

**PROPOSAL TO PROVIDE
PROFESSIONAL SERVICES**

**NORTH SAN JOAQUIN WATER
CONSERVATION DISTRICT**

**YEARS ENDING
JUNE 30, 2014, 2015 AND 2016**



CROCE, SANGUINETTI, & VANDER VEEN

CERTIFIED PUBLIC ACCOUNTANTS



CROCE, SANGUINETTI, & VANDER VEEN
INC.
CERTIFIED PUBLIC ACCOUNTANTS

January 15, 2015

Mr. Joe Valente, President
**North San Joaquin Water
Conservation District**
Post Office Box E
Victor, California 95253

Dear Mr. Valente:

Thank you for inviting us to submit our proposal to provide professional services as the independent auditors for the North San Joaquin Water Conservation District (the District). We are pleased to have this opportunity and believe our proposal is responsive to your request.

It is our understanding that we will perform an audit of the annual financial statements of North San Joaquin Water Conservation District for the years ending June 30, 2014, 2015 and 2016 in accordance with auditing standards generally accepted in the United States of America as set forth by the American Institute of Certified Public Accountants; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the State of California Controller's Minimum Audit Requirements for California Special Districts. We will also prepare the Special Districts Financial Transactions Report which must be submitted to the State Controller.

Croce, Sanguinetti, & Vander Veen, Inc. is a local public accounting firm founded in August 2013 by six certified public accountants. Members of our team have an average of over fifteen years of experience in public accounting providing all areas of service: audit, tax, accounting and consulting. Our team of professional auditors has extensive government experience having serviced a number of local government agencies and Special Districts throughout their careers.

At Croce, Sanguinetti, & Vander Veen, Inc., we believe that our experience with governmental agencies and the dedication of our experienced personnel provides us with a unique opportunity to serve the North San Joaquin Water Conservation District. We strive to provide the highest quality professional services to our clients through a close and cooperative working relationship.

The shareholders of Croce, Sanguinetti, & Vander Veen, Inc. are as follows:

Mark Croce, CPA
Pauline Sanguinetti, CPA
Paul Vander Veen, CPA

Croce, Sanguinetti, & Vander Veen, Inc. maintains one office in Stockton, California located at 3520 Brookside Road, Suite 141, where all of the above shareholders maintain offices and are available by calling (209) 938-1010.

Our proposal, as outlined in the Proposal to Provide Professional Services, will remain a firm and irrevocable offer as of and up to February 15, 2015.

We view the opportunity to provide professional services to the North San Joaquin Water Conservation District as an exciting one and hope that our discussions and this proposal convey our interest. If you have any questions regarding our firm, qualifications or contents of this proposal, please feel free to contact us at (209) 938-1010.

Yours very truly,

CROCE, SANGUINETTI, & VANDER VEEN, INC.
Certified Public Accountants

A handwritten signature in black ink that reads "Pauline Sanguinetti". The signature is written in a cursive, flowing style.

Pauline Sanguinetti
Certified Public Accountant

PROPOSAL TO PROVIDE PROFESSIONAL SERVICES

***NORTH SAN JOAQUIN WATER
CONSERVATION DISTRICT***

JUNE 30, 2014, 2015 AND 2016

SUBMITTED BY:

Croce, Sanguinetti, & Vander Veen, Inc.
Certified Public Accountants
3520 Brookside Road, Suite 141
Stockton, California 95219

CONTACT PERSONS:

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TECHNICAL PROPOSAL

Our Firm

Croce, Sanguinetti, & Vander Veen, Inc. is a local public accounting firm located in Stockton, California. The firm was established in August 2013 by six certified public accountants with considerable experience in public accounting, each with strong connections to San Joaquin County and surrounding communities. We are a team of highly motivated professionals whose goal is to give thorough and timely service to our clients. We bring a great deal of technical expertise to each of our engagements as our team of professionals has been involved with many local governmental agencies and not-for-profit organizations over the years. As a local firm, we are able to offer timely personalized attention.

The firm has a total of ten personnel; of these, there are three partners, five managers, one senior, and one administrative staff member. The firm's audit staff includes two partners and three managers. We anticipate our audit team for this engagement to include at least one partner and one manager.

License to Practice

Croce, Sanguinetti, & Vander Veen, Inc. is a properly licensed certified public accounting firm in the State of California and has met the specific qualification requirements in accordance with auditing standards generally accepted in the United States of America. Our professionals are all licensed to practice as certified public accountants by the California Board of Accountancy.

In addition to meeting the standard continuing education requirements for the California Board of Accountancy, our firm is staffed with individuals that have obtained the education required by governmental auditing standards generally accepted in the United States of America and issued by the Comptroller General of the United States, the Single Audit Act Amendments of 1996, and the provisions of OMB Circular A-133.

Quality Control and External Peer Review

Participation in the American Institute of Certified Public Accountants (AICPA) peer review program ensures that we deliver only the highest quality product to our accounting and audit clients. The program requires a practice monitoring review of a firm's accounting and auditing practice every three years. During this process, a firm's quality control policies and procedures are reviewed to determine compliance with professional standards. We are confident that our internal quality control system is appropriately comprehensive and suitably designed in relation to our firm's size, organization structure, operating policies, and the nature of our practice, and that it meets the objectives of quality control standards established by the AICPA.

Due to our firm's short history, we have not yet been subject to peer review. According to the standards issued by the AICPA, our initial peer review is due eighteen months from the date we enrolled in the AICPA Peer Review Program. Accordingly, our first peer review will likely occur late spring of 2015.

As part of our quality control procedures, all working papers shall be retained for at least seven years from the date of submission. Such working papers shall be available for review by the District, representatives of the federal and/or state governments, and any other individuals designated by the District.

Independence

Croce, Sanguinetti, & Vander Veen, Inc. has not maintained any professional relationships with the North San Joaquin Water Conservation District during the past five years and meets the independence requirements established by professional standards.

Partner, Supervisory and Staff Qualifications and Experience

Our team of professionals assigned to your audit will include Pauline Sanguinetti, audit partner, and Donnie Hernandez, manager, who will be responsible for coordinating and managing all audit and accounting services required by the North San Joaquin Water Conservation District. Both have an extensive background in serving Special Districts both large and small. Pauline will supervise the audit team and ensure that we deliver a quality product in a timely manner, with minimal disruption of your staff. We present biographical sketches of each Croce, Sanguinetti, & Vander Veen, Inc. individual that will be assigned to your account, delineating in greater detail the credentials each one brings to the North San Joaquin Water Conservation District.

References

The following are references from governmental clients to which we are currently providing professional services.

1. Valley Springs Public Utility District

Scope of work: Audit of basic financial statements and preparation of Special Districts Financial Transactions Report

Fiscal year ended: June 30, 2014

Engagement partner: Pauline Sanguinetti, CPA

Client contact: Dee Myshrall, District Secretary

Client telephone: (209) 772-2650

2. Central Delta Water Agency

Scope of work: Audit of basic financial statements and preparation of Special Districts Financial Transactions Report

Fiscal year ended: June 30, 2014

Engagement partner: Pauline Sanguinetti, CPA

Client contact: Dante J. Nomellini, District Secretary

Client telephone: (209) 465-5883

3. Reclamation District No. 17

Scope of work: Audit of basic financial statements and preparation of Special Districts Financial Transactions Report

Fiscal year ended: June 30, 2014

Engagement partner: Pauline Sanguinetti, CPA

Client contact: Dante J. Nomellini, District Secretary

Client telephone: (209) 465-5883

4. Clements Rural County Fire Protection District

Scope of work: Audit of basic financial statements and preparation of Special Districts Financial Transactions Report

Fiscal year ended: June 30, 2014

Engagement partner: Mark Croce, CPA

Client contact: David Ingram, Fire Chief

Client telephone: (209) 481-4400

5. Woodbridge Rural County Fire Protection District

Scope of work: Audit of basic financial statements and preparation of Special Districts Financial Transactions Report

Fiscal year ended: June 30, 2014

Engagement partner: Mark Croce, CPA

Client contact: Susan Barfoot

Client telephone: (209) 369-1945

Specific Audit Approach

Our extensive experience in auditing ensures that we will concentrate on those areas of highest risk and plan and coordinate our work with management. We will not waste your time and resources by auditing areas that have no material risk to the financial statements. We intend to provide the North San Joaquin Water Conservation District with the highest quality audit in the most cost-effective manner possible. To do that, we will emphasize:

- Overall control and direction

We place responsibility for control, direction, and decision-making at the top of the team. Pauline and Donnie will take the lead in formulating our audit planning and strategy.

- Efficiency

The members of the engagement team have an understanding of governmental accounting and reporting. That knowledge was acquired during their involvement in past audit engagements for governmental entities and will allow them to quickly gain a thorough understanding of the District's current accounting system. Once we gain this perspective, we will tailor our audit approach based on understanding the significant audit issues - where areas of risk are likely to be higher and where they will be lower. Our work will be customized - fitting the areas of judgment that characterize the District.

- Communication

We believe in maintaining an ongoing dialogue with our clients. We will be communicating frequently with you about our audit planning and progress, and if there are significant audit issues that require resolutions, we will discuss those issues with you at the point when they can be handled and resolved effectively. We will make the decisions that are required based on an understanding of your perspective and your business. We listen to our clients, and we provide the financial direction and advice our clients expect and deserve from their auditors.

- Cost control

We believe in performing quality audits at a reasonable cost. We do not achieve that by cutting corners, but rather through careful planning, close direction from the top, and precise monitoring of progress. We understand the importance of budgets, and we see to it that we deliver quality within agreed-upon fees.

Our audit of the North San Joaquin Water Conservation District's financial statements will be carried out in the following phases:

Initial preparation and planning

During the planning phase, we will gain a full understanding of the District's objectives, staff, operations and systems. As part of our audit, we will obtain an understanding of the District's internal control to plan the audit and to determine the nature, timing, and extent of auditing procedures necessary for expressing our opinion concerning the financial statements. During the initial stages, we will develop our audit program including our preliminary risk assessment. Audit programs are developed in all areas included in the audit and are tailored to meet the specific needs and requirements of the District.

Field work

Our procedures during this phase of the audit will include tests of documentary evidence supporting the transactions recorded in the accounts, as well as direct confirmation of certain assets and liabilities by correspondence with selected creditors and banks. We will also perform substantive and analytical procedures to the balance sheet, revenue, and expense accounts.

We will work closely with your personnel during the field work phase to ensure that our testing and analytical procedures are performed in the most effective and efficient manner. This work will begin once the District's records are closed and ready for us to audit.

Post field work and report finalization

During our final stages, we will continue to work with the District in connection with the following:

- Financial statements/Special Districts Financial Transactions Report

We will assist District personnel in the preparation of the financial statements and the Special Districts Financial Transactions Report of North San Joaquin Water Conservation District as of and for the years ending June 30, 2014, 2015 and 2016.

- Significant deficiencies/material weaknesses

During the audit, if conditions are discovered which lead to the belief that material errors and/or fraud may exist, or if any other circumstances are encountered that require extended services, we will promptly advise the President of the Board of Directors. We will provide the District with all readily ascertainable facts relative to such extraordinary circumstances together with an estimate for the additional costs of investigation. No extended services will be performed unless they are authorized by the District.

- Management letters

Our goal is to assist the District in every way we can. Our management letter is one vehicle through which we will advise you of possible operational enhancements.

In our management letter, we identify internal accounting control conditions that may be significant to you. Although auditing standards do not require us to evaluate administrative controls or to assess operating efficiencies, our approach to auditing leads us to consider these matters and to cover them in our management letters.

Our management letters are a formal method of communicating. On an informal basis, we will communicate with management throughout the course of the audit. Many times, this process has resulted in the timely adoption of recommendations beneficial to the client before the final letter has been issued.

Report delivery and board of directors' presentation

Our commitment to you is to deliver the report in person to the board of directors and be present at a board meeting in order to answer questions that the board may have. We feel that by fulfilling this commitment, better communication exists between our firm and your organization and the board can feel confident and comfortable with any questions or issues that may arise during the year.

Audit Timing

When approved, we will begin our procedures as soon as reasonably possible for your staff and ours. We expect to provide draft financial statements to the North San Joaquin Water Conservation District for review according to the District's timeline and expectations. The draft Special Districts Financial Transactions Report will be submitted to the District no later than five days prior to the deadline as established by the State Controller's Office and will be made available upon acceptance by the District.

Identification of Anticipated Potential Audit Problems

We believe on-going communication throughout the entire audit will ensure that all aspects of the audit are thoroughly addressed. Regular communications are encouraged throughout the year, not just during fieldwork. We have reviewed the District's financial statements for the year ended June 30, 2012 and have communicated with District personnel as specified in the request for proposal. In doing so, we have made every effort to anticipate any audit problems. As such, we do not anticipate any potential problems during our audit services for the District.

COST PROPOSAL

Our fees are based upon the time expended on an engagement at hourly rates according to the levels of experience of the professional staff involved. Our experience with governmental entities enables us to assure you of optimum efficiency in the performances of our services resulting in a minimum amount of time being required.

We anticipate a continuing relationship of our organizations and, therefore, are excluding from our fees expenses which are normally incurred on first-year engagements. Fees for the June 30, 2014, 2015 and 2016 engagements are as follows:

	<u>Year ending June 30,</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
Estimated fee for the Audit of the Annual Financial Statements, Management Letter and presentation to the Board of Directors	\$ 4,350	\$ 4,475	\$ 4,600
Special Districts Financial Transactions Report	350	350	350
Out-of-pocket expenses	<u>No charge</u>	<u>No charge</u>	<u>No charge</u>
Total maximum fee	<u>\$ 4,700</u>	<u>\$ 4,825</u>	<u>\$ 4,950</u>

At Croce, Sanguinetti, and Vander Veen, Inc. we emphasize good client communication, as it is our belief that maintaining open communication with clients leads to a mutually beneficial relationship. Accordingly, the fees stated above anticipate that our clients will have questions throughout the year and we want to be a resource for those questions. We do not plan on billing for such routine questions. If your questions are extraordinary and require a significant amount of time from our staff you may be billed for those services.

The above stated fees are based on current regulatory requirements in effect for ensuing audits. Fee increases would be expected for any significant change in the scope of the work due to changes in the reporting entity and/or additional regulatory requirements as governed by Governmental Accounting Standards Board and Statement on Auditing Standards. We would review any proposed changes to the fee structure affecting ensuing audits with you prior to commencement of the engagement. Such revisions would be mutually agreed upon in advance.

In addition, our fees quoted above assume a reasonable level of participation on the District's part in preparing schedules, gathering data, etc. Providing this assistance is vital to a cost-effective relationship. We will give you sufficient advance notice of audit schedules needed in order to minimize the disruption of your operations.

In the event that the District requires an Organization-Wide Audit (single audit) due to expenditure of federal funds in excess of \$500,000, we will perform such an audit in accordance with auditing standards generally accepted in the United States of America and issued by the Comptroller General of the United States, the Single Audit Act Amendments of 1996, and the provisions of the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Services rendered in order to meet the single audit requirements will be billed to you separately.

BIOGRAPHICAL INFORMATION

Mark J. Croce, CPA Shareholder



Mark is a shareholder of the firm. Prior to starting Croce, Sanguinetti, and Vander Veen, Inc., Mark was previously a partner of a local firm for the past 10 years. Before joining the local firm arena Mark worked in the audit division of a national certified public accounting firm for four years, where he was involved in the audits of SEC registrants, public and private clients.

Mark emphasizes good client communication and it is his firm belief that maintaining open communication with clients leads to a mutually beneficial relationship.

Experience

Mark has over 20 years of experience in public accounting and auditing and income tax preparation including some of the following organizations.

- Linden-Peters Rural County Fire Protection District
- Reclamation District No. 800-Byron Tract and Discovery Bay Reclamation and Drainage Maintenance District
- South Delta Water Agency
- Waterloo-Morada Rural County Fire Protection District

License and professional affiliations

- Certified Public Accountant, State of California
- Member of the American Institute of Certified Public Accountants
- Member of the California Society of Certified Public Accountants
- Accounting Principles and Auditing Standards, Chapter Committee Chair

Education

- Mark earned a Bachelor of Science in Commerce with a concentration in accounting from Santa Clara University

Community involvement

- Board of Directors - Catholic Charities Diocese of Stockton
- Treasurer - Children's Home of Stockton Foundation
- Alumni of the Leadership Stockton Class of 1997

Pauline M. Sanguinetti, CPA Shareholder



Pauline is a shareholder of the firm. Prior to starting Croce, Sanguinetti, and Vander Veen, Inc., in August 2013, Pauline was a Senior Manager at a local accounting firm where she worked since 1996.

Pauline specializes in providing audit and assurance services for a wide variety of industries including governmental and not-for-profit organizations.

Experience

Pauline has over 18 years of experience in public accounting and auditing and income tax preparation including some of the following organizations.

- Central Delta Water Agency
- Town of Discovery Bay Community Services District
- Tamalpais Community Services District
- Woodbridge Sanitary District

License and professional affiliations

- Certified Public Accountant, State of California
- Member of the California Society of Certified Public Accountants
- Member of the American Institute of Certified Public Accountants

Education

- Pauline earned a Bachelor of Science in Commerce with a concentration in accounting from Santa Clara University

Community involvement

- Board of Directors - Child Abuse Prevention Council of San Joaquin County
- Board of Directors - CASA Advisory Council
- Alumni of the Leadership Stockton Class of 2007

Donnie M. Hernandez, CPA

Manager



Donnie is a manager with Croce, Sanguinetti, and Vander Veen, Inc. Prior to the establishment of Croce, Sanguinetti, and Vander Veen, Inc., Donnie worked with the shareholders at a local accounting firm from the first day of his career in public accounting.

Donnie provides auditing and assurance services and income tax services to a wide variety of clients.

Experience

Donnie has been working in public accounting since 2004. Since joining public accounting, some of the governmental clients Donnie has served are:

- Brannan Andrus Levee Maintenance District
- Knightsen Town Community Services District
- Reclamation District No. 17
- South Delta Water Agency

License and professional affiliations

- Certified Public Accountant, State of California
- Member of the California Society of Certified Public Accountants

Education

- Donnie earned a Bachelor of Science degree in Business Administration with a concentration in accounting from University of the Pacific

Community involvement

- Alumni of the Leadership Stockton Class of 2013
- Board of Directors - Leadership Stockton Alumni Association

APPENDIX A

Industry Experience with Governmental Entities

- Brannan-Andrus Levee Maintenance District
- California Asparagus Commission
- Central Delta Water Agency
- City of Ripon
- Clements Rural County Fire Protection District
- Conservation Farms & Ranches
- Delta Farms Reclamation District No. 2027
- Knightsen Town Community Services District
- Linden-Peters Rural County Fire Protection District
- Lone Tree Mutual Water Company
- McMullin Reclamation District No. 2075
- Naglee Burk Irrigation District
- Oakwood Lake Water District
- Omochumne-Hartnell Water District
- Pescadero Reclamation District No. 2058
- Reclamation District No. 17
- Reclamation District No. 38
- Reclamation District No. 150
- Reclamation District No. 317
- Reclamation District No. 403
- Reclamation District No. 404
- Reclamation District No. 407
- Reclamation District No. 524
- Reclamation District No. 544
- Reclamation District No. 551
- Reclamation District No. 563
- Reclamation District No. 684
- Reclamation District No. 773
- Reclamation District No. 799
- Reclamation District No. 800 and Discovery Bay Reclamation and Drainage Maintenance District
- Reclamation District No. 1607
- Reclamation District No. 1608
- Reclamation District No. 1614
- Reclamation District No. 2023
- Reclamation District No. 2024
- Reclamation District No. 2040
- Reclamation District No. 2041
- Reclamation District No. 2059
- Reclamation District No. 2064
- Reclamation District No. 2067
- Reclamation District No. 2072
- Reclamation District No. 2086
- Reclamation District No. 2090
- Reclamation District No. 2096
- Reclamation District No. 2107
- Reclamation District No. 2110
- Reclamation District No. 2113
- Reclamation District No. 2115
- Reclamation District No. 2117
- Reclamation District No. 2126
- Reclamation District No. 2137
- Rock Creek Water District
- North San Joaquin Water Conservation District
- San Joaquin County Resource Conservation District
- South Delta Water Agency
- Southern Delta Levee Protection and Channel Maintenance Joint Powers Authority
- Stark Island Reclamation District No. 2089
- Stockton East Water District
- Tamalpais Community Services District
- Town of Discovery Bay Community Services District
- Turner Island Water District
- Union Island Reclamation District No. 1
- Union Island Reclamation District No. 2
- Valley Springs Public Utility District
- Wallace Community Services District
- Waterloo-Morada Rural County Fire Protection District
- Woodbridge Rural County Fire Protection District
- Woodbridge Sanitary District