

# PROPOSAL TO PROVIDE PROFESSIONAL AUDIT SERVICES FOR



FOR THE FISCAL YEAR ENDED JUNE 30, 2022

## CONTACT PERSONS:

**Ingrid Sheipline, Managing Partner**

[isheipline@richardsoncpas.com](mailto:isheipline@richardsoncpas.com)

**Brian Nash, Partner**

[bnash@richardsoncpas.com](mailto:bnash@richardsoncpas.com)



550 Howe Avenue, Suite 210  
Sacramento, California 95825  
Phone: (916) 564-8727  
Fax: (916) 564-8728

December 7, 2022



550 Howe Avenue, Suite 210  
Sacramento, California 95825

Telephone: (916) 564-8727  
FAX: (916) 564-8728

December 7, 2022

**Gold Mountain Community Services District**

P.O. Box 5

Clio, CA 96106

Thank you for your interest in our firm and the opportunity to present our proposal to serve the **Gold Mountain Community Services District (GMCS D)**. We are genuinely enthusiastic about the prospect of serving as your auditors. Auditing special districts, especially those providing water/sewer and fire services, has developed into one of our firm's major areas of expertise. If given the opportunity, you can be sure that we would serve GMCS D with great care and pride.

**Our Profile and Commitment to Quality**

Richardson & Company, LLP is a regional CPA firm established in 1991 and located in Sacramento. We have a staff of thirty-three, including twelve CPAs. We are among the top 15 largest CPA firms operating in the Sacramento area. Richardson & Company, LLP is a certified Micro-Small Business Enterprise by the California Department of General Services and a certified Disadvantage Business Enterprise and Woman-owned Business Enterprise by Caltrans. All of our professional staff have governmental auditing experience. We provide audit services to numerous governmental entities, including water districts, fire districts, park and recreation districts, cities, regional transportation planning agencies, Transportation Development Act funding recipients, joint powers authorities and other special districts. We also provide audit services to nonprofit organizations, financial institutions, real estate partnerships and several others. We provide tax services to our audit clients requiring those services. Our firm is dedicated to providing our clients with quality audit, tax, accounting and business advisory services at a reasonable cost consistent with the highest professional standards.

We are registered with the Public Company Accounting Oversight Board (PCAOB), and we are a member of the Center for Audit Quality and the Center for Public Company Audit Firms of the American Institute of Certified Public Accountants (AICPA). All firms that join the Center for Audit Quality agree to adhere to published AICPA and PCAOB quality control standards and submit to peer reviews and PCAOB inspections of their practice every three years. We have passed all ten peer reviews and all three PCAOB inspections of our practice.

**Independent Accountants with Proven Expertise Serving Water District and Other Governmental Entities**

In any service organization, it is the people who make the difference. Our team members know and understand the challenges and opportunities confronting governmental entities and our team consists of professionals who have proven their ability to provide auditing services to water districts. Serving this industry with its unique reporting requirements has developed into one of

our firm's areas of expertise. For this reason, we believe we are best qualified to perform the audits of GMCSO.

We have audited the California Department of Water Resources on behalf of a large Southern California water agency for the past forty years, including twelve years while key personnel in our firm were with Ernst & Young. The water agency is a consortium of twenty-six cities and water districts serving nearly nineteen million people in the Los Angeles and San Diego areas. It is the largest water district in the world. This large, complex audit of the multi-billion-dollar State Water Project managed by the California Department of Water Resources is on a scale and nature as to rarely be performed by other than "Big Four" firms.

We also have extensive experience with performing audits of other special districts, including the Sacramento Metropolitan Fire District, Sacramento Public Library Authority, Sacramento Transportation Authority, Cosumnes Community Services District, Mountain House Community Services District, Yolo-Solano Air Quality Management District, Yolo County Transportation District, Sacramento Regional Transit District, El Dorado County Transportation Commission, El Dorado County Transit Authority, Yolo County Transportation District, Yuba-Sutter Transit Authority and Paratransit. We have also served numerous cities and other governmental entities. We have extensive experience with Single Audit Act procedures and reports, preparation of State Controller's Reports, letters to underwriters and preparation and review of Annual Comprehensive Financial Reports for compliance with the GFOA's preparers checklist in order to receive the Certificate of Achievement for Excellence in Financial Reporting.

We have been selected several times to conduct special, forensic audits on behalf of several water and fire districts, including situations where it was alleged that expense reimbursements had been paid in excess of amounts authorized by policy or law. Our investigations proved the allegations were true and discovered several other problems. Our audit results were made public by the districts involved and extensively reported in the local and statewide news media. The FBI, IRS and the Sacramento District Attorney subpoenaed our workpapers to assist them with their investigations. We have testified in federal court and given depositions related to this work. This special audit work proves that our firm has the resources and expertise to successfully complete difficult, unusual auditing projects in a timely manner.

We have built a practice oriented toward providing services equal in caliber to those provided by firms operating on a national level. The following is a list of governmental and governmental-affiliated entities we are currently serving or have served:

#### Water and Other Utility Districts

- Orleans Community Services District
- Volcano Community Services District
- Amador Water Agency
- Calaveras County Water District
- Tuolumne Utilities District
- Rancho Murieta Community Services District
- Calaveras Public Power Agency
- Mountain House Community Services District
- Nevada Irrigation District
- South Feather Water and Power Agency
- El Dorado Irrigation District
- Oakdale Irrigation District
- South San Joaquin Irrigation District
- Yuba County Water Agency

- Tri-Dam Project and Power Authority
- San Luis and Delta-Mendota Water Authority
- Merced Irrigation District
- San Joaquin Valley Drainage Authority
- Yolo County Flood Control and Water Conservation District
- Sacramento Suburban Water District
- Fair Oaks Water District
- Carmichael Water District
- American River Flood Control District
- San Juan Water District
- Glenn-Colusa Irrigation District
- Reclamation District 1000
- Reclamation District 2035
- Del Paso Manor Water District
- Citrus Heights Water District
- Elk Grove Water Service
- Yolo Subbasin Groundwater Agency
- Rio Linda/Elverta Community Water District
- State Water Project Contractors Authority
- Regional Water Authority
- Sacramento Groundwater Authority

#### Fire Districts

- Sacramento Metropolitan Fire District
- El Dorado Hills Fire Department
- Cosumnes Community Services District (fire services in the Cities of Elk Grove and Galt)
- Nevada County Consolidated Fire District
- Stanislaus Consolidated Fire Protection District
- Sacramento Regional Fire/EMS Communication System
- American Canyon Fire Protection District
- Wilton Fire Protection District
- Herald Fire Protection District
- Rescue Fire Protection District
- El Dorado County Emergency Services Authority (ambulance services)
- California Tahoe Emergency Services Operations Authority (ambulance services)
- Yolo Emergency Communications Agency
- Pacific-Fruitridge Fire Protection District
- Courtland Fire Protection District
- California Fire Rescue Training Authority
- Dixon Fire Protection District

#### Other Special Districts

- Amador County Transportation Commission
- Amador Transit
- Calaveras Council of Governments
- Calaveras Transit
- Diablo Community Services District
- El Dorado County Transportation Commission
- El Dorado County Transit Authority
- El Dorado Hills Community Services District

- Sacramento Area Council of Governments
- Sacramento Transportation Authority
- Sacramento Public Library Authority
- Butte County Association of Governments
- Cortina Community Services District
- Yolo-Solano Air Quality Management District
- El Dorado Hills Community Services District
- Lassen County Transportation Commission
- Lassen Transit Services Agency
- Yuba-Sutter Transit Authority
- Yolo County Transportation District
- Paratransit
- Placer County Transportation Planning Agency
- Regional Waste Management Authority
- Yolo County Local Agency Formation Commission
- Marin County Transit District
- Transport System of the University of California at Davis (Unitrans)

#### Cities

- |                           |                          |
|---------------------------|--------------------------|
| • City of West Sacramento | • City of Folsom         |
| • City of Sonoma          | • City of Rocklin        |
| • City of Elk Grove       | • City of Colfax         |
| • City of Chico           | • City of Marysville     |
| • City of Lincoln         | • City of Biggs          |
| • City of American Canyon | • City of Colusa         |
| • City of Citrus Heights  | • City of Rancho Cordova |
| • City of Ione            | • Town of Loomis         |
| • City of Dixon           | • City of Sutter Creek   |
| • City of Isleton         | • Town of Fort Jones     |

We have also audited the Transportation Development Act (TDA) funds of the various cities and counties in Sacramento, Yolo, Yuba, Sutter, Butte, El Dorado, Calaveras, Amador, Placer, Lassen and San Joaquin counties. We have extensive experience with Single Audit Act procedures and reports, preparation of State Controller's Reports, pension and OPEB entries, letters to underwriters and preparation and review of Annual Comprehensive Financial Reports for compliance with the Government Finance Officer's Association preparers checklist in order to receive the Certificate of Achievement for Excellence in Financial Reporting. Providing these services for these entities makes us exceptionally well qualified to provide the services you currently request and to provide you with these additional services should you request them in the future.

In addition to demonstrating that we have the technical expertise needed to serve GMCSO, we have also demonstrated that we have the engagement management skills and local staffing resources sufficient to ensure that GMCSO's reporting deadlines are met. We have planned, scheduled and conducted our audits of the governmental entities we serve in an efficient and effective manner in order to meet reporting deadlines. From time to time our clients may need to contact us to ask questions or discuss accounting issues and other matters. We are available through the year to answer questions and encourage our clients to ask questions as the issues surface. We are timely and responsive to our clients' questions and requests for information. We have established a reputation with our clients for quality service, timeliness and professionalism.

## Our Key Personnel

We have the personnel with the necessary professional qualifications and technical ability to provide you with the quality service you are looking for. As you can see from the resumes of our key personnel, we have developed the proficiency in the accounting principles and standards and governmental auditing to ensure you will receive quality work. Our firm philosophy centers around our commitment to the highest level of quality service--delivered by quality people. We have a history of providing technical excellence through teamwork responsive to clients' needs and expectations. Our commitment to quality results in satisfying the needs of our clients by providing value-added services and attracting and retaining clients of the highest caliber.

Our key audit executives will participate heavily in the audit of the District. This assures the District will receive a quality audit managed and executed on-site by seasoned professionals, knowledgeable of the government and specifically the water industry. We believe the quality of our services exceeds that of national and other firms because our audit team uses more experienced professionals to actually perform the work. National and other firms typically rely heavily on senior and staff accountants to perform audit fieldwork with minimal on-site direction from partners or managers.

The following resumes outline the qualifications and experience of our key team members.

### Ingrid M. Sheipline, CPA (Managing Partner and Concurring Reviewer)

Ingrid serves as our Managing Partner and would be the District's audit partner. She would have overall responsibility for planning, directing and coordinating our services for you. Since significant and timely partner involvement is a cornerstone of our quality control procedures, she will be involved in all phases of our audit work from initial planning through report preparation. Formerly an audit manager with Ernst & Young LLP, she is a Certified Public Accountant with over thirty-five years of experience. Ingrid has supervised and conducted the fieldwork for a variety of clients including governmental entities, nonprofit organizations, utilities, banks, insurance agencies, manufacturers and distributors. While with Ernst & Young LLP, she specialized in governmental entities and grant compliance auditing, and has attended or taught numerous governmental education seminars. She is currently serving or has served almost all of the governmental entities listed in this proposal, including most of the water agencies and water industry related associations, such as Orleans Community Services District, Volcano Community Services District, Amador Water Agency, Tuolumne Utilities District, Calaveras Public Power Agency, Citrus Heights Water District, Fair Oaks Water District, Sacramento Suburban Water District, Carmichael Water District, San Juan Water District, Del Paso Manor Water District, American River Flood Control District, Del Paso Manor Water District, Glenn-Colusa Irrigation District, El Dorado Irrigation District, South Feather Water and Power Agency, Reclamation District 1000, Reclamation District 2035, Merced Irrigation District, Nevada Irrigation District, Rio Linda/Elverta Community Water District, South Yuba Water District, Delta Conveyance Finance Authority, Solano County Water Agency, South Sutter Water District, Sacramento Groundwater Authority, Regional Water Authority, California Urban Water Agencies, Central Valley Project Water Contractors and Central Valley Clean Water Association. She has also audited a number of cities with water operations and proprietary funds and several fire districts.

Ingrid has a Bachelor of Science degree in accounting with honors from California State University, Sacramento. She is a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants, having served on the Board of Directors of the Society's Sacramento Chapter and as a member of the Government and Nonprofit Committee.



### Brian Nash, CPA (Audit Partner)

Brian is a partner with our firm and would serve as a second, additional or concurring reviewer, if needed. He has thirty years of professional accounting and auditing experience and has provided services to a variety of clients, including most of the government entities, nonprofits, banks, water agencies and other entities described in the following section of this proposal. He currently serves or has served a number of the water agencies, including Calaveras County Water District, Tuolumne Irrigation District, El Dorado Irrigation District, Florin Resource Conservation District/Elk Grove Water District, Westlands Water District, Oakdale Irrigation District, San Juan Water District, South San Joaquin Irrigation District, Sacramento Suburban Water District, Tri-Dam Project, Tri-Dam Power Authority, Yuba County Water Agency, Yolo County Flood Control and Water Conservation District, Yolo Subbasin Groundwater Agency, San Luis and Delta-Mendota Water Authority, San Joaquin Valley Drainage Authority, South Feather Water and Power Agency, Citrus Heights Water District, Solano County Water Agency, Merced Irrigation District and South Yuba Water District and numerous other governmental agencies, including cities, fire districts and other special districts. Brian received a Bachelor of Science degree in accounting with honors from California State University, Sacramento. He is a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants and is licensed to practice in California.

### Other Staff

We would assign a manager, senior and staff accountants to the engagement with experience working on governmental audits since everyone in our firm is required to work on a portion of our previously mentioned audits. All of the staff that have worked on the District's audits would continue to be assigned to the District's audit. Twelve out of our twenty-nine professional staff are CPAs.

### **Scope of Services**

We understand that GMCSO requires an audit of its basic financial statements, including the preparation of the financial statements, for the fiscal year ended June 30, 2022, including all procedures necessary for the issuance of an opinion regarding the fairness of the presentation of the financial statements in conformity with generally accepted accounting principles. The audits are to be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants (AICPA) and the State Controller's Minimum Audit Requirements for California Special Districts. These services will include the following:

1. Perform an audit of GMCSO's financial statements in conformity with generally accepted accounting standards, *Government Auditing Standards* and the State Controller's Minimum Audit Requirements for California Special Districts.
2. Prepare GMCSO's financial statements.
3. Express an opinion on the financial statements as to whether they present fairly, in all material aspects, the financial position of GMCSO and the changes in financial position in conformity with generally accepted accounting principles (GAAP), and issue an independent auditor's report stating this opinion.
4. Test internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, in accordance with *Government Auditing Standards*, and issue an independent auditors' report on their consideration.

5. Apply limited audit procedures to the Management's Discussion and Analysis (MD&A).
6. Prepare a Report to the Board of Directors and Management which identifies significant audit findings, difficulties encountered in performing the audit, identify any correct and uncorrected misstatements, disagreements with management, management representations, control deficiencies, significant deficiencies and material weaknesses, if any, and our recommendations for improvements in accounting and administrative controls.
7. Prepare Financial Transactions Report to State Controller, if requested.

### **Our Commitment to Perform Timely Services**

We have a reputation for meeting our client's deadlines. We will provide GMCSD with a list of schedules and other work requested as soon as we are selected and will perform fieldwork in March or April, or at such time as the books have been closed and all documents and analyses have been completed. We anticipate draft copies of the audit reports will be available in late April, with final reports being available in early May. We will provide GMCSD with the priority and timely service it deserves.

The following estimated work plan was developed with your stated deadlines in mind. Upon selection as your independent accountants, we will meet with you, and together we will determine a specific timetable which ensures minimal disruption of your employees and meets your expectations.

Task	FY 2021/22 Audit Timing	Following Years Audit Timing
<b>Audit Planning:</b>		
Begin audit planning process	January/February	June/July
Internal control/systems documentation, evaluation and testing		
Develop audit programs		
Provide audit assistance package and confirmation letters		
Risk Assessment		
<b>Substantive Testing:</b>		
Cash and investments	March/April	August/September
Revenue, receivables and deferred revenue		
Expenses for goods and services and related liabilities		
Net Position - restricted and unrestricted		
<b>Reporting and Wrap-up:</b>		
Preparation of the financial statement and other reports	April	September
Draft reports available for review	Late April	Early October
Delivery of final reports	Early May	Mid October

Our audit will be planned so that delivery of all required reports will be accomplished in a timely manner. We believe that the staffing of the audit is sufficient to ensure the timely completion of the audit and to ensure that the work is properly supervised. We would work closely with management to ensure that we provide timely services consistent with your requirements.

We will prepare, edit and print the financial statements consistent with professional standards and your needs and will review the drafts of all our reports with management prior to finalization.



## New Independence Rules

New independence requirements in the 2018 *Government Auditing Standards* (known as the Yellow Book) apply for the first time during the fiscal year ending June 30, 2021. The new independence requirements add additional scrutiny over nonaudit services performed by auditors, which includes preparation of accrual adjustments and the financial statements with footnotes. The 2018 Yellow Book is intended to result in auditors reevaluating whether they should provide bookkeeping, schedule preparation and other services typically performed as part of an audit that require judgement to be exercised that should be performed by management, so they are not put in the position of auditing their own work. We believe the 2018 Yellow Book independence requirements will result in auditors asking clients to find other accounting and reporting expertise to complete nonaudit services and advise clients about financial disclosures. If we prepare GMCS D's financial statements, including footnotes, GMCS D will need to ensure that GMCS D has someone on staff or hire a consultant that has the skills, knowledge and experience to be able to take responsibility for the completeness and accuracy of the financial statements. If the auditor prepares any accrual adjustments, these will also need to be reviewed by someone with skills, knowledge and experience to review them.

## Professional Fees

Our goal is to provide quality service using the highest professional standards at a reasonable cost. We plan each assignment carefully and set a time budget for each phase of the engagement. All of our staff are well indoctrinated in the need to use their time to the fullest efficiency.

During the first year, we will spend a significant amount of time becoming familiar with your organization and operations, developing permanent files, and performing our risk assessment. We will absorb the cost of this nonrecurring time and view it as an excellent investment in establishing a long-term relationship and in becoming more knowledgeable about your operating environment, which will enhance our ability to provide you with responsive service.

Since Richardson & Company, LLP consists primarily of experienced auditors, you can be sure that you will receive the experience level and quality of service you expect. Our firm will bring to the audits strong technical backgrounds, government and utility accounting expertise, outstanding engagement management skills, which will provide a "fresh look" at your programs.

Based upon our current understanding of the situation and our understanding of GMCS D's control processes in place, our professional fees to perform the annual audit are listed below. Because of the start-up time incurred in an audit related to obtaining an understanding of and documenting internal controls and accounting processes, it is more cost-effective to GMCS D for us to perform multi-year audits. Accordingly, we have provided a fee estimate for performing an audit for three years, assuming GMCS D is satisfied with our services.

A summary of our fees by task are as follows:

	<u>2022</u>	<u>2023</u>	<u>2024</u>
Audit and preparation of financial statement	\$ 10,900	\$ 11,250	\$ 11,590
Financial Transactions Report	700	720	740

The break-down of our fee by classification is as follows:

<u>Classification</u>	<u>Hours Per Year</u>	<u>Hourly Rates</u>	<u>Fee</u>
Partner	18	\$ 200	\$ 3,600
Senior Manager	40	180	7,200
Staff	70	120	8,400
	<u>128</u>		<u>19,200</u>
Discount			<u>(8,300)</u>
Audit Fees for Year Ended June 30, 2022			<u>\$ 10,900</u>

The discount of the rates above gives recognition to the fact the timing of your audit fits extremely well in our schedule and also reflects our commitment to serving water districts. The fees also assume the audit and any meetings would be conducted remotely.

These estimates do not take into consideration changes in the scope of the audit due to changes in accounting or auditing pronouncements and standards, laws or regulations, the loss of key accounting personnel, material weaknesses in the internal control environment, large number of audit adjustments, restatements of prior year financial statements or significant changes in the scope of GMCSO's operations. We will discuss a new fee estimate with GMCSO if such an event occurs.

The new accounting pronouncement related to leases becomes effective in fiscal year 2021/22. Should the District need assistance with implementation, we will bill for this time at \$100 per hour and estimate our fee for this assistance to range from \$600 to \$1,500.

**Should you have any questions about the details of our fees, or should our fees not appear competitive with those of the other firms, we would appreciate an opportunity to discuss them with you before you make your final decision.**

#### Standard Billing Rates for Additional Services:

Our rates for additional services approved by GMCSO that are not part of the scope of audit services are as follows:

<u>Classification</u>	<u>Rate Per Hour</u>
Partner	\$ 200
Tax Director	220
Senior Manager	180
Managers	160
Supervisors	140
Seniors	120
Semi-seniors	100
Staff	90
Administrative or clerical	60

#### **References**

We have the technical expertise needed to serve the District and engagement management skills and the local staffing resources sufficient to ensure that the District's reporting deadlines are met. We have planned, scheduled and conducted our audits of the governmental entities we serve in

an efficient and effective manner in order to meet reporting deadlines. From time to time our clients may need to contact us to ask questions or discuss accounting issues and other matters. We are available through the year to answer questions and encourage our clients to ask questions as the issues surface. We are timely and responsive to our clients' questions and requests for information. We have established a reputation with our clients for quality service, timeliness and professionalism. Accordingly, we have included three of these entities as references in this proposal and we encourage you to contact them.

Fair Oaks Water District  
Tom Gray, General Manager  
[tgray@fowd.com](mailto:tgray@fowd.com)  
(916) 967-5723

Tuolumne Utilities District  
Steve Sheffield, Finance Director  
[s.sheffield@tudwater.org](mailto:s.sheffield@tudwater.org)  
(209) 532-5536 ext. 482

Sacramento Suburban Water District  
Jeff Ott, Director of Finance and  
Administration  
[jott@sswd.org](mailto:jott@sswd.org)  
(916) 972-7171

### **Why We are Best Qualified**

Richardson & Company, LLP is the best qualified to perform the auditing services required by the District for the following reasons:

- We have extensive history in providing high-quality audits to water and utility districts and other governmental agencies, as previously discussed, which will ensure a smooth transition.
- Our firm uses more experienced staff to actually perform the work than is typical of larger and other firms. If our firm is selected, we plan to have the senior manager and the Partner present during fieldwork. While larger and other firms may be able to demonstrate significant amounts of experience in the areas of expertise needed to provide the services you require, the specific individuals they actually assign to your engagement may not have the specific experience you need like the team of accountants we will assign to your engagement. The use of more experienced staff will also ensure you will receive quality services. Also, smaller firms do not have our large government experience, which is essential to address unusual and complicated transactions.
- We have a thorough audit approach that focuses on substantive testing of the District's accounts. Some firms provide lower cost audits by performing mostly analytical review procedures and the evaluation of internal controls instead of performing substantive testing of account balances. Our thorough approach ensures material misstatements and noncompliance with policies are detected, which should provide a level of comfort to management and the Board of Directors.

\* \* \* \* \*

Once again, we would like to thank you for the opportunity to discuss our services, present our qualifications, and submit our proposal to serve as independent auditors for GMCS D. We are genuinely enthusiastic over the prospect of serving you and sincerely believe that we have the people, experience, resources and reputation to assure you of outstanding services. For the preceding reasons, we genuinely believe that your selection of our firm as GMCS D's independent accountants is the best decision that GMCS D could make.

If you have questions or need additional information, please contact Brian Nash or me at (916) 564-8727, fax (916) 564-8728, correspondence at 550 Howe Avenue, Suite 210, Sacramento, California 95825 or email sent to [bnash@richardsoncpas.com](mailto:bnash@richardsoncpas.com) or [isheipline@richardsoncpas.com](mailto:isheipline@richardsoncpas.com).

Very truly yours,

RICHARDSON & COMPANY, LLP



Ingrid Sheipline, CPA  
Managing Partner