



June 26, 2019

TO: LOCSO Board of Directors
FROM: Renee Osborne, General Manager
SUBJECT: **Agenda Item 13H – 7/11/2019 Board Meeting**
Award Bid for District Auditing Services

DESCRIPTION

The item requests your Board to award the bid for 2018/2019 auditing services.

STAFF RECOMMENDATION

This item will be approved along with the Consent Calendar unless it is pulled by a Director for separate consideration. If so, Staff recommends that the Board adopt the following motion:

Motion: *I move that the Board approve the proposal from Moss, Levy and Hartzheim in the amount of \$19,290.00 to perform the 2018/2019 District Audit and for staff to issue Request for Proposals for a new auditor for the 2019/2020 fiscal year audit.*

SUMMARY

Staff sent Request for Proposals for Auditing Services to six different agencies that currently perform auditor services for local Districts in San Luis Obispo County: Crosby Company; Moss Levy and Hartzheim; Glen Burdett; David Bruner; Leaf & Cole; and, Rogers Anderson Malody & Scott. The District received three proposals in response to our bid solicitation for Audit Services:

Glen Burdett	\$19,195
Moss, Levey and Hartzheim	\$19,290
Crosby Company	\$20,000

There was also the question from the Finance Advisory Committee regarding the length of Moss, Levy and Hartzheim (MLH) services whose first Audit with the District was June 30, 2013. Per government code 12410.6:

“for purposes of calculating the six consecutive fiscal years, the local agency shall not take into account anytime that a public accounting firm was employed by that local agency prior to the 2013-2014 fiscal year.”

Using the government code for calculating consecutive fiscal years, MLH has performed five (5) consecutive Audits for the District. The Board has asked for a detailed summary of the wastewater fund. Staff feels that MLH has the history and knowledge regarding the wastewater fund and could provide a more efficient report. Staff is recommending MLH to perform the 2018/2019 audit, and for the District to seek a new auditor to perform the 2019/2020 Audit.

Attached are the three proposals received and the government code regarding rotation requirements for annual audits of local governments for FAC review.

Attachments:
Government code section 12410.6b
Glen Burdett Proposal
Moss, Levey & Hartzheim Proposal
Crosby Company Proposal

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Vice President
Charles L. Cesena

Directors
Matthew D. Fourcroy
Vicki L. Milledge
Christine M. Womack

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District Accountant
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Auditor Rotation Requirements for Annual Audits of Local Governments

Assembly Bill 1345 added section 12410.6.(b) to Government Code regarding auditor rotation requirements of public accounting firms providing audit services to local agencies.

Government Code section 12410.6.(b) indicates that commencing with the 2013-14 fiscal year, a local agency shall not employ a public accounting firm to provide audit services to a local agency if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for that local agency for six consecutive fiscal years. For purposes of calculating the six consecutive fiscal years, the local agency shall not take into account any time that a public accounting firm was employed by that local agency prior to the 2013-14 fiscal year. The Controller may waive this requirement if he or she finds that another eligible public accounting firm is not available to perform the audit.



Moss, Levy & Hartzheim LLP

Certified Public Accountants

April 17, 2019

To the Board of Directors and Management
Los Osos Community Services District
2122 9th Street, Suite 102
Los Osos, CA 93402

We are pleased to confirm our understanding of the services we are to provide Los Osos Community Services District (the District) for the fiscal year ended June 30, 2019. We will audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of the District as of and for the fiscal year ended June 30, 2019. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by U.S. Generally Accepted Accounting Principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis
- 2) Budgetary Comparison Schedule
- 3) Schedule of Changes in OPEB Liability
- 4) Schedule of OPEB Contributions
- 5) Proportionate Share of Net Pension Liability
- 6) Schedule of Pension Contributions

We have also been engaged to report on supplementary information other than RSI that accompanies the District's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole:

- 1) Non-major Governmental Funds Financial Statements

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information:

- 1) Introductory Section

Audit Objectives

The objective of our audit is the expression of opinions 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 supplementary information referred to in the second paragraph when considered in relation to the

financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the District and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of the District's financial statements. Our report will be addressed to the Board of Directors of Los Osos Community Services District. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that the District is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. Generally Accepted Auditing Standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*. 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, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our 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, funding sources, creditors, and financial institutions. We 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 our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by U.S. Generally Accepted Auditing Standards.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the government 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. Our 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 or material weaknesses. However, during the audit, we 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 District'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*.

Other Services

We will also assist in preparing the financial statements and related notes of the District in conformity with U.S. Generally Accepted Accounting Principles based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*.

Management Responsibilities

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with U.S. Generally Accepted Accounting Principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written 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 government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate

steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that we report.

You are responsible for the preparation of the supplementary information, which we have been engaged to report on, in conformity with U.S. Generally Accepted Accounting Principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other 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, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to the District; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Moss, Levy & Hartzheim, LLP, and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Moss, Levy & Hartzheim, LLP, personnel. Furthermore, upon request, we 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.

The audit documentation for this engagement will be retained for a minimum of seven years after the report release date. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit on approximately July 1, 2019 and to issue our reports no later than December 31, 2019. Ronald A. Levy, CPA is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including

expenses, will not exceed \$19,290. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us 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, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to Los Osos Community Services District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

 Ronald A. Levy, CPA

RESPONSE:

This letter correctly sets forth the understanding of Los Osos Community Services District.

Management signature: _____

Title: _____

Date: _____

Governance signature: _____

Title: _____

Date: _____

Los Osos Community Services District

Proposal for Audit Services

For the Years Ending June 30, 2019, 2020 and 2021

Glenn Burdette Attest Corporation

Certified Public Accountants

1150 Palm Street

San Luis Obispo, California 93401

(805) 544-1441

Contact: Erin M. Nagle, CPA

Principal

Erin.nagle@glennburdette.com

June 14, 2019

**Los Osos Community Services District
Proposal for Audit Services
For the Years Ending June 30, 2019, 2020 and 2021**

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June 14, 2019

Ms. Renee Osborne
General Manager
Los Osos Community Services District
P.O. Box 6064
Los Osos, CA 93412

Dear Ms. Osborne:

Attached is our proposal to audit the agency-wide financial statements for the Los Osos Community Services District (the District) for the years ending June 30, 2019, 2020 and 2021. We propose to perform the work as described in the Los Osos Community Services District RFP for Audit Services and we commit to perform the work within the time frame as specified in the RFP.

We believe we are uniquely qualified to serve your organization. There are a number of sound reasons why you should select us as your independent certified public accountants.

- We are able to provide technical and quality services commensurate with that of the largest certified public accounting firms. All of our audit principals and the supervisor who would be involved with your account have experience with national or international firms. However . . .
- Since we are a local firm, we can respond immediately to your financial questions or concerns.
- We are available to present local seminars of governmental accounting or related matters to District staff.
- Our approach to auditing is management oriented. We will concentrate on maintaining a close and constructive relationship with you throughout the year.
- Our Firm has a continuity of personnel from year-to-year, to assure you of the most efficient, and correspondingly, the least costly accounting services.
- We are a service organization. We understand the obligation we have on a continuing basis, to earn your patronage through responsible service and on-going attention to your needs.
- We have tailored our Firm to meet the needs of local business, nonprofit organizations and governmental agencies which make up the economic climate of the Central Coast. We feel our approach has been successful as evidenced by our continued growth.
- The Firm has a full-time audit department which specializes in financial and compliance audits. We attend various seminars and education courses throughout the year related specifically to auditing to assure we are current on any new developments in the field.

As a local CPA firm, we sincerely appreciate the opportunity to submit this proposal. By selecting a local CPA firm, the District will receive personalized professional services. There are no out-of-town living expenses in the fee.

Erin M. Nagle, CPA is authorized to make representations on behalf of Glenn Burdette. She is a principal of the firm and may be contacted at erin.nagle@glennburdette.com or Glenn Burdette, 1150 Palm Street, San Luis Obispo, CA 93401; (805) 544-1441.

This proposal is a firm and irrevocable offer for 120 days. We look forward to the opportunity of serving you. If there are any questions, please do not hesitate to contact us.

Sincerely,

A handwritten signature in black ink that reads "Erin Nagle". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Erin M. Nagle, CPA

for

Glenn Burdette Attest Corporation

Certified Public Accountants

Detailed Proposal

Introduction

Scope of Work

We will perform the audits in accordance with U.S. generally accepted auditing standards (GAAS) as set forth by the American Institute of Certified Public Accountants (AICPA) and the standards for financial audits set forth in the U.S. General Accounting Office's Government Auditing Standards, issued by the Comptroller General of the United States.

We acknowledge our commitment to perform meet the deadlines detailed in the Request for Proposal.

In the required reports on internal controls, we will communicate any matters considered to be significant deficiencies under standards established by the AICPA. Significant deficiencies that are also material weaknesses will be identified as such in the report. Other matters involving the internal control that are not significant deficiencies nor material weaknesses will be reported in a separate letter to management which will be referred to in the required reports on internal controls. Reports on compliance will include all material instances of noncompliance. All nonmaterial instances of noncompliance will be reported in a separate letter to management which will be referred to in the required reports on compliance. We acknowledge our responsibility to make immediate, written report of all irregularities and illegal acts or indications of which we become aware to the District Board, General Manager and the District's legal counsel. We understand that your expectation is that the auditors will prepare the basic financial statements and the footnotes to the financial statements.

Sample Sizes and Sampling

Sample sizes will vary depending on our assessment of risk, as well as whether we are performing tests of controls, tests of compliance or substantive tests. For the tests of controls described above, we anticipate sample sizes between 25 and 40. This equates to a tolerable risk of 5% - 12%. Sample sizes for substantive tests depend on the account balance or transaction class being tested compared to the tolerable misstatement of the financial statements as a whole.

We intend to use nonstatistical sampling procedures and worksheets as contained in the Practitioners Publishing Company Guide to Audits of Local Governments. Whenever possible, we will use a random selection method based on the District's range of check numbers, receipt numbers, etc.

Populations of cash disbursements, payroll disbursements and cash receipts will be identified in order to draw samples for tests of controls.

Analytical Procedures

As discussed previously, we will apply preliminary analytical procedures by comparing account balances for the current year to the prior year amounts and the current year budget in order to identify unusual or unexpected balances or relationships and in order to consider risks when preparing audit work programs as part of our year-end testing procedures. Analytical procedures will also be applied to significant revenues and expenses as a portion of our substantive audit program.

Internal Control Structure

As discussed previously, we will review the basic accounting systems of the District and will use questionnaires and checklists and interview District staff to document our understanding of the internal control system as part of our interim testing procedures.

Independence

We are independent of the District as defined by generally accepted auditing standards as set forth by the U.S. General Accounting Office's *Government Auditing Standards*, issued by the Comptroller General of the United States. We are also independent of all component units of the District as defined by those same standards. As part of our internal quality control procedures, each employee is required to attest to their independence with regard to the current client listing.

The Firm has not had any professional relationships involving the District or any of its component units or oversight units in the past five years.

We agree to give the District written notice of any professional relationships entered into during the period of this agreement.

License to Practice in California

The Firm and all assigned key professional staff are properly licensed to practice as certified public accountants in California. The CPA license numbers for the persons who will be performing the audit services are indicated under "Partner, Supervisory, and Staff Qualifications and Experience."

Experience and Support

Glenn Burdette Certified Public Accountants is a professional corporation with offices in San Luis Obispo, Paso Robles, and Santa Maria. All of the work on this engagement will be performed primarily from the San Luis Obispo office. We perform audit, accounting, tax services and management consulting services from our San Luis Obispo office. We have been performing financial and compliance nonprofit and governmental audits for over 30 years, and single audits for the past 20 years.

This Firm has 35 CPAs and 40 other employees (22 professional and 18 support staff). This includes two audit principals, one senior audit manager, one audit manager, and one audit senior who are Certified Public Accountants, plus one senior and one professional staff who perform audit services. This makes us the area's largest audit practice. We anticipate having one principal, one manager, one senior professional associate and one professional associate staff the engagement. Biographies of the associates expected to perform significant services under this contract are contained under "Partner, Supervisory, and Staff Qualifications and Experience."

In addition to having the area's largest audit practice, the Firm has the largest tax department on the Central Coast. We are heavily involved in all phases of tax planning, preparation, and consulting. We also provide management advisory services related to information systems on non-attest engagements and maintain a client accounting services department. We are available to present educational seminars and employee training programs throughout the year.

To assure the quality of all staff over the term of the contract, all our CPAs and professional staff conducting audits subject to Government Auditing Standards are required to take at least 80 hours of continuing professional education (CPE) classes every two years with at least 24 hours in CPE directly related to the government environment and government auditing. We are members of the American Institute of Certified Public Accountants, the California Society of Certified Public Accountants, the California Society of Municipal Finance Officers, and the Government Finance Officers Association. We subscribe to all current pronouncements of the Financial Accounting Standards Board and the Governmental Accounting Standards Board. As such, we have access to the AICPA technical hotline, CalCPA technical hotline, GFOA technical services staff, and GASB and FASB technical staff when questions arise related to accounting or disclosure during the course of the audit.

Our Firm had its quality control system reviewed in May 2017 as required by the American Institute of Certified Public Accountants. The quality control review included a review of specific governmental engagements including single audits. The firm passed the review and a copy of the report is available upon request.

Every federal and state desk review of our audits has indicated that the reports generally meet the requirements of Uniform Guidance, and/or the reporting standards contained in the State Controller's audit guide, Standards and Procedures for Audits of California K-12 Local Educational Agencies and the California Community Colleges Chancellor's Office Contracted District Audit Manual, as applicable.

The Firm and any of its employees have never had a record of sub-standard work, or unsatisfactory performance pending with the State Board of Accountancy. There has been no disciplinary action taken or pending against the Firm with state regulatory bodies or professional organizations.

Management Plan

We will work with the District to establish fieldwork dates that are mutually agreeable. We will assign our Audit Principal to be the main point of contact along with the Audit Manager. Our audit approach will be designed to provide for the most effective and efficient use of resources. During our preliminary field work, we will review the basic accounting systems of the District and will use questionnaires and checklists to document our understanding of the internal control system including the control environment, risk assessment, control activities, information and communication, and monitoring. This will be supplemented by narratives of our understanding of the flow of information through the accounting system. We will need to interview various District staff in order to gain an understanding of the internal control system and complete these forms and narratives. We will also reference the District's organizational charts, policy manuals and procedures guides to aid in our understanding. We anticipate performing walkthroughs of purchasing/cash disbursements, personnel/ payroll, revenue/cash receipts, bid process and budget amendments. Based on the controls present within the respective systems and our preliminary evaluation of such controls, a determination will be made as to the extent of substantive procedures to be performed. In addition, we anticipate performing detail testing of fixed asset additions and disposals.

We will perform substantive tests of account balances at year-end including vouching to supporting documentation or confirmation with outside parties as determined appropriate. We expect the following to be significant audit areas: capital assets, pension and OPEB long-term liabilities, and utility billing. We will apply preliminary analytical procedures by comparing account balances for the current year to the prior year amounts and the current year budget in order to identify unusual or unexpected balances or relationships and in order to consider risks when preparing audit work programs. Analytical procedures will also be applied to significant revenues and expenses as a portion of our substantive audit program.

Our Firm uses personal computers extensively in our audit practice. We have portable computers, scanners and printers that we take into the field to assist in preparing working papers and financial statements. Our work papers are prepared and maintained electronically so we attempt to get as many of the District's documents in electronic form. We have Microsoft Word and Excel software which allows us to audit the District's spreadsheets by obtaining the files and reviewing formula when that method would be more efficient than manually reviewing the spreadsheets. When possible, we would like to use the District's data files for testing rather than manually preparing information.

We agree to retain all working papers and reports at our expense for a minimum of five (5) years and make them available to the District or its designees.

Personnel Qualifications

We anticipate that the principal and supervisory staff identified would remain the same throughout the term of the contract. However, if those personnel leave the Firm, are promoted or are assigned to another office, we would be able to provide replacement staff who have substantially the same qualifications and experience. If those personnel are changed for other reasons, we would obtain the District's prior written approval. We acknowledge that the District retains the right to approve or reject replacements. *Likewise*, we could provide replacement staff for other audit personnel as required during the term of the contract, with substantially the same qualifications and experience. Staff assigned to the engagement would continue to obtain relevant continuing professional education and all new staff will be subject to our hiring standards. This will help to ensure continued high level of quality over the term of the engagement. The Firm is an equal opportunity employer.

Erin M. Nagle, Certified Public Accountant (License #75111) - Audit Principal

Ms. Nagle graduated from the University of California at Santa Barbara in June 1995. She was employed as an auditor at BDO Seidman LLP in San Francisco for three years where she worked on public and private companies in retail and manufacturing as well as large non-profits. Ms. Nagle joined our firm in June 1998 and has worked extensively with attest clients in the governmental and nonprofit industries, as well as those in the winery and construction fields. Ms. Nagle is responsible for the education and quality control of the audit department and is a graduate of the Emerging Leaders Academy for CPAs. She is a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants.

Ms. Nagle has served in a supervisory capacity in the following relevant governmental, nonprofit and single audits:

- Cities of San Luis Obispo, Lompoc and Guadalupe
- University Corporation at Monterey Bay
- Foundation of CSU, Monterey Bay
- California Polytechnic State University Foundation
- Santa Barbara and Allan Hancock Community College Districts
- Guadalupe Union, San Luis Coastal Unified, and Paso Robles Joint Unified School Districts

The significant relevant continuing professional education that Ms. Nagle has obtained during the last three years relates to governmental accounting and auditing updates, preparing governmental financial statements, Single Audits, Government Auditing Standards "Yellow Book" and accounting updates.

Sherri Y. Parkinson – Certified Public Accountant (License #64611) – Senior Audit Manager

Ms. Parkinson graduated from California Polytechnic State University, San Luis Obispo in June of 1989 with a Bachelor of Science degree in Business Administration with a concentration in accounting. She was employed by KPMG in San Jose, CA for four years where her audit clients included both private and public companies. She has since worked in industry at several companies including Global Village Communications, Inc., a public company, where she served as Accounting Manager and at Wireless Access Communications, Inc., where she served as Controller. She joined Glenn Burdette in August 2008. She is a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants.

Since joining the firm, Ms. Parkinson has served in a supervisory capacity on the following relevant governmental, nonprofit and single audit engagements:

- Mission Hills Community Services District
- City of Pismo Beach
- California Polytechnic State University Corporation
- Santa Barbara Community College District
- Morro Bay-Cayucos Wastewater Treatment Facility Joint Powers Agreement
- Family Care Network, Inc.
- Transitions-Mental Health Association
- Women's Shelter Program of San Luis Obispo County dba Stand Strong
- Bay Foundation of Morro Bay
- Land Conservancy of San Luis Obispo County

The significant relevant continuing professional education that Ms. Parkinson has obtained during the last two years related to governmental and nonprofit accounting and auditing updates, preparing governmental financial statements, Single Audits, Government Auditing Standards "Yellow Book" and accounting updates.

Sarah Riis-Vestergaard – Certified Public Accountant (License #124755) – Audit Manager

Ms. Riis-Vestergaard graduated from California Polytechnic State University, San Luis Obispo in March of 2010. She was employed as an intern by Glenn Burdette before joining the firm full time as an audit professional associate in May of 2013. Ms. Riis-Vestergaard completed her graduate degree from Keller Graduate School of Management in October 2013 as a Master of Financial Management and Accounting with a CPA Emphasis. Ms. Riis-Vestergaard is a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants.

Since joining the firm, Ms. Riis-Vestergaard has served on the following relevant governmental, nonprofit and single audit engagements:

- Cities of San Luis Obispo, Lompoc and Pismo Beach
- California Polytechnic State University Corporation
- California Polytechnic State University Foundation
- CSU Monterey Bay Corporation
- Foundation of CSU, Monterey Bay
- Santa Barbara and Allan Hancock Community College Districts
- Integrated Waste Management Authority
- Family Care Network, Inc.
- Women's Shelter Program of San Luis Obispo County dba Stand Strong

The significant relevant continuing professional education that Ms. Riis-Vestergaard has obtained during the last two years related to governmental and nonprofit accounting and auditing updates, preparing governmental financial statements, Single Audits, Government Auditing Standards "Yellow Book" and accounting updates.

Kristine Lemon – Senior Audit Associate

Ms. Lemon graduated from California Polytechnic State University, San Luis Obispo in June 2014 with a Master of Science degree in Financial Accounting. She was employed as an intern by Glenn Burdette before joining the firm full time as an audit professional associate in June of 2014. Ms. Lemon is a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants.

Since joining the firm, Ms. Lemon has served on the following relevant governmental, nonprofit and single audits:

- Mission Hills Community Services District
- Cities of San Luis Obispo, Lompoc, Pismo Beach and Guadalupe
- Morro Bay-Cayucos Wastewater Treatment Facility Joint Powers Agreement
- CSU Monterey Bay Corporation
- Foundation of CSU Monterey Bay
- Integrated Waste Management Authority
- California Polytechnic State University Corporation
- California Polytechnic State University Foundation
- Santa Barbara and Allan Hancock Community College Districts
- Family Care Network, Inc.
- Women’s Shelter Program of San Luis Obispo County dba Stand Strong

The significant relevant continuing professional education that Ms. Lemon has obtained during the last three years relates to governmental accounting and auditing updates, preparing governmental financial statements, Single Audits, Government Auditing Standards “Yellow Book” and accounting updates.

Mackenzie Zelenski – Audit Professional Associate

Ms. Zelenski graduated from California Polytechnic State University, San Luis Obispo in March of 2019. She was employed as an intern by Glenn Burdette before joining the firm full time as an audit professional associate in March of 2019. Ms. Zelenski is currently working on obtaining her CPA license with expected completion in January 2020. Ms. Zelenski is a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants.

List of Projects of Similar Size and Scope

Following is a list of the most significant engagements performed in the last five years that are similar to the engagement described in the District’s request for proposal:

<u>Name of Agency</u>	<u>Scope of Work</u>	<u>Dates of Service(s) During Past 5 Years</u>	<u>Engagement Partner/Manager</u>	<u>Total Hours</u>	<u>Client Contact</u>
City of Lompoc	Audit with CAFR and Single Audit, Gann	June 30, 2015-2019	Erin M. Nagle/ Sarah Riis-Vestergaard	350	Dean Albro, Business Services Director (805) 875-8283
City of San Luis Obispo	Audit with CAFR, Single Audit, financial and compliance audits of Transportation Development Act funds, Gann	June 30, 2015-2018	Allen E. Eschenbach/ Sarah Riis-Vestergaard	350	Brigitte Elke, Finance Director (805) 781-7125
Mission Hills Community Services District	Audit	June 30, 2015-2019	Allen E. Eschenbach/ Sherri Parkinson	60	Melissa Crouthers, Accountant (805) 733-4366
Cal Poly Corporation	Audit, Single Audit	June 30, 2015-2019	Allen E. Eschenbach/ Sherri Parkinson	350	Dan Banfield, Controller (805) 756-7335
Morro Bay-Cayucos Wastewater Treatment Facility Joint Powers Agreement	Audit	June 30, 2015-2019	Allen E. Eschenbach/ Sherri Parkinson	100	Jennifer Callaway, Finance Director (805) 772-6217

References

See “List of Projects of Similar Size and Scope” above.

Additional Data

There is no additional information we wish to present.

Cost Proposal

The total all-inclusive maximum price presented contains all direct and indirect costs, including all estimated out-of-pocket expenses. If it should become necessary for the District to request our Firm to render any additional services to either supplement the services requested in the RFP or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only as set forth in an addendum to the contract between the District and our Firm. Any such additional services will be billed at our standard hourly rates in effect at the time the services are performed.

These prices presented are based upon our initial analysis of the complexity of the work to be performed and the experience level of the staff to be assigned. The estimate is based on maximum audit efficiencies providing for participation and anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered. Additional fees may be added if we have to perform additional services due to the incomplete or untimely receipt by us of the information on the schedule requests list, accounts not being fully adjusted the day we commence fieldwork, or timing related inefficiencies. In the event of a change in the scope of our audit resulting from any changes in facts and circumstances, we will discuss any additional fees with you as soon as is reasonably possible after we become aware of the change. If appropriate, a change order will be issued.

The total hours and rates by level and the all-inclusive maximum fees proposed are as follows:

	<u>Standard</u> <u>Rates</u> <u>2018/19</u>	<u>Estimated</u> <u>Hours</u>	<u>Staff</u> <u>Cost</u>	<u>Discount</u>	<u>Fixed</u> <u>Fee</u> <u>2018/19</u>
Principal	\$ 350	\$ 12	\$ 4,200		
Manager	265	28	7,420		
Senior Professional Associate	175	40	7,000		
Professional Associate	140	40	5,600		
Administrative Assistant	95	5	475		
		125	\$ 24,695	\$ (5,500)	\$ 19,195
	<u>Fiscal Year</u> <u>2018/19</u>	<u>Fiscal Year</u> <u>2019/20</u>	<u>Fiscal Year</u> <u>2020/21</u>		
Fixed Fee	\$ 19,195	\$ 19,580	\$ 19,975		

Note: There are no "Other Expenses" included as we are a local firm and will not have travel or living expenses.

**LOS OSOS COMMUNITY
SERVICES DISTRICT**

AUDIT PROPOSAL

FOR THE THREE YEARS ENDING
JUNE 30, 2021

Crosby Company, Certified Public Accountant
Robert P. Crosby, CPA - Owner
1457 Marsh Street, Suite 100
San Luis Obispo, California 93401

Telephone: (805)543-6100/Fax (805)858-9505
Email: bob@crosbycoslo.com

LOS OSOS
COMMUNITY SERVICES DISTRICT
AUDIT PROPOSAL
For the Three Years Ended June 30, 2021

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CROSBY COMPANY, CERTIFIED PUBLIC ACCOUNTANT

1457 MARSH STREET, SUITE 100 - SAN LUIS OBISPO, CA 93401
PHONE: (805)543-6100 FAX: (805)858-9505

June 14, 2019

Renee Osborne
General Manager
Los Osos Community Services District
P.O. Box 6064
Los Osos, California 93412

Members of the Board:

I appreciate this opportunity to submit a proposal for the audits of the Los Osos Community Services District, for the three years ended June 30, 2019 through June 30, 2021.

A TECHNICAL PROPOSAL

1. INTRODUCTION

Crosby Company is very familiar with the Los Osos Community Services District because I personally conducted the financial statement audits for the fiscal years ending June 30, 1997 through June 30, 2006.

2. EXPERIENCE AND SUPPORT

Crosby Company is a full-service CPA firm, located in San Luis Obispo. I have thirty-six years of governmental auditing experience. My experience with governmental fund accounting and auditing, and my familiarity with Special District accounts, will enable me to audit and prepare the required reports in the most efficient and timely manner. I will make myself available when you need me, giving prompt, informed responses to your questions, while conducting your audit in a professional, comprehensive manner.

Crosby Company is independent of the Los Osos Community Services District.

My professional general liability insurance coverage totals \$1,000,000.

The following discussion outlines the technical, timing, and fee details of our proposal.

3. MANAGEMENT PLAN

I will audit the financial statements of the Los Osos Community Services District for the three years ended June 30, 2019 through June 30, 2021, for the purpose of expressing an opinion on them. The financial statements are the responsibility of the District's management. My responsibility is to express an opinion on the financial statements, based upon my audits.

I will conduct the audits of the Los Osos Community Services District on the accrual basis/modified accrual basis, in accordance with U.S. generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits will provide a reasonable basis for an opinion.

Based on discussions with management, and the review of your operations and accounting systems, I will obtain a firm understanding of your system of internal control and test the effectiveness of the internal controls in place. This will enable me to determine the timing and extent of our substantive audit testing. I will not issue an opinion on the system of internal control. If required, I will issue a management letter at the conclusion of the engagement, informing you of any material weaknesses or reportable conditions I find in the internal control system. I will also include, in the management letter, any business advisory comments or observations I feel may improve the efficiency and effectiveness of operations of the Los Osos Community Services District.

My audit procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and tests of the physical existence of Property, Plant, and Equipment, as well as direct confirmation of receivables and certain other assets and liabilities with certain creditors, legal counsel, and banks. I will search for unrecorded liabilities and perform analytical procedures on the income and expense accounts. In addition, I will compare actual performance to budgeted levels and investigate material discrepancies.

I will prepare the independent auditor's report on the audit of the financial statements of the Los Osos Community Services District, financial statements, and the appropriate footnotes to the financial statements, in accordance with U.S. generally accepted accounting principles (including the new GASB 68 and any new applicable compliance requirements).

My firm does not utilize CPA trainees to be in charge of the audit and field work. My clients expect to learn from my expertise, rather than train my staff accountants. I will insure that the books are adequately closed and the proper reversing entries are made for the subsequent year. As I have demonstrated in the past, I will work with the District staff to find ways to minimize the cost of the annual audit. If needed, I will spend extra time to help educate the Los Osos Community Services District's staff on the proper audit procedures and preparation for the audit.

Audit Proposal
Re: Los Osos Community Service District

Letter of Transmittal
June 14, 2019

3. MANAGEMENT PLAN (Continued)

I provide these extra services to maintain a long-term working relationship with all of my audit clients. I believe that the benefits of these extra services streamline future audits and, ultimately, are passed on to the organization in reduced audit rates.

4. PERSONNEL QUALIFICATIONS

I have attached a copy of my resume.

5 & 6. LIST OF PROJECTS OF SIMILAR SIZE AND SCOPE/REFERENCES

The following is a list of Special District audits of similar size, along with dates and references:

Avila Beach Community Services District Brad Hagemann - General Manager Post Office Box 309 Avila Beach, California 93424 Audited Financial Statements - Fiscal Years Ended 1997 – 2011, 2013 - 2015	(805) 595-2664
Cambria Community Services District Alleyne LaBossiere – Finance Director 1316 Tamson Drive, Suite 201 Cambria, California 93428 Audited Financial Statements - Fiscal Years Ended 1999 - 2001, 2009 - 2016	(805) 927-6223
Heritage Ranch Community Services District Scott Duffield – General Manager 4870 Heritage Road Paso Robles, California 93446 Audited Financial Statements - Fiscal Years Ended 2008 - 2018	(805) 227-6230
Nipomo Community Services District Lisa Bognuda – Finance Director Post Office Box 326 Nipomo, California 93444 Audited Financial Statements - Fiscal Years Ended 2007 – 2015	(805) 929-1133

***Note: Sample financial statements for the above Districts can generally be found online.**

7. ADDITIONAL DATA/ENGAGEMENT TIMING

With the Nipomo CSD audit, we were able to obtain the first "Certificate of Achievement for Excellence in Financial Reporting Award" ever issued for a Special District in the County of San Luis Obispo, for the fiscal years ending June 30, 2013 through June 30, 2015.

In considering engagement timing, I will provide a list of the schedules and supporting information required for the audits. I expect to commence the audit fieldwork as soon as most of the items on our "items needed list" are completed by your staff. I would like to have all audit confirmations mailed as soon as possible, to avoid any confusion in the responses. The annual report draft and management letter will be prepared for review by District Staff and Audit Committee. After this review is completed, I will present the final audit to the District by the November 30th due date and the State Financial Transaction Report by its January 31st due date.

B COST PROPOSAL

My audit professional staff includes one CPA, and one CPA candidate that has already passed all sections of the CPA exam. My fees for services required to accomplish TASKs 1-6 will be \$20,000, billed at the regular hourly rates for specific staff members involved (\$250 Owner, \$150 staff accountant). The total current year and two subsequent-years' audits are expected to take approximately 100 hours each to complete. The total maximum fees are outlined in Attachment A. This fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances or inflation will not be encountered during the audit.

Additional fees will be required, if the District receives significant funding from Federal sources; the District will be required to perform a single/grant-specific audit. These additional fees can range depending on the funding amounts and the complexities of the disbursements.

We are enthusiastic about working with you and welcome your inquiries.

Respectfully submitted,



Robert P. Crosby, CPA

CROSBY COMPANY
Certified Public Accountant

ATTACHMENT A

COST PROPOSAL FOR AUDIT OF LOS OSOS CSD

STAFF MEMBER	HOURLY RATE	ESTIMATED HOURS	STAFF COST	OTHER EXPENSES	TOTAL
Owner/CPA	\$ 250.00	50	-	-	\$ 12,500.00
Staff Accountant	\$ 150.00	50	-	-	\$ 7,500.00
TOTAL		100	-	-	\$ 20,000.00

ROBERT P. CROSBY, CPA
OWNER

EDUCATION

University of Southern California

Bachelor of Science Degree (Business Administration / Accounting) – June, 1977

MILITARY EDUCATION

United States Navy - Naval War College / Officer Candidate School
Newport, Rhode Island – January, 1978

United States Navy - Navy Supply Corps School
Athens, Georgia – July, 1978

PROFESSIONAL BACKGROUND – Certified Public Accountant

Accounting License

CPA – California, October 11, 1985

Career Summary

Owner, accountant, auditor and CPA from June, 2009 to present – Crosby Company, San Luis Obispo, California
Owner/Partner, accountant, auditor and CPA from 1997 to May, 2009 – Crosby & Cindrich, San Luis Obispo, California
Employed as accountant, auditor and CPA from 1987 to 1997 – Bourdon & Burkart, San Luis Obispo, California
Employed as accountant, auditor and CPA from 1985 to 1987 – Knight, Towle, Sage and Johnson, San Luis Obispo, California
Employed as accountant, auditor and CPA from 1983 to 1985 – Diehl, Evans, and Company, Newport Beach, California
Employed as accountant and controller from 1981 to 1983 – Mutual Petroleum, San Marino, California
Employed as U.S.Navy Lieutenant, Supply Officer from 1978 to 1981 – USS Kitty Hawk CV63, San Diego, California

Areas of Expertise

Extensive audit experience (36 years); expertise includes: municipal, special district, non-profits, compliance, fraud, corporate, Security Exchange Commission, and single/grant-specific audits.

Extensive tax-preparation experience (34 years); expertise includes: individual, non-profits, corporate, fiduciary, estate, and partnerships.

Other specialties, including: Internal Revenue Service audit representative, expert witness.

PROFESSIONAL MEMBERSHIPS

Los Angeles Jonathan Club – Resident Member
California Society of Certified Public Accountants (CSCPA)
Boy Scouts of America (BSA) – Eagle Scout