS No. 108 – Planning and Supervision
- SAS No. 109 – Understanding of the Entity and its Environment and Assessing the Risks of Material Misstatement
- SAS No. 110 – Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence obtained
- SAS No. 114 – The Auditor's Communication with Those Charged with Governance
- SAS No. 115 – Communicating Internal Control Related Matters identified in an audit
- SAS No. 118 – Other Information in Documents Containing Audited Financial Statements
- SAS No. 119 – Supplementary Information in Relation to the Financial Statements as a Whole

These publications will assist us in determining their effect upon the GDPUD's financial statements.

The audit approach is a methodology which offers several distinct advantages over the more traditional techniques. Those particularly important to the GDPUD include:

- *Continuing communications throughout the engagement in order to identify and resolve accounting and reporting issues at an early date.*
- *Understanding the system thoroughly allowing focused effort on risk represented in the most significant areas.*
- *Maximizing audit activities to permit issuance of financial statements as soon as possible without conflicting with other activities of the GDPUD.*
- *Controlling audit costs by eliminating unnecessary or duplicate procedures.*
- *Allowing maximum flexibility to coordinate with the GDPUD staff.*

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While the audit plan is followed, steps will be correlated to transfer knowledge to staff regarding specific objectives to be accomplished. This will ensure that the accountant performing the task becomes familiar with the purpose of the steps involved and provides assistance in applying the steps to particular controls being examined.

In the Segmentation of Engagement section, we have outlined our general approach to the examination where actual audit approach is discussed in greater detail. We understand that the GDPUD will have unique areas that will require special attention and review, plus the development of audit programs that will address such areas. However, as opposed to elaborating each and every step of the audit process, we will address the general audit approach in greater detail.

PHASE I - PLANNING, UNDERSTANDING AND PRELIMINARY EVALUATION

We will plan the audit work to be performed with the GDPUD management, so as to ensure the maximum effectiveness while maintaining an optimum level of efficiency.

The GDPUD Audit Participation

Generally, we would expect the following assistance from the GDPUD personnel:

- *Preparation of audit correspondence*
- *Preparation of all reconciliations, reflecting all the GDPUD's closing adjustments*
- *Preparation or Completion of Questionnaires for use in our review of the GDPUD's internal Accounting Controls and obtaining an understanding of the Control environment and flow of transactions.*
- *Preparation of audit lead schedules in a format provided by us in advance*
- *Pulling and or providing copies of certain documents and agreements (i.e., vouchers, invoices, canceled checks, time cards, bank statements, and contracts) as requested by us in advance*
- *General assistance from knowledgeable personnel in responding to specific audit questions, or analyzing specific accounts or transactions.*

During the performance of our interim audit fieldwork we will review the accounting schedules and Workpapers normally prepared by the GDPUD staff and incorporate them, as applicable, into our audit. By doing so, we would hope to minimize the need to have the GDPUD staff prepare additional schedules. However, if we need additional schedules we will provide the GDPUD with such a list of schedules at least several days prior to commencing field work.

We will work with your staff to prepare a client participation schedule during the preliminary phase of the audit that would clearly outline the type and extent of assistance we would request.

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The following would be included in addition to the above:

- Obtain a detailed understanding of the significant accounting applications including input, output, programming and processing controls, and interface with other significant accounting applications of the GDPUD. For example, the correlation of the agency's/department's system with the central accounting system and the systems applications will be subjected to detailed application reviews such as Voucher/Revenue Processing, Payroll and the General Ledger Systems.

The desired understanding will be obtained by:

- *Reviewing systems and structure*
 - *Reviewing processing logic and flow*
 - *Reviewing input source documents and generated output*
 - *Reviewing file layouts and retention*
 - *Conducting in-depth reviews with key systems support personnel to clarify understanding of the systems*
- Prepare systems overviews with descriptions in sufficient detail to facilitate identification of controls within the systems
 - Verify the detailed systems descriptions by performing systems walk through and reviews
 - Undertake preliminary evaluation of the systems by relating the existence of controls to the causes of potential errors

Approach to be taken to Gain and Document an Understanding of the GDPUD's Internal Controls

The understanding of the pattern of information will be documented through the GDPUD's accounting system for each audit area identified as significant. For each significant audit area, we will document the flow of information for all transaction classes. We may also gain an understanding of certain control procedures related to significant audit areas while obtaining an understanding of the accounting system.

We will obtain the information by inquiry of the GDPUD Personnel, observation of activities, inspection of documents and records.

PHASE II - REVIEW AND TEST OF CONTROLS

During Phase I we will have identified key controls within the systems in operation. Such controls will be subjected to detailed testing to determine their effectiveness and reliability in Phase II.

The specific testing techniques cannot be fully developed until Phase I is completed; however, we believe, based upon our experience, that the following types of tests and testing techniques will be utilized:

Types of General Controls	Related Audit Procedures
Administration	➤ Inquiry and observation
Documentation	➤ Determine adequacy of standards ➤ Inquiry and review ➤ Live operations compared with documentation
Program and other changes	➤ Inquiry and observation ➤ Approval process for changes ➤ Selected testing ➤ Transfer of application programs from development to production

Phase I identifies key controls within the individual applications. The controls identified will be subject to detailed testing during Phase II to determine their effectiveness and reliability.

Again, this specific testing technique cannot be fully developed until Phase I is complete; however, based upon prior experience, we believe that our emphasis will be on the systems in place. Specific Phase II audit procedures in specific areas will include:

Test of Revenues: We will test each significant type of revenue of each functional area to determine that it is:

- *Recorded in the proper fund.*
- *Properly classified as to source.*
- *Stated at a reasonable amount.*

Revenue will be tested by confirmation, re-computation, and numeric sampling of internal documents.

We will use the appropriate method or combination of methods to test each significant sources of revenue.

Tests of Expenditures and Transfers

We will test all significant expenditures and transfers to determine that they are recorded in the proper period, properly classified as to type and stated at a reasonable amount. The methods utilized will depend upon the type of expenditure. Some of the most common expenditures and approaches are as follows:

- **Payments:** We will test to ensure that the payments made by the GDPUD Auditor are in accordance with GDPUD policy and procedures.
- **Payrolls and related costs:** We will select from recorded amounts and examine employee status and time records for propriety of distribution, approval and other indications of validity; test the computation of gross pay and contact the payees or examine personnel records to determine that selected amounts related to bona fide employees.
- **Purchase of materials, supplies and services:** We will select from recorded amounts and examine supporting documents for propriety of account distribution and for approval or other independent indications of validity. We will examine the related paid warrants for apparent propriety.

Analytical Review Procedures

We will use analytical procedures in general planning, audit program planning, and final overall review stage as follows:

SAS No. 56 describes the two broad uses of analytical procedures in audit planning as follows:

- *Enhancing the auditor's understanding of the GDPUD's business and the transactions and events that have occurred since the last audit date.*
- *Identifying areas that may represent specific risks relevant to the audit.*

Comparisons of account balances between accounting periods and ratio and trend analysis usually improve our understanding of your operations and may identify critical audit areas; e.g., comparing general and special revenue fund expenditures by functions and revenue by source for the past five years provides an understanding of your operations and may identify a revenue source that requires increased attention in the current audit.

We will apply analytical procedures as an overall review of financial information in the final stage of the audit. These procedures would be designed to assist us in assessing the propriety of conclusions reached and in the evaluation of the overall financial statement presentation. This review would, among other procedures, include reading the financial statements and related notes. We would include the following factors such as:

- *The adequacy of evidence gathered in response to unusual or unexpected balances identified by analytical procedures applied in the planning stage of the audit.*
- *Unusual or unexpected balances or relationships not previously identified.*

The results of the overall final review may indicate that additional substantive procedures should be applied and related evidence gathered to resolve concerns and questions.

Statistical Sampling

We will use statistical sampling procedures designed specifically to support the objectives of an examination made in accordance with auditing standards generally accepted in the United States of America and accepted by the AICPA.

Our methodologies rely upon the following sampling techniques:

- **Attribute Sampling:** A technique for selecting individual items in the population to test the compliance with underlying control procedures, regulations, conditions and contractual terms.
- **Large Monetary Unit Sampling:** A technique for substantive tests of balances, wherein larger dollar value items have a proportionately larger probability of selection than smaller items.

The determination of sample size will be based upon standard statistical formulas for each technique. The audit judgments as to sample precision and reliability will be based upon the following factors:

- **Precision:** A quantitative measure of dollar accuracy which will depend upon the monetary significance of the account balance to the District Fund's overall financial statements.
- **Reliability:** A quantitative measure of an audit certainty which will depend upon the nature of transactions processed, the internal control environment, and the other available audit evidence for each segment of the GDPUD Fund's accounting activity.
- **Audit Risk Factors:** Relationship of the sample size to the assessment of Audit Risk is tabulated below:

In a governmental engagement, *four* distinct types of audit tests may involve the use of audit sampling as follows:

- *Substantive tests of balance sheet account balances.*
- *Substantive tests of details of transactions.*
- *Tests of controls.*
- *Tests of compliance with laws and regulations.*

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The Audit Sampling Applications would be as follows:

Type of Audit Test	Common Examples in Governmental Engagements
Substantive Tests of Balances	➤ Confirmation of residential customer receivables of enterprise fund.
Substantive Tests of Transactions	➤ Vouching expenditures. i. Payroll. ii. Goods and services.
Tests of Controls	➤ Inspecting documents supporting transactions selected for substantive tests for indications of performance of controls procedures.
Tests of Compliance with Laws and Regulations	➤ Inspecting documents supporting expenditures charged to grant programs for compliance with laws and regulations.

The sample size would depend on the following:

Combined Assessment of Inherent Risk and Control Risk	Assessment of Other Procedures Risk		
	High	Moderate	Low
High	3.0	2.3	1.9
Moderate	2.3	1.6	1.2
Low	1.9	1.2	0.9

Based on above the sample size would be as follows:

Number of Deviations (Planned or Actual)	Sample Size		
	25	40	60
0	Moderate	Low	Low
1	Maximum	Moderate	Low
2	Maximum	Maximum	Moderate
3	Maximum	Maximum	Moderate

Sampling Techniques

We propose to use statistical/non-statistical or judgmental sampling in our audit tests. These procedures will enable us to gather sufficient evidential matter in support of our audit. We will refer to *Statement of Auditing Standards No. 39* of the American Institute of Certified Public Accountants. The sample thus selected will be used to test the system of Internal Controls, and year-end account balances.

For example, in testing a large population of transactions (transaction testing), we will select our samples using the statistical method. In contrast, testing of other assets balance would lend itself to non-statistical sampling.

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The basic requirements that relate to all samples - statistical and non-statistical are similar and will allow us to use the following approach:

- **Planning:** During our planning stage, the audit team will relate the population (account balance or transaction type) to the objective of the test, i.e. defining the population and sample unit.
- **Sample Selection:** The audit team will select items that are representative of the population on a random basis, i.e., an approach that guarantees all items have an equal chance of being selected. We will use a random number table or microcomputer generator numbers.
- **Analysis of Results of Sampling:** Evaluation of the results of the audit test includes two aspects;
 1. The audit team will consider sampling risk.
 2. Project the error to the population using the ratio of sample dollars to population dollars.

Total projected error will be compared with the tolerable error rate established in the planning phase of the audit test.

In addition, we will consider the nature or cause of the errors found, for example.

- ⇒ *Was the wrong accounting principle used, or was the correct principle misapplied?*
- ⇒ *Is the misstatement an error (unintentional) or is it an irregularity?*
- ⇒ *Is the error due to misunderstanding of instruction or carelessness?*
- ⇒ *We will also determine the relationship of misstatement to other phases of the audit.*

Based on the above analytical review of sample results, we will determine whether or not there is a need to incorporate changes in our overall audit plan.

How materiality will be established

- We will establish an initial judgment from a preliminary analysis of your financial statements.
- For each account, we will evaluate:
 - (a) Relative levels of inherent risk and controls risk
 - (b) Potential risk of material misstatement resulting from fraud
- We will tailor audit programs for each account to obtain evidence from:
 - (a) Internal control testing
 - (b) Analytical procedures
 - (c) Substantive testing

Year-end tests of accounts

Tests to determine that account balances are stated at a reasonable amount, in the proper fiscal year, are properly classified and recorded in the proper fund will be conducted in the following areas:

■ **Cash**

- Counts will be made, reconciliation of cash accounts and balances tested for propriety and unusual entries and by written confirmation with third parties.

■ **Investments**

- Determine proper authorization for investment, location, physical existence or confirmation with third parties, determination and identification of investment and whether income derived from investment are properly stated and classified.

■ **Property and Equipment**

- Property and equipment in the general fixed assets account group and proprietary funds represent a complete and valid listing of the capitalizable cost of assets purchased, constructed, or leased and physically on hand.
- Capital expenditures represent a complete and valid listing of the capitalizable cost by acquiring fund of the property and equipment acquired during the period, and capitalizable costs are excluded from repairs and maintenance and similar expenditure accounts.
- Capital costs and, if applicable, related depreciation associated with all sold, abandoned, damaged, or obsolete fixed assets have been removed from the accounts.
- Depreciation charged on fixed assets of proprietary funds and, if applicable, of grant programs has been computed on an acceptable basis consistent with that used in prior periods, and related allowance accounts are reasonable, considering expected useful lives and salvage value.
- Capital expenditures and fixed assets are properly classified by fund type or account group in the combined financial statements, and related disclosures are adequate.

■ **Receivable**

- Determine that receivable balances are reasonably stated, review subsequent collection and determine whether any allowance for uncollectible accounts is necessary.

■ **Interfund accounts and other assets**

- Test balances and determine reasonableness and propriety of stated amounts.

■ **Debt and Debt Service Expenditures**

- Our objectives will be to obtain reasonable assurance that debt is authorized and recorded in the proper fund or account group; that all indebtedness of the GDPUD is identified, recorded and disclosed; and that the GDPUD has complied with provisions of indentures and agreements related to debt, including provisions on use of proceeds. We will achieve our objectives by reviewing the Council resolutions and confirmations with financial institutions. We are also concerned with obtaining reasonable assurance that debt service expenditures (principal and interest payments) are properly recorded, classified and disclosed. We can obtain persuasive evidence on the reasonableness of interest expenditures by comparing the amount to the computations of the rate times average debt outstanding. Since the GDPUD prepares a schedule of debt service, we can review the schedules for reasonableness in conjunction with analytical tests of interest cost.

■ **Accounts payable and accrued liabilities**

- Determine that all significant amounts have been recorded as liabilities, are properly stated, charred to the proper funds, and review subsequent payments and open invoice files for any items that may have been overlooked.

■ **Vacation, sick leave and worker's compensation**

- Determine that relevant GDPUD practices are being adhered to, ascertain that any liabilities, fund levels or other required accruals have been reasonably recognized.

■ **Fund equity balances and reserves**

- Test that all fund balances are separately stated and properly accounted for, review contracts and purchase orders to determine that obligations are properly recorded, test for propriety of reserves. Vouch the charges or credits changing the aggregate fund balance to supporting documentation, inspect documentation, if applicable supporting reservations or designation of fund balances.

Throughout our examination we will retain an open mind to the matters tested to enable us to react clearly and sufficiently given any circumstance. The objective of the examination as a tool that will fulfill the GDPUD's requirements will be our top priority. This will require a close association with the GDPUD personnel and management. This philosophy will enable us to conclude properly as we do the following:

- ⇒ *Review of unusual journal entries*
- ⇒ *Final review of financial statements and related information to be included*
- ⇒ *Review of combining balance sheet of any fiduciary funds*
- ⇒ *Analytical review procedures concerning final account balances, including obtaining explanations of all significant variations*
- ⇒ *Review and calculation of cost allocations and other required special costs*
- ⇒ *Draft of legal letter and management representation letter*

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Our review concerning financial reporting will be an ongoing procedure throughout the entire audit process. A final review of the format and presentation of the financial statements will be performed to ensure they are in conformity with generally accepted accounting principles and in compliance with government reporting requirements. In addition, we will perform a final review of the footnotes as they pertain to the financial statements:

This area also includes the issuance of management letter for the year. This letter is intended to offer suggestions to improve. It will be as brief as possible, providing recommendations in the areas observed and opportunities for comments by the GDPUD and its departments.

Audit Objectives

To obtain reasonable assurance that grant revenues and expenditures charged to grants are valid and complete and, if applicable, indirect costs are allocated properly; grants are administered, and grant revenues and expenditures are recorded in accordance with grant provisions and related laws and regulations; and grant related amounts are properly presented in the combined financial statements, and related disclosures, concerning restrictions and compliance are adequate.

Audit Risk

In planning the nature and extent of audit procedures for grants and similar programs, we would consider the likelihood that grant compliance requirements have been overlooked or intentionally violated; grant funds have been overspent or misspent; illegal expenditures have been made; grant funds have been misappropriated; indirect costs have been misallocated; or that grant charges may be disallowed as unnecessary, unreasonable, or otherwise not in accordance with limitations and restrictions.

Audit Procedures and Consideration of Grant-related Controls

We would obtain, or prepare, a schedule of grants and similar programs and review minutes of the governing body to identify grants received and related restrictions; review grant contracts and related laws and regulations; and discuss procedures used to monitor grants with responsible officials.

We would review the following:

- ⇒ *Importance of Grant Monitoring*
- ⇒ *Examination of Grant Transactions*
- ⇒ *Review of Grant Reports*
- ⇒ *Additional procedures for a Single Audit*

Extensive use of EDP Software in the Engagement

Our staff personnel carry portable equipment to download and format financial statements, from your systems, to satisfy acceptable report presentation format. The software utilized for the purpose will facilitate Random Number generation for samples, analytical ratios and variances for our Analytical Review Procedures.

Progress Reporting

We will keep the GDPUD management apprised of audit plans, recommendation and developments on an ongoing basis including, but not be limited to, participation in both entrance and exit conference.

Exit Conference

At the conclusion of our field work, we will meet with the GDPUD management to review our findings and conclusions. The management will be aware of our findings to be included in the report. A draft report will be reviewed with the GDPUD management so that we may obtain any additional comments or inputs prior to the finalization and release.

PHASE III - REPORTS

A draft of the final audit report will be discussed with the GDPUD Management in a formal exit conference and a final report, along with, a final management letter will be furnished soon thereafter. Our report would be issued in a format that is required by the AICPA and conform to the reporting requirements of *Government Auditing Standards*, and other requirements as appropriate. The report on comprehensive annual financial statements will contain among others the following:

- *Opinion on general-purpose financial statements and supplementary information.*
- *A report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.*
- *A report on compliance with laws and regulations.*

In the required reports on internal controls, we will communicate any reportable conditions found during the audit. A reportable condition will be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the GDPUD's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Management Representation Letter

Communication with management is crucial since it is essential to hear your concerns and comprehend the financial records to have a complete and thorough understanding of business operations. Management confirmation is required on all information contained within the company's financial statements to ensure that they are true and accurate and that all information has been properly disclosed. We will review all significant audit findings with GDPUD as the work proceeds and once on completion of audit procedures.

It is standard practice for our firm to produce a management letter in conjunction with each engagement. The audit process provides an opportunity to assess performance and trends, to identify opportunities to improve internal controls and/or accounting efficiency, and to spot emerging needs or opportunities. By reporting these conditions and opening them up for discussion, the management letter can play an important role in maintaining the future financial health of the organization.

Should we become aware of any irregularities, illegal acts, or indications of illegal acts, we will make an immediate verbal and written report of such findings to the GDPUD's Board of Directors, Director/ Treasurer and General Manager..

The report will be discussed with the finance and audit committee or the members responsible for the financial statements before submitting it to the Board of Directors.

Working Paper Retention

We will retain all working papers and reports for a minimum of three years unless we are notified in writing by Georgetown Divide Public Utility District of the need to extend the retention period. We will also make the working papers available upon request to GDPUD officials or their designees.

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Audit Schedule

The following work plan demonstrates the timing and staffing of our audit procedures.

	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>
■ Meet with the GDPUD officials to discuss audit scope and any special issues	X		
■ Meet with the GDPUD Management staff to develop detailed audit plan and timing	X		
■ Develop detailed audit plan and participation schedules	X		
■ Coordinate work to be performed by the GDPUD Business staff	X		
■ Update audit programs	X		
■ Complete evaluation of internal controls and perform interim tests of revenues, expenditures, compliance with federal laws and regulations etc. (includes EDP evaluation and tests)	X		
■ Review of prior auditor's workpapers	X		
■ Review approved appropriations, allocations and budgets	X		
■ Prepare correspondence		X	
■ Prepare preliminary draft reports		X	
■ Review potential audit and reporting problems with management		X	
■ Perform substantive tests of year-end account balances for all funds and account groups of the GDPUD		X	
■ Perform Single Audit Procedures		X	
■ Review minutes of the meetings of the GDPUD Council		X	
■ Follow-up prior-year management comments		X	
■ Analytically review account balances			X
■ Obtain representation letters from the GDPUD's legal counsel			X
■ Complete financial statements and review draft with management			X
■ Quality review of report			X
■ Issue of final financial statements and management letters and presentation of report to GDPUD Council			X

Relevant Dates:

- Entrance conference will be held on August 08, 2016.
- Interim field work would be performed between August 08, 2016 to August 12, 2016.
- A detailed Audit Plan will be provided by August 19, 2016.
- Year end field work will begin on September 05, 2016.
- We shall complete all fieldwork by September 16, 2016.
- Progress reporting will be on a regular basis.
- Draft of the audit reports and recommendations to management will be available for review by September 30, 2016.
- The Exit Conference will be held by September 30, 2016.
- The final reports will be issued by October 14, 2016.

This timeline is dependent on the availability of your personnel and is subject to the anticipated closing dates of your accounting records.

FEE PROPOSAL

Summarized below are the professional fees and expenses for the GDPUD's audit services for the FY 2016:

Audit Area - Description	Cost
<i>Professional fees:</i>	
Financial Audit.....	\$ 7,195
Financial Statements Preparation	1,550
Single Audit.....	3,985
<i>Subtotal</i>	<u>12,730</u>
<i>*Discount 10%</i>	1,273
<i>Net Quoted fees</i>	<u>11,457</u>
<i>Out-of-pocket expenses:</i>	
Lodging/Car Rental/Per Diem.....	<u>1,278</u>
<i>Total out-of-pocket expenses</i>	<u>1,278</u>
<i>Total fees</i>	<u>\$12,735</u>

Our estimated time and effort analysis:				
Description - Team Composition	Est. Hours	Standard Hourly Rate	Quoted Hourly Rate	Fees
Partner	10	\$275	\$175	\$ 1,750
Manager	17	225	130	2,210
Senior Auditor	34	160	115	3,910
Senior Accountant	54	100	90	4,860
<i>Total hours</i>	115			\$12,730

Please Note:

** Our estimated fees will be \$12,730.00. However, we are pleased to let you know that our partners' committee has selected you as part of our strategic portfolio and this means that your engagement is entitled to our special discount of 10%. Our discounted fees for your organization will be \$11,457.00.*

Audit Area - Description	Budgeted Hours
<i>Financial audit</i>	
Engagement planning and risk assessment.....	05
Financial statements.....	14
Subsequent events.....	02
Management letter.....	04
Review.....	08
Internal control.....	08
Related parties.....	02
<i>Single audit</i>	
Single audit planning.....	12
Major program testing.....	24
<i>Review services</i>	
Cash and investments.....	08
Property and equipment.....	04
Accounts receivable.....	04
Accounts payable.....	04
Accrued liabilities.....	04
Fund balance.....	04
Revenues.....	02
Non-payroll expenditures.....	02
Payroll expenditures.....	04
Total hours	115

We will not increase our fees for subsequent years, if any, provided that organizational activities relatively remain the same.

Fees for additional services: Our fees for additional services, if required, will be based on the actual time spent by professional or administrative personnel at standard hourly rate specified above. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned.

Inherent in our service is the on-going support, education, and advice to our clients. The comprehensive service includes:

- Email updates on all new and pertinent developments.
- A careful review of the effects of these new developments (if any), on your particular circumstance. If necessary, we will advise you on any changes needed in accounting procedures.
- We will meet with Finance Department head at the beginning of the audit to advice on matters of particular interest. We will provide "best practices" for effective daily operations that will also provide information necessary for the financial statements.
- Throughout the audit, we will advise your accounting personnel on best practices for maximum efficiency in each major operational area.

We have provided you a fee estimate based on the following assumptions:

- That the accounting records will be in balance and supported by appropriate documentation;
- That the GDPUD's staff will provide the supporting schedules for all asset and liability accounts, and provide the schedule of expenditures of federal awards; and,
- That GDPUD staff will provide general assistance, such as locating documents, typing confirmation requests, and coordinating meetings.

If upon initiation of the audit we learn that these assumptions are not the case, or if extraordinary circumstances are encountered (i.e., fire, destruction or disappearance of records, discovery of fraud, belief of material errors, defalcations, etc.), we will immediately meet with the GDPUD's management to determine an appropriate course of action so that the audit can be completed in a timely and cost-effective manner. In such cases, the total fee estimate may change. We will consult with you before performing any additional procedures that may increase your fee.

"Keeping in touch with" is the hallmark of our service. You will receive phone calls, emails and information through the Patel & Associates, LLP portal consistently and regularly.

ADDITIONAL INFORMATION

California License

State of California
Department of Consumer Affairs

California Board of Accountancy

Pursuant to the provisions of Chapter 1, Division 3 of the Business and Professions Code, the firm of

PATEL & ASSOCIATES, LLP


is duly registered and entitled to practice as a partnership of

Certified Public Accountants

in the State of California

In Witness Whereof, the President and Secretary-Treasurer affix their hands and the seal of the California Board of Accountancy

on this ninth day of April, 2014



STATE OF CALIFORNIA
BOCA
DEPARTMENT OF CONSUMER AFFAIRS

Michael M. Savoy
PRESIDENT

Karen Selig
SECRETARY-TREASURER

PAR 7630

