

# MEETING AGENDA

## The City Council/Successor Agency of the City of Firebaugh

### Vol. No.15/03-16

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**Location of Meeting:** Andrew Firebaugh Community Center  
1655 13<sup>th</sup> Street, Firebaugh, CA 93622  
**Date/Time:** March 16, 2015/6:00 p.m.

#### CALL TO ORDER

**ROLL CALL**  
Mayor Craig Knight  
Mayor Pro Tem Freddy Valdez  
Council Member Brady Jenkins  
Council Member Marcia Sablan  
Council Member Felipe Perez

#### PLEDGE OF ALLEGIANCE

#### PUBLIC COMMENT

Per municipal code Ord. 2-2.1 "No business shall be brought before the city council without having first been referred to the city manager for scheduling on the council agenda." At this time any member of the public may address the Council on items of interest to the public that are within the jurisdiction of the City Council, which are not already on the agenda this evening. You will be permitted a single visit to the podium to state your comments & concerns. Please be brief, to the point, and limit your comments to three (3) minutes. No action or discussion shall be taken on any item not appearing on the agenda, except that Council members may briefly respond to statements made, or questions posed, by members of the public, if they so desire. Concerns, questions, or complaints will be referred to the City Manager's office.

#### CONSENT CALENDAR

Items listed on the calendar are considered routine and are acted upon by one motion unless any Council member requests separate action. Typical items include minutes, claims, adoption of ordinances previously introduced and discussed, execution of agreements and other similar items.

1. **APPROVAL OF MINUTES – The City Council meeting on March 2, 2015.**
2. **WARRANT REGISTER – Period starting February 1, and ending on February 28, 2015.**

February, 2015	General Warrants	#31646 - #31784	\$ 546,145.76
	Payroll Warrants	#65190 - #65291	\$ 236,368.28
<b>TOTAL</b>			<b>\$ 782,514.04</b>

#### PUBLIC HEARING

3. **RESOLUTION NO. 15-07 - A RESOLUTION APPROVING A 2015 APPLICATION FOR FUNDING AND THE EXECUTION OF A GRANT AGREEMENT AND ANY AMENDMENTS THERETO FROM COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM.**

**Recommended Action:** Council receives public comment & approves Res. No. 15-07.

**NEW BUSINESS**

**4. AUDITOR REQUEST FOR PROPOSALS (RFP) SELECTION.**

**Recommended Action:** Council receives public comment & gives staff direction.

**5. RODEO GROUNDS RENTAL UPDATE.**

**Recommended Action:** Council receives public comment & gives staff direction.

**SUCCESSOR AGENCY MATTERS**

**6. DISPOSITION OF THE "N" STREET PROPERTIES UPDATE.**

**Recommended Action:** Successor Agency receives public comments and gives staff direction.

**CLOSED SESSION**

**ANNOUNCEMENT AFTER CLOSED SESSION**

**ADJOURNMENT**

**Certification of posting the Agenda**

I declare under penalty of perjury that I am employed by the City of Firebaugh and that I posted this agenda on the bulletin boards at City Hall, March 12, 2015 at 5:00 p.m. by Rita Lozano, Deputy City Clerk.

# MEETING MINUTES

The City Council/Successor Agency of the City of Firebaugh  
Vol. No. 14/03-02

**Location of Meeting:** Andrew Firebaugh Community Center  
1655 13<sup>th</sup> Street, Firebaugh, CA 93622

**Date/Time:** March 02, 2015/6:00 p.m.

**CALL TO ORDER** Meeting called to order by Mayor Knight at 6:00 p.m.

**ROLL CALL** **PRESENT:** Mayor Craig Knight  
Mayor Pro Tem Freddy Valdez  
Council Member Brady Jenkins  
Council Member Felipe Perez  
Council Member Marcia Sablan

**OTHERS:** City Attorney Jenell Von Bindsbergen; City Attorney Gary Bell; City Manager, Kenneth McDonald; Interim Police Chief Sal Raygoza; Finance Director, Pio Martin; Public Works Director, Ben Gallegos; Deputy City Clerk, Rita Lozano; Fire Chief John Borboa; Fernando Campa, David & Mary Van Pelt, Blanca Diaz, Delfina Valencia, Rainbow Orellana and others.

**PLEDGE OF ALLEGIANCE:** Council Member Jenkins led pledge of Allegiance.

## PRESENTATION

City Manager Ken McDonald announced and introduced the Interim Police Chief Sal Raygoza.

## PUBLIC COMMENT:

John Baltierra stated his issue with the selection of the new Police Chief, and reported he has seen a letter send to the candidates. Mr. Baltierra asked, "Who screened the applications and how out of 12 applications the three applicants were considered qualified? He stated his support of the Police Department but felt someone from outside should become the new Police Chief to straight out the department. Council and Staff advised the panel consist of Council Member Valdez, Council Member Jenkins, City Manager McDonald, Finance Director Martin and retired Police Chief Lake.

Adam Nagi submitted an offer of \$95,000.00 to purchase 1320 "N" Street property, the former old Taco Bell for new proposed KFC and 1284 "N" Street would remain in as tenant owned property with a new lease of the new property owner Yahya Property Investment LLC with the current tenants.

A resident informed the council that the Public Notice in the Journal had a conflicting dates and information between the English and Spanish version.

## CONSENT CALENDAR

1. **APPROVAL OF MINUTES – The City Council meeting on February 2, 2015.**
2. **WARRANT REGISTER – Period starting January 1, and ending on January 31, 2015.**

January, 2015	General Warrants	#31526 - #31645	\$ 233,207.02
	Payroll Warrants	#65085 - #65189	\$ 247,351.38
<b>TOTAL</b>			<b>\$ 480,558.40</b>

Council Member Sablan inquired on check # 31534 – gas card and requested more detail or explanation on future warrants. Finance Director Martin explained the gas card is usually used when individuals are out of town, but will provide the date, time and if possible which department or vehicle was used to purchase the gas.

***Motion to approve consent calendar by Council Member Jenkins, seconded by Council Member Sablan; motion passes by 5-0 vote.***

**NEW BUSINESS****3. RESOLUTION NO. 15-05 - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FIREBAUGH OBJECTING TO SALE OF TAX DELINQUENT PROPERTY PURSUANT TO REVENUE AND TAXATION CODE SECTIONS 3696 AND 3712 LOCATED AT 1337/1339/1347 "N" STREET, IN THE CITY OF FIREBAUGH.**

*Motion to approve consent Resolution No 15-05 by Council Member Sablan, seconded by Council Member Jenkins; motion passes by 5-0 vote.*

**4. RESOLUTION NO. 15-06 - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FIREBAUGH OBJECTING TO SALE OF TAX DELINQUENT PROPERTY PURSUANT TO REVENUE AND TAXATION CODE SECTIONS 3696 AND 3712 LOCATED AT 1860 EAST CARDELLA STREET, IN THE CITY OF FIREBAUGH.**

*Motion to approve consent Resolution No 15-06 by Council Member Sablan, seconded by Council Member Jenkins; motion passes by 5-0 vote.*

**5. RODEO GROUNDS COMMITTEE.**

- **Committee's recommendations:** Heavy emphasis on local promoters and be willing to use a local non-profit to help with parking and/or sales of food booth to raise funds, 5 events this year = 4 Sundays (4:00PM to 10:00PM) + 1 Saturday (5:00 PM to 11:00PM), beginning April/May. Another committee meeting to follow the 1st two Jaripeo's, to revisit any issues. The City will purchase 2 decibel meters to measure the sound to be maintained between 50 and 60 decibels during the events, and measured at 3 - 4 locations. Speakers will be placed on the ground. Band stand to be maintained by the promoter and is not the responsibility of the City of Firebaugh. The grounds and parking areas will be watered to keep dust from entering residential areas. Water truck may be rented from the City of Firebaugh at a cost of \$50.00 per event with a water fee of \$100.00 per event. Committee is also working on a wagon from another source that is larger.

*Motion to accept and state the appreciation to the committee for the recommendation and have the City Manager to continue working the committee on this issue by Council Member Sablan, seconded by Council Member Valdez; motion passes by 5-0 vote*

**SUCCESSOR AGENCY MATTERS****6. DISPOSITION OF THE "N" STREET PROPERTIES – RECEIPT OF APPRAISAL REPORT.**

*Motion to reject all bids by Council Member Jenkins, seconded by Council Member Perez; motion passes by 4-1 vote, Sablan - no.*

*Motion to submit a new RFP for the properties separately requesting the appraisal value amount with a minimum of \$150,000.00 in upgrades by Council Member Jenkins, seconded by Council Member Valdez; motion passes by 3-2 vote, Sablan & Perez - no.*

**STAFF REPORTS**

- **Deputy City Clerk** - April 1, 2015 is the deadline for the 700 form.
- **Mayor Knight** - Thanked Public Works Director Ben Gallegos for added and getting 10<sup>th</sup> Street repaved.
- **Council member Sablan** – Stated she has received complaints of parents of receiving tickets and on direction the kids are being sent during drop off and asked Interim Police Chief Raygoza to work with the school district to resolve these issues.

*\*Motion to enter into closed session by Council Member Jenkins, seconded by Council Member Valdez motion passes by 5-0 vote at 7:47 p.m.*

**CLOSED SESSION**

**7. CITY MANAGER EVALUATION – Pursuant to Government Code 54957.**

**8. GOVERNMENT CODE SECTION 54956.9**

CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

Initiation of Litigation Pursuant to Paragraph (4) or Subdivision (d) of Section 5456.9 (Deciding Whether to Initiate Litigation): - 1 case

*\* Motion to enter into open session by Council Member Valdez, seconded by Council Member Jenkins; motion passes by 5-0 vote at 8:36 p.m.*

**ANNOUNCEMENT AFTER CLOSED SESSION:**                      *No Action taken.*

**ADJOURNMENT -** *Motion to adjourn by Council Member Valdez, seconded by Council Member Jenkins; motion passes by 5-0 vote at 8:48 p.m.*



# — REPORT TO CITY COUNCIL — — **MEMORANDUM** —

*AGENDA ITEM NO:* \_\_\_\_\_

*COUNCIL MEETING DATE: MARCH 16, 2015*

**SUBJECT: Warrant Register Dated: MARCH 16, 2015**

## **RECOMMENDATION:**

In accordance with Section 37202 of the Government Code of the State of California there is presented herewith a summary of the demands against the City of Firebaugh covering obligations to be paid during the period of:

FEBRUARY 01, 2015 – FEBRUARY 28, 2015

Each demand has been audited and I hereby certify to their accuracy and that there are sufficient funds for their payment as of this date.

IT IS HEREBY RECOMMENDED THE CITY COUNCIL  
APPROVE THE REGISTER OF DEMANDS AS FOLLOWS:

GENERAL WARRANTS .....	# 31646 – # 31784	\$ 546,145.76
PAYROLL WARRANTS.....	# 65190 - #65291	<u>\$ 236,368.28</u>
TOTAL WARRANTS.....		<b>\$ 782,514.04</b>

## WARRANTS FOR FEBRUARY 2015

CK#	CK DATE	VENDOR NAME	AMOUNT	INVOICE DESCRIPTION
31646	2/3/2015	ASPHALT MAINTENANCE	\$ 129.01	REIMBURSEMENT - FOR FIRE HYDRANT WATER USE
31647	2/3/2015	JOHN BORBOA	\$ 769.20	FIRE DEPT. -STIPEND - 01/17/15 - 01/30/2015 40 HRS
31648	2/3/2015	CVR & ASSOCIATES, INC.	\$ 3,897.83	BUILDING & INSPECTION FOR JANUARY 2015
31649	2/3/2015	CITY OF FIREBAUGH	\$ 39,684.04	UNITED SEC BANK- PAYROLL A/C -MONTH END - MEDICAL,DENTAL & VISION INS.
31650	2/3/2015	HOBBS CONSTRUCTION	\$ 72.62	REFUND - FIRE HYDRANT WATER USAGE
31651	2/3/2015	J&M BRITTON	\$ 192.58	REFUND - FIRE HYDRANT WATER USAGE
31652	2/3/2015	RODDY A. LAKE	\$ 330.76	POLICE HEALTH INS. REIMBURSEMENT FEB 2015
31653	2/3/2015	LOZANO SMITH, LLP	\$ 3,480.21	PROFESSIONAL LEGAL SERVICES
31654	2/3/2015	McELVANY, INC.	\$ 72.62	REFUND - FIRE HYDRANT WATER USAGE
31655	2/3/2015	SNELSON COMPANIES	\$ 24.07	REFUND/ FOR FIRE HYDRANT WATER USAGE
31656	2/3/2015	AGUIRRE-SANCHEZ, OLGA LYDIA	\$ 55.56	MQ CUSTOMER REFUND FOR AGU0019
31657	2/3/2015	ANGUIANO, LUISA	\$ 4.27	MQ CUSTOMER REFUND FOR ANG0006
31658	2/3/2015	KLAIR, JASPAL	\$ 32.66	MQ CUSTOMER REFUND FOR KLA0001
31659	2/3/2015	CITY OF FIREBAUGH	\$ 100,971.74	UNITED SECURITY BANK -PAYROLL A/C - P/E 01/30/2015
31660	2/3/2015	U.S. POSTMASTER	\$ 819.36	UTILITY BILLING POSTAGE - FOR FEB 2015
31661	2/6/2015	AMERICAN DICTATION CORP.	\$ 499.97	OFFICE SUPPLY - DIGITAL RECORDER FOR COUNCIL MTGS
31662	2/6/2015	BARNES WELDING	\$ 34.18	SHOP - HAZMAT COMPLIANCE & CYLINDER OXYGEN
31663	2/6/2015	CALIFORNIA RURAL WATER	\$ 889.00	MEMBERSHIP DUES - DEC 2014 - DEC 2015 & DISTRIBUTION CERT/J.SANCHEZ
31664	2/6/2015	CALIF WATER ENVIRONMENT ASSOCI	\$ 475.00	CERTIFICATION/MEMBERSHIP RENEWAL CSMC B. GALLEGOS & N.MARQUEZ
31665	2/6/2015	CORBIN WILLITS SYSTEMS	\$ 1,657.18	C/W SOFTWARE PROGRAM ASSISTANCE

31666	2/6/2015	DON BERRY CONSTRUCT	\$ 200.00	FIRE HYDRANT METER DEPOSIT REIMBURSEMENT
31667	2/6/2015	FRESNO COUNTY AUDITOR'S OFFICE	\$ 62.50	POLICE PARKING FEES
31668	2/6/2015	FRESNO COUNTY TREASURER	\$ 113.15	SEWER PLANT - CHEMICALS
31669	2/6/2015	GOUVEIA ENGINEERING, INC.	\$ 18,309.28	PROFESSIONAL ENGINEERING SERVICES
31670	2/6/2015	GRAND FLOW	\$ 174.41	2014 6 PART W-2 & 1099 FORMS
31671	2/6/2015	GUTHRIE PETROLEUM, INC.	\$ 3,777.01	BULK UNLEADED GASOLINE
31672	2/6/2015	JUDICIAL DATA SYS. CORP.	\$ 100.00	POLICE PARKING VIOLATION
31673	2/6/2015	LOZANO SMITH, LLP	\$ 1,056.55	SUCCESSOR AGENCY - PROFESSIONAL LEGAL SERVICE
31674	2/6/2015	MID-VALLEY DISPOSAL	\$ 28,951.20	REFUSE SERVICE FOR JANUARY 2015 AND BAL OF ARREARS PAYMENT
31675	2/6/2015	PAPA	\$ 160.00	FRESNO PAPA SEMINAR -(QAL) A. CHAVARRIA & B. GALLEGOS
31676	2/6/2015	QUILL CORPORATION	\$ 1,056.58	OFFICE & OPERATING SUPPLIES
31677	2/6/2015	STATE WATER RESOURCES	\$ 70.00	WTR DISTRIBUTION OPERATOR CERT. RENEWAL O. GONZALEZ
31678	2/6/2015	VALLEY NETWORK SOLUTIONS	\$ 2,291.58	E-MAIL ISSUES - SUPPORT & INSTALL DATA LINE & CONDUIT
31679	2/12/2015	ACME ROTARY BROOM SERVICE	\$ 255.41	PW - SWEEPER REPAIR
31680	2/12/2015	AG & INDUSTRIAL SUPPLY	\$ 140.52	PW - SAFETY GLASSES, WATER FILTERS, PARTS FOR EQUIP REPAIR
31681	2/12/2015	AGRI-VALLEY IRRIGATION	\$ 679.36	MALDONADO PARK - PARTS FOR FAC REPAIR - WWP EQUIP. REPAIRS
31682	2/12/2015	ALERT-O-LITE, INC.	\$ 496.08	PW - ASPHALT PATCH - RD REPAIR - SAFETY GLASSES
31683	2/12/2015	ARTCO AR TECHNOLOGIES CO.	\$ 50.00	MONTHLY WEB HOSTING /MAINT. - FEBRUARY 2015
31684	2/12/2015	ASBURY ENVIRONMENTAL SERVICES	\$ 35.00	PW - USED OIL SERVICE
31685	2/12/2015	AT&T MOBILITY	\$ 283.82	POLICE DEPARTMENT - WIRELESS PHONES
31686	2/12/2015	AUTOZONE COMMERCIAL	\$ 225.63	PW - PD - FD - PARTS & SUPPLIES FOR VEHICLE REPAIR/ MAINT.
31687	2/12/2015	AXCES INDUSTRIAL SUPPLY	\$ 935.06	PW - CHEMICAL - DEGREASER



31688	2/12/2015	BACKFLOW DISTRIBUTORS	\$ 291.02	PW -VACUUM BREAKER - CEMETARY
31689	2/12/2015	BIG G'S AUTOMOTIVE CENT	\$ 1,411.90	PW - PARTS & LABOR FOR 99 CHEV 1500 PU & FOR POLICE & FIRE DEPTS. PARTS
31690	2/12/2015	BSK & ASSOCIATES, INC.	\$ 1,942.67	WATER /SEWER & TOMA-TEK WWTR LAB ANALYSIS
31691	2/12/2015	CED-FRESNO	\$ 172.66	PW -LITHIUM BATTERY FOR ELECTRICAL EQUIP -FUSES FOR ELEC STORM DRAIN EQ
31692	2/12/2015	CEN-CAL MACHINERY CO.	\$ 651.00	PW - EQUIP. REPAIR ROLLER & JANITORIAL SUPPLIES
31693	2/12/2015	CLASS C SOLUTIONS GROUP	\$ 570.96	ALL DEPTS - JANITORIAL & OPERATING SUPPLIES
31694	2/12/2015	COLLINS & SCHOETTLER	\$ 780.00	PLANNING & CONSULTING
31695	2/12/2015	CORELOGIC SOLUTIONS, LLC	\$ 160.00	REALQUEST DUES FOR JANUARY 2015
31696	2/12/2015	D & L HEATING & COOLING	\$ 856.00	ADM - REPLACED THERMOSTAT AT CITY HALL
31697	2/12/2015	DEPT. OF TRANSPORTATION	\$ 652.40	SIGNALS & LIGHTING - OCT 2014 - DEC 2014
31698	2/12/2015	DEPARTMENT OF JUSTICE	\$ 200.00	POLICE - FINGERPRINT APPS & BLOOD ALCOHOL ANALYSIS
31699	2/12/2015	EMPLOYMENT DEV DEPART	\$ 1,058.00	4TH QTR. P/E 12/31/14 -UNEMPLOYMENT INS. BENEFITS
31700	2/12/2015	ELECTRIC DRIVES, INC.	\$ 215.30	PW - EQUIPMENT REPAIR - HEAD WORKS
31701	2/12/2015	FERGUSON ENTERPRISES	\$ 385.37	PW - WATER LINE REPAIR
31702	2/12/2015	FIRST BANKCARD	\$ 987.85	PUBLIC WORKS & CITY MANAGER - CREDIT CARD PAYMENT
31703	2/12/2015	FIREBAUGH HARDWARE	\$ 113.46	PARTS, MATERIAL & SUPPLIES FOR PARKS & BLDG FACILITY REPAIR/MAINT
31704	2/12/2015	FRESNO COUNTY TREASURY	\$ 156.18	POLICE DEPT. - ACCESS FEES
31705	2/12/2015	FRESNO-MADERA AREA AGENCY	\$ 41.16	SENIOR CENTER - MEAL PROGRAM
31706	2/12/2015	FRESNO OXYGEN	\$ 45.88	SHOP SUPPLY
31707	2/12/2015	G&K SERVICES, INC.	\$ 386.21	ALL DEPTS FACILITY MAINT. JANITORIAL SUPPLIES & SHOP UNIFORM EXPENSE
31708	2/12/2015	GOODALL TRUCKING, INC.	\$ 2,040.04	WATER LINE & ROAD/STREET REPAIR
31709	2/12/2015	GRAINGER, INC.	\$ 265.09	PARKS - QUARTZ MET HALIDE LAMPS - MALDONADO PARK

31710	2/12/2015	HARDWARE DISTRIBUTION	\$ 432.79	PW - TELSPAR SIGN POST
31711	2/12/2015	KARYN HERNANDEZ	\$ 163.00	POLICE SERVICE REIMBURSMT.- NO OFFICER ATTENDED /SHORT STAFF
31712	2/12/2015	HOME DEPOT CREDIT SERVICES	\$ 832.65	PARKS - PARTS & MATERIAL FOR PARKS FACILITY REPAIRS
31713	2/12/2015	K B ELECTRIC	\$ 1,658.77	PW - LIFT STATION EQUIP REPAIRS & ELECTRICAL STREET LIGHT REPAIRS
31714	2/12/2015	KER WEST, INC. DBA	\$ 157.00	HELP WANTED AD/ HOC RODEO GROUNDS LEGAL NOTICE PLANNING COMMISSION
31715	2/12/2015	MANUELS TIRE SERVICE	\$ 407.15	PW - USED TIRE FOR WOOD CHIPPER - RADIAL TIRE TUBE & PATCHES FOR REPAIR
31716	2/12/2015	MECHANICAL DRIVES & BELTING	\$ 170.02	PW - TORQUE WRENCH & ICE HOLE SAW - TOMA-TEK WATER METER
31717	2/12/2015	MID-VALLEY DISPOSAL	\$ 548.39	ROLL OFF - WTR TREATMT PLANT - REFUSE SERVICE @ HELM CN RD. & 1238 P ST. APT
31718	2/12/2015	MIGUEL'S PLUMBING SERVI	\$ 292.53	FACILITY REPAIRS AT GIANT BURGER
31719	2/12/2015	MOORE TWINING ASSOC	\$ 2,725.00	WWTP FACILITY QTRLY GROUNDWATER & ANALYSIS
31720	2/12/2015	NAPA AUTO PARTS	\$ 280.07	PW - POLICE - VEHICLE REPAIRS & MAINT.
31721	2/12/2015	PACIFIC GAS & ELECTRIC	\$ 2,196.56	DOWN TOWN LIGHTS - PARKER PARK & FIRE DEPT. SM BLDG.
31722	2/12/2015	PEREZ SMOG & LUBE	\$ 710.00	PW & PD - VEHICLE SMOG CHECKS & CERTIFICATES
31723	2/12/2015	QUILL CORPORATION	\$ 435.90	ALL DEPT. - OFFICE SUPPLIES
31724	2/12/2015	RON'S AUTO REPAIR	\$ 850.00	POLICE DEPT. - 09 CROWN VICTORIA VEH REPAIR
31725	2/12/2015	SAN JOAQUIN VALLEY	\$ 240.00	FAC ID -C7766 ANNUAL PERMITS - BACK-UP GENERATOR
31726	2/12/2015	SENSUS USA	\$ 6,493.50	UTILITY - RNI SETUP FEE -SERVICE AGREEMENT
31727	2/12/2015	SIMMONS HEATING and AIR CONDIT	\$ 285.00	WATER SITE #1 - REPLACED T-STAT
31728	2/12/2015	TELSTAR	\$ 1,050.00	2014 ANNUAL CALIBRATIONS - EQUIP REPAIR
31729	2/12/2015	THARP'S FARM SUPPLY	\$ 1,272.30	ALL DEPTS. - PARTS, SM TOOLS, SUPPLIES & MATERIALS FOR VEH, FACILITY & EQUIP REPAIRS & MAINT.
31730	2/12/2015	THOMASON TRACTOR COM	\$ 232.87	PW - PARKS - EQUIP REPAIR/MAINT.

31731	2/12/2015	TORO PETROLEUM CORP.	\$ 530.45	PW - 1 DRUM PUMP OIL
31732	2/12/2015	TRIANGLE ROCK PRODUCTS	\$ 351.73	MATERIAL FOR SEWER LINE REPAIR
31733	2/12/2015	USA BLUEBOOK	\$ 6,212.30	PW - SEWER DEPT. - TRANSMITTER & SMALL TOOLS & SUPPLIES
31734	2/12/2015	U.S. BANK EQUIPMENT FINANCE, I	\$ 421.50	CANON COPIER MONTHLY LEASE & OVERAGE
31735	2/12/2015	VERIZON WIRELESS	\$ 484.86	ALL DEPTS - WIRELESS CELL PHONES
31736	2/12/2015	WESTERN EXTERMINATOR	\$ 411.50	CITY HALL, SENIOR CTR., COMM CTR. & WWT PLANT - PEST CONTROL
31737	2/12/2015	ZEE MEDICAL SERVICE CO.	\$ 104.29	SHOP - REPLINISH MEDICAL SUPPLIES
31738	2/17/2015	JOHN BORBOA	\$ 769.20	FIRE DEPT. - STIPEND 01/30/15 - 02/13/2015 - 40HRS
31739	2/17/2015	CITY OF FIREBAUGH	\$ 95,712.50	UNITED SEC BANK -PAYROLL A/C - P/E 02/13/2015
31740	2/26/2015	ACE TROPHY SHOP	\$ 43.29	ADM -RETIREMENT APPRECIATION PLAQUE FOR CHIEF ELSA
31741	2/26/2015	ADAMS ASHBY GROUP, LLC	\$ 3,927.50	12-CDBG-8387 - ENGINEERING SERVICE
31742	2/26/2015	AT&T	\$ 283.25	WTR TREATMT PLANT-PHONE/INTERNET
31743	2/26/2015	AUTOZONE COMMERCIAL	\$ 648.58	PW, FIRE & POLICE DEPTS - VEHICLE REPAIRS & MAINT. PARTS & SUPPLIES
31744	2/26/2015	BEATRIZ BERNAL SOLANO	\$ 85.00	MEAL REIMB-KINGSBURG/TRAINING - & FRESNO FSO JAIL TRAINING
31745	2/26/2015	BSK & ASSOCIATES, INC.	\$ 465.04	WATER - SEWER & TOMA-TEK LAB ANALYSIS
31746	2/26/2015	FERNANDO CAMPA	\$ 10.00	MEAL REIMBURSEMENT - TITLE 15 TRAINING - FRESNO
31747	2/26/2015	CASCADE FIRE EQUIPMENT	\$ 683.95	FIRE DEPT. - REPAIR EQUIP SUPPLIES
31748	2/26/2015	CED-FRESNO	\$ 12.99	PW - BATTERY FOR ELECTRICAL EQUIP
31749	2/26/2015	CHEVRON & TEXCO CARD SERVICES	\$ 98.21	POLICE DEPT. - MONTHLY GAS SERVICE - JAN/FEB 2015
31750	2/26/2015	CORBIN WILLITS SYSTEMS	\$ 822.18	C/W SERVICE - MARCH 2015
31751	2/26/2015	CENTRAL VALLEY TOXICOLOGY, INC	\$ 146.00	POLICE DEPT. - SCREENING LAB TESTING
31752	2/26/2015	D & L HEATING & COOLING	\$ 2,100.00	INSTALLED MINI SPLIT SYSTEM IN COMPUTER ROOM

31753	2/26/2015	DON PEPE'S	\$ 380.63	POLICE CHIEF'S MEETING / SERVICE FOR 35 PEOPLE
31755	2/26/2015	JOHN ECHANIZ	\$ 10.00	MEAL REIMB. - TITLE 15 TRAINING IN FRESNO 02/12/15
31756	2/26/2015	EWING IRRIGATION PROD	\$ 225.83	PW - CHEMICALS FOR PARKS/GROUNDS
31757	2/26/2015	THE FRESNO BEE	\$ 113.39	PLANNING COMMISSION -PUBLIC HEARING ADVERTISEMENT
31758	2/26/2015	FRESNO APPRAISAL SERVICE	\$ 350.00	NON LENDER SUMMARY APPRAISAL- 1962 CARDELLA ST.
31759	2/26/2015	GOUVEIA ENGINEERING	\$ 10,999.75	PROFESSIONAL ENGINEERING SERVICES
31760	2/26/2015	HORIZON WATER and ENVIRONMENT,	\$ 14,457.16	LAS DELTAS SAFE DRINKING WATER PROGRAM
31761	2/26/2015	K B ELECTRIC	\$ 1,962.95	PW - EQUIP & STORM DRAIN REPAIR
31762	2/26/2015	L.N.CURTIS & SONS	\$ 185.09	FIRE DEPT. - NFPA HEADSTRAP
31763	2/26/2015	LOZANO SMITH, LLP	\$ 5,452.25	PROFESSIONAL LEGAL SERVICES
31765	2/26/2015	BRETT M. MILLER	\$ 10.00	MEAL REIMB. - TITLE 15 TRAINING IN FRESNO 02/12/15
31766	2/26/2015	NORTHSTAR CHEMICAL	\$ 1,863.33	PW - SODIUM HYPOCHLORITE - 12.5%
31767	2/26/2015	OFFICE DEPOT, INC.	\$ 271.63	WATER TREATMENT PLANT - FILE CABINET
31768	2/26/2015	PACIFIC GAS & ELECTRIC	\$ 29,154.98	ALL DEPTS. POWER BILL
31769	2/26/2015	VINCENT M. PATLAN	\$ 10.00	MEAL REIMB. -FSO JAIL TRAINING IN FRESNO 02/12/15
31770	2/26/2015	PECK'S PRINTERY	\$ 436.15	WINDOW ENVELOPES -BLUE - OFFICE SUPPLY
31771	2/26/2015	PEREZ SMOG & LUBE	\$ 100.00	PD - SMOG - 06 & 09 FORD CROWN VIC
31772	2/26/2015	ROSENOW SPEVACEK GROU	\$ 2,895.00	SA CONSULT SERVICES 14/15
31773	2/26/2015	SALEM ENGINEERING GROUP, INC.	\$ 5,105.00	PROJECT: O ST & Q STREET & 14TH, 16TH STREET REHABILITATION-ENGINEERING
31774	2/26/2015	ADRIAN SANTOYO	\$ 10.00	MEAL REIMB - TITLE 15 TRAINING IN FRESNO 02/12/15
31775	2/26/2015	SPARKLETTS	\$ 42.25	CITY HALL - DRINKING WATER
31776	2/26/2015	STAPLES BUSINESS ADVANTAGE	\$ 23.35	POLICE DEPT. - STOCK BOOK



## **FIREBUAGH CITY COUNCIL AGENDA REPORT**

**TO: MAYOR AND COUNCIL MEMBERS**

**FROM: KENNETH MCDONALD, CITY MANAGER**

**DATE: MARCH 16, 2015**

**SUBJECT: 2015 CDBG GRANT APPLICATION**

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### **BACKGROUND**

The State Department of Housing and Community Development (HCD) has announced the availability of approximately \$24,983,999 in federal Community Development Block Grant (CDBG) Program funding allocated to the State from the Department of Housing and Urban Development (HUD) for funding year 2015.

The City has been very successful in accessing CDBG funding in the past, and is currently in Phase II of the new Drinking Water Well project that was funded from a 2012 application. Now that the City has expended over 50% of its current grant, it is now eligible to apply for other projects again as CDBG regulations stipulate. In order to meet citizen participation requirements, City staff conducted a "design stage" public hearing to review potential projects. The first hearing was held on February 27<sup>th</sup>. The following are eligible activities that may be applied for under the CDBG Program that were discussed and reviewed by City Staff:

- Public Improvements
- Community Facilities
- Housing Programs
- Planning and Technical Assistance
- Public Services
- Enterprise Funds (Micro or Business Assistance Loans)

### **ANALYSIS**

Based on a review of potential projects and scoring criteria, staff is recommending an application for the following projects/programs:

- **Public Improvements: Water Line Rehabilitation Project.** This project will focus on completing the remaining sections of water line that have not been replaced by previous grants in the past (Prop 13, CDBG, etc.). Staff has determined that addressing this critical infrastructure will ensure stability for the system and supplying water to its users as the existing lines are undersized and leaking. The following locations have been identified: Deboer, Grayson Circle, Rebecchi Circle, Enrico Avenue, Corregidor Avenue, Tri Circle and Bee Hive Alley.

- **Community Facility: Senior Center Rehabilitation.** The proposed funds will seek to rehabilitate the existing senior center and parking lot, to allow for more efficient usage and ADA accessibility. This activity was applied for in 2012; however did not score high enough to receive funding.
- **Code Enforcement.** These dollars will be used to offset the costs of personnel to conduct code enforcement throughout the City. These dollars will be a continuation of the code enforcement program that was funded in the 2012 application, but is set to expire in September of this year.

### **APPLICATION FUNDING:**

Water Line Improvements	\$1,207,700
Senior Center Rehabilitation	\$692,300
Code Enforcement	\$100,000
<b>Total</b>	<b>\$2,000,000 (maximum allowed)</b>

\*Water line project funding request is our highest as this project will receive application bonus points as “drought related projects” have been given a high priority in this funding round.

### **SUPPLEMENTAL ACTIVITY:**

Due to recent regulation changes, CDBG now requires jurisdictions to expend all Program Income (funds returned to the City from previous programs/projects) on hand prior to drawing down any grant funds from the State. Currently, the City does not have any Program Income funds; however should any be received over the next 3 years, we are required to include supplemental activities in our application that will account for expending these funds. Staff has identified the rehabilitation and replacement of various sewer lines throughout the City in their application should any Program Income be received.

### **RECOMMENDATION**

- Hear Staff Presentation
- Open / Close Public Hearing
- Approve Resolution \_\_\_\_\_
- Direct Staff to submit the 2015 CDBG Project Application with the defined projects and programs as outlined.

Note: Application submittal to HCD is April 10, 2015 at 5:00 p.m.

### **FISCAL IMPACT**

No matching funds are required for this application; all awards are 100% grant funded. Costs to prepare the application will be covered by the current 2012 CDBG contract which allows for administration costs.

## **RESOLUTION NO. 15-07**

### **A RESOLUTION APPROVING A 2015 APPLICATION FOR FUNDING AND THE EXECUTION OF A GRANT AGREEMENT AND ANY AMENDMENTS THERE TO FROM COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM**

WHEREAS, the California department of Housing and Community Development has issued a Notice of Funding Availability for the 2015 Community Development Block Grant; and

BE IT RESOLVED by the City Council of the City of Firebaugh as follows:

#### **SECTION 1:**

The City Council has reviewed and hereby approves an application for up to \$2 Million (application maximum) for the following activities:

- General Administration \$139,535
- Public Improvements – Water Line Rehabilitation Project \$1,123,442
- Community Facility – Senior Center Rehabilitation \$644,000
- Code Enforcement \$93,023

#### **SECTION 2:**

The City hereby approves the following Supplemental activities, to be funded by Program Income which is currently available or is anticipated to be received over the term of the grant:

- Public Improvement – Sewer Line Rehabilitation

#### **SECTION 3:**

The City has determined that federal Citizen Participation requirements were met during the development of this application.

#### **SECTION 4:**

No cash match is required for this application, as no PTA activities are being applied for.

#### **SECTION 5:**

The City Manager is hereby authorized and directed to sign this application and act on the City's behalf in all matters pertaining to this application.

#### **SECTION 6:**

If the application is approved, the City Manager is authorized to enter into and sign the grant agreement and any subsequent amendments with the State of California for the purposes of this grant.



**SECTION 7:**

If the application is approved, the City Manager is authorized to sign Funds Requests and other required reporting forms.

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Firebaugh held on March 16, 2015 by the following vote:

AYES:

NOES:

ABSENT:

\_\_\_\_\_  
Name and Title  
City Council

**STATE OF CALIFORNIA**

City of \_\_\_\_\_

I, \_\_\_\_\_, City Clerk of the City of \_\_\_\_\_, State of California, hereby certify the above and foregoing to be a full, true and correct copy of a resolution adopted by said City Council on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
Name, City Clerk of the City of \_\_\_\_\_,

State of California

By: \_\_\_\_\_  
Name, Title



## STAFF REPORT

TO: Honorable Mayor and Council members  
 FROM: Kenneth McDonald, City Manager  
 DATE: March 16, 2015  
 SUBJECT: Auditor Request for Proposals (RFP) selection

### **RECOMMENDATION:**

Staff would recommend the lowest cost audit submission be accepted and direct the City Manager to sign an engagement contract with Donald R. Reynolds.

### **HISTORY / DISCUSSION:**

Bryant Jolley has provided audit services to the City since 1997. We have been provided solid service and been assisted during the economic downturn to address all the city's issues in a timely, professional manner.

Last May at the Council meeting while discussing a three year extension to the Audit Services contract with Bryant Jolley, Council decided to approve a one year extension and prepare an RFP to solicit Auditors to complete the needed services.

The RFP was approved at the council meeting on December 15, 2014 and solicited to numerous Audit firms. We have received 5 proposals back and have ranked them by lowest cost below:

Total Cost of Audit by Fiscal Year Ended June 30 (FYE)				
<b><u>Audit Firm Name</u></b>	FYE 2015	FYE 2016	FYE 2017	
Donald R. Reynolds, CPA	27,000	29,500	32,000	\$ 88,500
Moss, Levy & Hartzheim, LLP	30,600	31,103	31,606	\$ 93,309
The Pun Group	31,000	31,465	31,937	\$ 94,402
Bryant L. Jolley, CPA	35,000	36,000	37,000	\$ 108,000
Price Paige & Company	38,200	35,700	36,772	\$ 110,672

Total cost of Audit includes preparation of Financial Statements, Single Audit report if required and all electronic filing of financial reporting due to the California State Controller's Office.

### **FISCAL IMPACT:**

The cost per year is highlighted above and reflects the impact of the auditor's proposals.

**RESPONSE TO THE REQUEST FOR  
PROPOSAL TO PROVIDE INDEPENDENT  
PROFESSIONAL AUDITING SERVICES**

**FOR THE**

**CITY OF FIREBAUGH  
FISCAL YEARS ENDING  
JUNE 30, 2015, 2016, and 2017**

Submitted By

**DONALD R. REYNOLDS  
CERTIFIED PUBLIC ACCOUNTANT**

1438 Oregon Street  
Redding, California 96001  
Phone Number: (530) 246-2834

Contact Person: Donald R. Reynolds C.P.A.

Date Submitted

February 24, 2015

#1

## TABLE OF CONTENTS

TECHNICAL PROPOSAL

SECTION 1

SEALED DOLLAR COST BID

SECTION 2

**TECHNICAL PROPOSAL TO PROVIDE INDEPENDENT  
AUDITING SERVICES  
(Master Copy)  
FOR THE**

**CITY OF FIREBAUGH  
FISCAL YEARS ENDING  
JUNE 30, 2015, 2016, and 2017**

Submitted By

**DONALD R. REYNOLDS  
CERTIFIED PUBLIC ACCOUNTANT**

1438 Oregon Street  
Redding, California 96001  
Phone Number: (530) 246-2834

Contact Person: Donald R. Reynolds C.P.A.

Date Submitted

February 24, 2015

**TECHNICAL PROPOSAL  
TABLE OF CONTENTS**

<u>Part</u>	<u>Page Number</u>
LETTER OF TRANSMITTAL .....	I-1
INDEPENDENCE OF PROPOSER .....	II-1
PROFILE OF PROPOSER .....	III-1
PROPOSER'S APPROACH TO THE AUDIT .....	IV-1

## **LETTER OF TRANSMITTAL**

# **Donald R. Reynolds**

Certified Public Accountant

February 24, 2015

The Honorable City Council  
City of Firebaugh  
1133 P Street  
Firebaugh, CA 93622-2547

Re: Proposal For Furnishing Audit Services

Dear Sirs:

Thank you for the opportunity to submit this proposal to furnish auditing services to the City of Firebaugh, (the City) for the years ending June 30, 2015, 2016, and 2017.

I understand the scope of the engagement to include an audit of the Basic Financial Statements of the City of Firebaugh, for the years ending June 30, 2015, 2016, and 2017 in accordance with U.S. Generally Accepted Auditing Standards, *Government Auditing Standards*, issued by the Comptroller General of the United States. In addition the City has requested additional fees for the preparation of the annual financial statements in accordance with professional standards, Single Audit procedures in accordance with OMB Circular A-133, if required and individual audits in accordance with the State Transportation Improvement Program if required.

I also provided additional adds for the preparation of the annual Report of Financial Transactions and the Annual Streets Report as required by the State Controller of the State of California, and the issuance of a report on the review of the GANN Limit computation, as required by the State each year under audit.

My audits of the annual general purpose financial statements and component units, if any, will be in accordance with generally accepted auditing standards. The primary purpose of my audits will be to express my opinion that the general purpose financial statements and component units are presented fairly in conformity with generally accepted accounting principles applied on a consistent basis.

In addition to the above services, I will also submit, to the appropriate parties, each year a management letter containing my recommendations, which if implemented would, in my opinion, increase efficiency, improve internal controls, improve management, or result in cost savings to the City.

In reviewing the proposed 2014-2015 annual budget and the annual Comprehensive Annual Financial Report for the year ended June 30, 2014, it appears that the City will require a Single Audit in accordance with OMB Circular A-133 for the fiscal year ended June 30, 2015, if it is determined that a Single Audit is not required, a deduct has been included in the Compensation section of this proposal.

## **Audit Objectives**

The objective of my audit is the expression of an opinion as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the additional information referred to in the first paragraph

1438 Oregon Street, Redding, California 96001 \* (530) 246-AUDIT (2834) \* FAX (530) 244-0331



The Honorable City Council  
City of Firebaugh

when considered in relation to the financial statements taken as a whole. My audit will be conducted in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States, as well as OMB Circular A-133, the Single Audit Act, if necessary, and will include tests of the accounting records of the Association and other procedures I consider necessary to enable me to express such an opinion. If my opinion on the financial statements is other than unqualified, I will fully discuss the reasons with you in advance. If, for any reason, I am unable to complete the audit or am unable to form or have not formed an opinion, I may decline to express an opinion or to issue a report as a result of this engagement.

I will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements as required by Governmental Auditing Standards. This report will include a statement that the report is intended solely for the information and use of the board of directors, management, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

### **Management Responsibilities**

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. As part of the audit, I will prepare a draft of your financial statements and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the management representation letter that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any non-audit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of the respective financial position, activities, and the respective changes in financial position and cash flows, where applicable, in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the organization involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities

The Honorable City Council  
City of Firebaugh

include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the organization received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous audits or other engagements or studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits or other engagements or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions.

**Audit Procedures - General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, my audit will involve judgment about the number of transactions to be examined and the areas to be tested. I will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute assurance and because I will not perform a detailed examination of all transactions, there is a risk that a material misstatement may exist and not be detected by me. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, I will inform you of any material errors that come to my attention, and I will inform you of any fraudulent financial reporting or misappropriation of assets that comes to my attention. I will also inform you of any of any violations of laws or governmental regulations that come to my attention, unless clearly inconsequential. My responsibility as auditor is limited to the period covered by my audit and does not extend to matters that might arise during any later periods for which I am not engaged as auditor.

My procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. I will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of my audit, I will also require certain written representations from you about the financial statements and related matters.

The Honorable City Council  
City of Firebaugh

### **Audit Procedures - Internal Control**

My audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. My tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, I will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

### **Audit Procedures—Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Association's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

### **Audit Administration, Fee, and Other**

I understand that you will prepare all cash or other confirmations I request and will locate any invoices selected by me for testing.

The audit documentation for this engagement is the property of Donald R. Reynolds, CPA and constitutes confidential information. However, pursuant to authority given by law or regulation, I may be requested to make certain audit documentation available to federal agency providing direct or indirect funding, or the U.S. General Accounting Office for purposes of a quality review of the audits, to resolve audit findings, or to carry out oversight responsibilities. I will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Donald R. Reynolds, CPA personnel. Furthermore, upon request, I may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

I expect to begin my audit as soon as the books are ready for audit, and assuming that the books are adjusted and complete by October 1, 2015, I agree to issue a draft report by November 15, 2015 and final reports no later than December 1, 2015. I understand that the reports for year ended June 30, 2015 may be an annual financial report and that the City desires that the reports for subsequent years will be Comprehensive Annual financial Reports.

The Honorable City Council  
City of Firebaugh

My fees for these services will be at my standard government hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) Those standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audits. My invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with my firm policies, work may be suspended if your account becomes 60 days or more overdue and may not be resumed until your account is paid in full. If I elect to terminate my services for nonpayment, my engagement will be deemed to have been completed upon written notification of termination, even if I have not completed my report. You will be obligated to compensate me for all time expended and to reimburse me for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, I will discuss it with you and arrive at a new fee estimate before I incur the additional costs.

Staffing the engagement will be done with a combination of full time and part time professionals and para-professionals. All staff assigned to this engagement will meet the GAO standards for continuing education. I also commit to maintaining adequate levels of staffing to insure that the engagement is completed within the stipulated time line unless otherwise agreed to in advance. I, Donald R. Reynolds, owner, will serve as principal auditor during the first year of the engagement. I am committed to providing quality service with a minimum of disruption to City staff and I will be personally supervising each step of the engagement in order to see that this happens.

I feel that I can most effectively serve as independent auditor for the City because of my prior experience with county and city auditing, although not specifically with the City of Firebaugh. This, coupled with a lower overhead and progressive attitude toward the use of computer techniques and other innovations to expedite field work. Questions have arisen regarding my extended tenure as other City's auditor, however it is that very tenure that uniquely qualifies me to serve as the City's independent auditor, especially through a period of transition.

*Government Auditing Standards* require that I provide you with a copy of my most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. My 2011 peer review report accompanies this letter.

I would be pleased to meet with the Board to discuss the accompanying proposal. Again, I express my appreciation for the invitation to submit this proposal. If you desire further information or have questions, please call.

This proposal is binding for a period of 90 days, and the person signing this letter may legally bind the proposer.



**DONALD R. REYNOLDS**  
**Certified Public Accountant**

**INDEPENDENCE  
AND  
OTHER SPECIFIC RESPONSES**

## **INDEPENDENCE**

The Firm of **Donald R. Reynolds, C.P.A.**, including the proprietor, and professional staff, have no business, investment or family relationships with the City (elected or appointed), appointed employees or department heads.

With respect to the City, **Donald R. Reynolds, C.P.A.** meets the independence standards of Standards for Audit of Governmental Organization, Programs, Activities and Functions (1999 revision) by the Comptroller General of the United States which states:

"In all matters relating to the audit work, the audit organization and the individual auditors, whether government or public, must be free from personal or external impairments to independence, must be organizationally independent, and shall maintain an independent attitude and appearance."

In addition, I am also independent with respect to the City under the AICPA Code of Professional Ethics. Throughout the specified term of the engagement I will continue my independence with respect to the City.

## **TAX ID INFORMATION**

Donald R. Reynolds, CPA SSN - 551-92-1301

## **CERTIFICATION OF ALL APPLICABLE INSURANCES**

Donald R. Reynolds, CPA carries all necessary commercial insurances including but not limited to errors and omissions insurance and personal liability insurance. Limits on these policies and carriers are available upon request.

## **CERTIFICATION OF LICENSURE AND ELIGIBILITY**

Donald R. Reynolds, CPA is a duly licensed CPA in the State of California, approved to perform audits of governmental entities.

## **STABILITY**

As can be seen by reference to my references and resume, the firm of Donald R. Reynolds, CPA has been in existence since 1992 and the principal has been practicing in the State of California since 1978. The principal will be primarily responsible for the oversight of the engagement. My average tenure with audit clients is six years.

## **AUDITING THROUGH AND AROUND COMPUTERIZED ACCOUNTING SYSTEMS**

I utilize a battery of various audit techniques and methods depending on the individual conditions that I encounter in the performance of any audit. On numerous occasions I have audited entities that were in a state of flux between manual and electronic accounting systems and hybrid variations thereof. While each individual client offers it's own unique set of challenges, I believe that my nearly forty years of experience qualifies me to adapt to any system and audit through or around the system effectively.

## **AUDIT CONCLUSION PROCEDURES**

At the conclusion of the audit, a complete adjusted trial balance as well as copies of all accepted journal entries will be provided to management. In order to insure efficiency a primary point of contact will be established at the beginning of the engagement for the purposes of disseminating document requests and audit results. It is through that person or persons that the results of the engagement will be disseminated.

## **PROFILE OF PROPOSER**



## **A PROFILE OF THE FIRM**

**Donald R. Reynolds, C.P.A.** is a local Certified Public Accounting firm licensed by the State of California, with offices located in Redding. To meet the needs of my clients, I offer a complete range of auditing, accounting, tax, and management advisory services. As a nonprofit and governmental auditor, I have accumulated nearly 30 years of professional experience in the area of governmental and nonprofit auditing, most recently adding foster family agencies and group homes over the last few years.

Throughout my tenure as a government and nonprofit auditor my objective has always been to develop a good working relationship with my audit clients, while maintaining the necessary level of independence needed to insure a valid auditor, client relationship. This allows the audit to be completed timely and with as little disruption to the client as possible.

My clientele is highly diversified and includes representation in many areas of business and government. I will be committing my resources to a program of the highest quality client service.

As a member of the American Institute of Certified Public Accountants (AICPA) Division for CPA Firms - Private Companies Practice Section (PCPS), I recently underwent my third tri-annual Peer Review and have received an unqualified opinion. My Peer Review report is enclosed for your review. I continually participate in formal professional development programs, and have developed a comprehensive library of accounting, auditing, tax and management services research material. I have access to all current texts and publications on governmental and nonprofit accounting and auditing requirements, including numerous publications of the Governmental Finance Officers Association (GFOA), via the World Wide Web, and use it to maintain the most up to date information available.

I have previously been engaged as independent auditor by the following municipalities and non-profit entities:

<u>Entity</u>	<u>Name and Title</u>	<u>Telephone No.</u>
<b>City of Biggs, Biggs, California</b>	Mark Sorenson, City Manager/Finance Officer	(530) 868-0101
Scope:	Single Audit, A-133	
Total Hours:	100+	
<b>City of Corning, Corning California</b>	John Brewer, City Manager	(530) 824-7020
Scope:	Single Audit, A-133	
Total Hours:	100+	
<b>Grindstone Indiana Rancheria</b>	Rudy Inong, Fiscal Officer	(530) 519-7630
Scope:	Single Audit, A-133	
Total Hours:	100+	
<b>Tehama Mosquito Vector Control District</b>	Andrew Cox, District Manager	(530) 527-1676
<b>Crescent City Harbor District</b>	Richard Young, District Manager	(707) 464-6174
<b>Del Norte Economic Development Corporation</b>	Jessica Mercado, Business Manager	(707) 464-2169
<b>Trinity County Waterworks District No. 1</b>	Craig Hair, District Manager	(530) 628-5449

I have also been engaged as independent auditor for numerous other non-profit and governmental agencies located throughout northern California, including municipalities, special districts and other agencies. I have considerable experience in the area of compliance auditing in connection with "single audits" under the Single Audit Act and OMB Circulars A-128 and A-133, Special Grant audits of Federal Revenue Sharing programs, U.S. Department of Housing and Urban Development Community Development Block Grant (CDBG) programs, U.S. Department of Commerce, and Local Public Works programs (LPW). I would be happy to provide an expanded list of prior clients upon request.

The majority of my audit clients, both in government and the private sector have in-house computers. In addition, generally accepted auditing standards require that in each audit I include a review of a client's system of internal accounting control encompassing all significant and relevant manual, mechanical, and EDP activities and the interrelationship between EDP and user departments. Therefore, I have developed a significant amount of expertise in the areas of reviewing EDP systems and auditing around and through such systems.

In the past I have served as an instructor for the California Society of Certified Public Accountants, Education Foundation, in the areas of Single Audit, Government and Nonprofit Audit and Accounting, as well as serving as the Foundation's primary instructor for the GAO Yellow Book. In addition, I was involved in assisting the Society of California Accountants in the formation of a CPE curriculum in the area of governmental and nonprofit auditing and accounting as well as developing a training course for government and nonprofit auditors.

In assessing the potential auditors qualifications, the client should attempt to achieve the following goals:

- (1) Selection of an auditor who has prior experience with governmental auditing and, specifically, with governmental entities.
- (2) Selection of an auditor who can bring a broad spectrum of expertise to bear in identifying potential problems and suggestions.
- (3) Selection of an auditor with the experience level and background which minimizes unnecessary questions and time demands on the City's staff, as well as complete the engagement during normal office hours or other time schedules agreed to by both parties.

My resume is presented on the following pages.

## **DONALD R. REYNOLDS, C.P.A.**

### **EDUCATION**

Master of Science program (Accounting) - California State University, Sacramento, California (1979)

Bachelor of Arts (Economics and Ag-Economics) - University of California, Davis (1975)

### **PROFESSIONAL MEMBERSHIPS**

American Institute of Certified Public Accountants

California Society of Certified Public Accountants

AICPA's Private Companies Practice Section

GFOA Special Review Committee

### **PROFESSIONAL EXPERIENCE**

My previous experience in governmental auditing includes the following:

- 1) City of Crescent City (2007 - 2013) (Single Audit),
- 2) City of Biggs (2011 - Present)(Single Audit),
- 3) City of Corning (2004 - Present)(Single Audit),
- 4) First 5 Tehama (2007 - Present),
- 5) Trinity County Water Works District #1 (2006 - Present),
- 6) Tehama Mosquito and Vector Control District (2005 - Present),
- 7) Del Norte EDC (1996 - Present) (Single Audit),
- 8) Tri Agency Council (2001 - Present)(Single Audit),
- 9) Shasta County Child Abuse Prevention Coordinating Council (2004 - Present) (Single Audit),
- 10) Del Norte Senior Community Center (2004 - Present),
- 11) Small Cities Organized Risk Effort (1989 - 1993)(1999 - 2006),
- 12) Crescent City Harbor District (1996 - Present),
- 13) Various special district, school districts, and other cities and agencies.

During my tenure as senior audit manager of a large local CPA firm, I also participated in a number of non-governmental audit engagements including manufacturing and processing plants, a retail market chain and title and escrow companies.

I also have eight years experience auditing commercial health and benefit programs in association with the preparation of the annual report to the Internal Revenue Service, Form 5500 which requires that any entity with more than 100 employees, providing health and welfare programs have an audit in accordance with generally accepted auditing standards. Prior to the accounting industry, I was engaged in private industry in a managerial capacity with an emphasis on the accounting function.

I am a past instructor for the California Society of Certified Public Accountants in the areas of Governmental and Nonprofit Auditing and Accounting and was the primary instructor for the course on the GAO Yellow Book. In addition, I have worked with the Society of California Accountants to help develop a CPE curriculum.

I am a previous member of the Government Accounting Standards Board (GASB) advisory group which drafted the "Question and Answer" release on GASB 10, "Accounting for Risk Financing ...", a member of the GASB Task Force for the development of the Omnibus Statement on GASB 10 and the Interpretation on GASB 10, as well as being used as a referral source by GASB, on GASB-10.

I am currently an ex-quality reviewer for the GFOA in the Certificate of Achievement for Excellence in Financial Reporting Program.

## **PROPOSER'S APPROACH TO THE EXAMINATION**

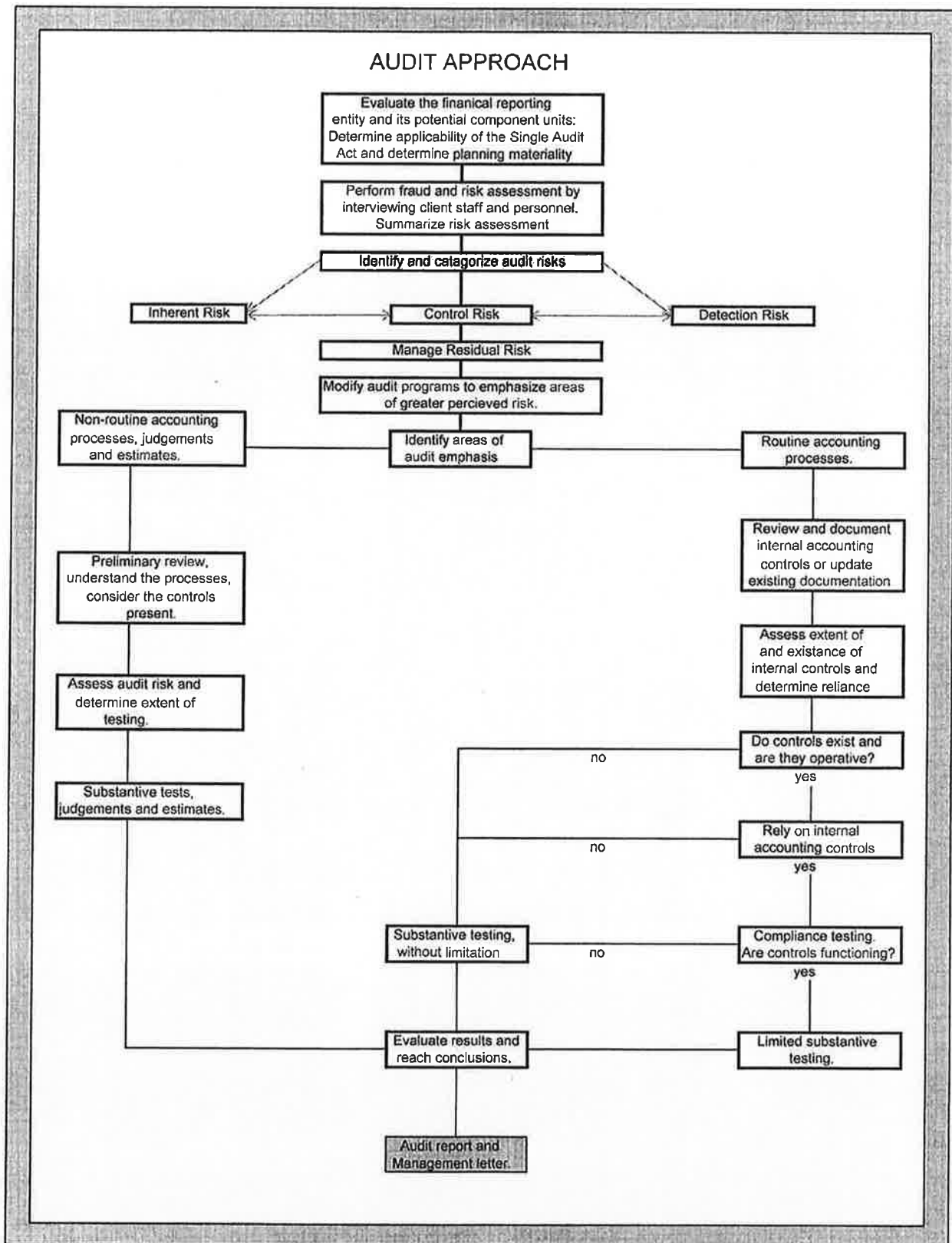
## **PROPOSER'S APPROACH TO THE EXAMINATION**

In connection with the annual audits of the City's general purpose financial statements, my audit approach is set forth below:

I, Donald R. Reynolds will have the ultimate responsibility for the timely completion of the engagement. My duties will include overall planning of the audits, supervising and assisting in the completion of the field work and required reports, supervision of other professional staff, involved in the audit, and the conclusion of the audits. I will perform the final review of the work papers, financial statements, and management letters. I will also be available for consultation with City officials and will work with the City in resolving any questions or differences of opinions which may arise during the course of the engagement. I will also present the general purpose financial statements and reports to the Board of Supervisors, and attend any meetings with the Board as required.

I recognize that each entity I audit is different and requires a carefully determined combination of audit procedures and reliance on existing internal accounting and administrative controls. After completing my evaluation of the City's operating procedures and controls, I will prepare an overall audit plan that will result in my performing an efficient and cost-effective audit.

My audits will comply with the requirements of the Comptroller General of the United States, as detailed in the "Standards for Audit of Governmental Organizations, Programs, Activities and Functions", as revised, as well as OMB Circular A-133. Additionally, we will see that the statements are prepared in accordance with GASB 34. In addition, I will continually update my audit plan to include areas of audit emphasis expressed by the City. The total hours estimated for the completion of the audit engagement is based upon my assessment of the City's operating systems and my commitment to a thorough and complete audit. As can be seen in the diagram on the following page, my audit approach is based upon my evaluation of the City's system of internal accounting controls and the planning process:





My audit approach lends special emphasis to areas of higher perceived audit risk. Such areas would include the following:

- . Evaluation of internal accounting controls and fraud and risk assessment
- . Cash
- . Receivables
- . Capital Assets
- . Grant administration
- . Compliance with laws and regulations
- . Compliance with specific grant requirements
- . Compliance with newly issued GASB pronouncements.

My underlying audit philosophy is to tailor a selection of audit procedures to best fit the City's organization and systems of internal accounting control. My ability to incorporate this philosophy in my service plan is demonstrated by performing an efficient, high quality audit.

Based upon my understanding of the City's operations, I have prepared a preliminary work plan for the audit as follows:

**INITIAL PROCEDURES (June - July 2015)**

- . Entrance interview.
- . Completion of detailed work plan and review with City personnel.
- . Risk analysis and fraud interviews in accordance with professional standards.
- . Consultations with the appropriate personnel regarding accounting systems, timing of procedures and potential accounting issues.
- . Review and evaluation of internal accounting controls to include documentation of systems and review of electronic data processing application.
- . Completion of preliminary compliance testing.
- . Communication with predecessor auditor.

**INITIAL FIELDWORK (July - November 2015)**

- . Based upon the results of my study and evaluation of internal accounting controls,

parameters will be established for compliance testing.

- . Identification of significant compliance requirements and determination of the most practical audit approach and review of GASB 34 conversion procedures needed.
- . Preliminary analytical review in accordance with SAS 58.
- . Accumulation of historical information such as leases, contracts and minutes.
- . Based upon the results of my preliminary evaluation of internal accounting controls and the results of my compliance testing, the scope of my year end substantive audit procedures will be established.
- . Identification of additional schedules to be prepared by accounting personnel.

#### **YEAR END PROCEDURES (November - December 2015)**

- . Confirmation of applicable account balances.
- . Completion of substantive account balance testing.
- . Completion of Single Audit testing.
- . **Exit Conference on or before December 15, 2015**
  - . Review draft of City's annual financial statements/CAFR, including any significant findings.
  - . Review preliminary draft of Report of Financial Transactions and Annual Streets Report (if requested).
  - . Review Management Correspondence.
  - . Review GANN Limit Report.
- . **Issue final reports on or before December 31, 2015**

#### **SAMPLING METHODS AND ANALYTICAL PROCEDURES**

Authoritative literature defines substantive testing as being comprised of both tests of details and analytical procedures. Audit sampling is a primary method to perform tests of details. Unless it is feasible for the auditor to examine an entire accounting population, sampling is necessary. Auditors frequently use sampling to perform their tests of controls as well as substantive testing.

I believe that sampling for both tests of controls and internal control testing is appropriate. Testing will

be done using a combination of random samples, generated using a random number generator, for those accounts and/or procedures with significant populations, and, in those areas where prior experience has indicated the sufficiency of the internal controls, walk-throughs may be appropriate.

A walk-through, is a selection of a limited sample from the population and attribute testing is performed at each step of the transaction in order to ascertain compliance with the existing internal control system. Any deviation from the control system warrants the expansion of the testing to full statistical samples.

Federal guidelines require, in many cases, that statistical samples of sufficient sample size be drawn to test compliance with federal regulations under OMB circular A1 33. In such cases samples of appropriate size will be designed and tested in accordance with the appropriate compliance supplement for the year under audit.

Analytical testing, including trend analysis using balances from prior years will be performed at the initiation of the audit, prior to any proposed adjustments, and at the end of the audit, following any adjustments in order to attempt to identify any items of significant change. In addition a comparison to current and prior budget information will be performed to attempt to identify unusual variations.

All samples will be random in nature and of sufficient size to provide statistical validity of the testing results acceptable variations will be identified prior to testing, and variations in excess of acceptable limits will warrant expansion of the test work. In some cases variations may warrant discussions with management and/or funding agencies regarding the nature the variations to determine how best to proceed.

I utilize a detailed, comprehensive time-billing system which allows me to track costs in several categories. This will allow me to track time both under general audit categories as well as by grants etc., if requested.

All audit work papers and related documents will be held for a minimum of five years and made available to the City upon request.

**DOLLAR COST BID TO PROVIDE INDEPENDENT  
AUDITING SERVICES  
(Master Copy)  
FOR THE**

**CITY OF FIREBAUGH  
FISCAL YEARS ENDING  
JUNE 30, 2015, 2016, and 2017**

Submitted By

**DONALD R. REYNOLDS  
CERTIFIED PUBLIC ACCOUNTANT**

**1438 Oregon Street  
Redding, California 96001  
Phone Number: (530) 246-2834**

**Contact Person: Donald R. Reynolds C.P.A.**

Date Submitted

February 24, 2015

## COMPENSATION

# ***Donald R. Reynolds***

Certified Public Accountant

February 24, 2015

The Honorable City Council  
City of Firebaugh  
1133 P Street  
Firebaugh, CA 93622-2547

Re: Proposal For Furnishing Audit Services

Dear Sirs:

Thank you for the opportunity to submit this proposal to furnish auditing services to the City of Firebaugh, (the City) for the years ending June 30, 2015, 2016, and 2017.

The all-inclusive maximum fees for the proposed audits are set forth on Table I on the following page.

Also set forth on Table I are my standard hourly rates effective for the fiscal year ending June 30, 2015.

My actual fees for all of the auditing services I provide will be based on my standard hourly rates set forth in Table I, and in the event my actual costs are less than the specified maximum fees, I will bill the City for my actual fees.

The fees set forth on Table I are an integral part of this proposal.

I would be pleased to meet with the Board to discuss the accompanying proposal. Again, I express my appreciation for the invitation to submit this proposal. If you desire further information or have questions, please call.

This proposal is binding for a period of 90 days, and the person signing this letter may legally bind the proposer.

**DONALD R. REYNOLDS**  
Certified Public Accountant

**TABLE I**  
**AUDIT FEE SUMMARY FISCAL YEAR ENDING June 30,**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
All inclusive maximum fee for the audit of the general purpose financial statements, including applicable Yellow Book Audit procedures and OMB Circular A-133 procedures and preparation of all required reports .....	\$ <u>20,000</u>	\$ <u>22,000</u>	\$ <u>24,000</u>
All inclusive maximum fee for the completion of the annual Report of Financial Transactions ...	\$ <u>2,500</u>	\$ <u>2,500</u>	\$ <u>2,500</u>
All inclusive maximum fee for the completion of the annual Streets Report .....	\$ <u>1,500</u>	\$ <u>1,500</u>	\$ <u>1,500</u>
Review of Appropriation Limitation Calculation .....	\$ <u>1,500</u>	\$ <u>1,750</u>	\$ <u>2,000</u>
Preparation of SF-SAC and Certification .....	\$ <u>1,500</u>	\$ <u>1,750</u>	\$ <u>2,000</u>
Our of Pocket Expenses .....	\$ <u>Included</u>	\$ <u>Included</u>	\$ <u>Included</u>
Totals .....	\$ <u>27,000</u>	\$ <u>29,500</u>	\$ <u>32,000</u>
(Deduct if A-133 not required, inc. SF-SAC) .....	\$ <u>(4,500)</u>	\$ <u>(4,500)</u>	\$ <u>(4,500)</u>

**HOURLY RATES FOR EACH LEVEL OF WORK PERFORMED:**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Proprietor, Audit Manager .....	\$ <u>105.00</u>	\$ <u>110.00</u>	\$ <u>115.00</u>
Supervisors .....	\$ <u>105.00</u>	\$ <u>110.00</u>	\$ <u>115.00</u>
Senior Staff Accountant .....	\$ <u>85.00</u>	\$ <u>87.50</u>	\$ <u>90.00</u>
Junior Staff Accountant .....	\$ <u>55.00</u>	\$ <u>57.50</u>	\$ <u>60.00</u>
Clerical .....	\$ <u>40.00</u>	\$ <u>42.00</u>	\$ <u>45.00</u>

Note: Time will be accumulated and grouped according to appropriate levels of experience required to perform various tasks.

**CITY OF FIREBAUGH**  
**SUMMARY WORK PLAN**  
**YEAR ENDED JUNE 30, 2015**

		<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
Entrance interview with client, Planning meetings with client, Council minutes review, Prepare initial work plan and Document list, design preliminary analytical test work.	Principal	4.00	105.00	420.00
	Staff	8.00	85.00	680.00
Documentation of internal control environment both accounting and administrative and determination of audit risk, both specific and overall, and and fraud risk assessment via review of City ordinance and inquiry of City Staff. Determine level of Federal expenditures.	Principal	4.00	105.00	420.00
	Staff	16.00	85.00	1,360.00
Sample design of general compliance procedures. Compilation of permanent file information and determination of materiality.	Principal	4.00	105.00	420.00
	Staff	8.00	85.00	680.00
Analysis of results of internal control review and initial analytical review as well as basic internal control testwork and design of substantive testwork.	Principal	4.00	105.00	420.00
	Staff	16.00	85.00	1,360.00
Determine existance of Major Federal Programs in accordance with OMB Circular A-133 and determine specific audit requirements accordingly.	Principal	2.00	105.00	210.00
	Staff	4.00	85.00	340.00
Determination of level of application of analytical testing as well and standard substantive testing based upon Internal Control testwork and analysis	Principal	6.00	105.00	630.00
	Staff	4.00	85.00	340.00
Preparation of specific audit programs and Prepared by client documents listing as well as request for other documents to be supplie by client.	Principal	6.00	105.00	630.00
	Staff	4.00	85.00	340.00
Performance of substantive testing and analytical testing comprising general fieldwork.	Principal	16.00	105.00	1,680.00
	Staff	16.00	85.00	1,360.00
Circularization of third party payors.	Staff	6.00	85.00	510.00
Perform A-133 compliance	Principal	10.00	105.00	1,050.00
	Staff	10.00	85.00	850.00
Preparation draft financial statements in accordance with GASB -34, including all required reports.	Principal	12.00	105.00	1,260.00
	Staff	24.00	85.00	2,040.00
Detail workpaper and financial statement review.	Principal	8.00	105.00	840.00
Exit interview with audit committee	Principal	4.00	105.00	420.00
Exit interview with City Council	Principal	2.00	105.00	210.00
Finalization of audit.	Principal	8.00	105.00	840.00
	Staff	8.00	85.00	680.00
		<u>214</u>		<u>\$ 19,990.00</u>



# **CITY OF FIREBAUGH - GANN LIMIT REVIEW**

## **SUMMARY WORK PLAN**

**YEAR ENDED JUNE 30, 2015**

		<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
Entrance interview with client, Planning meetings with client, Council minutes review, Prepare initial work plan and Document list, design preliminary analytical test work.	Principal	1.00	105.00	105.00
	Staff	1.00	85.00	85.00
Performance of special procedures as required by the State Controller of the State of California. and draft report.	Principal	2.00	105.00	210.00
	Staff	8.00	85.00	680.00
Detail workpaper and financial statement review.	Principal	1.00	105.00	105.00
Exit interview with audit committee	Principal	2.00	105.00	210.00
Finalization of audit.	Principal	1.00	105.00	105.00
	Staff	<u>1.00</u>	<u>85.00</u>	<u>85.00</u>
Totals		<u>17</u>		<u>\$ 1,585.00</u>

# CITY OF FIREBAUGH - LGFA REPORT

## SUMMARY WORK PLAN

YEAR ENDED JUNE 30, 2015

		<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
Entrance interview with client, Planning meetings with client, Council minutes review, Prepare initial work plan and Document list, design preliminary analytical test work.	Principal	1.00	105.00	105.00
	Staff	1.00	85.00	85.00
Performance of special procedures as required by the State Controller of the State of California. and drest report.	Principal	4.00	105.00	420.00
	Staff	16.00	85.00	1,360.00
Detail workpaper and financial statement review.	Principal	1.00	105.00	105.00
Exit interview with audit committee	Principal	2.00	105.00	210.00
Finalization of audit.	Principal	1.00	105.00	105.00
	Staff	<u>1.00</u>	<u>85.00</u>	<u>85.00</u>
Totals		<u>27</u>		<u>\$ 2,475.00</u>

## CITY OF FIREBAUGH - STREETS REPORT

### SUMMARY WORK PLAN

YEAR ENDED JUNE 30, 2015

		<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
Entrance interview with client, Planning meetings with client, Council minutes review, Prepare initial work plan and Document list, design preliminary analytical test work.	Principal	1.00	105.00	105.00
	Staff	1.00	85.00	85.00
Performance of special procedures as required by the State Controller of the State of California. and drefit report.	Principal	2.00	105.00	210.00
	Staff	8.00	85.00	680.00
Detail workpaper and financial statement review.	Principal	1.00	105.00	105.00
Exit interview with audit committee	Principal	2.00	105.00	210.00
Finalization of audit.	Principal	1.00	105.00	105.00
	Staff	<u>1.00</u>	<u>85.00</u>	<u>85.00</u>
Totals		<u>17</u>		<u>\$ 1,585.00</u>



David E. Vaughn CPA

(209) 957-8806, fax (209) 957-9589

4540 Gnekow Drive, Stockton, Ca. 95212-1307

### System Review Report

December 28, 2012

Donald R. Reynolds,  
Certified Public Accountant,  
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 Donald R. Reynolds, CPA (the firm) in effect for the year ended December 31, 2011. My peer review was conducted in accordance with Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. My responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on my review. The nature, objectives, scope, limitations of, and procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

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

In my opinion, the system of quality control for the accounting and auditing practice of Donald R. Reynolds, CPA in effect for the year ended December 31, 2011, 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*. Donald R. Reynolds, CPA has received a peer review rating of *pass*.

A handwritten signature in black ink, appearing to read 'D.E. Vaughn', with a long horizontal flourish extending to the right.

David E. Vaughn, CPA

**CITY OF FIREBAUGH**  
**PROPOSAL FOR PROFESSIONAL AUDITING SERVICES**

**For the Fiscal Years Ending June 30, 2015, 2016, and 2017**  
**(Optional Fiscal Years Ending June 30, 2018 and 2019)**

---

**Submitted By:**

Moss, Levy & Hartzheim, LLP  
5800 Hannum Avenue, Suite E  
Culver City, California 90230  
Phone: (310) 670-2745  
Fax: (310) 670-1689

**Submitted On:**

February 27, 2015

**Contact Person:**

Craig A. Hartzheim, CPA: Partner  
Ron A. Levy, CPA: Partner  
Hadley Y. Hui, CPA: Partner

**CITY OF FIREBAUGH  
AUDIT PROPOSAL  
TABLE OF CONTENTS**

---

<b>Transmittal Letter .....</b>	<b>i</b>
<b>Technical Proposal:</b>	
License to Practice in California .....	1
Firm Qualifications and Experience .....	1
Partner, Supervisory and Staff Qualifications and Experience .....	2
Summary of the Firm's Qualifications .....	3
Specific Audit Approach .....	4
Timeline .....	9
Schedule of Audit Hours .....	10
Audit Fees.....	10
Peer Review Program .....	10
Independence .....	10
<b>Appendices:</b>	
Appendix A – Current and /or Recently Completed Government Audits.....	11
Appendix B – Resumes .....	13
Appendix C – References .....	18
Appendix D – Segmentation and Budgeted Hours by Segment.....	19
Appendix E – Cost Proposal.....	20
Appendix F – Peer Quality Review Report .....	22
Appendix G – Disadvantaged and Minority Business Certifications .....	23



## 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](http://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](http://www.mlhcpas.com)

Mr. Kenneth McDonald  
City Manager  
City of Firebaugh  
1133 "P" Street  
Firebaugh, CA 93622-2547

Dear Mr. McDonald,

We are pleased to respond to the Request for Proposal from the City of Firebaugh (City) for independent professional auditing services. We have prepared our proposal to address each of the specifications included in the City's Request for Proposal (RFP).

After 58 years in public accounting and 38 years of performing local governmental and non-profit audits, it is extremely gratifying to witness the continued growth of Moss, Levy & Hartzheim, LLP. The firm is a regional full service public accounting firm with offices in Culver City, Beverly Hills, 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 engagements 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 an audit of the City's basic financial statements, in accordance with auditing standards generally accepted in the United States of America as set forth by the American Institute of Certified Public Accountants, with the objective of expressing an opinion on the fair presentation of the basic financial statements, which will be in full compliance with the Governmental Accounting Standards Board (GASB) Statement No. 34 and the Government Finance Officers Association's (GFOA) Blue Book. We will express an "in-relation-to" opinion on the combining and individual fund financial statements and supporting schedules based on the auditing procedures applied during the audit. We will also perform a single audit on the expenditures of federal grants in accordance with U.S. Office of Management and Budget (OMB) Circular A-133 and test compliance with the Single Audit Act as amended in 1996, and applicable laws and regulations, if applicable.

In addition to the procedures deemed necessary to express our opinion on the basic financial statements, we understand that we will also be responsible for performing certain limited procedures involving the management's discussion and analysis (MD&A) and the required supplementary information (RSI), as mandated by auditing standards generally accepted in the United States of America.

Our audits would be conducted in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States, including all applicable auditing standards issued by the American Institute of Certified Public Accountants; the provisions of the Single Audit Act Amendments of 1996; and the U.S. Office of Management and Budget (OMB) Circular A-133 *Audits of State, Local Governments, and Nonprofit Organizations* (Super Circular); and all relevant Governmental Accounting Standards Board (GASB) Statements.

It is our understanding that we will be responsible for issuing the following reports: an independent auditor's report on the fair presentation of the City's basic financial statements, in conformity with accounting principles generally accepted in the United States of America; an independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of the basic financial statements of the City performed in accordance with *Government Auditing Standards*; an independent auditor's report on compliance for each major program and on internal control over compliance required by OMB Circular A-133; a single audit report which includes a schedule of expenditures of federal awards, footnotes, findings and questioned costs, including significant deficiencies and material weaknesses; and a management letter which includes Statement on Auditing Standards (SAS) No. 114 and No. 115 letters.

We understand that we will be responsible for preparing, editing, printing, and binding of all reports.

All noncompliance and significant deficiencies found during the audit will be communicated in writing. In the required reports on compliance and internal controls, we shall communicate any significant deficiencies and noncompliance issues found during the audit. Significant deficiencies that are also material weaknesses will be identified as such in the report. Non-reportable conditions discovered will be reported in a separate letter to management, which will be referred to in the reports on internal controls. All irregularities and illegal acts or indications of illegal acts of which we become aware of during the course of our audit will be immediately reported, in writing, to the City Council, City Manager, City Attorney, and Finance Director.

We will be responsible for retaining all working papers and reports, at our expense, for a minimum of seven (7) years, unless the firm is notified in writing by the City of Firebaugh of the need to extend the retention period. We will make available all original working papers for examination, upon request, to the City of Firebaugh or any federal and state agencies designated by the City.

Moss, Levy & Hartzheim, LLP will perform the audit work within the specified time period, pending no unforeseen circumstances which the City imposes on our work.

The percentage of the audit work we expect to accomplish in each month for the 2015 audit is shown below:

May	September/October	Total
40%	60%	100%

This proposal for auditing services is an irrevocable offer until May 27, 2015.




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  
chartzheim@mlhcpas.com

(2) Ron A. Levy, CPA  
Partner  
2400 Professional Parkway  
Suite 205  
Santa Maria, CA 93455  
(805) 925-2579  
rlevy@mlhcpas.com

(3) Hadley Y. Hui, CPA  
Partner  
5800 Hannum Avenue  
Suite E  
Culver City, CA 90230  
(310) 670-2745  
hhui@mlhcpas.com

Sincerely,



Craig A. Hartzheim, CPA  
Partner

**CITY OF FIREBAUGH**  
**TECHNICAL PROPOSAL**

---

**LICENSE TO PRACTICE IN CALIFORNIA**

Moss, Levy & Hartzheim, LLP is a properly licensed certified public accounting firm in the State of California. All certified public accountants engaged in the audit of the City of Firebaugh (City) are licensed to practice in the State of California and have received at least the minimum number of governmental continuing professional education hours required by the State Board of Accountancy and *Government Auditing Standards* to perform governmental audits.

**FIRM QUALIFICATIONS AND EXPERIENCE**

Moss, Levy & Hartzheim, LLP is a regional firm that performs audits of governmental and non-profit entities throughout the State of California, from the Oregon border to the Mexico border. For most of our governmental clients, we also prepare their Comprehensive Annual Financial Report (CAFR). Our firm also performs review and compilation engagements as well as tax and consulting services to clients throughout the United States. The firm currently employs 30 professionals, all of whom are trained in governmental auditing, and has annual gross revenues in excess of \$4 million dollars. The firm has three offices in California: Culver City, Beverly Hills, and Santa Maria, and has been in business since 1957 and has been performing governmental audits since 1977.

**The audit work will be completed by staff from our Culver City office.**

The Culver City office is currently staffed by six certified public accountants (three partners, two managers, and one senior accountant). In addition, the Culver City office employs ten professional staff, consisting of managers, senior accountants, and staff accountants. All certified public accountants, managers, and senior and staff accountants are part of the governmental and non-profit audit practice.

The City will have one partner, one manager, and one senior accountant assigned to the audit on a full-time basis. In addition, one staff accountant will be assigned to the audit on a full-time basis. These employees will not be changed except due to unforeseen circumstances. We can and will discuss the possibility of a smaller audit team due to City size so that you would not be "overwhelmed" by auditors.

It is the firm's policy to have our partners and audit managers involved in the managing function of our governmental audits. Having both the partner and audit manager involved in the engagement allows the City to receive immediate response to questions about accounting and audit topics, concerns, and findings.

Our firm currently provides the following services:

**Audits:**

- Governmental (cities, special districts, single audits, and school districts)
- Non-Profit
- Commercial
- Compliance
- Transient Occupancy Tax
- Employee Benefit Plans

**Accounting Services:**

- Reviews
- Compilations
- Bookkeeping
- Payroll Taxes

**CITY OF FIREBAUGH  
TECHNICAL PROPOSAL**

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**FIRM QUALIFICATIONS AND EXPERIENCE (CONTINUED)**

**Management Advisory Services (Non-Audit Clients):**

Data Processing Services  
Business Consultation  
Pension and Profit Sharing Plan Assistance  
Acquisition and Mergers

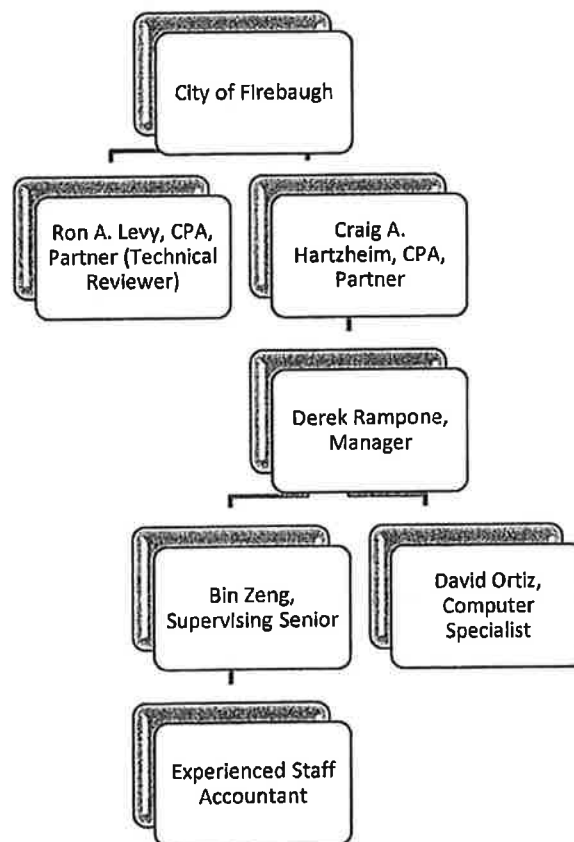
**Income Tax Services:**

Preparation  
Planning  
Tax Audits and Negotiations with Internal Revenue Service and Other Taxing Authorities

Please see *Appendix A – Current and/or Recently Completed Governmental Audits* for a list of current governmental audits performed by the firm.

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

The audit team will be as follows:



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

**CITY OF FIREBAUGH**  
**TECHNICAL PROPOSAL**

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**PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS AND EXPERIENCE**  
**(CONTINUED)**

Mr. Craig Hartzheim will be the engagement partner assigned to the audits. As engagement partner, he will oversee the day-to-day operations of the audits, review all audit areas, and be on-site for a majority of the fieldwork. He has assisted many municipal clients and has also prepared numerous award-winning CAFRs. It is the firm's policy during the first year on the audit engagement to have a partner on-site for a majority of the fieldwork. This policy enables the partner to become acquainted with the City's daily operations and key personnel.

Mr. Derek Rampone will be the manager assigned to the audits. He will oversee the day-to-day operations of the audits and perform more difficult audit sections, and he will also be the liaison with City staff and management.

Mr. Bin Zeng will be the senior auditor assigned to the audits. As senior auditor, it will be his responsibility to oversee the staff accountants, do preliminary reviews of audit sections, and perform more difficult audit sections.

Mr. David Ortiz will be the computer specialist assigned to the audits, when needed. Mr. Ortiz has extensive knowledge in auditing EDP functions. Mr. Ortiz may also perform the statistical sampling procedures for the audit and also document and test the internal control structure of the computer systems.

In addition to the supervisory staff listed above, one staff accountant will be assigned to the audits. All staff accountants assigned to the audit have degrees from accredited 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 audits at all times. All partners, managers, and staff members have worked on numerous governmental engagements together. Consistently working together will provide the City with a knowledgeable, proficient, and efficient audit team.

Please see *Appendix B - Resumes* for each individual's qualifications and experience.

The firm conducts an annual firm-wide two-day training seminar to update all governmental auditors on new pronouncements and improved audit techniques. In addition to this firm sponsored seminar, each governmental auditor attends the annual governmental accounting conference and many other continuing education courses and is updated on current accounting/auditing issues through our journals, publications and supplements, which we receive on a regular basis.

The firm will maintain staff continuity on the engagement throughout the term of the contract, barring any terminations, illnesses, or other unforeseen circumstances (departure from the firm, promotion, or assignment to another office). At the written request of the City, any Moss, Levy & Hartzheim, LLP employee assigned to the audit can be removed and replaced by another qualified employee. The City retains the right to approve or reject replacements.

**SUMMARY OF THE FIRM'S QUALIFICATIONS**

Moss, Levy & Hartzheim, LLP has an extensive background in auditing governmental and non-profit entities with over thirty-eight years of experience in this specialized field. The firm currently performs thirty-six municipal audits, over seventy-five special district audits, as well as the audit of the County Sanitation Districts of Los Angeles County (all 25 districts), and thirty-five school district and related audits. We have also recently completed monitoring of one hundred contractors for the County of Los Angeles, for contract compliance and fiscal monitoring. Additionally, we are also on the master lists and have signed master contracts with the County of San Diego and the County of Los Angeles for Compliance and Financial Audits.

**CITY OF FIREBAUGH**  
**TECHNICAL PROPOSAL**

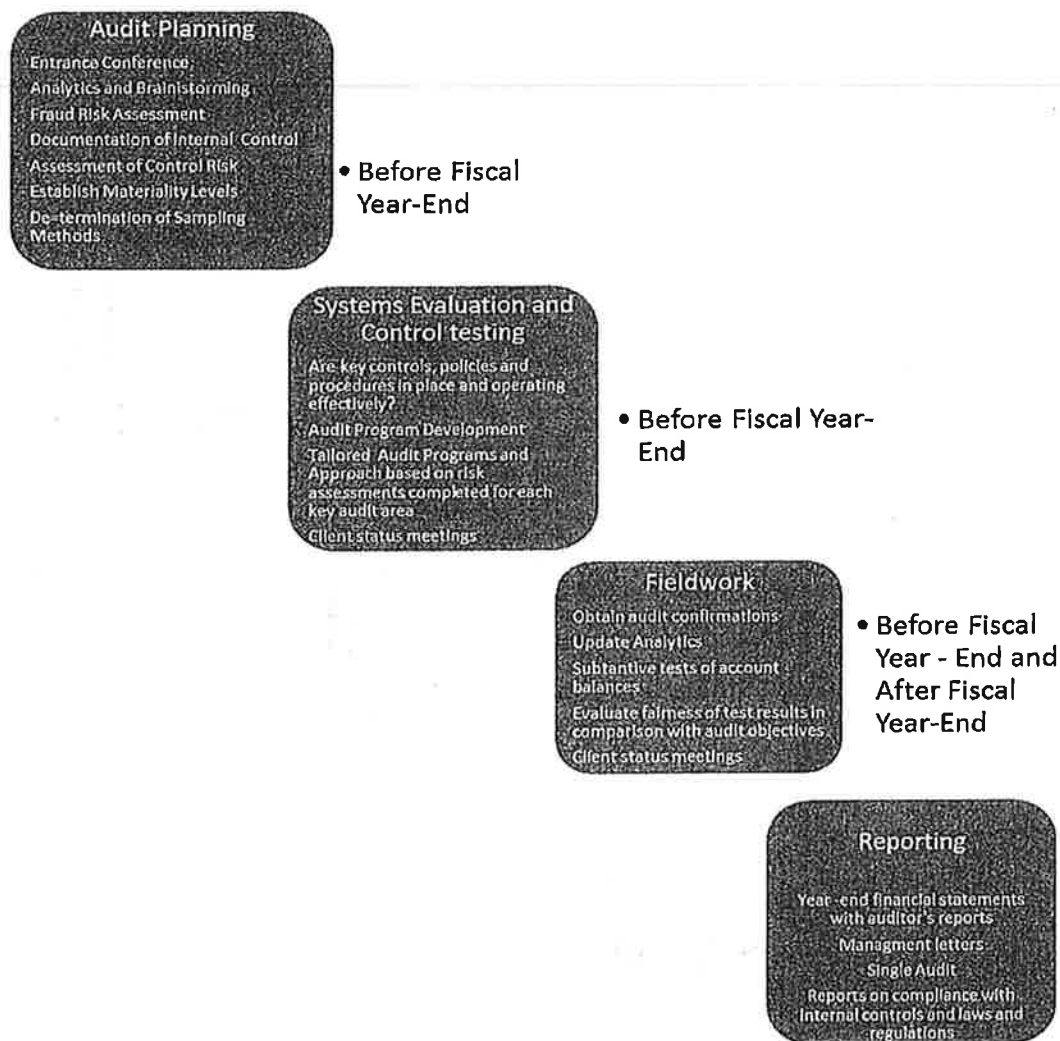
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**SUMMARY OF THE FIRM'S QUALIFICATIONS (CONTINUED)**

Please see *Appendix C – References* for a list of five references that are similar to the engagement as described in the RFP.

**SPECIFIC AUDIT APPROACH**

**Overview of the MLH Audit Process**



**CITY OF FIREBAUGH  
TECHNICAL PROPOSAL**

**SPECIFIC AUDIT APPROACH (CONTINUED)**

The chart below shows some of MLH's preliminary audit procedures:

Obtain Budget and budget amendments	Ensure budgetary compliance	Analyze budget-to-actual variances. Look at capital projects, status of property tax assessments as part of the focus; looking at water rates to see how cost coverage exists.
Obtain grant documents, any service concession agreements	Ensure grant compliance	Analyze grants
Obtain policies and procedures, as indicated in the 6 30 14 M, D & A	Evaluate effectiveness of policies, updates and relate to key compliance matters	Analyze policies and procedures
Obtain client internal control memos of client if they exist	Evaluate internal controls Short interviews of accounting and selected operating personnel for documentation of process	Analyze internal controls, including computer controls
Obtain prior year financials	Determine which items are important for testing	Set preliminary "materiality" limits
Obtain appropriate schedules	Ensure effective procedures	Testing of cash receipts, cash disbursements, and payroll transactions
Obtain Board minutes	Ensure knowledge of government key communication	Analyze important events highlighted in Board meetings
Draft confirmations – third party letters for independent verification of cash, property taxes, attorney, etc. for client to sign and auditor to mail	Independent verification of selected balances	Client to prepare letters and auditor to send letters
Develop document request list for client to review and agree upon	To clarify client – auditor requests	Meet with client and agree upon document request list for audit
Preliminary trial balance	Ensure preliminary results make sense	Perform selected testing on balances such as receipts, disbursements, and payroll
Obtain documentation for any new agreements, land and property purchases, sales, donations, easements, NEPA compliance, CEQA, RECRA and CERCLA, FERC, NEPA, MSHP permits, for applicability, and compliance as necessary	Reduce the amount of year-end testing and build a client permanent file for future years	Compliance and building of documentation for existence, title ownership and use, regulatory compliance
Obtain updates on retirement plans	Discuss GASB 68 and any changes	Audit selected components of any new reports and changes for compliance
Request screen view access only for computer analysis	Minimize client interruptions and view transactions	Scan ledgers and accounts for accounting propriety
Consider site visitations on areas where there are significant cash, card, deposits and billing controls, internet site controls	Focus on controls where the risk assessment of material misstatement of cash, card and internet transactions could occur	Site visitations
Legal bills, key litigation	Look for commitments, contingencies and disclosure	Discuss with client prepare attorney letters for response and read relevant documents
Obtain minutes	Look for major agreements and key decisions	Analyze for audit relevance and test and inquire as necessary
Obtain Long-term debt agreements	Analyze for disclosure and compliance	Obtain and prepare long term lease schedules
Commitments and Contingencies	Ensure auditing standards are applied for proper accrual and disclosure	Send legal letters, talk with client, review disclosures

**CITY OF FIREBAUGH**  
**TECHNICAL PROPOSAL**

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**SPECIFIC AUDIT APPROACH (CONTINUED)**

During the first year of the engagement, we will utilize the prior year's financial statements, the current year's budget, and our knowledge of the City's systems to determine materiality for the different audit sections. Each year, we will select a sample of transactions to determine to what extent the systems are functioning as described to us. The extent of our sample size will depend upon our assessment of the internal control structure and the results of our assessment in accordance with *Government Auditing Standards*.

The selection of transactions for testing will be made using a combination of random, systematic, and haphazard sampling techniques. We will identify the strength of the systems upon which we can rely in planning our substantive tests. Our internal control review will meet all of the following requirements of AICPA: Statement on Auditing Standards (SAS) No. 55, *Consideration of the Internal Control Structure in a Financial Statement Audit*, as amended by SAS No. 78; SAS No. 99, *Consideration of Fraud in a Financial Statement Audit*; 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 the Entity and Its Environment and Assessing the Risks of Material Misstatement*; and SAS No. 110, *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained*.

It is estimated that the sampling size for transaction testing for compliance with systems as actually implemented (walk-throughs) would be as follows:

- I. Minimum of 40 disbursement items, including automatic and manual checks and bank debits
- II. Minimum of 25 payroll checks, including direct deposits
- III. Minimum of 40 receipt items

We have extensive knowledge in auditing computer systems. We have assisted numerous clients with the implementation of accounting software and database business systems. This assistance has provided our firm with a thorough background in computer systems with respect to both the software applications aspect and also insight into auditing such systems. It is our policy to have a computer specialist as part of the audit team and to be used on an as-needed basis. This individual assists the audit team in documenting the computer system internal control structure and highlighting strengths and weaknesses relating to the computer structure of the City.

In addition, all of our staff is equipped with networked laptop computers. These computers are equipped with not only word processing and spreadsheet capabilities, but also various functional software, such as PPC Audit – e-Tools, Creative Solutions Accounting, Adobe Acrobat, random sampling software, Lacerte Tax Program, and Easy Accounting Software, which contain amortization programs and depreciation programs, and other applications as well (including the Governmental Accounting Research System which includes all GASB publications).

We will perform expectation analytics and preliminary analytical review procedures using the prior fiscal year's audited statements and the current fiscal year's budget. In the preliminary stage, we will adopt ratio analysis procedures to compare the relationships between account balances and classes of transactions between prior periods and against budgets and industry statistics. This may include budgets, trial balances, and/or draft financial statements to help us identify the source of individual fluctuations. We will then adopt trend analysis to compare current data with prior periods, which is particularly useful for analyzing revenue and expenditures. Any unexpected trends or deviations will be discussed with relevant City staff to obtain explanations.

**CITY OF FIREBAUGH**  
**TECHNICAL PROPOSAL**

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**SPECIFIC AUDIT APPROACH (CONTINUED)**

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

1. Minutes of the governing body with special attention to: indications of new revenue sources, including federal and state grants; expenditure/expense authorizations and related appropriations, including any special or restrictive provisions; appropriation transfers; authorization for bank or other debt incurred; awards to successful bidders; authorization for new leases entered into; changes in licenses, fines, or fees; authorization for fund balance commitments or assignments; and authorization for significant new employees hired.
2. New agreements and amendments to agreements including, but not limited to: grant agreements; debt and lease agreements; labor agreements; joint venture agreements; disposition and development agreements; and other miscellaneous agreements.
3. Administrative Code
4. Investment Policy

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

1. *AICPA Industry Audit Guide for State and Local Governmental Units*
2. *AICPA Audit Standards*
3. *National Committee on Governmental Accounting, Auditing and Financial Reporting (Amended) Publication*
4. *Laws of the State of California*
5. *Requirements of Office of Management and Budget's (OMB) Circular A-133, Audits of State, Local Governments and Nonprofit Organizations*
6. *GAO Standards for Audit of Governmental Organizations, Activities and Functions, the Guidelines for Financial and Compliance Audits of Federally Assisted Programs*
7. Our firm's own additional standards and procedures

The audit will be conducted in accordance with auditing standards generally accepted in the United States of America. The primary purpose of the audit is to express opinions on the basic financial statements, and such an audit is subject to the inherent risk that material errors or fraud may exist and not be detected by us. If conditions are discovered which lead to the belief that material errors, defalcations, or fraud may exist, or if any other circumstances are encountered that require extended services, we will promptly advise the City.

Each year, the partner or manager of the firm will contact the City's Finance Department to set up a telephone conference meeting. The purpose of this meeting will be to discuss the scope and timing of the annual audit, to review any accounting issues known at that time, to provide our detailed audit plan, and to address any of the City's personnel concerns about the impending audit.

During the first year of the engagement, we will prepare narrative flow charts and other documentation of the internal control structure and of the major systems, such as revenue and cash receipts, purchasing and cash disbursements, payroll and personnel, inventory, property and equipment, grant compliance, investment activities, and the budget process. We will obtain our information through discussions with appropriate City staff and the review of available documented policies, organizational charts, manuals, programs, and procedures. Once we obtain this information, we will evaluate the systems of internal controls and revise our standard governmental audit programs.

Before year-end fieldwork, we will discuss with the City any assistance the City may need with the year-end closing.



**CITY OF FIREBAUGH  
TECHNICAL PROPOSAL**

**SPECIFIC AUDIT APPROACH (CONTINUED)**

The chart below shows some of MLH's final audit procedures:

Obtain updated general ledger	Ensure proper closing of books	Analyze records and update analytical procedures
Obtain internal control memos, if there are any changes	Re-evaluate internal controls	Update understanding of internal controls and document key changes
Obtain joint venture agreement	Compliance with recharge and reclamation plan	Confirm balance with Treasurer/Auditor and test as necessary
Obtain prior GFOA CAFR comments	Ensure improvement in financial reporting	Implement significant changes in financial reporting methods
Obtain and further agree upon audit schedules as agreed upon in the contract and RFP	To commence audit properly on final numbers	Apply auditing procedures
Obtain/prior year GASB 34 conversion entries /prepare GASB 34 Entries	Ensure that all GASB 34 conversion entries are proper	Work on current year GASB 34 presentations
Analyze capital asset ledgers	Review or updates from preliminary and analyze for impairment	Obtain capital asset documents and update for impairments
Look at GMA agreement	Analyze credit agreements	Test schedules of credit agreements
Service Concession Agreements	Look for proper accruals and revenue payments	Look at selected billings and revenue agreements
Risk Management	Determine coverage	Confirm balances and analyze for proper accruals as necessary
Cost allocations	Internal service allocation propriety	Discuss and analyze internal service cost allocations
Allocation agreements	Ensure agreement compliance	Analyze allocations as necessary from client calculations and documents
Obtain OPEB and PERS documents	Review for any needed updates, GASB 68	Read documents and update
Endangered species communication	Analyze for compliance	Endangered species
Bond agreements	Bond compliance	Test bond compliance and obtain bond ratings
Contributions	Compliance	Analyze significant contributions for compliance
Receipt of third party letters	Independent verification of accounts	Match to year-end books and records and reconcile to accounts
None	Ensure proper audit process	Hold timely status meetings with the client
Adjusting entries, and any possible management points	Obtain client agreement	Post as necessary with client
None	Compliance with contract and governance	Attend finance and board meetings
MD&A, prepare financials, reports and read supplementary information	Ensure documents match, are consistent and appropriately completed	Read MD&A, prepare financials, reports and read supplementary information

Our year-end fieldwork would begin on September 14<sup>th</sup>. The year-end audit work would begin with an analytical review of all significant balance sheet and revenues and expenditure/expense accounts for each fund, which includes substantive tests on all balance sheet accounts. Analytical procedures will be used to supplement the substantive tests, not supplant them. We will perform analytical procedures during interim and year-end fieldwork on all balance sheet and revenue and expense/expenditure accounts.

The primary objective of the year-end audit work is to audit the final numbers that will appear in the City's basic financial statements. Our fieldwork would also consist of procedures required under SAS No. 99, *Consideration of Fraud in a Financial Statement Audit*.

## CITY OF FIREBAUGH TECHNICAL PROPOSAL

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We will perform procedures such as:

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

During the entire engagement, our audit team will be determining whether an audit in compliance with *OMB Circular A-133* is required through review of the City Council minutes, examination of the general ledger, and discussion with finance personnel. If a compliance audit is required, we would perform tests of: specific requirements; claims for advances and reimbursements; and amounts claimed or used for matching in compliance with the Single Audit Act. The compliance audit will be conducted in accordance with auditing standards generally accepted in the United States of America, the GAO *Standards for Audits of Governmental Organizations, Programs, Activities, and Functions*, and the GAO *Guidelines for Financial and Compliance Audits of Federally Assisted Programs*.

The year-end fieldwork should be completed no later than September 18<sup>th</sup>.

The *Governmental Accounting, Auditing and Financial Reporting* (GAAFR), issued by the Government Finance Officers Association (the "Blue Book") and other GFOA publications are often used as additional tools when preparing and reviewing the financial statements of our governmental clients. The firm has and uses its extensive library of current AICPA, GFOA, and GASB publications and pronouncements.

As part of our audit engagements we issue our clients management letters if we note certain observations or recommendations that we feel need to be disclosed. Our firm's philosophy regarding the management letter is that the management letter is to help management improve its internal control and accounting procedures and not to criticize the management in charge. This is why we present our management letters to management in draft form for open discussion prior to issuance.

The workpapers for this engagement are the property of Moss, Levy & Hartzheim, LLP and constitute confidential information. However, we may be requested to make certain workpapers available to any Cognizant Agency pursuant to authority given to it by law or regulation, any parties designated by the federal or state governments or by the City as part of an audit quality review process, and other audits of entities of which the City is a sub-recipient of grant funds or component unit.

### TIMELINE

If convenient for the City's staff, the approximate target dates for the fiscal year 2015 audit would be as follows:

- 1. Entrance conference and submission of audit plan – May 18<sup>th</sup>
- 2. Interim fieldwork – Week of May 18<sup>th</sup>
- 3. Exit conference – May 22<sup>nd</sup>
- 4. Year-end fieldwork – Week of September 14<sup>th</sup>
- 5. Exit conference - September 18<sup>th</sup>
- 6. Draft management letter, financial statements, and other audit reports – No later than October 16<sup>th</sup>

**CITY OF FIREBAUGH  
TECHNICAL PROPOSAL**

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**TIMELINE (CONTINUED)**

If convenient for the City's staff, the approximate target dates for the fiscal year 2015 audit would be as follows: (continued)

7. Final management letter, financial statements, and other audit reports – No later than October 30<sup>th</sup>
8. Presentation to the City Council – Open

**SCHEDULE OF AUDIT HOURS**

Please see *Appendix D – Segmentation and Budgeted Hours by Segment* for a schedule of the level of staff and number of hours to be assigned to each segment of the engagement.

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**AUDIT FEES**

Please see *Appendix E – Cost Proposal* for our proposed audit fees.

**PEER REVIEW PROGRAM**

Please see *Appendix F – Peer Quality Review Report* for a copy of our firm's December 31, 2011 quality review report, which includes a review of governmental and non-profit engagements. The 2014 report is due to be published by June 30, 2015.

Our firm has never been the object of any disciplinary action from any federal or state regulatory body or professional organization, nor is there any disciplinary action pending.

**INDEPENDENCE**

Moss, Levy & Hartzheim, LLP is independent of the City of Firebaugh as defined by auditing standards generally accepted in the United States of America, the U.S. General Accounting Office's *Government Auditing Standards*, the U.S. Securities and Exchange Commission, and all other authoritative bodies with standard or rule-making authority over the auditing profession.

The firm uses checklists and questionnaires to determine that staff members are independent of each client being audited and each staff member signs a personal independence declaration prior to commencing work on an audit client. The partner in charge of the audit reviews all independence work papers prior to staffing each audit.

Moss, Levy & Hartzheim, LLP has not entered into a professional relationship involving the City of Firebaugh within the last five years.

Under penalties of perjury, I declare that I am an authorized signer and that there are no and have never been any financial interests between any officials or employees of the City of Firebaugh and Moss, Levy & Hartzheim, LLP.

Respectfully submitted,



Craig A Hartzheim, CPA  
Partner

**Moss, Levy & Hartzheim, LLP is an Equal Opportunity Employer**

## **CITY OF FIREBAUGH**

### **APPENDIX A- CURRENT AND/OR RECENTLY COMPLETED GOVERNMENTAL AUDITS**

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#### **CITIES AND FORMER REDEVELOPMENT AGENCIES \***

Adelanto, CA  
Arroyo Grande, CA  
Atascadero, CA  
Beaumont, CA  
Buellton, CA  
Calabasas, CA  
California City, CA  
Covina, CA  
Culver City, CA  
Dinuba, CA  
El Centro, CA  
Eureka, CA  
Fort Bragg, CA  
Greenfield, CA  
Grover Beach, CA  
Holtville, CA  
Hughson, CA  
Indio, CA  
La Cañada Flintridge, CA  
La Habra Heights, CA  
Laguna Hills, CA  
Los Alamitos, CA  
Morgan Hill, CA  
Ojai, CA  
Pacifica, CA  
Paso Robles, CA  
San Anselmo, CA  
Santa Maria, CA  
Signal Hill, CA  
Taft, CA  
Tracy, CA  
Watsonville, CA  
Westlake Village, CA  
Windsor, CA  
Yorba Linda, CA  
Yuba City, CA

#### **PUBLIC FINANCING AUTHORITIES**

The majority of our Municipalities issue debt and do so through an established Public Financing Authority.

#### **OTHER SCHOOL ENTITIES**

Academia Semillas del Pueblo Charter School  
Albert Einstein Academy  
Antelope Valley Schools Transportation District  
Bright Star Secondary Charter Academy  
East Bay Regional Occupational Program  
Garr Academy of Mathematics and Entrepreneurial Studies  
Pacoima Charter School  
Santa Ynez Valley Charter School  
Southern California Regional Occupational Center  
Synergy Charter Academy  
Tri-Valley Regional Occupational Program

\*Current municipal clients

#### **SCHOOL DISTRICTS**

Acton-Agua Dulce Unified School District  
Ballard School District  
Bellflower Unified School District  
Beverly Hills Unified School District  
Blochman Union School District  
Bradley Elementary School District  
Buellton Union School District  
Calaveras County Schools  
Calexico Unified School District  
Calipatria Unified School District  
Carpinteria Unified School District  
Casmalia School District  
Castaic Union School District  
Cayucos Elementary School District  
Coast Unified School District  
Cold Springs School District  
College Elementary School District  
Eastside School District  
El Segundo Unified School District  
Garvey School District  
Goleta Union School District  
Graves School District  
Heber School District  
Hughes-Elizabeth Lakes Union School District  
Keppel Union School District  
Lancaster School District  
Magnolia Union School District  
Manhattan Beach Unified School District  
Mark Twain Union Elementary School District  
Meadows Union School District  
Mission School District  
Monrovia Unified School District  
Montecito Union School District  
Mulberry School District  
Novato Unified School District  
Orcutt Union School District  
Pacific Unified School District  
Palmdale School District  
Pleasant Valley Union School District  
San Ardo Elementary School District  
San Lucas School District  
San Miguel Joint Union School District  
Santa Maria Joint Union High School District  
Shandon Unified School District  
Solvang Elementary School District  
Temple City Unified School District  
Torrance Unified School District  
Vallecito Union School District  
Westmoreland Elementary School District  
Wilsona School District

## **CITY OF FIREBAUGH**

### **APPENDIX A- CURRENT AND/OR RECENTLY COMPLETED GOVERNMENTAL AUDITS**

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#### **COUNTIES**

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

#### **SANITATION DISTRICTS**

Carpinteria Sanitation District, CA  
Cayucos Sanitation District, CA  
County Sanitation Districts of Los Angeles County, CA  
- All 25 Districts  
Encina Wastewater Authority, CA  
Montecito Sanitation District, CA  
Orange County Sanitation District, CA - Internal Audits  
Ross Valley Sanitary District, CA

#### **UTILITY DISTRICTS**

Georgetown Divide Public Utility District

#### **WATER/IRRIGATION DISTRICTS**

Aldercroft Heights County Water District, CA  
Foothill Municipal Water District, CA  
Main San Gabriel Basin Watermaster, CA  
Marina Water District, CA  
North Marin Water District, CA  
Sweetwater Springs Water District, CA  
Valley County Water District, CA  
Valley of the Moon Water District, CA

#### **AMBULANCE SERVICES DISTRICT**

Cambria Community Healthcare District  
North Coast Emergency Medical Services

#### **CEMETERY DISTRICTS**

Arroyo Grande Cemetery District, CA  
Atascadero Cemetery District, CA  
Gridley-Biggs Cemetery District, CA  
San Miguel Cemetery District, CA  
Santa Maria Cemetery District, CA

#### **COMMUNITY SERVICES DISTRICTS**

Cambria Community Services District, CA  
Cuyama Community Services District, CA  
Groveland Community Services District, CA  
Heritage Ranch Community Services District, CA  
Los Alamos Community Services District, CA  
Nice Community Services District, CA  
Rancho Murieta Community Services District, CA  
Santa Ynez Community Services District, CA  
Vandenberg Village Community Services District, CA

#### **RECREATION AND PARK DISTRICTS**

Conejo Recreation and Park District, CA  
Isla Vista Recreation and Park District, CA  
Los Angeles County Regional Park and Open Space District, CA  
Rancho Simi Recreation and Park District, CA  
Hayward Recreation and Park District, CA

#### **BUILDING AUTHORITY**

County of San Diego Regional Building Authority, CA

#### **FIRE PROTECTION DISTRICTS**

Cayucos Fire Protection District, CA  
Lakeport Fire Protection District, CA  
Orcutt Fire Protection District, CA

#### **OTHER DISTRICTS**

Beach Cities Health District  
County of San Diego Emergency Services Organization  
County of San Diego First 5 Commission  
County of San Diego In-Home Supportive Services  
Public Authority  
County of San Diego Health and Human Services Agency  
Child Development Program Grant  
County of San Diego MIOCR Grant  
County of San Diego RLETC Grant  
County of Los Angeles Delta Sigma Theta, Head Start  
Program, Inc.  
County of San Diego DA Office of Auto Ins. Fraud  
Grant, Urban Auto Fraud Grant, WC Ins Fraud Grant  
Desert Healthcare District  
Los Angeles County Flood Control District  
Los Angeles Grand Avenue Authority JPA  
Marin/Sonoma Mosquito and Vector Control District  
Puente Hills Habitat Preservation Authority  
Sutter Animal Services Shelter  
Sutter Butte Flood Control Agency  
San Diego Geographic Information Source JPA  
Tracy Area Public Facilities Financing Agency  
Watershed Conservation Authority  
West Contra Costa Integrated Waste Management  
Authority

#### **TRANSPORTATION DEVELOPMENT ACT**

Arroyo Grande, CA  
Association of Monterey Bay Area Governments  
Beaumont, CA  
Brawley, CA  
Calexico, CA  
El Centro, CA  
Grover Beach, CA  
Holtville, CA  
Paso Robles, CA  
San Fernando Valley Council of Governments Authority  
San Luis Obispo County and Cities Area Planning  
Council:  
Local Transportation Fund  
State Transit Assistance Fund  
Santa Cruz Regional Transportation Commission  
South County Area Transit, CA  
South County/San Luis Obispo Transit, CA  
Transportation Agency for Monterey County, CA  
Transportation Authority of Marin

#### **TRANSIENT OCCUPANCY TAX AUDITS**

Represented the following municipalities and/or counties  
in the audit of the hotel "bed tax" records:

Arroyo Grande, CA  
Bellflower, CA  
Bishop, CA  
Calexico, CA  
Carmel, CA  
Ojai, CA  
Pismo Beach, CA

**CITY OF FIREBAUGH**  
**APPENDIX B – RESUMES**

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**Ron A. Levy, C.P.A. – Partner**

- California licensed C.P.A. with 38 years of audit experience with governmental and non-profit entities
- Technical partner (concurring) in charge of all governmental and non-profit audits, currently including 36 municipal audits, 75 special district audits, and 35 school district and related audits
- Has assisted governmental clients with year-end closing, key position interviews, preparation of award winning CAFRs, and preparation of State Controller's Reports
- Has met or exceeded all continuing education requirements, including recent courses in the following:

*2014, 2013, and 2012 Governmental Accounting Conference*  
*2014, 2013, and 2012 School District Conference*  
*GASB 34 Training Seminars*  
*Planning a Governmental Audit Engagement*  
*Auditor's Reports on Audits of Local Governments*  
*Governmental Accounting Update*  
*Audits of State and Local Governments*  
*Compliance Auditing, Auditing Sampling, and Concluding the Audit*  
*The Single Audit Act*

- Member of the following:
  - American Institute of Certified Public Accountants
  - California Society of Municipal Finance Officers
  - California Society of Certified Public Accountants
  - California Association of School Business Officials
  - Kiwanis Club
- Bachelor of Science degree from Oregon State University conferred in 1977
- Taught accounting courses at a branch of LaVerne College and Chapman College
- Knowledgeable about all areas of tax law including non-profit tax issues
- **Mr. Levy's ancestry is of Hispanic descent**

**CITY OF FIREBAUGH**  
**APPENDIX B – RESUMES**

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**Craig A. Hartzheim, C.P.A. – Partner**

- California licensed C.P.A. with 31 years of audit experience with governmental, non-profit, and commercial entities
- Engagement partner for governmental and non-profit audits (Culver City office) including 26 municipal audits, 40 special district audits (including Los Angeles County Flood Control District and the County Sanitation Districts of Los Angeles County), and 12 school districts and related audits
- Has assisted governmental clients with year-end closings, key position interviews, preparation of award winning CAFRs, and preparation of State Controller's Reports
- ~~Has met or exceeded all continuing education requirements including recent courses in the following:~~

*2014, 2013, and 2012 Governmental Accounting Conference*  
*2014, 2013, and 2012 School District Conference*  
*Single Audits of Governmental Entities*  
*Preparing Governmental Financial Statements*  
*Yellow Book, Government Auditing Standards*  
*GAAS Guide*  
*Other Comprehensive Basis of Accounting (OCBOA) Statements*  
*Audit Standards update*  
*Implementing SAS 112 and 114*  
*Fraud in Audits*  
*Auditing update*

- Bachelor of Science degree in Accounting from Marquette University conferred in 1982
- Member of the following:
  - American Institute of Certified Public Accountants
  - California Society of Certified Public Accountants
- Knowledgeable about all areas of tax law including non-profit and payroll tax issues

**CITY OF FIREBAUGH**  
**APPENDIX B – RESUMES**

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**Hadley Y. Hui, C.P.A. – Partner**

- California licensed C.P.A. with 17 years of audit experience with governmental, non-profit, and commercial entities
- Partner in charge of 10 municipal audits, 26 special district audits, 8 special audits for the County of San Diego, and 20 school districts and related audits
- Supervisor for the CSS and DPSS Monitoring Projects for Los Angeles County
- Has met or exceeded all continuing education requirements including recent courses in the following:

*2014, 2013, and 2012 Governmental Accounting Conference*

*2014, 2013, and 2012 School District Conference*

*Fraud in Audits*

*Risk-Based Auditing Part 1, Part 2*

*Accounting and Auditing Update*

*Guide to Auditing Control Course 1, Course 2*

- Extensive knowledge of database systems, networking, and various accounting software
- Bachelor of Arts degree in Economics with a minor in Accounting from University of California – Los Angeles was conferred in 1997
- Member of the following:

*American Institute of Certified Public Accountants*

*California Society of Certified Public Accountants*



**CITY OF FIREBAUGH**  
**APPENDIX B – RESUMES**

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**Derek Rampone – Manager**

- Manager with 15 years of audit experience with governmental, non-profit, and commercial entities.
- Manager for 8 municipal audits and 10 special district audits (including Los Angeles County Flood Control District).
- Supervisor for the County of Los Angeles CSS and AAA Monitoring Projects, and Rancho Business Park Lease Audit.
- Field Supervisor for all County of Los Angeles engagements.
- Has met or exceeded all continuing education requirements including recent courses in the following:  
  
*2014, 2013, and 2012 Governmental Accounting Conference*  
*2014, 2013, and 2012 School District Conference*
- A Bachelor of Arts degree in Business Economics with an emphasis in Accounting from University of California – Santa Barbara was conferred in 1999.

**Bin Zeng – Senior Accountant**

- Auditor with 7 years of audit experience with governmental and commercial entities.
- Auditor for 8 municipal audits, 4 special district audits, and 1 school district audits.
- Staff accountant for the Los Angeles County DMH and CSS Monitoring Projects.
- Has met or exceeded all continuing education requirements including recent courses in the following:  
  
*2014, 2013, and 2012 Governmental Accounting Conference*  
*2014, 2013, and 2012 School District Conference*
- Bachelor of Arts degree in Business Economics from University of California – Los Angeles was conferred in 2007.
- Knowledgeable about all areas of tax law including non-profit and payroll tax issues.

## **CITY OF FIREBAUGH**

### **APPENDIX C – REFERENCES**

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#### **CITY OF TRACY**

2004 to Present

Audit of basic financial statements, former Redevelopment Agency, and Single Audit

Partner – Hadley Y. Hui, CPA

Contact: Robert Harmon, (209) 831-4125

Received GFOA Certificate of Achievement in Financial Reporting

#### **CITY OF YUBA CITY**

2008 to Present

Audit of basic financial statements, former Redevelopment Agency, and Single Audit

Prepared the City's State Controller Report and Street Report

Partner – Ron A. Levy, CPA

Contact: Robin Bertagna, (530) 822-4615

Received GFOA Certificate of Achievement in Financial Reporting

#### **CITY OF PACIFICA**

2006 to Present

Audit of basic financial statements, Redevelopment Agency, Single Audit,

Child Development, Measure A, MTC Article 3, and Fire Suppression

Prepared the City's State Controller Report and Street Report

Partner – Hadley Hui, CPA

Contact: Vivan Penaredondo, (650) 738-7396

Received GFOA Certificate of Achievement in Financial Reporting

#### **CITY OF FORT BRAGG**

2010 to Present

Audit of basic financial statements, former Redevelopment Agency, Municipal Improvement District, and Single Audit

Prepared the City and Municipal Improvement District State Controller Reports

Partner – Craig Hartzheim, CPA

Contact: Ginny Feth-Michel, (707) 961-2825

Received GFOA Certificate of Achievement in Financial Reporting

#### **TOWN OF WINDSOR**

2002 to 2006 and 2014 to Present

Audit of basic financial statements, former Redevelopment Agency, Single Audit, and review of the City's GANN limit

Prepared the Town's State Controller Report

Partner – Craig A. Hartzheim, CPA

Contact: Camille Kazarian, (707) 838-5354

**CITY OF FIREBAUGH**

**APPENDIX D – SEGMENTATION AND BUDGETED HOURS BY SEGMENT**

<u>AUDIT SEGMENTS</u>	<u>Estimated Hours</u>					<u>Total</u>
	<u>Clerical</u>	<u>Staff</u>	<u>Senior</u>	<u>Manager</u>	<u>Partner/</u>	
					<u>Technical</u> <u>Partner</u>	
Planning		2	4	4	6	16
Risk Assessment		2	4	4	6	16
Audit Conferences				2	2	4
Correspondence	10	4		2	2	18
Review/Documentation of Internal Controls (including Single Audit):						
Documentation of systems		10	6			16
Testing of systems		20	10			30
Compliance Testing (including Single Audit)		12	10	12	4	38
Year End Balances Testing		25	24	38	24	111
Revenue and Expense/Expenditure Analysis (Analytical Procedures)		4	4	2		10
Preparation, Review, and Findings	12	4	6	20	6	48
<b>GRAND TOTAL</b>	<b>22</b>	<b>83</b>	<b>68</b>	<b>84</b>	<b>50</b>	<b>307</b>

**CITY OF FIREBAUGH**  
**APPENDIX E – COST PROPOSAL**

**AUDIT WORK COST PROPOSAL FORM**

Fiscal Year Ending June 30,	2015	2016	2017	Optional 2018	Optional 2019
Basic Financial Statements*	\$ 30,500	\$ 31,059	\$ 31,618	\$ 32,177	\$ 32,736
State Controller Report	2,500	2,500	2,500	2,500	2,500
Street Report	1,000	1,000	1,000	1,000	1,000
Subtotal	34,000	34,559	35,118	35,677	36,236
Discount (10%)	(3,400)	(3,456)	(3,512)	(3,568)	(3,624)
Total for Fiscal Year (not-to-exceed)	\$ 30,600	\$ 31,103	\$ 31,606	\$ 32,109	\$ 32,612

\*Includes one major single audit program at \$3,500. Each additional major program is \$3,000.

All out-of-pocket expenses are included in the prices above.

**ESTIMATE OF COST**

Name of Firm: Moss, Levy & Hartzheim, LLP  
Address: 5800 Hannum Avenue, Suite E  
City, State, Zip: Culver City, California, 90230  
Contact Name: Craig A. Hartzheim, CPA: Partner  
  
Contact Telephone Number: (310) 670-2745  
Contact Telephone Fax: (310) 670-1689  
Contact E-mail Address: chartzheim@mlhcpas.com

I, the undersigned, certify I am duly authorized to represent the above named firm and am empowered to submit this bid. In addition, I certify I am authorized to contract with the City of Firebaugh on behalf of the above named firm.

Craig A. Hartzheim, CPA	Partner	March 9, 2015
Name	Title	Date

  
Signature

**CITY OF FIREBAUGH**  
**APPENDIX E – COST PROPOSAL**

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**AUDITOR'S STANDARD BILLING RATES**

Additional work under this engagement will be billed at the following hourly rates:

<b>Auditors' Standard Hourly Billing Rates</b>					
<b>POSITION</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Partner	\$ 150	\$ 153	\$ 156	\$ 159	\$ 162
Manager	120	122	124	126	128
Senior Auditor	90	92	94	96	98
Staff Auditor	70	71	72	73	74
Clerical	45	46	47	48	49

Any increase in the audit fee will be immediately disclosed to the City Manager. The disclosure will include an estimation of the increased fees and the reason for the increase.

**DISCOUNT**

Due to the current economic environment, Moss, Levy & Hartzheim, LLP has accepted the fact that in order for government entities to survive revenue cutbacks, contractors will need to reassess their hourly fees or total estimate of costs. Therefore, we are reducing our total estimate fee by 10% to assist the City in these challenging economic times.

CITY OF FIREBAUGH  
APPENDIX F – PEER QUALITY REVIEW REPORT

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POWELL & SPAFFORD, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

Jessie C. Fewell, CPA  
Patrick E. Spafford, CPA

Members of the California Society of Certified Public Accountants  
Member American Institute of Certified Public Accountants

System Review Report

To the Partners of  
Moss, Levy & Hartzheim, LLP  
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Moss, Levy & Hartzheim, LLP (the firm) in effect for the year ended December 31, 2011. Our review was conducted in accordance with standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

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

In our opinion, the system of quality control for the accounting and auditing practice of Moss, Levy & Hartzheim, LLP in effect for the year ended December 31, 2011, 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*. Moss, Levy & Hartzheim, LLP has received a peer review rating of *pass*.

*Powell & Spafford, LLP*

July 11, 2012

CITY OF FIREBAUGH

APPENDIX G – DISADVANTAGED AND MINORITY BUSINESS CERTIFICATIONS

**SUPPLIER CLEARINGHOUSE  
CERTIFICATE OF ELIGIBILITY**

CERTIFICATE EXPIRATION DATE: 08-01-2017

The Supplier Clearinghouse for the Utility Supplier Diversity Program of the California Public Utilities Commission hereby certifies that it has audited and verified the eligibility of:

***Moss, Levy & Hartzheim, LLP  
of Castro City, California as a DBE***

pursuant to Commission General Order 156, and the terms and conditions stipulated in the Verification Application Package. This Certificate shall be valid only with the Clearinghouse seal affixed hereto.

Eligibility must be maintained at all times, and renewed within 30 days of any changes in ownership or control. Failure to comply may result in a denial of eligibility. The Clearinghouse may reconsider certification if it is determined that such status was obtained by false, misleading or incorrect information. Decertification may occur if any verification criterion under which eligibility was awarded later becomes invalid due to Commission initiated. The Clearinghouse may request additional information or conduct on-site visits during the term of verification to verify eligibility.

This certification is valid only for the period that the above named firm remains eligible as determined by the Clearinghouse. Utility companies may direct inquiries concerning this Certificate to the Clearinghouse at 800-359-7968 in Los Angeles.

**PDN: 14050076**

***Determination Date: 08-01-2014***

**CITY OF FIREBAUGH**  
**APPENDIX G – DISADVANTAGED AND MINORITY BUSINESS CERTIFICATIONS**



Los Angeles County  
 Metropolitan Transportation Authority

One Gateway Plaza  
 Los Angeles, CA 90012-2952

213.922.2000 Tel  
 metro.net

**Metro**

**CALIFORNIA UNIFIED CERTIFICATION  
 PROGRAM**



September 15, 2014

**CUCP #1754**  
**Metro File # 6380**

Ronald A. Levy  
 Moss, Levy & Hartzheim, LLP  
 5800 Hannum Ave. Suite E.  
 Culver City, California 90230

**RE: Disadvantaged Business Enterprise Certification**

Dear Mr. Levy:

We are pleased to advise you that after careful review of your application and supporting documentation, the Los Angeles County Metropolitan Transportation Authority (Metro) has determined that your firm meets the eligibility standards to be certified as a Disadvantaged Business Enterprise (DBE) as required under the U.S. Department of Transportation (U.S. DOT) Regulation 49 CFR Part 26, as amended. This certification will be recognized by all of the U.S. DOT recipients in California. Your firm will be listed in the California Unified Certification Program (CUCP) database of certified DBEs under the following specific areas of expertise that you have identified on the NAICS codes form of the application package:

NAICS (2007)	Description
541211	Offices of Certified Public Accountants
541213	Tax Preparation Services
541219	Other Accounting Services

Your DBE certification applies only for the above codes. You may review your firm's information in the CUCP DBE database which can be accessed at the CUCP's website at [www.californiaucp.org](http://www.californiaucp.org). Any additions and revisions must be submitted to Metro for review and approval.

In order to ensure your continued DBE status, you are required to submit an annual No Change Declaration Form (which will be sent to you) along with supporting documentation. If no changes are noted, then your DBE status remains current. If there are changes, Metro will review to determine continued DBE eligibility. Please note, your DBE status remains in effect unless Metro notifies you otherwise.

Should any changes occur that could affect your certification status prior to receipt of the No Change Declaration Form, such as changes in your firm's name, business/mailling address, ownership, management or control, or failure to meet the applicable business size standards or personal net worth standard, please notify Metro immediately. Failure to submit forms and/or change of information will be deemed a failure to cooperate under Section 26.109 of the Regulations.

Metro reserves the right to withdraw this certification if at any time it is determined that it was knowingly obtained by false, misleading, or incorrect information. Your DBE certification is subject to review at any time. The firm thereby consents to the examination of its books, records and documents by Metro.

Moss, Levy & Hartzheim, LLP is a DBE approved firm.

Small Business Certification Unit  
 One Gateway Plaza, Mail Stop 58-8-1, Los Angeles, CA 90012-2952  
 Phone: 213-922-2000 Fax: 213-922-7100

11/03





# City of Firebaugh

*Firebaugh, California*

**Proposal to Perform  
Professional Auditing Services**

**For the fiscal years ending  
June 30, 2015 through 2017  
with the option to extend for  
an additional two (2) fiscal years**

**February 27, 2015**

## **PROPOSAL**

**Kenneth H. Pun, CPA, CGMA**  
Managing Partner  
1655 North Main Street, Suite 355  
Walnut Creek, California 94596  
**Phone:** (925) 954-3301  
**Fax:** (925) 954-3350  
**Email:** ken.pun@pungroup.com

California CPA License Number: PAR 7601  
Federal Identification Number: 46-4016990



#3

11/20/19



# **City of Firebaugh**

## **Proposal for Professional Auditing Services**

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### **Table of Contents**

Letter of Transmittal.....	1
<b>Section I – Eligibility.....</b>	<b>3</b>
<b>Section II – Firm Qualifications and Experience</b>	
About The Pun Group, LLP.....	6
Staff Consistency.....	6
Experience. Principles. Knowledge. Commitment.....	7
<b>Section III – Partner, Supervisory and Staff Qualifications and Experience .....</b>	<b>8</b>
<b>Section IV – Detail Audit Plan.....</b>	<b>17</b>
<b>Section V – References .....</b>	<b>21</b>
<b>Section VI – Fee Proposal .....</b>	<b>25</b>
Benefits of Choosing The Pun Group, LLP .....	27
Thank you.....	27
<b>Appendix:</b>	
Proof of Insurance .....	31

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February 27, 2015

**City of Firebaugh**

Mr. Kenneth McDonald, City Manager  
1133 "P" Street  
Firebaugh, California 93622-2547

Dear Mr. McDonald:

Please allow us to introduce our firm and share our qualifications and proposed audit plan for the City of Firebaugh (the "City") pursuant to your Request for Proposals for Professional Auditing Services for the fiscal years ending June 30, 2015 through 2017 with an option to extend for an additional two (2) years. The Pun Group, LLP, *formerly known as Pun & McGeady LLP*, (the "Firm"), due to consolidation, has the knowledge and experience necessary to become the City's next public accounting firm, and the work plan to ensure a smooth audit process.

This letter is an acknowledgement of the Firm's understanding of the work to be performed. **We hereby offer our commitment to perform all of the required work, complete the audit, and issue the necessary auditor's report, within the time periods outlined by the City.** We are secure in affirming our commitment because we have:

1. A lengthy legacy of serving California municipalities;
2. Prodigious experience serving governmental and not-for-profit entities; and
3. An efficient, lower-cost approach to auditing that focuses on high-risk areas.

I will serve as your primary contact for contract negotiations. I am the managing partner of the Firm and have been authorized to legally bind the Firm. My contact information follows:

Name: Mr. Kenneth H. Pun, CPA, CGMA  
Position: Managing Partner  
Address: 1655 North Main Street, Suite 355  
Walnut Creek, California 94596  
Telephone: (925) 954-3301  
Email: ken.pun@pungroup.com

You may also contact the following partner, who is authorized to represent the Firm:

Name: Mr. Gary M. Caporicci, CPA  
Position: Partner  
Address: 200 East Sandpointe Avenue, Suite 600  
Santa Ana, California 92707  
Telephone: (949) 777-8802  
Email: gary.caporicci@pungroup.com

**City of Firebaugh**

Mr. Kenneth McDonald, City Manager

Page 2

The Pun Group is the right choice for the City of Firebaugh because we are focused on your industry.

- We have audited and consulted many California cities and not-for-profit entities.
- We have assisted many clients in earning the GFOA Certificate of Achievement for Excellence in Financial Reporting.
- The depth of resources and specific government experience are substantial, we are committed to deploy these resources and experience on behalf of the City. Simply put, the City will remain one of our most important clients, and accordingly will receive the priority service it deserves.
- We are committed to performing all of the work outlined in the City's Request for Proposal within the time periods established by the City, in accordance with the City's contract terms.

Our goal for this audit is to complete the process in accordance with regulations while minimizing disruption to the City's daily operations. The Firm will:

- Develop solid familiarity with the City's operations.
- Create a detailed audit plan during initial stages of the audit.
- Maintain open communication lines between the Engagement Team and the City's Management.
- Assign duties to qualified staff members.

This method ensures that the audit process will be performed steadily, communicated clearly, and completed efficiently.

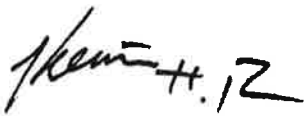
**The Firm is an Equal Opportunity Employer and complies with all Federal and State hiring requirements.**

This proposal meets the requirements of the City's Request for Proposal. This letter and the accompanying proposal represent a *firm and irrevocable offer valid for 90 days* from the date of this letter.

If you have any questions about the proposal or the Firm, please contact us. We look forward to speaking with you.

Sincerely,

The Pun Group, LLP  
Certified Public Accountants and Business Advisors

A handwritten signature in black ink, appearing to read "Ken H. Pun", with a stylized flourish at the end.

Kenneth H. Pun, CPA, CGMA  
Managing Partner

## City of Firebaugh

### Proposal for Professional Auditing Services

## Section I – Eligibility

### License to Practice in California

The Firm and all key professional staff are licensed by the State of California to practice as Certified Public Accountants, and meet the Continuing Professional Education requirements under U.S. GAO's *Government Auditing Standards* to perform the proposed audit.



### Independence

The Firm requires all employees to adhere to strict independence standards in relation to the Firm's clients. These independence standards exceed, in many instances, the standards promulgated by the American Institute of Certified Public Accountants (AICPA).

The Firm certifies that it is independent of the City of Firebaugh (the "City"). The Firm meets independence requirements defined by the United States Government Accountability Office's (U.S. GAO's) *Government Auditing Standards*, the American Institute of Certified Public Accountants (AICPA), and the California Society of Certified Public Accountants (CalCPA).

In 2012, the City engaged The Firm in performing the Agreed-Upon Procedures to respond to the AB 1484 requirements in reviewing the Former Redevelopment Agency's Housing and Non-Housing Functions. In addition, the Firm also provided consultation to the City on Grant Management and related internal control matters. These prior engagements do not constitute any conflict of interest relative to performing the proposed audits.

## City of Firebaugh

### Proposal for Professional Auditing Services

#### Most Recent External Quality Control Review

The Firm participates in the AICPA Peer Review Program, which is designed to identify weaknesses in accounting-service policies, practices, and procedures.

In 2013, an independent reviewer assessed the Firm's quality-control policies, reviewed administrative records, interviewed professional personnel, and inspected the Firm's working papers and reports from a representative sample of accounting and auditing engagements, including governmental audits. The reviewer concluded that the Firm fully complies with the AICPA's stringent standards for quality control.

A quality-control reviewer considers, among other things, a firm's policies regarding hiring, training, supervision, delegation of responsibilities, and access to technical resources.

The reviewer determined that the Firm's accounting and auditing work and internal quality-control system meet the AICPA's guidelines for professional standards.

The Firm's participation in the Peer Review Program demonstrates our commitment to quality. We also affirm our dedication to excellent client service through our voluntary memberships in the AICPA—including the AICPA's Governmental Audit Quality Center—and CalCPA.



United Public Accountants • Certified Public Accountants

James L. Jones, CPA  
William C. Williams, CPA  
Doreen E. Broun, CPA

System Review Report

**PUN & MCGEADY LLP**  
Irvine, California  
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Pun & McGeady LLP (the firm) in effect for the year ended March 31, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/peerreview](http://www.aicpa.org/peerreview).

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 Pun & McGeady LLP in effect for the year ended March 31, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiencies* or *fail*. Pun & McGeady LLP has received a peer review rating of *pass*.

4377 Havens Avenue  
Suite 100  
Rancho Cucamonga  
CA 91730

909.948.0990  
909.644.0676  
FAX: 909.948.5433

[www.gyldecawer.com](http://www.gyldecawer.com)

**GYL DeCauwer LLP**  
Ontario, California  
May 31, 2013

*your  
success  
is our  
destination*

CPA AMERICA



## City of Firebaugh

### Proposal for Professional Auditing Services

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California Society of CPAs  
1820 Gateway Dr., Ste. 200  
San Mateo, CA 94401

September 27, 2013

Kenneth Hing-Kwong Pun, CPA  
Pun & McGeedy LLP  
9 Corporate Park Ste 130  
Irvine, CA 92606

Dear Mr. Pun:

It is my pleasure to notify you that on September 24, 2013 the California Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is September 30, 2016. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Sincerely,

A handwritten signature in cursive script that reads "Linda McCrone".

Linda McCrone, CPA  
Director, Peer Review Program

cc: John Larias

Firm Number: 6131850      Review Number 342418



T: (650) 522-3094    F: (650) 522-3080    [peerreview@calcpa.org](mailto:peerreview@calcpa.org)

### **Federal or State Desk Review**

No federal or state desk reviews or field reviews have been undertaken of any audits performed by the Firm or any of its partners, managers, or professionals during the past three (3) years.

### **Disciplinary Action**

No disciplinary action has been taken by state regulatory bodies or professional organizations against the Firm or any of its partners, managers, or professionals during the past three (3) years.

The Firm has no conditions such as bankruptcy, pending litigations, planned office closures, mergers or any organizational conflict of interest that may affect the ability of the Firm to perform the required duties requested by the City of Firebaugh.

## **City of Firebaugh**

### **Proposal for Professional Auditing Services**

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## **Section II – Firm Qualification and Experience**

The Pun Group, LLP, *formerly known as Pun & McGeady LLP*, Certified Public Accountants and Business Advisors, founded in 2012, is a limited liability partnership. A full-service accounting firm comprises forty (40) professionals on full-time basis who provide auditing, accounting, and advisory services. **Our Partners Group has served governmental agencies since 1989**, under the umbrella of its predecessor firm, Caporicci & Larson, where all key personnel assigned provided outstanding services to governmental entities throughout California. Of the forty (40) professionals, thirty (30) of them focus in the Government Assurance Practice. The Firm has offices in Walnut Creek, Orange County, San Diego and La Quinta, California.

The combination of hands-on experience and practical knowledge of our audit professionals makes the Firm unique in the field. Our technical knowledge and thorough understanding of current regulations and issues—along with the Firm's commitment to hard work, integrity, and teamwork on every engagement—enable us to help our clients flourish.

Our Governmental Partners Group—which include partners Kenneth H. Pun, Gary M. Caporicci, Paul J. Kaymark, Lisa B. Lumbard and Jack F. Georger—provide auditing, accounting, and advisory services to numerous governmental entities throughout the United States. Our more than one hundred-fifty (150) years of combined experience in the government industry have made us a trusted business partner with our clients, and we have become well-respected as one of the most socially responsible accounting firms.

In addition to annual financial audits, team members undertake special studies in financial management, accounting, cost-accounting-system analysis, internal audit services, and internal control documentation and testing. By participating in industry associations and activities, we are always up to date on the latest industry changes and the impact they will have on your operations. We will keep you and our colleagues in the Firm, fully informed of these developments. Our team is committed to bringing the full breadth and depth of our expertise to the audit of the City at an outstanding value to you.

Our *Walnut Creek* office, located at *1655 North Main Street, Suite 355, Walnut Creek, California 94596* will perform the requested services for the City. However, we may assign additional staff from our Orange County, San Diego, or La Quinta, California offices to the engagement, at no additional cost to the City. *No subcontractors will be used.*

While many accounting firms can perform an audit, not all can build a great working relationship with their clients. The Pun Group, LLP develops lasting, personal relationships with clients. Our hands-on partner involvement and low personnel turnover will make you appreciate our firm more every day we work together.

Our Firm has:

- Extensive experience in audits of local governments as well as experience with preparation of Comprehensive Annual Financial Reports in GASB 34 format.
- Working relationship and willingness to respond to the City of Firebaugh requirements.

### **Staff Consistency**

The Firm is committed to maintaining staff continuity throughout audit engagements. While we cannot guarantee that our staff members will stay with the Firm, we encourage loyalty by paying competitive wages, offering opportunities for promotion, using state-of-the-art equipment, and providing excellent working conditions. We also offer benefits including retirement plans, medical plans, profit-sharing programs, and continuing education. The Firm is an equal-opportunity employer and complies with all federal and state hiring requirements. The Firm also supports affirmative-action philosophies and works hard to provide opportunities for self-enhancement to members of disadvantaged groups.

We guarantee that the partners assigned to this audit will be involved throughout the entire engagement term, and that assigned staff members will return to the City in future years if they are still with the firm. One of our primary audit concerns is staff continuity, and our hands-on partner involvement ensures that qualified and experienced professionals will perform audits efficiently and effectively every year of the engagement.

# City of Firebaugh

## Proposal for Professional Auditing Services

**AT THE PUN GROUP, LLP WE WORK TOGETHER WITH OUR CLIENTS TO ADDRESS A VARIETY OF CHALLENGES LIKE:**

- ✓ Reporting and Compliance Requirements
- ✓ Risk and Internal Controls
- ✓ Operational Transformation
- ✓ Technology Consulting

**GFOA CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING:**

100% of our clients that have submitted their reports to the GFOA have received the Certificate of Excellence.

**UNPARALLELED PARTNERS SUPPORT:**

Hands-on partner involvement always available to address our client's needs and answer questions.

**OUR SERVICES INCLUDE:**

- ✓ Financial statement audits
- ✓ Performance audits
- ✓ Single audit (OMB Circular A-133)
- ✓ Employee benefit plan audits
- ✓ Internal controls evaluations

EXPERIENCE. PRINCIPLES. KNOWLEDGE.  
COMMITMENT.

We understand our clients have broad and complex needs. That's the number one reason our solutions are developed to specifically address these unique needs. This is why we have such a high retention rate. Some of our clients have been with us for over a decade.

**The following is the most current list of our Assurance Clients:**

**Cities and Towns:**

- City of Arcadia
- City of Arvin
- City of Bradbury
- City of Calexico
- City of Cerritos
- City of Clovis
- City of Desert Hot Springs
- City of Encinitas
- City of Gardena
- City of Hermosa Beach
- City of Lakewood
- City of Monterey Park
- City of National City
- City of Placerville
- City of Poway
- City of Ridgecrest
- City of Stockton
- Town of Andrews
- Town of Danville

**Transportation Authorities/Agencies:**

- Washington Metropolitan Area Transit Authority
- San Diego Metropolitan Transit System
- SunLine Transit Agency

**Health Centers:**

- Alliance Medical Center
- Anderson Valley Health Center, Inc.
- Fallbrook Healthcare District
- Family Health Centers of San Diego
- Marin City Health and Wellness Center
- McCloud Healthcare District
- Redwood Coast Medical Services
- Ritter Center
- Shingletown Medical Center
- Tulare Community Health Clinic
- United Health Centers of San Joaquin Valley

**Special Districts/Others:**

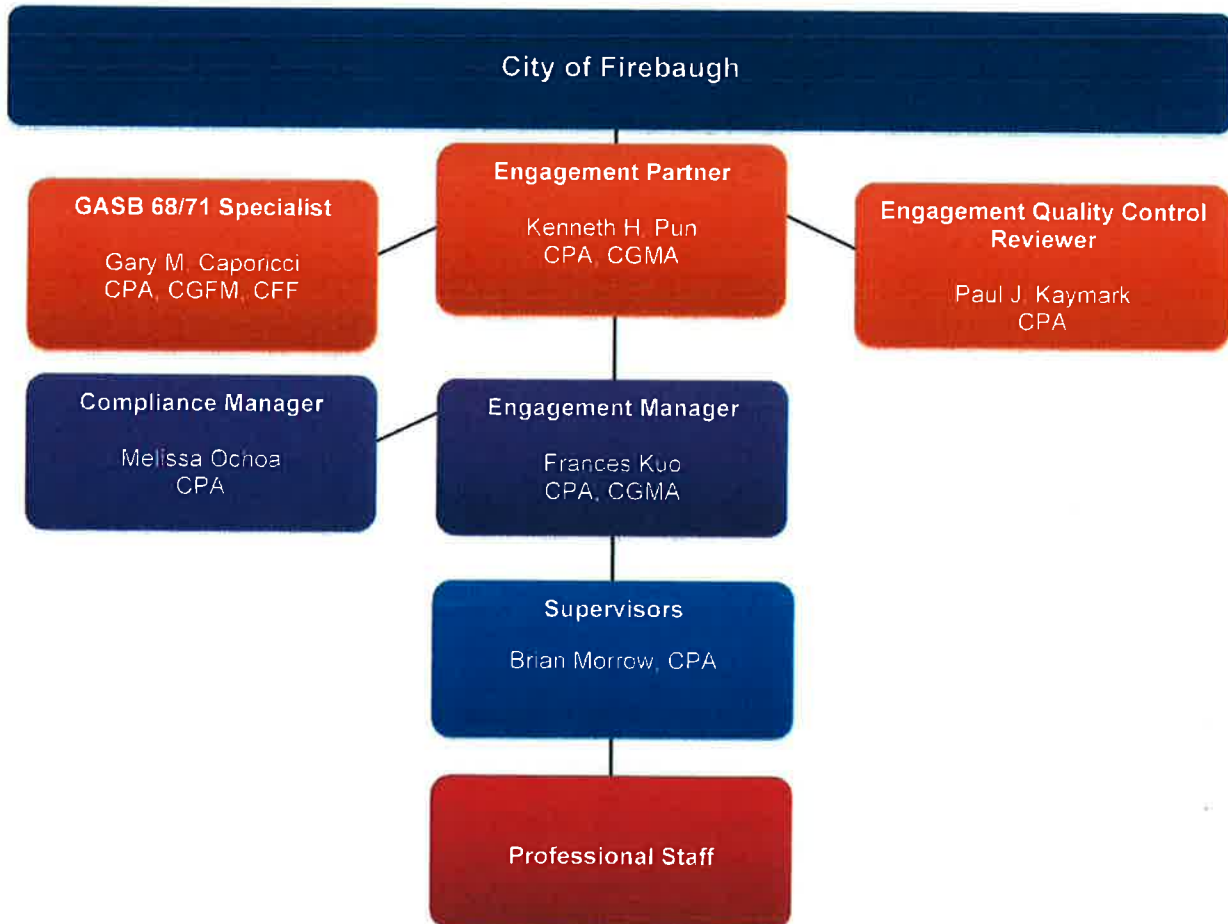
- Las Virgenes Municipal Water District
- Marina Coast Water District
- Newport Coast Elementary Foundation
- Orange County Business Council
- Shanghai Jiao Tong University Foundation of America
- Southwestern Community College District
- Valley Sanitary District
- Orange County – City Hazardous Materials Emergency Response Authority

## City of Firebaugh

### Proposal for Professional Auditing Services

#### Section III – Partner, Supervisory and Staff Qualifications and Experience

The Engagement Team is carefully chosen to provide the City with all services needed to successfully complete the audit. The Engagement and Concurring Partners are personally involved in the audit, and the Engagement Team has significant experience in governmental auditing. Our broad experience and technical capabilities allow us to provide technical support, interpret findings, and offer effective solutions to any issues.



The personnel assigned to this engagement are fully qualified to perform an effective and efficient audit of the City, and their extensive experience will be invaluable to the audit process. Our professionals are familiar with the complexities of governmental accounting, auditing, and financial reporting, including but not limited to, all GASB pronouncements, the Single Audit Act, OMB Circular A-133, and fund operations.

If the Firm changes key personnel for reasons other than those specified in the Proposal, we will provide the City with written notification and will only be changed with the express prior written permission of the City.

Other audit personnel may be changed with replacement that has substantially the same or better qualifications or experience.

## **City of Firebaugh**

### **Proposal for Professional Auditing Services**

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#### **Kenneth H. Pun, CPA, CGMA** **Engagement Partner**

Ken is an assurance partner and the Partner In-Charge of Government and Not-for Profit Practice at the Firm who has over fifteen years of public accounting experience. He specializes in audits and management consulting for government organizations. Ken will act as the Engagement Partner/Project Manager directly overseeing the Engagement Team, and he will be responsible for the delivery of all services to the City of Firebaugh. In addition, he will manage engagement planning and fieldwork, and he will review and approve the workpapers and reports.

#### **Paul J. Kaymark, CPA** **Engagement Quality Control Reviewer**

Paul is an assurance partner with the Government and Not-for Profit Practice at the Firm who has over twenty-years of public accounting experience. He specializes in auditing governments and not-for-profit organizations. As an audit and accounting specialist, he provides advice and consultation regarding complex accounting matters; assists engagement teams in audit matters, and ensure that engagement performed by the Firm comply with professional standards.

#### **Gary M. Caporicci, CPA, CGFM, CFF** **GASB 68/71 Specialist**

As an assurance partner with over forty years of experience, Gary has provided financial and compliance audit and consultation services to governmental clients including cities, counties, transportation agencies, and school districts, as well as various not-for-profit entities. He provides advice and consultation regarding complex accounting matters, assists engagement teams in audit matters. Gary will be responsible in providing advice and consultation for the implementation of these new pension standards.

#### **Frances Kuo, CPA, CGMA** **Engagement Manager**

Frances will work closely with Kenneth Pun, Paul Kaymark and Gary Caporicci, directing the audit team in its daily activities. She is an assurance services/audit manager and has extensive experience auditing local government entities including cities, counties, special districts, and healthcare entities.

#### **Melissa Ochoa, CPA** **Compliance Manager**

Working with Frances Kuo, Melissa will direct the audit team in compliance-related matters. She is an assurance services/audit manager in the Firm whose extensive auditing experience includes cities, counties, special districts, and not-for-profit entities.

#### **Brian Morrow, CPA** **Supervisors**

Brian will direct the audit staff, coordinate with the City of Firebaugh personnel, and implement the audit approach.

#### **Professional Staff**

All professional staff are qualified to perform financial and compliance audits of cities and other governmental agencies. This ensures that the staff quality will be consistent throughout the engagement term. Because we support both staff development and engagement continuity, we encourage senior and staff accountants to take increased responsibilities on their previous engagements as they advance professionally.



## **City of Firebaugh**

### **Proposal for Professional Auditing Services**

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#### **Quality-Control System**

The quality of our practice is extremely important to the Firm, as well as to our clients and the people who rely on our reports. We are meticulous about meeting professional standards, and we are careful to form professional relationships only with individuals who have strong integrity.

Our quality-control system, which is designed to meet our own elevated standards and those of the AICPA, includes the following professional-development activities:



#### **Professional Development**

Each Engagement Team member is up-to-date with continuing professional education requirements. The Firm encourages staff members to participate in the continuing education programs offered by the AICPA and the CalCPA Education Foundation. These classes include, among others:

- Basic Concepts of Governmental Accounting, Financial Reporting and Auditing
- Government Auditing Standards
- GASB Basic Financial Statements for State and Local Governments
- Single Audits: OMB Circular A-133
- Governmental and Nonprofit Annual Update
- Governmental Accounting and Auditing: The Annual Update
- Auditing Standards: A Comprehensive Review

In addition, the Firm provides comprehensive in-house training for all levels of staff. The program includes seminars developed by the Firm, educational programs developed by the AICPA and CalCPA, and on-the-job training.

Every year, all professional and administrative staff members receive an annual overview and review of topics such as these:

- Principles of accounting and financial reporting for state and local governments
- Governmental fund types
- Newly issued U.S. generally accepted auditing standards and government auditing standards
- Internal control evaluation approaches, including COSO Internal Control Framework
- Updates on recent governmental accounting and reporting guidelines and pronouncements
- Single Audit requirements and approaches
- Risk based audit approaches
- Working paper techniques
- Current issues facing the governmental community

These ongoing continuing education activities and training programs ensure the Engagement Team is highly educated, well prepared, and fully able to perform an efficient and effective audit of the City.

#### **Engagement Team Resumes**

City of Firebaugh deserves experienced professionals who work as a team. The Pun Group, LLP will provide qualified employees to perform the audit; no subcontractors will be used. Resumes for key Engagement Team members follow.

## City of Firebaugh

### Proposal for Professional Auditing Services



#### EDUCATION

BS Degree in Business  
Administration, emphasis in  
Accounting from the University of  
California, Riverside

#### AREAS OF EXPERTISE

Audits  
Reviews  
Federal Compliance  
Litigation Support

1655 North Main Street, Suite 355  
Walnut Creek, California 94596

ken.pun@pungroup.com

*\*Licensed by the State of California*

#### Kenneth H. Pun, CPA\*, CGMA Engagement Partner

Kenneth H. Pun is the Partner In-Charge of the Governmental and Not-for-Profit Practice and the Founder of The Pun Group, LLP. Prior to founding his own practice, Mr. Pun spent over twelve years with Caporicci & Larson, a specialty CPA firm recognized as one of California's foremost experts in governmental and not-for-profit accounting, auditing, and advisory services.

Ken has more than fifteen years of public-accounting experience and has achieved with a high level of expertise from successfully working with the governmental, private, and not-for-profit sectors. Clients often engage Ken because he provides premier service, commits to completing projects quickly and accurately, and introduces innovative methods of increasing operational efficiencies and reducing costs. Mr. Pun is a trusted advisor and a leader of accounting services to governmental and not-for-profit organizations.

In addition to working with clients, Ken provides the audit teams with direction and technical guidance to ensure adherence to the Firm's quality controls, and he assists with the development of the Assurance Services practice. Ken also speaks publicly on topics related to audits and quality control and shares his expertise with clients through annual educational seminars.

#### PROFESSIONAL & CIVIC AFFILIATIONS

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Certified Public Accountants (CalCPA)
- Member, CalCPA Governmental Accounting and Auditing Committee
- Member, Government Finance Officers Association (GFOA)
- Member, California Society of Municipal Finance Officers (CSMFO)
- Speaker, CSMFO Conference (2014)

#### PROFESSIONAL EXPERIENCE

- City of Arcadia
- City of Calexico
- City of Cerritos
- City of Chula Vista
- City of Clovis
- Town of Danville
- City of Desert Hot Springs
- City of Fairfield
- City of Gardena
- City of Placerville
- City of Poway
- City of Stockton
- North County Transit District
- San Diego Metropolitan Transit System
- San Diego Association of Governments

#### CONTINUING PROFESSIONAL EDUCATION

- Various municipal accounting courses offered by the CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: OMB Circular A-133
- Has met the current CPE educational requirements to perform audits of governmental agencies.

## City of Firebaugh

### Proposal for Professional Auditing Services



#### EDUCATION

BS Degree in Business  
Administration, emphasis in  
Accountancy from Cal State  
University Long Beach

#### AREAS OF EXPERTISE

Audits  
Reviews  
Federal Compliance

200 E. Sandpointe Ave., Suite 600  
Santa Ana, California 92707

paul.kaymark@pungroup.com

*\*Licensed by the State of California*

Paul J. Kaymark, CPA\*

Engagement Quality Control Reviewer

Paul J. Kaymark is an Audit Partner with the Governmental and Not-for-Profit Practice of The Pun Group, LLP. Prior to joining our firm, Mr. Kaymark spent over twenty years with KPMG, McGladrey and CZFCPA in these firms' governmental and not-for-profit audit services practice.

Mr. Kaymark 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.

#### PROFESSIONAL & CIVIC AFFILIATIONS

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

#### PROFESSIONAL EXPERIENCE

- Metropolitan Water District of Southern California
- San Diego County Water Authority
- Imperial Irrigation District
- Los Angeles County Sanitation District
- City of Los Angeles Department of Water & Power
- County of Los Angeles
- City of Glendale Water & Power
- City of Long Beach
- City of Pasadena
- City of South Pasadena
- City of Santa Monica
- Mojave Water Agency
- Casitas Municipal Water District
- Hi-Desert Water District
- North Marin Water District
- Palmdale Water District
- Rincon del Diablo Municipal Water District
- West Valley Water District
- Big Bear City Community Services District
- Stallion Springs Community Services District
- Monterey Regional Water Pollution Control Agency
- Oxnard Harbor District
- Various Airport, Cemetery, Fire and Park & Recreation Special Districts
- Various Not-For-Profit organizations throughout California
- Member, State Controller's Retirement Advisory Committee

#### CONTINUING PROFESSIONAL EDUCATION

- Various municipal accounting courses offered by the CalCPA Education Foundation including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: OMB Circular A-133
- Has met the current CPE educational requirements to perform audits of governmental agencies.



## City of Firebaugh

### Proposal for Professional Auditing Services



#### EDUCATION

BS Degree in Accounting and Finance  
from the Armstrong University

#### AREAS OF EXPERTISE

Audits  
Reviews  
Federal Compliance  
Litigation Support

200 East Sandpointe Avenue, Suite 600  
Santa Ana, California 92707

[gary.caporicci@pungroup.com](mailto:gary.caporicci@pungroup.com)

*\*Licensed by the State of California*

Gary M. Caporicci, CPA\*, CGFM, CFF  
GASB 68/71 Specialist

Gary M. Caporicci has more than forty years of diversified business experience, including a specialization in audit and management consulting for government organizations. Gary's clients include public and private universities and colleges, city and county governments, state agencies, joint power authorities, healthcare agencies, transportation agencies, and special districts. Known for his expertise in the areas of construction and government, Gary wrote the AICPA audit guides on these topics, and he has authored many audit and accounting courses for professional groups, as well as academic institutions. He frequently speaks and lectures at many professional organizations, governmental seminars, and conferences held by industry associations, other accounting firms, and universities. In addition, he authors white papers for the California Committee on Municipal Accounting.

Prior to working with the Firm, Gary founded his own accounting practice. He also spent eleven years with a "Big Eight" professional services firm, where he was an Audit Manager and gained broad experience in a wide range of industries such as government, construction, manufacturing, mutual funds, and insurance. Prior to that, Gary held a consultant position with a "Big Four" practice and was Vice President of a national insurance and financial services company.

#### PROFESSIONAL & CIVIC AFFILIATIONS

- Member and Instructor, American Institute of Certified Public Accountants (AICPA)
- Member, Author and Instructor, California Society of Certified Public Accountants (CalCPA)
- Past Chair, CalCPA Governmental Accounting and Auditing Committee
- Chair and Speaker, CalCPA Governmental Accounting and Auditing State Conferences
- Member, CalCPA Council
- Chair, California Committee on Municipal Accounting (CCMA)
- Member, Government Finance Officers Association (GFOA)
- Member, California Society of Municipal Finance Officers (CSMFO)
- Member, Governmental Accounting Standards Board (GASB),
- Member, Deposit and Investment Risks Disclosure Task Force (GASB No. 40)
- National Reviewer and Speaker, Government Finance Officers Association
- Adjunct Professor, National University
- Past Member, Texas Governmental Accounting and Auditing Committee

#### CONTINUING PROFESSIONAL EDUCATION

- Author and instructor of various municipal accounting courses offered by CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: OMB Circular A-133
- Has met the current CPE educational requirements to perform audits of governmental agencies

## City of Firebaugh

### Proposal for Professional Auditing Services



#### EDUCATION

BS Degree in Business  
Administration, Emphasis in  
Accounting, from  
University of California, Riverside

BA Degree in Economics from  
University of California, Riverside

#### AREAS OF EXPERTISE

Audits  
Reviews  
Federal Compliance

200 East Sandpointe Avenue, Suite 600  
Santa Ana, California 92707

frances.kuo@pungroup.com

*\*Licensed by the State of California, Arizona and  
Virginia*

Frances Kuo, CPA\*, CGMA

Engagement Manager

Frances Kuo is a Manager in The Pun Group, LLP's Assurance division. Frances has over ten years of accounting and auditing experience working with governmental agencies, not-for-profit entities, and employee benefit plans. Frances also has particular expertise in conducting financial audits under GAO Yellow Book standards and compliance audits in accordance with OMB Circular A-133.

Frances has performed audits and other attestation services for several municipalities throughout California including cities, counties, redevelopment agencies, public financing authorities, housing authorities, transportation agencies, and special districts. She has assisted these clients with publishing their Comprehensive Annual Financial Reports in compliance with GASB Statement No. 34.

Frances is the in-house instructor who provides training, both theoretical and on-the-job training, to lower level staff. She has developed training materials on the risk based audit approach, GASB Statement No. 34 reporting, Single Audits, and employee benefit plan audits.

#### PROFESSIONAL & CIVIC AFFILIATIONS

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Certified Public Accountants (CalCPA)
- Member, California Society of Municipal Finance Officers (CSMFO)

#### RELEVANT PROJECT EXPERIENCE

- City of Arcadia
- City of Bradbury
- City of Cerritos
- City of Desert Hot Springs
- City of Gardena
- City of Monterey Park
- City of Ridgecrest
- Conejo Recreation and Park District
- Las Virgenes Municipal Water District
- Marina Coast Water District
- Mountains Recreation and Conservation Authority
- San Diego Transit Corporation Retirement Plan
- Tulare Community Health Clinic
- San Diego Metropolitan Transit System
- San Diego Association of Governments
- Southwestern Community College District
- Valley Sanitary District

#### CONTINUING PROFESSIONAL EDUCATION

- Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: OMB Circular A-133
- Has met the current CPE educational requirements to perform audits of governmental agencies.

## City of Firebaugh

### Proposal for Professional Auditing Services



#### EDUCATION

BA Degree in Business  
Administration, Emphasis in  
Accounting, from California State  
University, Fullerton

#### AREAS OF EXPERTISE

Audits  
Reviews  
Federal Compliance

200 East Sandpointe Avenue, Suite 600  
Santa Ana, California 92707

[melissa.ochoa@pungroup.com](mailto:melissa.ochoa@pungroup.com)

*\*Licensed by the State of California*

Melissa Ochoa, CPA\*

Compliance Manager

Melissa Ochoa is a Manager in The Pun Group, LLP's Assurance division. Melissa has over fifteen years of accounting and auditing experience working with governmental agencies, not-for-profit entities, and private for profit entities. Melissa also has particular expertise in conducting financial audits under GAO Yellow Book standards and compliance audits in accordance with OMB Circular A-133.

Melissa has performed audits and other attestation services for several governmental agencies throughout California including: special districts, airports, financing authorities, water, sewer, flood and sanitation districts. She has assisted these clients with publishing their Comprehensive Annual Financial Reports in compliance with GASB Statement No. 34.

Melissa develops training materials and shares her expertise internally with other Firm professionals. Melissa is a frequent speaker at in-house seminars on topics related to government auditing standards and Single audits.

#### PROFESSIONAL & CIVIC AFFILIATIONS

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

#### RELEVANT PROJECT EXPERIENCE

- Castaic Lake Water Agency
- Monterey Regional Water Pollution Control Agency
- North Marin Water District
- El Toro Water District
- East Orange County Water District
- Trabuco Canyon Water District
- Hi-Desert Water District
- Casitas Municipal Water District
- Soquel Creek Water District
- Santa Maria Airport District
- Gold Coast Transit
- Oxnard Harbor District
- Rancho Santa Fe Fire Protection District
- Coachella Valley Mosquito and Vector Control District
- West Valley Mosquito and Vector Control District
- Injured Marine Semper Fi Fund
- Festival of Arts of Laguna Beach
- Laguna Beach Seniors
- Irvine Chamber of Commerce
- Quality Drug Holdings Corporation
- Oschin Family Foundation
- Compilations and Reviews of several private entities

#### CONTINUING PROFESSIONAL EDUCATION

- Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: OMB Circular A-133
  - Financial Accounting Standards Board Annual Updates
  - Statement on Standards for Accounting and Review Services Updates
- Has met the current CPE educational requirements to perform audits of governmental agencies.

## City of Firebaugh

### Proposal for Professional Auditing Services



#### EDUCATION

BS Degree in Business  
Administration – Accounting  
from University of Arizona

Masters in Accounting from  
University of Arizona

#### AREAS OF EXPERTISE

Audits  
Reviews  
Federal Compliance

1655 N. Main Street, Suite 355  
Walnut Creek, California 94596

brian.morrow@pungroup.com

*\*Licensed by the State of Arizona*

Brian Morrow, CPA\*

Supervisor

Brian Roy Morrow is a Supervisor for The Pun Group, LLP. He has more than nine (9) years of governmental experience that ranges from GASB audit/reporting, Internal Controls/COSO Framework, Single Audit, Corporate Financial Reporting and Data Analysis.

In various engagements, Brian has been involved in providing significant services to various governmental entities and actively contributed and participated in the planning process, implementation of the audit work plan, supervision of staff, compliance testing for the Single Audit Concept and preparation of the Comprehensive Annual Financial Reports.

#### PROFESSIONAL & CIVIC AFFILIATIONS

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

#### KEY CLIENTS

- Anderson Valley Health Center, Inc., CA
- City of Chandler, AZ
- City of El Mirage, AZ
- City of Espanola, AZ
- City of Half Moon Bay, CA
- City of Los Altos, CA
- City of Maricopa, AZ
- City of Walnut Creek, CA
- City of Stockton, CA
- City of Safford, AZ
- City of Sierra Vista, AZ
- Family Health Centers of San Diego, CA
- Las Gallinas Valley Sanitary District, CA
- Marin City Health and Wellness Center, CA
- McCloud Healthcare District, CA
- Regional Transportation Authority, AZ
- Town of Gilbert, AZ
- Town of Huachuca City, AZ
- Tulare Community Health Clinic, CA
- United Health Centers of San Joaquin Valley, CA
- Window Rock Unified School District, AZ

#### CONTINUING PROFESSIONAL EDUCATION

- Various municipal accounting courses offered by the California Society of CPAs and local universities including:
  - Governmental Financial Reporting Standards and Practices
  - Yellow Book: Government Auditing Standards
  - Municipal Accounting
  - Single Audit
- Has met the current CPE educational requirements to perform audits of governmental agencies.



## **City of Firebaugh**

### ***Proposal for Professional Auditing Services***

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## **Section IV – Detail Audit Plan**

### ***Understanding of the Scope***

The City of Firebaugh is soliciting proposals from qualified firms of certified public accountants to audit the City of Firebaugh's financial statements for the fiscal years ending 2015, 2016 and 2017, with the option of auditing the City of Firebaugh's financial statements for an additional two subsequent fiscal years.

To accomplish this task, the Firm will:

- ✓ Perform an audit examination in accordance with generally accepted accounting principles. The Firm will produce and print the final annual report.
- ✓ Render an auditors' report on the basic financial statements which will include both Government-Wide Financial Statements and Fund Financial Statements. The audit firm will also apply limited audit procedures to Management's Discussion and Analysis ("MD&A") and required supplementary information pertaining to the General Fund and each major fund of the City.
- ✓ Prepare a report based on the firm's understanding of the internal control structure and assessment of control risk. In this report, the auditor will also communicate any reportable conditions (material weaknesses or significant deficiencies) found during the audit and indicate whether they are also material weaknesses
- ✓ Issue a separate "management letter" that includes recommendations for improvements in internal control, accounting procedures and other significant observations that are considered to be non-reportable conditions. Management letters shall be addressed to the City Administrator
- ✓ Make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware.

Partners of the Firm will be available throughout the year as an information resource and to provide guidance on implementation of Government Account Standards Board (GASB) requirements and specifics of federal and state regulations as they may affect local government accounting. In addition, they will assist with the implementation of new pronouncements.

## **City of Firebaugh**

### **Proposal for Professional Auditing Services**

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#### ***Working Paper Retention and Access to Working Papers***

The Firm will retain, at its own expense, all working papers and reports for a minimum of (7) seven years, unless the City notifies the Firm in writing of the need to extend the retention period. Upon request, the Firm will make working papers available to City of Firebaugh or other governmental agencies included in the federal or state grant audits.

The Firm will comply with reasonable requests from successor auditors and allow them to review working papers that relate to matters of continuing accounting significance.

#### ***Proposed segmentation of the engagement***

The audit will be performed in four phases:

##### ***Initial Planning Meeting:***

The Engagement Partner and Manager will meet with City's Management to get up to speed with City policies and procedures, establish any specific requirements Management may have identification of unique transactions, implementation of new GASB pronouncements and develop the audit work plan for the engagement.



##### ***Interim:***

The Engagement Team—including the Engagement Partner—will assess accounting policies adopted by the City, obtain an understanding of the City and its operating environment, review internal controls on all significant transaction classes, perform walkthroughs and/or tests of internal control, perform preliminary analytical procedures, evaluate Single Audit compliance (if needed), identify any audit issues, and prepare confirmation correspondence. The Engagement Team and City Management will establish expectations including responsibilities and assignments for the year-end audit, and will hold a progress status meeting at the end of the Interim phase.

##### ***Year-End:***

The Engagement Team—including the Engagement Partner—will conduct audit procedures on account balances in the general ledger, finish confirmation procedures, perform preliminary analytical procedures, search for unrecorded liabilities, perform substantive analytical review procedures, complete work on compliance with Federal Assistance, and conclude fieldwork. The Engagement Team and City Management will hold an exit conference at the end of the Year-End phase.

##### ***Reporting:***

The Firm will review and prepare audit reports and perform quality control procedures in accordance with the Quality Control Standards issued by the AICPA. We will also review reports for compliance with GFOA reporting guidelines at no additional cost. Any comments will be issued in a letter to Management. At the City's request, the Engagement Partner, Concurring Partner, and Managers will present the audit to the City's governing body.

The Firm will complete the audit fieldwork and issue all reports within the established timeframe, assuming no internal City circumstances delay the audit.

#### ***Level of staff and number of hours to be assigned to each proposed segment of the engagement***

We understand that the City is looking for value in the professional relationship they have with their auditors. Value comes from the knowledge, experience and dedication that the auditing firm employs. We stress "employ" because all of the knowledge and expertise shown on paper will not benefit you unless it is applied. This application equates to time spent. We have developed an hours plan that we feel will accomplish the objectives of the City and meet your particular needs. We have used the information you have shared with us and our experience over the years auditing other governmental entities including cities of a similar size and nature to develop an effective and efficient plan for all major areas.

## City of Firebaugh

### Proposal for Professional Auditing Services

#### Audit Schedule

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 May through July (City's preference) of each year; year-end fieldwork to begin in September of each year (City preference of Dates), concluding before the end of September. Final auditor's opinions on the financial statements and Management Letter no later than November of each year or earlier per City's requirements.

Timing	Activity
May - July (schedule meeting during this period)	Conduct audit entrance conference.
During May - July each year (2 weeks scheduled during this period at the City's convenience)	Perform preliminary procedures including: transition efforts, initial control assessments, minute and contract/major agreement review, major transaction review, conduct EDP review, final controls assessment, determination of specific audit procedures, provide finance department with audit plan and listing of audit schedules required, conduct progress conference with key Finance personnel. Complete test for Federal Awards.
During September (2 weeks during this period)	Commence audit fieldwork and execute detailed audit plan, conduct progress conference with key Finance personnel. Complete Single Audit Testwork, if necessary.
By End of September	Present drafts of the Annual Financial Report Opinions, Management Report, Other Letters and conduct an exit conference.
By November	Deliver Final Opinions and then Present the Financials to Board.

#### Total Hours:

Staff Classification Performing Work	Estimated Hours Annually
Partners	20
Managers	60
Supervisor	60
Senior Accountant	70
Professional Staff	60
<b>Total Annual Hours:</b>	<b>270</b>

Hours by Audit Phase	Hours
Phase I - Planning	27
Phase II - Interim	108
Phase III - Year End	108
Phase IV - Reporting	27
<b>Total Annual Hours:</b>	<b>270</b>

#### Sample size and the extent to which statistical sampling is to be used in this engagement

In our audit approach, statistical sampling is used in conjunction with our skilled judgment and knowledge of each situation. The population size and assurance level needed from any given test will determine the sample size used in our testing.

## **City of Firebaugh**

### **Proposal for Professional Auditing Services**

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#### ***Type and extent of analytical procedures to be used in the engagement***

We use analytical procedures during the interim phase to set up expectations for the year-to-date results and balances and compare them with budgeted and prior-year amounts. This allows us to forecast year-end amounts, reducing the workload during the year-end phase and allowing us to focus on areas of concern.

We also use trend and ratio analysis to identify any uncertain or unusual events. In order to perform these analysis, our firm performs a survey of cities and counties and develops benchmarks on certain key financial indicators, such as cost of services to tax revenues ratios, average general fund balance, capital assets, debt per capital, general fund unassigned fund balance to total general fund expenditures, etc.

Our staff members have the knowledge and experience to effectively use analytical procedures to the City's benefit.

#### ***Approach to be taken to gain and document an understanding of the City's internal control structure***

Audit risk assessment will be established by an internal control review, combined with the Engagement Team's understanding of the City's operations and accounting software. Using the Committee of Sponsoring Organizations (COSO) Framework, staff members will evaluate the City's processes and identify any control deficiencies. These diagnostic review procedures allow the Engagement Team to evaluate the City's systems and controls and to provide constructive feedback to City Management.

The Engagement Team will perform a walkthrough of the City's accounting systems, including processes for financial reporting, revenue recognition and cash receipts, purchasing/contract management and cash disbursements, and payroll and related liabilities, etc. Auditors will document the process with a flowchart or narrative summary.

#### ***Approach to be taken in determining laws and regulations that will be subject to audit test work***

The Firm stays continually up to date with audit requirements—including new regulations, compliance supplements, state guidelines, and pertinent contracts—to ensure that we conduct audits in accordance with applicable laws and regulations. We test transactions for compliance with the Single Audit Act, California Government Code, GANN Appropriations Limit, Transportation Development Act, provisions of applicable grant guidelines, requirements of local measures, etc.

For example, the Single Audit Act requires that we determine which grants to include in our audit and select transactions from those grants for detailed testing. While most transactions are tested as part of the Interim phase, we cannot determine which grants to test for the Single Audit until the Year-End phase of audit.

Our compliance audits of cash, investments, debt covenants, and other areas are performed in accordance with the California Government code, which has many provisions and regulations covering investments.

#### ***Approach to be taken in drawing audit samples for purposes of tests of compliance***

To test compliance, we follow the AICPA's *Audit Sampling Considerations of Circular A-133 Compliance Audits*. We will select an appropriate sample size based on our professional judgment and knowledge. Any deviations from control and compliance requirements will be documented.



## **City of Firebaugh**

### **Proposal for Professional Auditing Services**

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#### **Section V – References**

Following are some of the list the most significant engagements performed in the last five (5) years that are similar to the engagement described in this request for proposals. Please contact the following governmental agencies to learn more about their experiences working with us.

**Reference 1:**

**Name of Client:** City of Stockton  
**Service Period:** June 30, 2012 to Present  
**Scope of Work:** The Firm has provided professional auditing services to the City of Stockton which includes the audit of the City's CAFR, Single Audit, and Measure W. In addition, the firm has performed agreed-upon procedures of the Appropriation Limit.

**Engagement Partners:** Kenneth H. Pun  
**Total Hours:** Average 2,500 hours per year  
**Principle Client Contact:** Ms. Vanessa Burke  
Chief Financial Officer  
425 N. El Dorado Street  
Stockton, CA 95202  
(209) 937-7177

**Reference 2:**

**Name of Client:** City of Desert Hot Springs  
**Service Period:** June 30, 2013 to Present  
**Scope of Work:** The Firm has provided professional auditing services to the City of Desert Hot Springs which includes the audit of the City's Basic Financial Statements, and Single Audit. In addition, the firm has performed agreed-upon procedures of the Appropriation Limit and Transient Occupancy Tax (TOT).

**Engagement Partners:** Kenneth H. Pun  
**Total Hours:** Average 500 hours per year  
**Principle Client Contact:** Ms. Linda Kelly  
Financial Specialist  
65-950 Pierson Blvd.  
Desert Hot Springs, CA 92240  
(760) 329-6411 ext. 289

**Reference 3:**

**Name of Client:** Town of Danville  
**Service Period:** June 30, 2013 to Present  
**Scope of Work:** The Firm has provided professional auditing services to the Town of Danville which includes the audit of the City's CAFR, Financing Authority, the Lighting and Landscaping Assessment District's Basic Financial Statements, and Single Audit. In addition, the firm has performed agreed-upon procedures of the Appropriation Limit.

**Engagement Partners:** Kenneth H. Pun  
**Total Hours:** Average 300 hours per year  
**Principle Client Contact:** Ms. Lani Ha  
Accounting Manager  
510 La Gonda Way,  
Danville, CA 94526  
(925) 314-3358

## **City of Firebaugh**

### **Proposal for Professional Auditing Services**

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#### **Reference 4:**

**Name of Client:** City of Encinitas  
**Service Period:** June 30, 2014 to Present  
**Scope of Work:** The Firm has provided professional auditing services to the City of Encinitas which includes the audit of the City's CAFR, San Dieguito Water District's Basic Financial Statements, and Single Audit. In addition, the firm has performed agreed-upon procedures of the Appropriation Limit.  
**Engagement Partners:** Kenneth H. Pun  
**Total Hours:** Average 350 hours per year  
**Principle Client Contact:** Ms. Cindy Choquette  
Financial Analyst II  
505 S. Vulcan Avenue  
Encinitas, CA 92024  
(760) 943-2290

#### **Reference 5:**

**Name of Client:** City of Clovis  
**Service Period:** June 30, 2007 to Present  
**Scope of Work:** The Firm has provided professional auditing services to the City of Clovis which includes the audit of the City's CAFR, Local Transportation Fund, and Single Audit. In addition, the firm has performed agreed-upon procedures of the Appropriation Limit.  
**Engagement Partners:** Kenneth H. Pun  
**Total Hours:** Average 350 hours per year  
**Principle Client Contact:** Ms. Jamie Hughson  
Finance Director  
1033 Fifth Street  
Clovis, CA 93612  
(559) 324-2106

## **Other Relevant Experience**

### **City of Stockton**

The City of Stockton filed a petition for Chapter 9 bankruptcy protection with the United States Bankruptcy Court on June 28, 2012, the largest municipality bankruptcy at the time. The Firm was engaged as audit liaison and advisor in 2012 for the City's 2011 audit. The City also engaged the Firm to help drafting the Comprehensive Annual Financial Report in accordance with U.S. GAAP and in compliance with GFOA guidelines for the certificate of achievement for excellence in financial reporting program.

With the superb services provided, the City of Stockton also engaged the Firm to provide audit service for the years ending June 30, 2012 through 2015 due to the early termination of the contract from its predecessor firm. Mr. Kenneth H. Pun has been assigned as the engagement partner who facilitated the audit process since then. The engagement team completed the audit and issued the audit reports for the year ended June 30, 2012 and 2013 within the one year timeframe.

## City of Firebaugh

### Proposal for Professional Auditing Services

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#### San Diego Metropolitan Transit System ("MTS")

On January 1, 2003, California Senate Bill 1703 (SB 1703) became effective. SB 1703 required the consolidation of the planning and programming functions of MTS and the North County Transit District (NCTD) into the San Diego Association of Governments (SANDAG) in an initial transfer to take place prior to July 1, 2003. SB 1703 also required the consolidation of certain project development and construction functions of MTS and NCTD into SANDAG in a subsequent transfer to take place prior to January 30, 2004. The initial transfer occurred on July 1, 2003, and the subsequent transfer occurred on October 13, 2003. With these actions, employees were transferred from MTS and NCTD to SANDAG, and certain planning, development, and construction functions were also transferred.

After the enactment of SB 1703, Mr. Kenneth H. Pun was able to convert MTS financial model from general-purpose government to stand-alone business-type activities government under GASB Statement No. 34 in 2007. By doing so, MTS has significantly improved their financial reporting.

#### City of Desert Hot Springs

The City of Desert Hot Springs engaged the Firm to provide professional auditing services since June 30, 2013. During the audit, certain deficiencies were noted that the City cited as the cause of their financial hardship. The City reduced its overall workforce resulting in many positions unfilled. However, our firm was still able to complete the engagement in a timely manner and provide valuable recommendations to the City Council in addressing their deficiencies.

In addition, during the year ended June 30, 2013, the City entered into a very complicated financial arrangement, New Market Tax Credit financing, for the construction of the Desert Hot Springs Health and Wellness Center. Our firm has provided guidance to the City in addressing complex accounting issues and helped drafting the stand-alone financial statements to fulfil the addition reporting requirements under the New Market Tax Credit financing.

#### GASB 67 and 68 Implementation

Gary M. Caporicci, the *Engagement Concurring Partner*, has tremendous expertise in assisting clients with the implementation of GASB Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68, *Accounting and Financial Reporting for Pensions*. **Clients of the Pun Group will benefit from his expertise during the entire process of implementation of these Standards throughout the engagement.**

Currently, Gary is authoring the continuing professional education courses for both the AICPA and CalCPA Society on these subject matters. Following are the highlights of his course:

**Description:** Designed to present the New Pension Standards from the Governmental Auditing Standards Board (GASB). These standards are effective for fiscal years beginning after June 15, 2014 and are applicable to all State and Local government agencies. This program will cover the following standards, as well as any updates.

- GASB No. 68, *Accounting and Financial Reporting for Pensions*.
- GASB No 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*—an amendment of GASB Statement No. 68.

#### Objectives:

- Understand the accounting depth and financial reporting impact of the New Pension Standards.
- Review the accounting and financial reporting of significant accounts including:
  - Total Pension Liability
  - Net Pension Liability
  - Deferred Outflows and Deferred Inflows of Resources
  - Net Fiduciary Position
  - Pension Expense
- Present and thoroughly review the audit implications and solutions for the retirement systems auditor's and the local government agencies auditor.

## ***City of Firebaugh***

### ***Proposal for Professional Auditing Services***

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#### **Major Topics:**

- Accounting and financial reporting, including expanded Note Disclosures and Required Supplementary Information.
- Identify and explain critical dates for implementation.
- Understand and describe the actuary's role as to key dates and actuarial information.

#### ***Client Training Seminar***

Also, **every year, the Firm hosts a conference to update governmental clients on new technical accounting and financial issues.** The day-long session—held in Clovis, San Diego, Cerritos, and Danville—qualifies for **eight hours of CPE** with the California Board of Accountancy.

Participants in the most recent training seminar received a high-level examination of numerous technical issues, including the following:

- New and anticipated Pronouncements issued by Governmental Accounting Standards Board (GASB) and future issues under consideration by GASB.
- Fraud in Government.
- Current Development in Marijuana Dispensaries and Related Internal Control Concerns.
- What you need to know, as an auditee, for your 2014 Single Audits, including the OMB Circular A-133 Compliance Supplement.
- **Discussion of GASB Statements No. 67 and 68, "Accounting and Financial Reporting for Pension Plans".**
- Overview of the Survey of Cities and Counties.

**Importantly, all of our clients are invited to attend to the Pun Group seminar **FREE OF CHARGE.****

## ***City of Firebaugh***

### ***Proposal for Professional Auditing Services***

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## **Section VI – Fee Proposal**

### ***Certification***

We are committed to the performance of a high quality audit at the most reasonable fee level possible, both initially and throughout the engagement. Also, both partners will provide advice and consultation as needed, at no additional cost to the City of Firebaugh.

**Name of Firm:** The Pun Group, LLP  
Certified Public Accountants and Business Advisors  
1655 North Main Street, Suite 355  
Walnut Creek, California 94596

**Certification:** Kenneth H. Pun is entitled to represent the Firm, empowered to submit the bid, and authorized to sign a contract with the City of Firebaugh.

### ***Total All-Inclusive Maximum Price***

Following are our total "not-to-exceed" fees for each of the three (3) years of the engagement (FY2014-2015, FY2015-2016, and 2016-2017) and optional two (2) subsequent years (FY2017-2018 and FY2018-2019), per City's request:

	<u>FY 2015</u>	<u>Per Year</u>	<u>COLA Percentage</u>	<u>Calculated Maximum Price</u>
Audit	\$ 26,000	FY 2015		\$ 31,000
Preparation of State Controller's Report	\$ 1,500	FY 2016	1.50%	\$ 31,485
Single-Audit	\$ 3,500	FY 2017	1.50%	\$ 31,937
Total	<u>\$ 31,000</u>	FY 2018	1.50%	\$ 32,418
		FY 2019	1.50%	\$ 32,902

The each subsequent year there will be a 1.5% increase due to Cost-of-Living Adjustment (COLA)



## **City of Firebaugh**

### **Proposal for Professional Auditing Services**

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#### ***Benefits of Choosing The Pun Group, LLP***

The Pun Group, LLP is known for its professionalism, integrity, and ability to guide clients through their unique challenges. Firm policy emphasizes providing personalized client service, so our carefully chosen engagement teams are led by an experienced partner who is directly involved in the work. This philosophy allows us to provide a superior level of service.

We trust that this proposal has given you the information you need about the Firm, the Engagement Team members, overall audit approach, cost-saving measures, and audit fees. We are committed to exceeding your expectations, and we look forward to bringing our experience and expertise to the City of Firebaugh and providing you with the excellent level of service that you expect and deserve.

#### ***Thank You***

Thank you for giving us the opportunity to introduce the Firm and submit our qualifications to provide you with audit services. Please direct inquiries to:

Mr. Kenneth H. Pun, CPA, CGMA  
Managing Partner  
1655 North Main Street, Suite 355  
Walnut Creek, California 94596  
ken.pun@pungroup.com  
(925) 954-3301

Sincerely,

A handwritten signature in black ink that reads "The Pun Group, LLP". The script is fluid and cursive, with the "Pun" and "Group" being more prominent.

The Pun Group, LLP  
Certified Public Accountants and Business Advisors

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## ***APPENDIX***

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- ✓ Proof of Insurance

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# City of Firebaugh

## Proposal for Professional Auditing Services



### CERTIFICATE OF LIABILITY INSURANCE

PUN&M-1

OP ID: S9

DATE (MM/DD/YYYY)

09/03/2014

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

<b>PRODUCER</b> Leavitt Ins Agency San Diego CA License #0872756 3838 Nobel Drive, Suite 100 San Diego, CA 92122 Mike Pradeis-JK1		<b>Phone: 858-259-5800</b> <b>Fax: 858-259-6069</b>		<b>CONTACT</b> NAME: PHONE (A/C, H/O, Ext): E-MAIL: ADDRESS: <b>sandra-bao@Leavitt.com</b>		<b>FAX (A/C, H/O):</b>	
<b>INSURED</b> The Pun Group, LLP 1855 N Main Street, Suite 355 Walnut Creek, CA 94596		<b>INSURER(S) AFFORDING COVERAGE</b>		<b>NAIC #</b>			
		<b>INSURER A:</b> Travelers Casualty Ins Co Amer		<b>31194</b>			
		<b>INSURER B:</b> Travelers Casualty Ins Co Amer		<b>31194</b>			
		<b>INSURER C:</b> Navigator's Insurance Co		<b>42307</b>			
		<b>INSURER D:</b>					
		<b>INSURER E:</b>					
		<b>INSURER F:</b>					

COVERAGES		CERTIFICATE NUMBER:		REVISION NUMBER:		
THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.						
INSR LTR	TYPE OF INSURANCE	ADDL SUBR INSR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<b>GENERAL LIABILITY</b> <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR  GEN'L AGGREGATE LIMIT APPLIES PER <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PROJ <input type="checkbox"/> LOC		6802B545975	03/01/2014	03/01/2015	EACH OCCURRENCE \$ 2,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 300,000 MED EXP (Any one person) \$ 5,000 PERSONAL & ADV INJURY \$ 2,000,000 GENERAL AGGREGATE \$ 4,000,000 PRODUCTS - COMP/OP AGG \$ 4,000,000
A	<b>AUTOMOBILE LIABILITY</b> <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS		6802B545975	03/01/2014	03/01/2015	COMBINED SINGLE LIMIT (Ea accident) \$ 2,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
	<b>UMBRELLA LIAB</b> EXCESS LIAB OED RETENTION \$					EACH OCCURRENCE \$ AGGREGATE \$
B	<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b> ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? <input checked="" type="checkbox"/> Y <input type="checkbox"/> N If yes, describe under DESCRIPTION OF OPERATIONS below	N/A	UUB2B550371	03/01/2014	03/01/2015	<input checked="" type="checkbox"/> WORK STATUS LIMITS <input type="checkbox"/> OTHER E L EACH ACCIDENT \$ 1,000,000 E L DISEASE - EA EMPLOYEE \$ 1,000,000 E L DISEASE - POLICY LIMIT \$ 1,000,000
C	E&O		IAC119320	03/01/2014	03/01/2015	Per Claim 1,000,000 Aggregate 2,000,000
DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)						

<b>CERTIFICATE HOLDER</b>  Evidence of Insurance	<b>CANCELLATION</b>  SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.  AUTHORIZED REPRESENTATIVE <i>Sandra Bao</i>
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ACORD 25 (2010/06)

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# BRYANT L. JOLLEY

CERTIFIED PUBLIC ACCOUNTANTS

Bryant L. Jolley C.P.A.  
Ryan P. Jolley C.P.A.  
Darryl L. Smith C.P.A.  
Travis B. Evenson

February 23, 2015

Kenneth McDonald, City Manager  
City of Firebaugh  
1133 "P" Street  
Firebaugh, CA 93622

We are pleased to provide this response to the City of Firebaugh's, request for proposal for an independent accounting firm to provide audit and related financial services for the fiscal years ending June 30, 2015, 2016 and 2017.

We understand the scope of work will include Audited Financial Statements for the City of Firebaugh, a Single Audit if applicable, and a Management Report. We also understand the audit and reports are to be conducted in accordance with generally accepted government auditing standards as set forth by the General Accounting Office's (GAO) Government Auditing Standards and U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Finally, we understand the objective of the services to be performed and commit to performing those services within the time period specified by the City of Firebaugh.

We have specialized in the auditing of cities and special districts over the past 30 years and have performed over 400 district and city audits. Our firm consists of five professional staff who have over seventy years combined governmental auditing experience making us premier auditors of local governments. We have provided quality audits and assistance to City staff over the years we have been engaged as the City auditor.

We seek to conduct the City audit because we feel our experience and expertise with government audits makes us a perfect fit for the engagement. We can provide value to the City through the quality of our work, the timeliness of our performance, our knowledge of governments, team consistency, and, most important, a strong relationship among the people on our team and with City staff. In addition, we are a local firm that supports the local economy.

In the following proposal, you will see that our firm is capable of consistently delivering high levels of value to the City. You will work with an auditor that is stable and responsive. You will receive accurate, reliable, and timely service that is fairly priced. And you will have continual access to senior-level team members who are knowledgeable, qualified, and consistent.

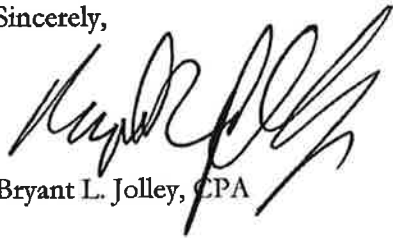
Bryant L. Jolley, CPA will serve as the principle contact authorized to make representations on behalf of this bid. This proposal is firm and irrevocable offer for 30 days. He can be reached by phone at 559-659-3045 or by mail at 901 "N" Street, Suite 104, Firebaugh, CA 93622.

1 #4

As required by Government Auditing Standards, a copy of our most recent peer review is enclosed. You will note we received an unqualified report for this peer review.

We are eager to continue performing the City's audit and demonstrating our commitment to providing a cost-effective, high-quality audit of the City. We look forward to your response and meeting with you to further discuss a possible relationship. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bryant L. Jolley', with a stylized flourish at the end.

Bryant L. Jolley, CPA

## TECHNICAL PROPOSAL

Our firm is independent of the City of Firebaugh as defined by the U.S. General Accounting Office's Government Auditing Standards. Our firm is licensed to operate as a certified public accounting firm by the State of California. All professional staff is properly licensed to practice in California. Our firm maintains professional liability, workers' compensation, and automobile insurance.

Our firm consists of three CPA's who have over sixty years combined governmental auditing experience making us premier auditors of local governments. Because of the size of our firm and the experience of the individuals, all three members of our firm will be involved in this engagement.

Our firm is in compliance with all GAO standards for continuing education and we recently completed a peer-review of our work, which included government engagements, by an independent CPA firm.

The people who serve you today will be the people who serve you tomorrow. **Our firm's turnover rate is 0%, which ensures continuity on your engagement. Our firm only consists of senior level members who have significant years of governmental experience.** Your engagement team will not contain staff accountants nor will you have to train new audit team members in succeeding years. We highly emphasize senior level involvement because these are the team members who know the most about you and your operations. Their involvement assures quick resolution of issues, better job management, closer supervision, and expeditious review of work papers. These are the people who will remain consistently committed to your engagement.

The following information outlines the qualifications and experience of the individuals who would be assigned to the engagement.

## QUALIFICATIONS OF YOUR AUDIT TEAM

### **BRYANT JOLLEY, CPA**

#### ***AUDIT ROLE: CLIENT SERVICE PARTNER/ENGAGEMENT REVIEWER***

Bryant Jolley will be the in-charge person for the City audit. He has been a licensed CPA since 1976 and has operated his own firm since 1980. He graduated from Brigham Young University in 1974 and did graduate accounting studies at the University of Southern California. His initial training as an auditor was with Deloitte Touche, an international CPA firm. The first governmental audit he performed was in 1979 and he has been extensively engaged in governmental accounting since that date. He is the in charge person on an average of thirty city or special district audits each year. This experience allows him to have a unique understanding of the accounting and fiscal problems facing governmental units and provide concrete recommendations to improve overall efficiencies. He has received over 80 hours of government-specific continuing professional education over the last two years and is a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants.

**DARRYL SMITH, CPA****AUDIT ROLE: ENGAGEMENT MANAGER**

Darryl Smith is a licensed certified public accountant who joined the firm in 1982. Since that time he has worked closely with Bryant Jolley on all audit engagements including approximately 150 governmental audits. Additionally, he has helped many cities and districts with temporary accounting projects or other operational emergencies. This has provided him with extensive working knowledge of the commonly used governmental accounting software programs and allows him to be available for normal accounting questions or assistance throughout the year. He is a member of the American Institute of Certified Public Accountants.

**RYAN JOLLEY, CPA****AUDIT ROLE: ENGAGEMENT MANAGER**

Ryan Jolley is a licensed certified public accountant who joined our firm in 2004. He graduated with an undergraduate degree in accounting in 2002 and entered the Masters program in accounting at San Diego State University the same year. During this period he started work as a staff auditor with Moss Adams LLP, a large national CPA firm. He interned with our firm for several summers during college and worked on numerous governmental audits. He was the primary senior non-profit/governmental auditor for the Moss Adams San Diego office. Since then he has worked extensively with several cities helping them with the GASB 34 conversion process. He has over 12 years of experience with auditing municipalities, colleges, and commercial entities as well as conducting Single Audits under OMB Circular A-133 standards.

**OUR EXPERIENCE AUDITING GOVERNMENT ENTITIES****City of Kerman**

**Principal Contacts:** Toni Jones, Finance Director (559-846-9382)

**Engagement Dates:** June 30, 2014

**Approximate Staff Hours Expended:** 300 hours

**Scope of Work:** Audited Financial Statements, Annual Financial Transaction Report

**City of San Juan Bautista**

**Principal Contacts:** Roger Grimsley, City Manager (831-623-4661)

**Engagement Dates:** June 30, 2014

**Approximate Staff Hours Expended:** 160 hours

**Scope of Work:** Audited Financial Statements, Annual Financial Transaction Report

**City of Orange Cove**

**Principal Contacts:** Lan Bui, Finance Director (559-626-4488)

**Engagement Dates:** June 30, 2014

**Approximate Staff Hours Expended:** 250 hours

**Scope of Work:** Audited Financial Statements



### **City of Coalinga**

**Principal Contacts:** Mari Jimenez, Finance Director (559-935-1531)

**Engagement Dates:** June 30, 2014

**Approximate Staff Hours Expended:** 300 hours

**Scope of Work:** Audited Financial Statements, Annual Financial Transaction Report

### **City of Livingston**

**Principal Contacts:** Odi Ortiz, Finance Director (209-394-8041)

**Engagement Dates:** June 30, 2014

**Approximate Staff Hours to be Expended:** 300 hours

**Scope of Work:** Audited Financial Statements, Annual Financial Transaction Report

**Note:** Eight additional Cities we audit separate from the above available upon request.

## **HOW WE APPROACH YOUR AUDIT**

Our effective and efficient government audit approach combines knowledge of governmental accounting and auditing with an understanding of the associated risks. We are value-driven and seek to maximize the return on your investment in the audit process through in-depth analysis of your financial statements and your internal controls. Throughout the engagement, our team will collaborate with your staff whenever possible to minimize costs and improve efficiencies. Of course, we will need assistance with preparing schedules, finding documents, explaining processes, and providing sample documentation, budget related materials, organizational charts, and manuals.

### **Audit Standards**

The auditor's opinion will be directed toward the fairness of presentation of the financial statements in accordance with Generally Accepted Auditing Standards (GAAS). We will prepare the Annual Financial Report in conformity with Government Code Section 26909, Generally Accepted Accounting Principles (GAAP), and Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States General Accounting Office.

### **Pre-Audit**

We are very familiar with the audit issues facing government entities. We have adjusted our audit services to incorporate these specialized areas and approach the audit from the following aspects:

- ◆ Where are the City's greatest exposures?
- ◆ How does the City safeguard against risks?
- ◆ How does the City internally evaluate its organization?
- ◆ What are the controls used by the City to measure accountability?

Our approach to the City's audit is truly a design that will be as unique as the City itself and is based on the areas we find to be the most vulnerable. Our focus includes evaluating internal controls that ensure adherence to applicable federal and state laws and regulations. We place a substantial amount of our time reviewing and assessing such high-risk areas during our evaluation. This risk-based approach focuses our efforts on what is important to you and your stakeholders and enables us to present you with meaningful suggestions.

We monitor our performance using a variety of qualitative and quantitative measures. First and foremost, we honor our agreement with you, completing the engagement on-time and on-budget. When you talk to our references, you will find that this sets us apart from most regional and national CPA firms. Typically in a first year audit engagement, we invest additional time in your audit, which is **not** billed to you as cost over-runs. Rather, we view it as an investment in our long-term professional relationship.

We measure our audit performance in the response we receive from the City and its staff. In addition, we report directly to management and the Board in face-to-face meetings, providing meaningful information and answering questions directly.

### **Segmentation of the Audit**

Our audit involves a logical sequence of five steps that ensures compliance with the applicable professional standards and the expeditious completion of the audit. We will tailor our audit to the needs and complexity of the City.

1. **Planning** – First, we learn everything we can about the City and its related organizations - from organizational structure to policies and procedures. We read meeting minutes, review budgets, assess manuals and programs, hold discussions with key management staff, and evaluate management information systems. Based on what we learn, we develop our expectations regarding current year results, and then compare our expectations to actual results. This helps us develop risk assessments for each audit segment to determine what level of control testing and/or substantive testing is necessary to address the assessed risk. We then design our audit program accordingly.
2. **Control Testing** – Depending on our risk assessments, we determine specific audit cycles to test for internal controls and we evaluate the results. Based on the results against our expectations, we then determine if any modification is necessary to our planned substantive audit procedures on ending account balances and transactions. Based on the information we have obtained to date, we plan to test controls to obtain moderate to substantial reliance over cash and investments, revenues and related receivables, expenses and related payables, capital outlay, and long-term debt. This is subject to change once we gather more information as part of our audit planning procedures.
3. **Substantive Testing** – Our overall objective is to achieve a low level of risk of error in ending account balances. After we have performed our preliminary analytical and internal control tests and evaluated the results, we determine the nature, timing, and extent of detailed audit procedures on ending account balances and transactions necessary to achieve a low level of risk that errors could be present without detection.
4. **Compliance Testing** – The State requires testing organizational compliance with certain laws and regulations. In addition, we will test your compliance with federal laws. We have specially-designed audit programs that ensure we adequately address both areas.

**5. Report Writing and Review** – After all the fieldwork is complete, we draft our opinions and other reports. As part of our firm's quality control process, Bryant Jolley is required to review our audit files and report to improve the quality of our audits and to ensure optimum quality. We have a requirement that only personnel involved in our governmental service team can be involved in the review of our work. This ensures that our clients are served with professionals trained in governmental auditing and accounting standards.

**6. Statistical Sampling** - Sampling to be used during our audit will include random sampling methods for tests of controls and for substantive tests of details. Sampling will be used throughout the engagement to test most financial statement balances.

We will select the most appropriate sampling technique for a given compliance test, tailored to the type and nature of the test.

**7. Analytical Procedures** - Analytical procedures are generally performed throughout the audit engagement, and result in substantial discussion with management. Initially, at the planning phase of the audit, comparisons are made between current and prior year results, actual and budgetary information, and to industry benchmarks. We use common size financial statements and trend and ratio analyses to aid us in developing our audit plan and programs. Non-financial data and external information are incorporated in our procedures to enhance their validity, and information is disaggregated as much as possible to improve precision.

During our substantive testing of balances, we typically analyze the detail of changes to certain accounts. For example, this approach is often used with sampling in our testing of capital asset, long-term debt and investment accounts.

At the conclusion of the audit, we again employ analytical procedures similar to those used at the planning phase. The audit team takes a holistic view of the financial statements in light of the results of all other auditing procedures performed. We discuss our observations with management and provide information to the Board as part of our audit result presentation. Our clients find this to be the most important value of their annual audit process. It produces beneficial information far beyond the audit of the financial statements they initially expect.

#### **AUDIT: Documenting internal control structure**

- ◆ Obtain copies of all available system and policy/procedure documentation from City finance, treasury, human resources, information technology, grant management, budget department, and personnel. This will include organization charts, narratives and flowcharts. Copies will be retained in our permanent working paper file. This documentation will be updated annually for any changes.
- ◆ Review the above-described documentation and meet with City personnel to make inquiries about, and discuss questions that arise from, our review.
- ◆ Document and assess the adequacy of internal controls over the various City systems, and develop preliminary risk assessments for each of them. As mentioned earlier in our discussion of audit approach, the framework of this system incorporates the requirements of auditing standards related to internal control and fraud detection.

At the planning phase of our audit and in accordance with Statement on Auditing Standards (SAS) 99, *Consideration of Fraud in a Financial Statement Audit*, we will hold a brainstorming meeting to discuss fraud risks related to the City and design the audit to take those risks into account. Provisions of this new and important auditing standard will be incorporated throughout our audit.

## COST PROPOSAL

Submitted By:

Firm Name: Bryant L. Jolley, CPA

I hereby certify that the undersigned is authorized to represent the firm stated above, and empowered to submit this bid, and if selected authorized to sign a contract with the City, for the services identified in the Request For Proposals.

Signature: \_\_\_\_\_

Printed Name: Bryant L. Jolley

Date: February 23, 2015

Our services will include the City audit, preparation of the audited financial statements, and a Management Report. The all-inclusive fee for this work is as follows:

Service	2014/15	2015/16	2016/17
City Audit and Related Reports	\$30,000	\$31,000	\$32,000
<b>Total for Fiscal Year (not-to exceed)</b>	<b>\$30,000</b>	<b>\$31,000</b>	<b>\$32,000</b>
Single Audit, if required	\$3,500	\$3,500	\$3,500
State Controller's Reports	\$1,500	\$1,500	\$1,500
<b>Total including additional services for Fiscal Year (not-to exceed)</b>	<b>\$35,000</b>	<b>\$36,000</b>	<b>\$37,000</b>

This proposal is made with the assumption that the City's books and records will be in a reasonably balanced condition and reconciled at the start of the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. We agree the City may broaden the scope of our engagement and we agree to hold ourselves available to perform such additional work as the City may desire. A final billing will be submitted upon delivery of all required reports. No billings will be made for out-of-pocket expenses or any other expenses such as typing, clerical, printing and travel costs.

Below is our Hourly Rate Schedule for hourly charges for professional services rendered in relation to any additional services that may be requested by the City. Most often, larger additional projects have negotiated maximums. Should you require such services, we would be pleased to discuss them with you.

	Hourly Rates	Hours Required	Audit Fee
Partner	<u>\$200</u>	<u>21</u>	<u>\$4,200</u>
Managers	<u>\$175</u>	<u>72</u>	<u>\$12,600</u>
Staff	<u>\$140</u>	<u>130</u>	<u>\$18,200</u>
Total	<u></u>	<u>223</u>	<u>\$35,000</u>



Certified Public Accountants

9301 Oakdale Avenue, Suite 230  
Chatsworth, CA 91311  
[www.fhhcpas.com](http://www.fhhcpas.com)

Telephone: (818) 895-1943  
Facsimile: (818) 727-7700

## System Review Report

September 15, 2014

To the owner of  
Bryant L Jolley CPA  
And the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Bryant L Jolley CPA (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 a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

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

We noted the following deficiencies during our review:

1. Deficiency – Professional standards require the firm's management to set a proper "tone at the top" in establishing and complying with quality control standards. However, the firm has performed an employee benefit plan audit for several years and did not properly report that to the peer review program. As a result, not notifying the peer review program of the employee benefit plan audit has caused the firm to have a replacement review.

Recommendation – The firm's owner needs to commit to adhering to professional standards by providing accurate and complete information to the peer review program.

2. Deficiency – The firm has not designed their system of quality control to ensure that the firm's accountants reports comply with professional standards. As a result, certain financial statements prepared under the income tax basis of accounting included an accountant's report of the firm under Accounting Principles Generally Accepted in the United States of America.

Recommendation – The firm's owner should modify the firm's policies and procedures to more closely review the firm's accountants reports prior to issuance to ensure that they include the same basis of accounting as the underlying financial statements. The firm plans to update their accountants reports on a prospective basis.

3. Deficiency – The firm has not designed their system of quality control to ensure that the firm will document all procedures performed in audit engagements. As a result, in an audit of a not-for-profit organization, the firm did not document their substantive procedures performed regarding contributions and expenses.

Recommendation – The firm's owner should emphasize the firm's workpaper review policies and procedures to ensure that all required matters have been appropriately documented prior to the release of the firm's report. The firm plans to augment the omitted documentation on a prospective basis.

In our opinion, except for the deficiencies described above, the system of quality control for the accounting and audit in 5/31/g practice of Bryant L Jolley CPA 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*. Bryant L Jolley CPA has received a peer review rating of *pass with deficiencies*.



Farber Hass Hurley LLP



**PROPOSAL OF  
PROFESSIONAL AUDIT SERVICES**

**FOR THE**

**CITY OF FIREBAUGH  
CALIFORNIA**

**FOR THE YEARS ENDING  
JUNE 30, 2015 THROUGH 2017**

**Submitted  
February 25, 2015**

**by**

**Fausto Hinojosa, CPA, CFE**  
Price Paige & Company  
Accountancy Corporation  
677 Scott Avenue  
Clovis, California 93612  
Phone: 559-299-9540  
Fax: 559-299-2344  
Email: [fausto@ppcpas.com](mailto:fausto@ppcpas.com)  
Website: [www.ppcpas.com](http://www.ppcpas.com)  
License No: 66479

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**CITY OF FIREBAUGH**  
**PROPOSAL OF PROFESSIONAL AUDIT SERVICES**  
**FOR THE YEARS ENDING**  
**JUNE 30, 2014 THROUGH 2017**

**TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
LETTER OF TRANSMITTAL.....	1
FIRM HISTORY AND QUALIFICATIONS.....	3
SUMMARY OF THE AUDITORS' QUALIFICATIONS AND EXPERIENCE .....	5
RESUMES .....	6
SCOPE OF SERVICES.....	10
AUDIT APPROACH .....	11
SINGLE AUDIT APPROACH .....	13
ADDITIONAL CONFIRMATIONS OF UNDERSTANDING .....	14
REFERENCE LIST .....	15
COST PROPOSAL.....	17
PEER REVIEW LETTER.....	19





**PRICE PAIGE & COMPANY**  
*Accountancy Corporation*

The Place to Be

February 25, 2015

City of Firebaugh  
Firebaugh City Hall  
1133 P Street  
Firebaugh, California 93622

Attn: Deputy City Clerk and City Council

It is our pleasure to present our proposal to provide auditing services to the City of Firebaugh (the City) for the fiscal years ending June 30, 2015 through 2017, with an option of extending the contract for two additional years upon mutual agreement. When presented with viable alternatives, it isn't always easy for entities such as the City to identify the accounting firm that can best meet their overall audit and accounting needs. Over the past twenty-four years we have developed significant expertise in governmental audit and accounting, specifically as it relates to city government. Our knowledge of the government environment and city operations has allowed us to develop more robust audit plans that we believe has improved the quality of our audits.

Our audit professionals are highly qualified and have extensive experience and expertise in governmental auditing and accounting. All of our auditors take a minimum of 80 hours of continuing professional education every two years specifically related to the auditing and accounting services we provide. This commitment to learning yields a direct benefit to the clients we work with. Additionally, our firm has a well-earned reputation for ensuring the audit not only gets done right but, just as importantly, on time. We are committed to communicating effectively to ensure that client questions are addressed comprehensively. As demonstrated by our resumes and considerable involvement by the firm's audit principal, we feel that our firm has the resources, knowledge and expertise to meet and service the needs of the City. We can assure you that we fully understand the work to be performed and we wish to emphasize our commitment to meeting or exceeding all of your expectations. Additional information about our firm's audit department and services we offer may be found on our website at [www.ppcpas.com](http://www.ppcpas.com).

I trust that this proposal will adequately summarize our approach to client service and identify those attributes which set our firm apart from others. We appreciate the opportunity to submit this proposal to serve you and would be pleased to furnish any additional information on our firm or answer any other specific questions or concerns you may have. I am the audit principal for our firm and I am authorized to make representations for the firm with regard to this proposal. I may be reached at (559) 299-9540 or via email at [fausto@ppcpas.com](mailto:fausto@ppcpas.com).

Sincerely,

Fausto Hinojosa, CPA, CFE  
Audit Principal  
Price Paige & Company

677 Scott Avenue  
Clovis, CA 93612

tel 559.299.9540

fax 559.299.2344

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## **FIRM HISTORY AND QUALIFICATIONS**

Established in 1976 and located in Clovis, California, Price Paige & Company consists of three owners (principals), Fausto Hinojosa, Mitchell Buckley, and Robert F. Price, each of whom is a Certified Public Accountant. The principals of the firm have over 80 years of combined experience in public accounting. Our firm is comprised of twelve CPAs and eight CPA candidates, as well as full and part-time accounting, bookkeeping and clerical staff. Over 50% of Price Paige & Company's practice is in auditing and attest services, primarily in the governmental and not-for-profit sectors. In addition, we provide services to many businesses in accounting, tax, and management consultation in all areas.

Price Paige & Company is recognized in the community and by our peers as experts in the areas of governmental and not-for-profit audit and accounting. Our proven commitment to excellence allows us to work with you in the most time and cost-effective manner possible. Our auditors are not seasonal; what we mean by this is that they are not "tax accountants" who perform audits in the "off-season". They are focused exclusively in providing audit services and they receive 80 hours of continuing education every two years, specifically related to improving their audit skills. The experience of our team allows us to conduct very efficient and effective audits.

We currently provide audit or review services for over 30 governmental agencies and approximately 35 nonprofit organizations annually, many of which are federal single audits. We have audited organizations with an excess of \$600 million dollars of federal funding and are currently performing an audit of an entity with over \$120 million in federal funding.

It is our practice to assign a team of personnel from our firm to your account in order to provide the range of services you have requested. This team is generally kept abreast of any significant developments which arise through our normal association with you. The most important aspect of this approach is to provide continuity to the engagement. We understand that the audit process requires two-way communication and we accept our responsibility to listen and to deliver timely and effective solutions to the audit and accounting problems we encounter.

### **Mandatory Qualifications**

The associates of Price Paige & Company are licensed Certified Public Accountants, certified by the California State Board of Accountancy (License # COR 3442). All team members assigned to the audit are in compliance with the **80-hour** continuing education requirements promulgated by *Government Auditing Standards*.

### **Independence**

Our firm is independent with respect to the City of Firebaugh as defined by auditing standards generally accepted in the U.S. Government Accountability Office's *Government Auditing Standards*.

### **Conflict of Interest**

Our firm's established policy is that we do not submit proposals for audit services if there is a known conflict of interest with the potential client. There are no current or potential conflicts of interest with anyone (employees, management, officers or directors) within the City of Firebaugh.

### **External Peer Review**

Our record of successful Peer Reviews and our Engagement Quality Control Review program serve as evidence of our commitment to meeting the standards of care and performance applicable to our audit practice and demonstrate the extra measures we take to ensure continued successful compliance with our client's expectations about our quality and competence.

Our Quality Control Review also included a review of specific government engagements. For your consideration, a copy of our most recent Peer Review report is presented in this proposal.

Price Paige & Company has never had any disciplinary actions taken nor are any pending with the Federal or State regulatory bodies or professional organizations.

### **Proactive Rather than Reactive Approach to Client Service**

A primary objective of our client engagements is to make positive contributions to our client's profitable operations, organizational efficiency and productivity. We work hard at anticipating problems and ensuring there are no surprises. We are creative and always present alternatives for your evaluation rather than insisting upon the "textbook solution". We use frequent meetings and our management recommendation letters as tools for communication with you.

We strive to maintain a continuous involvement with our clients rather than just an annual one. We ask clients to forward copies of their interim financial statements, we review minutes of meetings throughout the year, and we also schedule meetings with clients outside of the normal "audit cycle" to stay abreast of changes that might impact the audit. We find this enables us to help our clients identify and solve problems on a timely basis and keeps us informed about their operations.

### **Smart Technologies**

All of our audit engagements are performed utilizing a paperless and digital approach. Our auditing software allows us to increase our efficiency and provide a streamlined workflow. Documents and files can easily be retrieved and forwarded to our clients without the need for copying.

We use sophisticated data analysis software (IDEA) that allows us to perform specific fraud detection tests on large amounts of data, in some cases, testing 100% of the transaction population. Some of the specific tests we perform include: duplicate payment tests; matching of employee and vendor addresses to identify potential conflicts; review of purchase orders to identify potential bid splitting. We believe that our creative use of this value-added software tool allows us to perform more effective audits and also gives our clients increased confidence in their financial reporting.

### **Client Training**

We believe it is important to give our clients access to a full range of information to help them stay abreast of current accounting developments and financial reporting issues. As part of our client service program, we will periodically hold client training seminars and summary courses geared towards providing our clients an understanding of relevant issues. Courses that have been offered and planned to be offered include understanding and mitigating the risks of fraud, reading and understanding governmental and nonprofit financial statements, CAFR preparation, and new accounting pronouncements that will impact financial reporting. We invite our clients and their boards to attend as a value added service included in our audit engagements.

### **Additional Services Provided**

In addition to financial statement audits we also offer the following services to the government sector: Internal Control Review, Forensic Accounting, Fraud Investigation, Agreed-Upon Procedures, Financial Statement Review, Financial Statement Compilation and preparation of State Controller's Reports.



## **SUMMARY OF THE AUDITORS' QUALIFICATIONS AND EXPERIENCE**

We have an outstanding team of professionals who have established themselves as qualified competent individuals. We can assure you that each of our in-charge auditors is experienced in governmental auditing, GASB accounting pronouncements and Single Audit requirements. Following is a brief overview of their experience. Detailed experience for each of these professionals can be found on pages 6 through 9 of this proposal.

	<b><u>Years of Auditing / Accounting Experience</u></b>
<b>Principal:</b> Fausto Hinojosa, CPA, CFE	24
<b>Manager:</b> David M. Dybas, CPA	14
<b>Seniors:</b> Kristi L. Miller, CPA Luis Perez, CPA	14 7

### **Availability of Personnel and Time Requirements**

Our level of staffing is more than sufficient to ensure that you receive a timely, efficient audit. We hereby commit to meeting the time constraints included in your Request for Proposal. Should any of the above members of our audit team become unavailable, we would provide another equally-qualified individual from our firm.

### **Continuity of Professional Staff and Succession Planning**

Continuity of staff on engagements is as important to us as it is to our clients. Continuity promotes a thorough understanding of your needs and goals, and helps us help you. A smooth auditor transition will be accomplished as follows:

- ♦ **Communication** – We stress communication early on with your staff to determine expectations, time, and extent and availability of assistance. We provide a written listing of information needed, including due dates.
- ♦ **Experience** – Members of our engagement team are experienced auditors, very familiar with the operational, administrative, and accounting and compliance issues related to the governmental sector and the federal single audit in particular.
- ♦ **Quality** – The firm maintains a rigorous quality control review process that includes not only a detailed review by a quality control manager and engagement partner but also an Engagement Quality Control Review (EQCR) as defined by AICPA standards.
- ♦ **Audit Approach** – Our audit approach emphasizes effective up-front planning to identify issues for timely resolution.

## **RESUME**

### **FAUSTO HINOJOSA**

Certified Public Accountant

Certified Fraud Examiner

California License # 66479

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Fausto is the Partner in charge of all audit and forensic consulting engagements for Price Paige & Company. His practice is limited to governmental and nonprofit audit and accounting, fraud investigation and consulting, and litigation support services. Fausto serves as the Managing Partner for the Firm and is responsible for providing strategic leadership in various areas. He has worked professionally in the accounting field since graduating from California State University, Fresno in 1990. He became a Certified Public Accountant in 1994 and a shareholder with Price Paige & Company in 1997. He is a Certified Fraud Examiner and has investigated numerous allegations of fraud and has been designated a fraud expert in various legal proceedings.

After more than twenty-four years in the profession, Fausto has developed significant expertise specifically in the areas of audit risk assessment, governmental and not-for-profit auditing, fraud detection and prevention, federal/state grant compliance, and internal controls.

Fausto is the former Chair of the local Government Accounting and Auditing Committee for the California Society of CPA's and currently serves on the state committee. In addition, Fausto is a reviewer for the Government Finance Officers Association "Certificate of Achievement for Excellence in Financial Reporting" program. As the former Chair for the State Board of Accountancy Qualifications Committee, Fausto conducted audit workpaper reviews of CPA candidates in order to make licensure recommendations to the Board.

Fausto is a former Adjunct Professor at Fresno Pacific University where he taught an upper division auditing course. He is a frequent lecturer to the California Society of CPA's and other professional organizations, business and civic groups on governmental and nonprofit accounting and auditing, preventative fraud measures, and the unique audit requirements for federal award programs under the Single Audit Act.

### **Professional Organizations and Community Involvement**

State Board of Accountancy Qualifications Committee – Past Chair  
Fresno Chapter of California Society of CPA's – Past President  
Association of Certified Fraud Examiners – Member  
American Institute of Certified Public Accountants – Member  
Government Accounting and Auditing Committee of the Fresno Chapter – Past Chair  
State Government Accounting and Auditing Committee of the California Society of CPA's – Member  
Government Finance Officers Association – CAFR Reviewer  
Fresno Regional Foundation – Past Audit Committee Chair

### **Continuing Education**

Continuing professional education courses and seminars recently attended include: *GASB's New Defined Benefit Pension Standards-An Overview*; *The New Pension Accounting & It's Impact on Pension Funding*; *2013 AICPA Guides for State & Local Governments, Non-Profit, YB/Circular A-133 Audits*; *Testing & Documenting IC Over Compliance in a Single Audit: Getting it Right*; *Governmental & Non-Profit Fraud*; *Governmental Pension Plans & Internal Control Guidelines for Governmental Entities*; *The OMB Cost Principles and Their Relevance to Your Single Audits*; *State and Local Governmental Financial Statement Audits: A 2011 Audit Issues Rundown*; *Governmental Audit Quality Center - 2014 Annual Webcast Update*; *Overview of the A-133 Audit*; and *GASB Standards and Application*.

## **RESUME**

**DAVID M. DYBAS**  
CERTIFIED PUBLIC ACCOUNTANT  
CALIFORNIA LICENSE # 83197

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**Present Position**      Manager

**Education and Experience**      David's educational background includes a Bachelor of Science in Business Economics, obtained from State University College, Oneonta, New York in 1984 and a Certificate in Accounting from National University in December 1999. David became a Certified Public Accountant in 2002.

Since joining Price Paige & Company in 1999, David has worked **exclusively** in governmental and not-for-profit audits, including Single Audits. He has planned, performed and supervised numerous audit engagements, and has prepared the related financial statements. David serves as the audit manager for the firms transportation agencies and authorities and has done substantial grant compliance work on both federal and state programs. He also serves as the audit manager for some of the firms larger municipalities and has done substantial grant compliance work on both federal and state programs. David is very effective in communicating with granting agencies to resolve difficult compliance issues. He has also conducted agreed-upon procedures engagements for various entities.

David's Single Audit experience is significant. He has most recently been the lead auditor for the firm's largest federal award audits, including the County of Fresno with over \$300 million in federal awards.

**Community and Affiliations**      David is a member of the American Institute of Certified Public Accountants, the California Society of CPAs, and the Government Finance Officers Association.

**Continuing Education**      Continuing professional education courses and seminars recently attended include: *2014 Logic-Based Auditing; the Single Audit Series 2014; GASB Statement No. 68 Introduction; Governmental Accounting and Auditing Conference; The GASB's Pension Standards: Considerations for Cost-Sharing and Agent Plans and Participating Employers; Avoiding Problems in Conducting Single Audits; GASB Basic Financial Statements for State and Local Governments; Auditing for Fraud in the Governmental Environment; and Accountancy Laws, Ethics, Taxes and Financial Reporting Review.*

## **RESUME**

**KRISTI L. MILLER**

Certified Public Accountant

California License # 97876

---

**Present Position**     Senior

**Education and  
Experience**

Kristi began her career at Price Paige & Company while a student at California State University Fresno and graduated in December 2000 with a Bachelor of Science in Accounting. She became a Certified Public Accountant in 2007 and in 2014 Kristi received her Masters of Science in Taxation from Golden Gate University.

During her time at Price Paige & Company, Kristi has been the supervising auditor for numerous governmental audits and single audits. She has planned, performed and supervised numerous audit engagements and has served as the in-charge auditor in numerous cities and special districts. Kristi's experience includes analysis and testing of internal controls and compliance under OMB Circular A-133, and preparing financial statements that comply with Yellow Book and required GASB standards. She has extensive experience in preparing various annual financial transaction reports required by the State Controller's Office for both municipalities and special districts.

**Community and  
Affiliations**

Kristi is a member of the American Institute of Certified Public Accountants and the California Society of CPAs. She has served as a Director on the Board of the Fresno Chapter of the California Society of CPAs.

**Continuing  
Education**

Kristi is in compliance with the continuing education requirements of the AICPA and Government Auditing Standards. Recently attended courses include: *Fundamental Audit Strategies*; *Audits of State and Local Governments*; *Applying Circular A-133*; *GASB 68 Introduction*; *Audit Watch Level 4: Experienced In-Charge Training*; *Single Audit 2014 Seminar*; and *2014 Logic-Based Auditing*.

## **RESUME**

**LUIS PEREZ**  
**CERTIFIED PUBLIC ACCOUNTANT**  
**CALIFORNIA LICENSE #123419**

---

**Present Position**     Senior

**Education and Experience**     Luis began his accounting career in 2006 after receiving a Bachelor of Science in Business Administration with an emphasis in Accounting from California State University, Fresno in 2006.

Prior to joining Price, Paige & Company, Luis served as an Accounting Director and Fiscal Manager for two local nonprofit organizations in Fresno. His duties included cash management, monthly financial closings, financial reporting, account reconciliation and analysis. In addition, he prepared forecasts and projections on annual budgets and cash flows; he was also entrusted with the supervision of fiscal management.

Luis has overseen the examination of financial records and has compiled financial statements in accordance with GAAP. Since joining our audit team he has been assigned to various audit projects for not-for-profits, governmental and commercial organizations in accordance with GAAP and the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**Community and Affiliations**     Luis is a member of the American Institute of Certified Public Accountants and the California Society of CPAs.

**Continuing Education**     Luis is maintaining continuing professional education requirements to meet current standards of the Government Accountability Office of the United States of America. Continuing professional education courses and seminars recently attended include: *Internal Control: Your #1 Defense Against Errors & Fraud*; *Nonprofit Accounting: Exchange Transactions, Contributions & Agency Transactions*; *The Yellow Book Interpreted*; *SMART Practice Aid*, *SMART Practice Aid Single Audit*, and *SMART Firm Library (notes disclosure)*.

## **SCOPE OF SERVICES**

As our experience indicates, we clearly understand the scope of services to be provided. You can be assured that we will design a specific service approach to ensure compliance with all applicable standards and ensure that the City receives high quality, efficient and effective service.

### **Standards to be Followed**

The financial and compliance audits will be performed in accordance with the following auditing standards:

- ♦ Generally Accepted Auditing Standards (AICPA)
- ♦ *Government Auditing Standards* (U.S. Comptroller General)
- ♦ Provisions of the Single Audit Act Amendments of 1996 (Single Audit)
- ♦ Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

### **Services to be Performed**

All services will be performed in accordance within the City's required timeline as listed in the City's Request for Proposal.

1. **City of Firebaugh.** We will audit the books and records of the City of Firebaugh and issue a report on the fair presentation of the annual financial statements in conformity with accounting principles generally accepted in the United States of America.
2. **Federal Single Audit.** We will issue single-audit reports on compliance with requirements that could have a direct and material effect on each major program and internal control over compliance in accordance with OMB Circular A-133. We will also prepare the related Data Collection Forms for Reporting on Audits of States, Local Governments and Non-Profit Organizations (Form SF-SAC).
3. **Management Letters.** We may provide management letters that would include findings observations, opinions, comments and/or recommendations with regard to systems of internal control, accounting systems compliance with laws, rules and regulations, or any other matters that may come to our attention during the course of the examination.
4. We will prepare a written **communication to the audit committee** which will include the following information: (1) auditor's responsibility under generally accepted auditing standards; (2) significant accounting policies; (3) management judgments and accounting estimates; (4) significant audit adjustments; (5) disagreements with management; (6) management consultation with other accountants; (7) difficulties encountered in performing the audit.

## **AUDIT APPROACH**

### **Planning and Interim Fieldwork**

Our preliminary audit procedures will begin soon after being engaged and will consist of the following:

- ♦ Communicate with the predecessor audit firm and review prior year work papers.
- ♦ Provide a list of all audit schedules to be prepared by the City's Finance Director.
- ♦ Internal Controls:
  - Read City policy and procedure manuals to obtain general understanding of internal control systems for all significant transaction classes, account balances, financial close process and financial statement preparation process. Perform necessary follow-up inquiries to obtain specific understanding of control procedures in place.
  - Perform walk-throughs of key controls to evaluate whether they are properly designed and have been placed in operation. Walk-through procedures may include inquiries, inspection of documents, re-performance and observation.
  - Systems typically tested include: payroll; disbursements/accounts payable; governmental revenues/receipts; utility revenues/receipts; capital asset additions/dispositions and depreciation; long-term debt; equity; general ledger closing process.
- ♦ Perform a computer control evaluation.
- ♦ Perform preliminary analytical review of account balances.
- ♦ Use sophisticated data analysis software (IDEA) to efficiently identify anomalies and unusual transactions for further review.
- ♦ Read minutes, contracts, grant agreements and investment policies to identify significant compliance requirements.
- ♦ Verify major and non-major federal and state program compliance requirements, as well as contract requirements based on OMB's Compliance Supplement, grants, and contracts.
- ♦ Prepare risk-based tailored audit programs and a client assistance package.
- ♦ Make specific inquiries of management and other personnel regarding fraud.
- ♦ Perform tests of controls for significant accounting systems (sample sizes will vary based on assessed risks).
- ♦ Perform tests of compliance with laws and regulations (sample sizes will vary based on assessed risks; see also Single Audit Approach section).

### **Fieldwork – Year-End**

Based on the results of our planning and risk assessment procedures, we will focus our audit efforts in those areas where the risk of material error or fraud is greatest. Our approach is to identify the most effective and efficient procedures based on inherent and control risk. These procedures may include any of the following for the various account balances and transaction cycles:

- ♦ Analytical procedures: if used as the principal substantive test of a significant financial statement assertion, we will document –
  - the expectation and the factors considered in its development.
  - the results of the comparison between the expectation and recorded amounts.
  - any additional procedures performed in response to significant unexpected differences and the results of those procedures.

- ♦ Tests of details -
  - Test significant journal entries for propriety and authorization.
  - Trace significant operating, capital and debt service expenditures to source documents.
  - Vouch asset balances to detailed records and schedules.
  - Test individual debt transactions for propriety and proper presentation and disclosure in the financial statements.
  - Perform compliance tests related to grant restrictions.
  - Confirm balances with third parties, including banks and/or other lenders.
  - Trace cash receipts to supporting documents including bank statements.
  - Test both the methodology and the accounting for indirect cost allocations.
  - Respond to specific fraud risks identified with further substantive tests of details or analytical procedures.
  - Perform observation procedures for significant fixed asset additions.
  - Perform a search for unrecorded liabilities.
  - Obtain required representations from management and legal counsel.
  - Prepare adjusting journal entries as necessary and provide to the City's Finance Director.

### **Reporting**

During the reporting phase, we will:

- ♦ Perform final analytical procedures.
- ♦ Draft financial statements and supplemental schedules in accordance with GAAP and review with the City's Finance Director.
- ♦ Obtain client representation letter.
- ♦ Prepare independent auditor's report and other reports required by *Government Auditing Standards* and OMB Circular A-133.
- ♦ Conduct exit conference with the City's Finance Director to review financial statements and review findings.
- ♦ Resolve all outstanding issues.
- ♦ Issue independent audit reports.



## **SINGLE AUDIT APPROACH**

Our Firm's approach to the Single Audit requirements, as specified in OMB Circular A-133, is as follows:

### **Objectives**

The objectives of the Single Audit are to determine the following:

- ♦ The financial statements of the governmental reporting entity are presented in accordance with GAAP.
- ♦ The governmental unit's internal control systems provide reasonable assurance that it is managing Federal financial assistance programs in compliance with applicable laws and regulations.
- ♦ The governmental unit has complied with laws and regulations that have a material effect on the financial statements and on each major Federal assistance program.

### **Procedures**

- ♦ Identify major and non-major programs and assess inherent and control risks.
- ♦ Perform tests of controls for all major programs to meet percentage of coverage rule.
- ♦ Perform substantive tests of compliance and tests of internal control over compliance for all major programs as required by OMB A-133 Compliance Supplement.
- ♦ Sample sizes will adhere to the guidance found in the sampling chapter of the, "AICPA Audit Guide, Government Auditing Standards and Circular A-133 Audits".

### **Reports**

The following reports relating to Federal assistance programs will be issued:

- ♦ Report on supplementary Schedule of Expenditures of Federal Awards. The schedule presents total expenditures for each program.
- ♦ Report on internal controls used in administering Federal financial assistance programs.
- ♦ Report on compliance with laws and regulations, identifying all findings of noncompliance and questioned costs, and expressing an opinion and other assurances on compliance.
- ♦ Report on fraud, abuse, or illegal acts, or indications of such acts, if discovered.

### **Compliance Requirements**

In accordance with the Single Audit Act and OMB Circular A-133, we will perform internal control and compliance tests of all major federal programs. The 14 types of compliance requirements which may be applicable to a federal program are as follows:

- 1) Activities allowed or unallowed
- 2) Allowable costs/cost principles
- 3) Cash management
- 4) Davis-Bacon Act
- 5) Eligibility
- 6) Equipment and real property management
- 7) Matching, level of effort, earmarking
- 8) Period of availability of Federal funds
- 9) Procurement and suspension and debarment
- 10) Program income
- 11) Real property acquisition and relocation assistance
- 12) Reporting
- 13) Subrecipient monitoring
- 14) Special tests and provisions

### **ADDITIONAL CONFIRMATIONS OF UNDERSTANDING**

Our policy as an audit firm is to hold as many exit conferences as necessary with the City's management in order to discuss the draft audit reports, identify and correct errors, and obtain comments on the report's findings and recommendations.

We understand that the City will appoint an audit liaison between the auditor and the City, and that the City's officials and staff will be available to assist.

We will provide, to the City, management letters providing reasonable counseling and guidelines with respect to more acceptable and effective methods of accounting for the City.

We will retain working papers for seven years following the completion of the audit.

Price Paige & Company maintains comprehensive General Liability Coverage, as well as Errors and Omissions Insurance with a limit of at least \$3,000,000. All required certificates of insurance will be provided to City's officials should our firm be the successful bidder.

## REFERENCES

After evaluating our relevant experience, we are certain you will agree that Price Paige and Company is qualified to serve you. We have been successfully performing audit engagements since 1976. Since then, we have continued to build on our reputation as a well-respected firm in and around the San Joaquin Valley, with the qualifications and experience necessary to provide unequalled performance. Following is a list of some of our audit clients and our primary contact for each:

Reference Name:	<b>City of Madera</b>	Phone No:	<b>559-661-5454</b>
Contact:	<b>Tim Przybyla, Finance Manager</b>	Address:	<b>205 W. Fourth Street</b>
Dates:	<b>June 30, 2013 through present</b>		<b>Madera, CA 93637</b>
Service Provided:	<b>Financial Statement Audit (OMB A-133)</b>		

Reference Name:	<b>City of Los Banos</b>	Phone No:	<b>209-827-7000</b>
Contact:	<b>Sonya Williams, Finance Director</b>	Address:	<b>520 J Street</b>
Dates:	<b>June 30, 2014 through present</b>		<b>Los Banos, CA 93635</b>
Service Provided:	<b>Financial Statement Audit (OMB A-133)</b>		

Reference Name:	<b>City of Mendota</b>	Phone No:	<b>(559) 655-3291</b>
Contact:	<b>Rudy Marquez, Finance Director</b>	Address:	<b>643 Quince Street</b>
Dates:	<b>June 30, 2005 through present</b>		<b>Mendota, CA 93640</b>
Service Provided:	<b>Financial Statement Audit (OMB A-133)</b>		

Reference Name:	<b>City of Lemoore</b>	Phone No:	<b>(559) 992-2151</b>
Contact:	<b>Cheryl Silva, Finance Director</b>	Address:	<b>832 Whitley</b>
Dates:	<b>June 30, 2013 through present</b>		<b>Corcoran, CA 93212</b>
Service Provided:	<b>Financial Statement Audit (OMB A-133)</b>		

Reference Name:	<b>City of Kingsburg</b>	Phone No:	<b>(559) 897-5821</b>
Contact:	<b>Maggie Moreno, Finance Director</b>	Address:	<b>1401 Draper Street</b>
Dates:	<b>June 30, 2012 through present</b>		<b>Kingsburg, CA 93631</b>
Service Provided:	<b>Financial Statement Audit (OMB A-133)</b>		

Reference Name:	<b>City of Corcoran</b>	Phone No:	<b>(559) 992-2151</b>
Contact:	<b>Kindon Meik, Finance Director</b>	Address:	<b>832 Whitley</b>
Dates:	<b>June 30, 2007 through present</b>		<b>Corcoran, CA 93212</b>
Service Provided:	<b>Financial Statement Audit (OMB A-133)</b>		

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**COST PROPOSAL**

Our fee estimates are based on the anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. The table below provides details of our fees for each year:

	<u>Hours</u>	<u>Hourly Rates</u>	<u>6/30/2015 Total</u>	<u>6/30/2016 Total</u>	<u>6/30/2017 Total</u>
Partner	20	250	\$ 5,000	\$ 5,000	\$ 5,150
Manager	40	150	6,000	6,000	6,180
Seniors	80	130	10,400	10,400	10,712
Staff	100	105	10,500	10,500	10,815
Subtotal			<u>31,900</u>	<u>31,900</u>	<u>32,857</u>
Additional One-Time Audit Work Related to Implementation of GASB 68 (New Pension Standard)			2,500	-	-
Preparation of City State Controller's Report and Street Report			3,800	3,800	3,915
Totals			<u>\$ 38,200</u>	<u>\$ 35,700</u>	<u>\$ 36,772</u>

Our review of the City's most recent audited financial statements revealed that the City had only one major federal program. Accordingly, the above fees include only one major federal program. The fee for any additional major programs is \$2,950 per program.

In the event disclosures in the audit indicate extraordinary circumstances, which warrant more intensive and detailed services, we will provide to the City Manager all pertinent facts relative to the extraordinary circumstances, together with our fee basis for such additional services. Additional services outside the scope of the engagement will be billed at the hourly rates listed above.



**PEER REVIEW LETTER**

**CHIANG, HAMMON & COMPANY**

**Certified Public Accountants**

2007 W. Hedding Street, Suite 209 San Jose, CA 95128

(408) 244-2002 (408) 244-2333 Fax

**System Review Report**

November 8, 2012

To Price Paige & Company AC

Certified Public Accountants and the Peer Review Committee of the CalCPA

We have reviewed the system of quality control for the accounting and auditing practice of Price Paige & Company AC in effect for the year ended April 30, 2012. Our peer review was conducted in accordance with the Standards for Performing and reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm reasonable assurance of conforming 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 my review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards and audits of Employee Benefit Plans*;

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



Chiang, Hammon & Company