

**AGENDA  
MEETING OF THE  
ANIMAL CARE JPA  
THURSDAY, FEBRUARY 28, 2013, 1:00 p.m.  
YUCCA VALLEY COMMUNITY CENTER MESQUITE ROOM**

**ROLL CALL:** Directors Cronin, Huntington, Lombardo, Chair Ramos

**PLEDGE OF ALLEGIANCE**

**APPROVAL OF MINUTES**

Approve the Special Meeting Minutes of February 7, 2013, as presented

**DIRECTORS REPORTS/UPDATES**

**DISCUSSION ITEMS**

1. FY 2010-11 Audit Report and Payment of Audit Expense

**Recommendation: Receive and File Audit Report and approve payment of FY 2010-11 audit expense in the amount of \$8,160.00.**

2. FY 2011-12 Audit Proposal and Approval of Audit Expenses for FY 2011-12 and FY 2012-13

**Recommendation:**

- Receive and File FY 2011-12 Audit Proposal from Smith Marion & Company LLC; and
- Approve audit expenses not to exceed an amount of \$6,900 for FY 2011-12 and \$7,100 for FY 12/13.

**FUTURE AGENDA ITEMS**

**PUBLIC COMMENTS**

**ADJOURNMENT**

**SPECIAL ANIMAL CARE JPA MINUTES  
THURSDAY, FEBRUARY 7, 2013**

Vice Chair Huntington called the meeting to order at 12:00 p.m. with Directors Cronin, Lombardo, and Vice Chair Huntington present.

**PLEDGE OF ALLEGIANCE**

Led by Vice Chair Huntington

**APPROVAL OF MINUTES**

Upon motion by Director Lombardo, second by Director Cronin and no opposition stated, the minutes of the Meetings of October 25, 2012 and December 6, 2012 stand approved.

**DIRECTORS REPORTS/UPDATES**

Director Huntington reported regarding visiting the site.

**DISCUSSION ITEMS**

**1. Approval of General Liability and Directors and Officers Insurance**

Director Cronin advised the item is standard order of business, and recommended approval of the \$4,658.80 total cost for insurance.

Director Lombardo questioned the schedule of hazards on the commercial general liability page listing buildings and premises at 500 square feet. Director Cronin advised that is based on the square footage of his office since no official facilities exist yet.

Director Lombardo moved to approve payment of JPA General Liability Insurance in the amount of \$928.80 and Directors and Officers Insurance in the amount of \$3,730.00 for a total of \$4658.80. Director Huntington seconded. No opposition stated.

**FUTURE AGENDA ITEMS**

**A. Annual Audit**

Administrative Services Director Yakimow advised of Director Nuaimi's regrets for missing the meeting. Noted the contractor is underway on the animal shelter site.

Director Cronin questioned if there is intent to consider scheduling a ground breaking in conjunction with the next meeting on February 28<sup>th</sup>.

**PUBLIC COMMENTS**

None

**ADJOURNMENT**

There being no further business the meeting was adjourned at 12:15 p.m.

Respectfully submitted

Jamie Anderson  
Town Clerk



**COUNTY OF SAN BERNARDINO**

**CALIFORNIA**

**AUDIT REPORT**

**CITY-COUNTY ANIMAL SERVICES JOINT POWERS AUTHORITY**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**Office of**

**AUDITOR-CONTROLLER/  
TREASURER/TAX COLLECTOR**

**COUNTY OF SAN BERNARDINO**

**CALIFORNIA**

**AUDIT REPORT**

**ANIMAL CARE JOINT POWERS AUTHORITY**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**Prepared by:**

**Internal Audits Section  
Office of the Auditor-Controller/Treasurer/Tax Collector  
June 27, 2012**

**County of San Bernardino  
Animal Care Joint Powers Authority**

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# AUDITOR-CONTROLLER/ TREASURER/TAX COLLECTOR



COUNTY OF SAN BERNARDINO

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LARRY WALKER  
Auditor-Controller/  
Treasurer/Tax Collector

## Independent Auditors' Report

June 27, 2012

### **Brian Cronin, Secretary**

Animal Care Joint Powers Authority  
351 N Mt. View Avenue, 3<sup>rd</sup> Floor  
San Bernardino, CA 92415

**SUBJECT: AUDIT OF THE ANIMAL CARE JOINT POWERS AUTHORITY FOR THE  
FISCAL YEAR ENDED JUNE 30, 2011**

### **Introductory Remarks**

In compliance with Section 6505 of the California Government Code, we have completed an audit of the Animal Care Joint Powers Authority, (Animal Care JPA), for the fiscal year ended June 30, 2011.

### **Auditor's Report**

We have audited the accompanying financial statements of the governmental activities and the major fund of the Animal Care JPA, as of and for the year ended June 30, 2011, which collectively comprise the Animal Care JPA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Animal Care JPA's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the minimum audit requirements and reporting guidelines for California Special Districts required by the Office of the State Controller. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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. We believe that our audit provides a reasonable basis for our opinions.

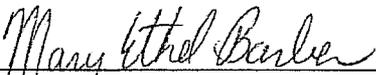
Audrpt/Brian Cronin, Secretary  
Animal Care Joint Powers Authority  
June 27, 2012  
Page 2

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Animal Care JPA, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and the state regulations governing Special Districts.

As described in Notes 1 and 8 to the financial statements, the Animal Care JPA has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010.

The Animal Care JPA has not presented the *Management's Discussion and Analysis* that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

**Larry Walker**  
Auditor-Controller/Treasurer/Tax Collector  
San Bernardino County

By:   
**Mary Ethel Barber, CPA**  
Internal Audits Manager

Quarterly copies to:

County Administrative Office  
Board of Supervisors  
Grand Jury (2)

Audit File (3)

Date Report Distributed: 6-28-12

LDW:MC:MEB:akc:mah

**County of San Bernardino  
Animal Care Joint Powers Authority  
Statement of Net Assets  
June 30, 2011**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents (Note 2)	\$ 3,487,670
Interest receivable	4,908
Prepaid insurance (Note 4)	<u>2,702</u>
Total current assets	<u>3,495,280</u>
Noncurrent assets:	
Capital assets (Note 5):	
Construction in progress	<u>42,366</u>
Total noncurrent assets	<u>42,366</u>
<b>Total assets</b>	<b><u><u>\$ 3,537,646</u></u></b>
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	<u>\$ 42,366</u>
<b>Total liabilities</b>	<u>42,366</u>
 <b>NET ASSETS</b>	
Invested in capital assets	42,366
Restricted for animal shelter	3,455,450
Unrestricted	<u>(2,536)</u>
<b>Total net assets</b>	<u>3,495,280</u>
<b>Total liabilities and net assets</b>	<b><u><u>\$ 3,537,646</u></u></b>

The notes to the financial statements are an integral part of this statement.

**County of San Bernardino  
Animal Care Joint Powers Authority  
Statement of Activities  
For the Fiscal Year Ended June 30, 2011**

	<b>Governmental Activities</b>
<b>EXPENSES</b>	
Insurance	\$ 4,529
Professional fees	7,760
Total program expenses	12,289
 <b>PROGRAM REVENUES</b>	
Contributions from members (Note 3)	3,060,316
Total program revenues	3,060,316
 Net program revenue (expense)	3,048,027
 <b>GENERAL REVENUES</b>	
Investment earnings	8,359
Total general revenues	8,359
 Change in net assets	3,056,386
 <b>Net assets - beginning</b>	438,894
 <b>Net assets - ending</b>	\$ 3,495,280

The notes to the financial statements are an integral part of this statement.

**County of San Bernardino  
Animal Care Joint Powers Authority  
Balance Sheet  
Governmental Fund  
June 30, 2011**

	<b>General (MSF)</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 3,487,670	\$ 3,487,670
Interest receivable	4,908	4,908
Prepaid insurance (Note 4)	2,702	2,702
Total current assets	3,495,280	3,495,280
<b>Total assets</b>	\$ 3,495,280	\$ 3,495,280
 <b>LIABILITIES AND FUND BALANCES</b>		
Current liabilities:		
Accounts payable	\$ 42,366	\$ 42,366
Total current liabilities	42,366	42,366
 Fund Balance (Notes 1 and 8):		
Nonspendable	2,702	2,702
Restricted	3,455,450	3,455,450
Unassigned	(5,238)	(5,238)
Total fund balance	3,452,914	3,452,914
<b>Total liabilities and fund balance</b>	\$ 3,495,280	
 Amounts to reconcile to net assets reported in the statement of net assets:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		42,366
Net assets of governmental activities		\$ 3,495,280

The notes to the financial statements are an integral part of this statement.

**County of San Bernardino  
Animal Care Joint Powers Authority  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Fund  
For the Fiscal Year Ended June 30, 2011**

	<b>General (MSF)</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>		
Contributions from members (Note 3)	\$ 3,060,316	\$ 3,060,316
Investment earnings	8,359	8,359
Total revenues	3,068,675	3,068,675
<b>EXPENDITURES</b>		
Insurance	4,529	4,529
Professional services	7,760	7,760
Capital outlay:		
Construction in progress	42,366	42,366
Total expenditures	54,655	54,655
Excess of revenues over expenditures	3,014,020	3,014,020
<b>OTHER FINANCING SOURCES (USES)</b>		
	-	-
Change in fund balance	3,014,020	3,014,020
<b>Fund balance, July 1, 2010</b>	438,894	438,894
<b>Fund balance, June 30, 2011</b>	\$ 3,452,914	\$ 3,452,914

The notes to the financial statements are an integral part of this statement.

**County of San Bernardino  
Animal Care Joint Powers Authority  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund  
Balance of Governmental Fund to the Statement of Activities  
For the Fiscal Year Ended June 30, 2011**

Change in Fund Balance - Governmental fund	\$ 3,014,020
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures.	42,366
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Change in net assets of governmental activities	<u>\$ 3,056,386</u>
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The notes to the financial statements are an integral part of this statement.

**County of San Bernardino  
Animal Care Joint Powers Authority  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Animal Care Joint Powers Authority, (Animal Care JPA), was established under a Joint Powers Agreement between the County of San Bernardino (County) and the Town (Town) of Yucca Valley on November 18, 2008. It was established for the construction, design, financing, maintenance and operation of animal shelter(s) in the unincorporated County areas in the Morongo Basin region of the County and Town of Yucca Valley areas. The anticipated site of the animal shelter is on Town property. It was originally named City-County Animal Services Joint Powers Authority and was subsequently renamed the Animal Care Joint Powers Authority on July 13, 2010.

The Animal Care JPA is self-governed by a Board of Directors, which is comprised of four Directors designated as follows:

San Bernardino County shall be represented by its Third District Supervisor and a second Director recommended for appointment by the Third District Supervisor and appointed by action of the San Bernardino County Board of Supervisors who must be an elected or appointed official of San Bernardino County.

The Town of Yucca Valley (Town) shall be represented by one of its Councilpersons and a second Director appointed by action of the Town Council of the Town of Yucca Valley who must be an elected official of the Town of Yucca Valley.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the reporting entity. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the program expenses of a given function or segment are offset by program revenues. *Program expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are

**County of San Bernardino  
Animal Care Joint Powers Authority  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued***

reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. However, for revenue derived from voluntary non-exchange transactions, such as federal and state grants, the definition of "available" is expanded to 9 months. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Animal Care JPA reports the following major governmental fund:

The *general fund MSF* accounts for the contributions received in accordance with the JPA agreement and the subsequent use of this revenue to finance the construction of the animal shelter.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

**County of San Bernardino  
Animal Care Joint Powers Authority  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued***

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

**Deposits and Investments**

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

**Capital assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (for improvements to land and structures and equipment) and have an estimated useful life in excess of one year. Structures with an initial cost of \$100,000 are considered capital assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of building and acquiring capital assets (land, buildings, vehicles and equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the statement of net assets includes those capital assets among the assets of the JPA as a whole, and their original costs are expensed annually over their useful lives.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend asset life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	10-100
Structures and Improvements	up to 45
Equipment	5-15

**County of San Bernardino  
Animal Care Joint Powers Authority  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued***

**Net Assets**

Net assets comprise the various net earnings from operating and nonoperating revenues, expenses and contribution of capital. Net assets are classified in the following three components:

- Invested in capital assets– This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation.
- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors, grantors, contributors, or laws or regulations, of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This component of net assets consist of net assets of the Animal Services JPA that are not restricted for any project or other purpose.

**Fund Balance**

The Animal Care JPA has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010. In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned. These components of fund balance are reported primarily to indicate the extent to which the JPA is bound to honor constraint on the specific purposes for which amounts in the fund can be spent.

- 1) **Nonspendable Fund Balance:** Amounts cannot be spent because they are:  
(a) not in spendable form or (b) legally or contractually required to be maintained intact. Due to the nature or form of the resources, they generally cannot be expected to be converted into cash or a spendable form.
- 2) **Restricted Fund Balance:** Amounts are restricted by external parties, i.e., creditors, grantors, contributors, or laws/regulations of other governments or restricted by law through constitutional provisions or enabling legislation.
- 3) **Committed Fund Balance:** Amounts can only be used for a specific purpose pursuant to constraints imposed by formal action (resolution) of the government's highest level of decision making authority (the JPA Board of Directors). The formal action must occur prior to the end of the reporting period, however, the amount may be determined in the subsequent period. These are self-imposed limitations on available resources. These committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same level of action it employed to

**County of San Bernardino  
Animal Care Joint Powers Authority  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued***

previously commit those amounts. These committed amounts would be approved and adopted by formal action of the Board.

- 4) **Assigned Fund Balance:** Amounts are constrained by the government's intent to be used for specific purposes that are neither restricted nor committed. This intent must be expressed by the Board of Directors.
- 5) **Unassigned Fund Balance:** The General Fund, as the principal operating fund, often has net resources in excess of what can properly be classified in one of the four categories already described. Therefore, in order to calculate unassigned fund balance, total fund balance less nonspendable, restricted, committed, or assigned equals unassigned fund balance.

When both restricted and unrestricted resources are available for use, it is the JPA's policy to use restricted resources first, then followed by unrestricted resources; committed, assigned, and unassigned, as they are needed.

**NOTE 2: CASH AND CASH EQUIVALENTS**

Cash and investments include the cash balances of monies deposited with the County Treasurer which are pooled and invested for the purpose of increasing earnings through investment activities. Interest earned on pooled investments is deposited to the Animal Care JPA's account based upon the Animal Care JPA's average daily deposit balance during the allocation period. As of June 30, 2011, Cash and Investments are reported in Animal Services JPA's financial statement as cash and cash equivalents in the amount of \$3,487,670.

See the County of San Bernardino's Comprehensive Annual Financial Report (CAFR) for details of the County's investment policy and disclosures related to the investment credit risk, concentration of credit risk, interest rate risk and custodial credit risk, as required by GASB Statement No. 40.

**NOTE 3: CONTRIBUTIONS FROM MEMBERS**

Contributions from members to date consist of:

	<u>Town of Yucca Valley</u>	<u>County of San Bernardino</u>
Fiscal Year 09-10	\$437,500	
Fiscal Year 10-11		\$3,060,316

**County of San Bernardino  
Animal Care Joint Powers Authority  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2011**

**NOTE 3: CONTRIBUTIONS FROM MEMBERS - *Continued***

The proposed funding arrangements in Attachment B of the JPA agreement state, "The Town and the County have agreed to provide equal, matching funds for the capital costs of constructing an animal shelter". Attachment B indicates the cost of the facility shall not exceed \$3,500,000. Section 2.01 of the JPA agreement states the details of the proposed funding plan were to be determined by the Board of the Authority during the first 12 months following the creation of the Authority. As of June 30, 2011 the Town and County have made combined contributions of \$3,497,816. The County's \$1,310,316 contribution in excess of the JPA agreement was made at the sole discretion of the County.

**NOTE 4: PREPAID INSURANCE**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The Animal Care JPA entered into an agreement for the period of February 11, 2011 through February 11, 2012 for annual insurance coverage. General Liability Insurance for the Animal Services JPA was obtained from Penn-Starr Insurance Company. Directors and Officers Insurance was obtained through RSUI Indemnity Company. The prepayment balance for the Animal Care JPA insurance agreements is \$2,702 as of June 30, 2011.

**NOTE 5: CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended June 30, 2011 follows:

Governmental activities:	Beginning Balance				Ending Balance June 30, 2011
	July 1, 2010	Additions	Deletions	Transfers	
Capital assets, not being depreciated:					
Construction in progress	\$ -	\$ 42,366	\$ -	\$ -	\$ 42,366
Total capital assets, not being depreciated	-	42,366	-	-	42,366
Capital assets, being depreciated:					
Total capital assets, being depreciated	-	-	-	-	-
Less accumulated depreciation for:					
Total accumulated depreciation	-	-	-	-	-
Net capital assets, being depreciated, net	-	-	-	-	-
<b>Capital assets, net</b>	<b>\$ -</b>	<b>\$ 42,366</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 42,366</b>

**County of San Bernardino  
Animal Care Joint Powers Authority  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2011**

**NOTE 5: CAPITAL ASSETS – *Continued***

**Construction in Progress**

At June 30, 2011 construction in progress represents the following projects:

<u>Project Title</u>	<u>Budget</u>	<u>YTD Expenses</u>	<u>Projected Fiscal Year of Completion</u>
Development of Animal Shelter	\$ 3,500,000	\$ 42,366	2015

The construction in progress encompasses architectural work.

**NOTE 6: RELATED PARTY TRANSACTIONS**

The County of San Bernardino and the Town of Yucca Valley are related parties to the Animal Care JPA. The 3<sup>rd</sup> District County Supervisor serves on both the County and the JPA's Boards. Two Yucca Valley Town Councilmembers serve on both the Town Council and the JPA Board. The JPA board member appointed by the 3<sup>rd</sup> District County Supervisor is the Chief Executive Officer of the JPA and a Division Chief for the County of San Bernardino Public Health Department. The County contributed \$3,060,316 to the JPA during fiscal year 2011.

**NOTE 7: COMMITMENTS**

The Animal Care JPA entered into a contract with an architect for services relative to the development, design, and construction administration of the proposed new Animal Shelter. The JPA agrees to pay the architect a total fixed fee of \$251,561 for all services described in the contract. Services include pre-design services, schematic design services, design development services, and construction document services. As of 6/30/11, total fees incurred for Architect's services were \$42,366.

**NOTE 8: GASB 54 IMPLEMENTATION**

GASB 54, "Fund Balance Reporting and Governmental Fund Type Definitions," addresses clearer fund balance classifications. GASB 54 was implemented for the fiscal year ending June 30, 2011. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The initial distinction that is made in reporting fund balance information is identifying amounts that are considered nonspendable, restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

**County of San Bernardino  
Animal Care Joint Powers Authority  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2011**

**NOTE 8: GASB 54 IMPLEMENTATION - *Continued***

At June 30, 2011, fund balances of the District's governmental funds are classified as follows:

	<u>General (MSF)</u>	<u>Total Governmental Funds</u>
<b>Nonspendable:</b>		
Prepaid insurance	\$ 2,702	\$ 2,702
Total Nonspendable	<u>2,702</u>	<u>2,702</u>
<b>Restricted:</b>		
Contributions for animal shelter	3,455,450	3,455,450
Total Restricted	<u>3,455,450</u>	<u>3,455,450</u>
<b>Unassigned:</b>		
Unassigned balances	(5,238)	(5,238)
Total Unassigned	<u>(5,238)</u>	<u>(5,238)</u>
Total	<u>\$ 3,452,914</u>	<u>\$ 3,452,914</u>

COUNTY OF SAN BERNARDINO  
 DUE FROM OTHER FUNDS - B274 (AC=01)  
 DUE TO OTHER FUNDS - B435 (AC=02)  
 As of 6/30/2012

AMOUNT DUE	DESCRIPTION OF SERVICE	DATE OF SERVICE		FUND RECORDING DUE FROM OTHER FUND				FUND RECORDING DUE TO OTHER FUND					
		FROM	TO	FUND	DEPT	ORG	REV/REIMB SOURCE CODE	GRC NO.	FUND	DEPT	ORG	EXPENDITURE	GRC NO.
\$ 8,160.00	FY10/11 FS Audit - Animal Care (80 hrs x \$102/hr)	07/01/11	06/30/12	AAA	ATX	120	9280		MSF	957	957	2405	

**IMPORTANT:** Departments should include on this side of the form any amounts due to other departments (intra-fund payables). If this form is not applicable, indicate its omission on the transmittal letter.

Prepared By: Keri M. Rose Ext. 386-8751 Prepared By: \_\_\_\_\_ Ext. \_\_\_\_\_  
 Dept Recording Due From \_\_\_\_\_ Dept Recording Due To \_\_\_\_\_

Approved By: \_\_\_\_\_ Date: \_\_\_\_\_ Approved By: \_\_\_\_\_ Date: \_\_\_\_\_  
 Print Name \_\_\_\_\_ Print Name \_\_\_\_\_  
 Signature \_\_\_\_\_ Signature \_\_\_\_\_



# Proposal for Audit Services

Presented by:

**David Marion, CPA,  
Partner**

dmarion@smcocpa.com

Prepared for:

## **Animal Care Joint Powers Authority**

For the Year Ending June 30, 2012

Firm EIN: 27-3337428

Firm License Number:

PAR 7381

Proposing Office:

**Smith Marion & Co., LLP**

22365 Barton Road,  
Suite 108

Grand Terrace, CA 92313  
(951) 825-6600

Additional Offices in:

Brentwood, TN

Murrieta, CA

Redlands, CA

Lake Arrowhead, CA

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Smith Marion & Company, LLP · Certified Public Accountants  
Grand Terrace Office · 22365 Barton Road, Suite 108 · Grand Terrace, CA 92313 · (909) 825-6600

December 6, 2012

**Brian Cronin, Secretary**

Animal Care Joint Powers Authority  
351 N Mt. View Avenue, 3<sup>rd</sup> Floor  
San Bernardino, CA 92415-0018

Dear Mr. Cronin,

Thank you for the opportunity to submit our proposal for auditing services to Animal Care Joint Powers Authority.

We are interested in performing the required audit for Animal Care Joint Powers Authority for the year ended June 30, 2012 with options for the subsequent fiscal years 2013, 2014. In addition, we will prepare the State Controllers Report including compensation disclosures.

We believe our firm is particularly well qualified to perform these engagements, because of our focus on audits of non-profit entities. Our Audit Department personnel work almost exclusively performing audits and reviews throughout the year and are very knowledgeable about effective audit procedures.

Each member of the proposed audit team has multiple years' experience in performing audits of non-profit organizations, including audits performed in accordance with government auditing standards and OMB Circular A-133. They regularly participate in related continuing professional education and are proficient in auditing and the preparation of annual Exempt organization returns (form 990, 199 and RRF- 1)

Our Firm performs audits and reviews of more than 100 non-profit and governmental organizations annually. Consequently, we have experience with most accounting and reporting issues related to non-profit entities. We have developed auditing techniques to effectively address and satisfy such issues. The partner in charge of the engagement will be available at all times during fieldwork, so decisions can be made quickly and effectively. We have an excellent record of completing work on time and will be committed to performing the work within the time period specified in the RFP.

The purpose of this proposal packet is to demonstrate our firm's ability to meet all audit requirements. This proposal represents an offer which is irrevocable for a period of 90 days.

Please contact me if you have any questions regarding the proposal or our firm.

Sincerely,

A handwritten signature in cursive script that reads 'David B. Marion'.

David B. Marion, CPA, Partner  
Smith Marion & Co., LLP  
Certified Public Accountants

David B. Marion is empowered to submit this bid and is authorized to sign a contract with Animal Care Joint Powers Authority if selected.

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

Brentwood, TN · Grand Terrace, CA · Lake Arrowhead, CA · Murrieta, CA · Redlands, CA

**Smith Marion & Co.**

We are a certified public accounting firm with multiple offices. Founded in 1983, SMCO provides auditing, tax, accounting and management consulting services to governmental entities, nonprofits, housing authorities, corporations, partnerships and individuals. We are committed to exceeding the expectations of clients through our philosophy of proactive planning and year-round involvement. You will feel as if you are our only client.

**Firm Profile**

Smith Marion & Company, CPAs, specializes in auditing and review services for not-for-profits, housing authorities, governmental agencies and small to mid-sized businesses.

We have a proven not-for-profit accounting specialty for trusts, foundations, churches, civic, social and membership organizations, and governmental agencies. We provide international expertise for non-profit organizations with overseas offices and missionaries.

Our diverse range of traditional accounting services includes tax preparation, payroll services, accounting and bookkeeping expertise, and business consulting.

The Smith Marion audit department team works exclusively performing audits and reviews throughout the year and is knowledgeable about effective audit procedures and related non-profit industry matters. Such as endowment fund reporting, investments and restricted net assets

Because we maintain high standards of excellence in our accounting and advisory services, treat each client like our only client, deliver projects on time, and charge reasonable fees, our clients find us to be a true value and long-term trusted partners.

**Local Office**

The local office of the professionals that will serve you is located at: 22365 Barton Road, Suite 108, Grand Terrace, CA 92313

**Other Office Locations**

We have offices located in Brentwood Tennessee, Murrieta California, Redlands California, and Lake Arrowhead California

**License to Practice in California**

Smith Marion & Company is properly licensed to practice as a CPA firm in the State of California. Additionally, all assigned key professionals are properly licensed to practice in the State of California as Certified Public Accountants, and are in good standing with the State Board of Accountancy. SMCO meets all requirements imposed by federal, State, and local laws, rules and regulations.

**Independence**

Our firm is independent from our audit clients as defined by generally accepted auditing standards. Our firm meets the independence standards, due professional care, qualifications, and quality control requirements of the Government Auditing Standards published by the U.S. Government Accounting Office (GAO) in relation to client.

SMCO is independent of Animal Care Joint Powers Authority as defined by generally accepted auditing standards.

**Firm Size**

SMCO has 31 personnel including support staff. Ten of our personnel are dedicated to Audit services.

**Continuing Professional Education**

In compliance with auditing standards, our firm administers a program to ensure that all professional staff meets continuing professional education (CPE) requirements. Since a large composition of Smith Marion & Co's client base includes governmental entities, we are aware of the strict educational guidelines required by Government Auditing Standards. All member of the audit team have satisfied these requirements, having at least 80 hrs of continuing professional education every two years, of which 24 must directly relate to the government environment and to government accounting and auditing standards.

**Peer Review**

Our firm is a member of the American Institute of Certified Public Accountants' Private Section (Section). Members of this Section must undergo a peer review of the system of quality control for its accounting and auditing practice in the United States at least one every three years.

SMCO has been part of the peer review program since December 31, 1989. During our last quality control review, we received a "pass" rating – the highest level of assurance possible from the firm of Lawrence R. Mitchell & Company. Our continued participation in periodic peer reviews and our voluntary membership in the AICPA support the firm's commitment to quality and our high standards for client service. Please refer to our most recent Peer Review Report.

### **Audited Services**

The purpose of our engagement is to perform the annual audit Animal Care Joint Powers Authority for the year ended June 30, 2012.

Our audit will be made in accordance with United States *generally accepted auditing standards* and will include tests of the accounting records and such other auditing procedures, as we consider necessary under the circumstances.

The objective of our audit is the expression of an unqualified opinion on the financial statements, dependent on the facts and circumstances at the date of our opinion. If our opinion will be other than unqualified, the reasons, therefore, will be fully disclosed. If for any reason, we are unable to complete the audit, we will not issue a report as a result of this engagement.

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. Also, we will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. However, because of the concept of reasonable assurance and because we will not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud or defalcations, may exist and not be detected by us. We will inform you, however, of any matters of that nature that come to our attention. Our responsibility as auditors, is

limited to the periods covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We direct your attention to the fact that management has the responsibility for the proper recording of transactions in books of account, for the safeguarding of assets and for the substantial accuracy of the financial statements. Such statements are the representation of management. We understand that you will provide us with the basic information required for our audit and that you are responsible for the accuracy and completeness of that information. We will advise you about appropriate accounting principles and their application and will assist in the preparation of your financial statements, but the responsibility for the financial statements remains with you. This responsibility includes maintenance of adequate records and related internal control structure policies and procedures, the selection and application of accounting principles, and the safeguarding of assets.

Our audit is not specifically designed and cannot be relied on to disclose deficiencies that are significant deficiencies in the design or operations of the internal control structure. However, during the audit, if we become aware of such deficiencies or ways that we believe management practices can be improved, we will communicate them to you as specified by the request for proposal.

### **Methods**

A pre-audit conference will be held to review and set forth the schedule and specific scope of the audit. It is our practice to keep you apprised of the audit status throughout the audit process. We generally like to set the entire schedule for the audit in early October to ensure all the deadlines are met.

We promote interim fieldwork testing prior to year-end fieldwork testing. This permits us to complete routine compliance testing before year-end testing, which may represent upwards of 40% of the engagement. The main advantage to the interim work is that if problems are encountered, you are in a better position to resolve such problems before year-end. An exit conference is held at the end of the interim work to keep management apprised of the progress. In the event that interim testing cannot be performed early, we will combine it with our year-end work.

For the year-end fieldwork we prefer to obtain the trial balance prior to commencement of the fieldwork. This permits us to set up our files and plan the remainder of the engagement prior to arriving at your office (represents approximately 5-15% of the engagement). We plan to conduct the year end fieldwork in a single block of time. We can then leave to prepare the reports and complete the administrative portion of our workpapers and review back in our office. These processes take about two weeks, which will give you time to locate documents or resolve open questions, if any. We then return for the short time it takes to resolve all

open items. Often you will have had a chance to review the report by this time and we can discuss your comments.

We follow the American Institute of Certified Public Accountants audit sampling guide and general use non-statistical sampling in our test of controls and test of compliance. Sample sizes range from 25 items to 60 items depending on several risk factors.

We are required by standards to utilize analytical procedures in both the planning phase and final review phase of our audit. We will also use analytical procedures to help support various account balances during our testing of account balances as we deem necessary.

We generally obtain and document an understanding of the Agency's controls through several methods. First, is interviews with key staff members, which are generally collaborated by walking through key controls with the staff members to ensure our understanding of the controls. We will also test these key controls to document the effectiveness of the controls.

Smith Marion & Co. audit staff are exclusively used for audits and not individual tax services during tax season. This allows the staff (partner included) to dedicate their energies on this audit to meet the strict deadlines.

**Audit Team**

The engagement team selected to serve Animal Care Joint Powers Authority represents the strong, balanced blend of talent, professional skills, and industry experience that most critical to working effectively with clients of your size and magnitude. Each of our key engagement team members possesses:

- Generally Accepted Auditing Standards
- Broad non-profit and government industry experience
- Knowledge of specific non-profit and government accounting rules
- Demonstrated technical proficiency
- Non-profit tax reporting.

The SMCO Team is integrated to allow us to respond to your needs. We're committed to providing the resources necessary to meet the timeline that has been established with in this proposal.

We are proposing David B. Marion, CPA as the engagement partner. David has experience in serving non-profit with over 30 years of experience. He has a proven track record to facilitate the completion of the audit in a timely and accurate method.

He will be assisted by Daniel Koopman, CPA. Who has several years of Auditing experience in various industries.

For a more detailed look at the team members please review the resumes in Section 4 Partner, Supervisory and Staff Qualification and Experience Section.

**Deliverables**

Upon completion of the fieldwork we will present management with a draft report. The purpose of the draft is to review with management the financial statements, and the notes to the financial statements. We will also present any Audit Adjustment, if any during this exit. Once the draft has been approved we will then present the final audit report to the Board of Director's if the Agency desires.

June 30, 2012  
Draft – January 20, 2013  
Final – February 15, 2013

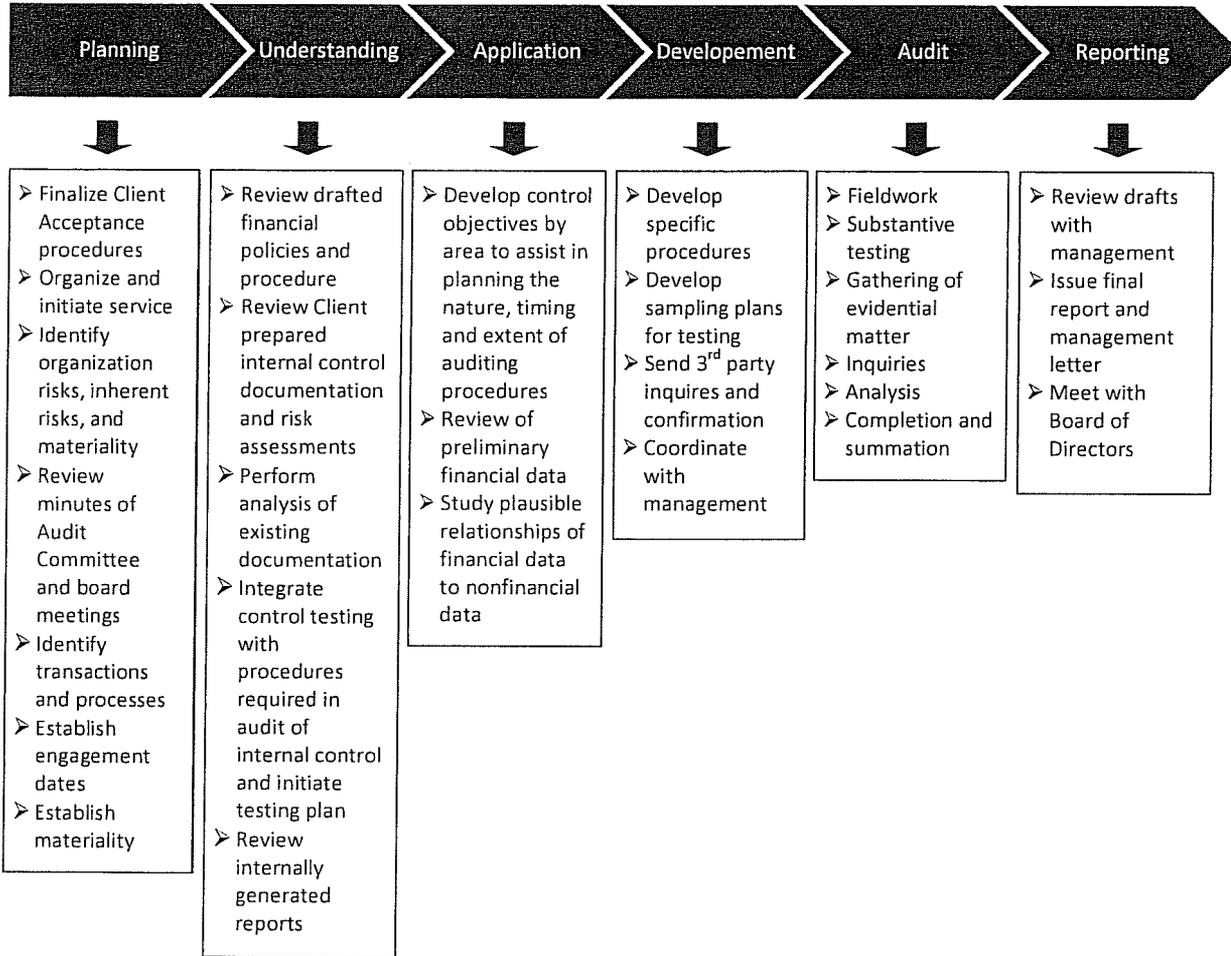
June 30, 2013  
Draft – December 15, 2013  
Final – December 31, 2013

June 30, 2014  
Draft – December 15, 2013  
Final – December 31, 2013

Once the report has been approved we will finalize and provide copies to you.

## Audit Flow Chart

The engagement flow chart below dictates the process for which Smith Marion & Co. would apply to work with Animal Care Joint Powers Authority.



## SIMILAR ENGAGEMENTS

These engagements are similar because of similar type of accounts, size of accounts, and nature of agency and tax filing

Client Name	Beaumont - Cherry Valley Recreation and Park District	County of Riverside Department of Public Social Services "Child Development Services"	County of San Bernardino Child Development Program – Preschool Services Department
Estimated Hours	60	40	70
Work Summary	<p>Financial audit with the following deliverable reports:</p> <ul style="list-style-type: none"> <li>• Governmental Financial Statements</li> <li>• Preparation of State Controllers Report</li> </ul>	<p>Compliance audit with the following deliverable reports:</p> <ul style="list-style-type: none"> <li>• Grant Schedules</li> <li>• Supplementary Schedules</li> </ul>	<p>Compliance audits with the following deliverable reports:</p> <ul style="list-style-type: none"> <li>• Grant Schedules</li> <li>• Supplementary Schedules</li> </ul>
Engagement Partner	David B. Marion, CPA	Chad Porter, CPA, CFE	Chad Porter, CPA, CFE
Years Served	Fiscal year ended June 30, 1995 to Present	Fiscal year ended June 30, 2002 to Present	Fiscal year ended June 30, 1999 to Present
Client Contact	<p>Mickey Valdivia General Manger</p> <p>Beaumont, CA mickey@bcvparks.com (951) 845-9555</p>	<p>Cynthia A. Whittenberg Accountant</p> <p>Riverside, CA cwhitten@riversidedpss.org (951) 358-6632</p>	<p>Johnson Selvadurai Finance Manager</p> <p>San Bernardino, CA jselvadurai@psd.sbcounty.gov (909) 383-2010</p>

**David B. Marion**  
**Smith Marion & Co., LLP**  
**22365 Barton Road, Suite 108**  
**Grand Terrace, CA 92313**  
**Phone: 909-825-6600 Ext. 4980**  
**Email: dmarion@smcocpa.com**



#### **Experience**

Mr. Marion's responsibilities included all aspects of auditing including evaluating internal control structure and contract compliance, setting audit scopes, and planning audit procedures and reporting. Other responsibilities include office staffing and recruiting, client billing and cash flow projections.

David is a specialist in his field since he has spent his entire career in the field of auditing and accounting for entities exempt from income tax. In general David serves as partner-in-charge of audit, spending approximately 1,100 chargeable hours per year in support of audit engagements. He is responsible for ensuring that all audits conducted by the firm meet the standards required by CPA professional and governmental standards.

Due to David's vast experience he is often asked to provide his expertise as a peer reviewer, serving as team captain for peer and quality review of other CPA firms from 1994-2009. The reviews were conducted under the requirements of AICPA and California State Board of Accountancy.

#### **Firm Management**

Mr. Marion is responsible for the firm's overall audit quality control and governmental audit practice. David supervises the formation, communication, and maintenance of firm policies and procedures. He helps to communicate firm-wide decisions and practices to appropriate

staff. Mr. Marion takes the lead in representing the firm at key community event, firm functions and meetings. Works closely with the other partners to monitor the firm's profitability, productivity, budgets, and staff retention. David oversees staff evaluations, continuing professional education requirements, and productivity analysis. He conducts the weekly team meetings that cover a wide range of topics applicable to the accounting field.

#### **Other Information**

Mr. Marion is a member of the American Institute of Certified Public Accountants, and the California Society of Certified Public Accountants (CalCPA). He is Past-President of the local CalCPA Inland Empire Chapter and currently serves on the local MAP Committee and Golf Committee. He is also a past member of the State Committee on Leadership Identification and Development, having served for 6 years.

Mr. Marion has also been a presenter for the Arrowhead United Way Agency Executive Directors Committee and the Inland Empire Nonprofit Conference. Topics included "What You Should Know About Your Form 990", "Understanding Financial Statements", "The Value of Accounting/Partnering With Your CPA," and "Proper Segregation of Duties/Internal Control."

#### **Education**

Mr. Marion received a Bachelor of Science Degree in Accounting in June 1978, from California State University, San Bernardino.

#### **Certification**

Mr. Marion is licensed by the State of California Board of Accountancy and holds certificate number #42725.

#### **Prior Audit Experience**

Mr. Marion specializes in audit engagements. All engagements are not-for-profit, local governments, and special districts. Recent audit and accounting engagements include:

- The Humane Society of San Bernardino Valley
- Beaumont – Cherry Valley Park and Recreation District
- Home Gardens Sanitary District

#### **Community Involvement**

Mr. Marion serves the community as a board member/Treasurer of the Sturges Theater in San Bernardino and a board member for Arrowhead United Way where he serves as Board Chair.

“Everything should be as simple as possible, but not simpler” – Albert Einstein

## Daniel Koopman, CPA



Daniel has 8 years of professional experience in audit, accounting, and tax for nonprofit and commercial entities. In 2008, Daniel became a licensed CPA in the state of California.

As part of the engagement Daniel performs key parts of risk assessment and testing as well as the preparation of financial statements, tax returns, and other regulatory filings. During the risk assessment process, Daniel reviews relevant internal controls and will make recommendations when appropriate to management in order to assist the client in ongoing improvements to those controls.

Daniel's non-profit experience includes the managing of attest engagements with religious organizations, labor union's, water companies, and charitable organizations.

Daniel's commercial sector experience includes the management of attest engagements for Construction, Manufacturing, and many types of service companies.

Daniel has received training in Single Audit Act and government-wide financial reporting.

### Role and Responsibilities

- Conducts and manages fieldwork
- Serves as an alternative contact for the engagement partner, ensuring open communication with the client
- Performs risk analysis in conjunction with analysis of internal controls
- Researches key areas of concern
- Performs reviews of work for accuracy and reliability
- Works closely with client's staff and management
- Coordinates other services provided by SMCO

### Professional Activities and memberships

- California Society of Certified Public Accountants (CalCPA)
- American Institute of Certified Public Accountants (AICPA)

### Continuing Professional Education

Daniel completes at least 80 hours of continuing professional education every two years in accordance with licensing requirements. He also met the Governmental Auditing Standards requirement for Governmental CPE.

### Engagement Staff

#### Education

California State University  
San Bernardino  
B.S. in Business Administration  
with an accounting concentration

#### Not-For-Profit entities

- Arrowhead Villas Mutual Service Company
- Laborers International Union of North America, Local 1184
- Faith Baptist Church of Ventura County
- Bear Valley Community Healthcare District Foundation
- Saint Andrew's Episcopal Church, Saratoga, CA
- Pacific Coast Church
- Iglesias De Restauracion (Restoration Church)

#### Commercial Entities

- H&H General Contractors, Inc.
- Cibaria International, Inc. (West Coast Olive Oil Company)
- New West Signal, Inc.
- Organize.com, Inc.
- Moonridge International Relocations, Inc.
- Varner Construction, Inc.
- Design Construction

Additional references upon request

**With us there's no nickel and diming and no surprise invoices at the end of the audit. We aim to exceed your expectations and over-deliver on our promises.**

What you get from working with SMCO is more than just another audit of your financial statements.

**Depth and Breath of Talent**

We're prepared for any emergency. We have the bench strength to provide additional team members with minimal lead-time to help ensure that unforeseen events do not delay the financial reporting process. We have immediate access to firm and industry experts to resolve technical issues.

**No Egos**

We all roll up our sleeves. We don't stand behind conventional protocol; we're not afraid to get into the deals to assist you and get the job done on time. We try to find ways for you to accomplish your objectives, not give you reasons why things can't be done.

**Unbeatable Work Ethic**

We're there when you need us. We encourage you to contact our clients who will vouch for our work ethic. Team members, at all levels including the engagement partner, will work around the clock if necessary to meet deadline. Quite honestly, we manage our time well, so we don't have to.

**Deal Directly with the Engagement Partner**

Our partners pride themselves on being hands-on. Your engagement partner and manager are regularly on-site with the audit team to ensure that issues are dealt with and decisions are made on a real-time basis to avoid unnecessary delay or communication issues.

**ESTIMATED HOURS**

The estimated hours for individuals assigned to this prospective engagement is as follows:

Partner	6
Manager ( In-Charge)	30
Team Member	25
	<u>61</u>

**POTENTIAL AUDIT PROBLEMS**

At this point potential audit problems we may identify are those with increased audit risk. Areas of higher audit risks are investments, agency fund and temporarily restricted net assets. There is no special assistance expected although we do expect that these areas are reconciled to Subsidiary records and are ready for audit

**INSURANCE**

SMCO warrants that it has a current insurance policy for errors and omissions and will provide written evidence indicating its existence of said policy and the amount of coverage for the willful or negligent acts of any officer, employee or agent thereof

**PRICE**

Our fee philosophy is to foster long-term client relationships by offering fair and competitive pricing. Over the years, we have gained an in-depth understanding of the resources required to perform similar audits. Based on this experience, we have developed a pricing model which will allow us to provide the requisite experience, commitment and quality for your engagement.

Your agency requires a high level of expertise and specialized skills that most firms can't offer. Our professionals have a proven reputation for demonstrating an uncompromising dedication to responsive, value-added service. We believe our proposed fees reflect the SMCO Team's experience and knowledge of the industry that can't be matched. Our proposed total all-inclusive fees for completion of the audit services are summarized below.

	2012	2013	2014
Annual Audit	\$6,400	\$6,600	\$6,800
State Controllers Report and Compensation Disclosures	500	\$500	500
	<u>\$6,900</u>	<u>\$7,100</u>	<u>\$7,300</u>

## LAWRENCE R. MITCHELL & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS  
A Professional Corporation

### System Review Report

June 14, 2011

David B. Marion, CPA  
Smith Marion & Co., LLP  
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Smith Marion & Co., LLP in effect for the year ended December 31, 2010. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

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

In our opinion, the system of quality control for the accounting and auditing practice of Smith Marion & Co., LLP in effect for the year ended December 31, 2010, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency (ies)*, or *fail*. Smith Marion & Co., LLP has received a peer review rating of *pass*.

### *Lawrence R. Mitchell & Company*

Lawrence R. Mitchell & Company  
Certified Public Accountants  
A Professional Corporation