



August 18, 2020

**Proposal to Provide Professional
Independent Auditing Services to:**

City of Grass Valley

Prepared by:

Norman Newell, CPA, Partner
and
Carrie Schroeder, CPA, Partner



SMITH & NEWELL CPAS
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August 18, 2020

City of Grass Valley
Attn: Andy Heath
125 E Main St
Grass Valley, CA 95945

Dear Andy:

Smith & Newell CPAs is pleased to submit our proposal to provide the City of Grass Valley professional audit services for the fiscal year ending June 30, 2020. We believe that our technical approach and staffing plan described herein respond fully to the City's needs.

Understanding the Work

Our understanding of the scope of work is as follows:

- We will issue a report on the financial statements in conformity with generally accepted accounting principles for the City of Grass Valley.
- We will issue a report on the internal controls and compliance in accordance with Government Auditing Standards.
- We will prepare a Management report and Auditor's Communication Letters
- We will test compliance with Proposition 111, Article XIII.B, Review of Appropriations Limit calculation.
- We will have an exit conference with the Administrative Services Director.
- We will be responsible for report preparation and printing of the City's Annual Financial Report, the Single Audit Report, Appropriations Limit and Management Comment Letter. We will provide copies in PDF format, in addition to printed copies.
- We will prepare any other report for the governing body as may be required by generally accepting auditing standards.
- We are committed to performing the work within the time periods established and meeting the required delivery date of all required reports.

Smith & Newell Qualifications

We believe our audit approach involving experienced staff, extensive partner participation and our proposed work plan uniquely qualify Smith & Newell to be the best choice for the City of Grass Valley.

Our staff, who will be assigned to the City's audit, are experienced professionals that have extensive experience with government audits. Each of our staff bring experience to the audit that allows for a new outlook with innovative suggestions to improve quality and efficiency. We feel the choice of an audit firm should be primarily based upon staff. We have an extremely low percentage of key employee turnover and we are confident that we will provide the City with consistent staff over the contract period.

Partner involvement is also key to the audit's success. Norman Newell and Carrie Schroeder actively participate in all phases of the audit. They will be responsive to the City's needs and are available to assist the City at any time during the year. Their extensive experience with government auditing provides the benefit of recommendations based on valuable insights to better improve the City's operations and procedures.

Our proposed work plan is based on years of experience with government auditing. We understand the demands placed on governments today and the challenges they face. In developing our work plan, we use the latest audit technology and methodologies to accomplish the goals of the engagement in the most efficient manner which minimizes disruption to normal City operations.

The following individuals are authorized to make representations for Smith & Newell CPAs:

Norman Newell, CPA, Partner
950 Tharp Rd, Ste 502
Yuba City, CA 95993
(530) 673-9790
accounting@smithandnewell.com

Carrie Schroeder, CPA, Partner
950 Tharp Rd, Ste 502
Yuba City, CA 95993
(530) 673-9790
accounting@smithandnewell.com

We hope that as you read through this proposal, you recognize the philosophy of our firm which is to provide each of our clients with exceptional service, experienced staff, and an audit approach that will fit their needs. Our dedication to quality, professional standards and service has been the guiding force in our firm since its inception in 1988. Thank you for providing us the opportunity to present our proposal. This is a firm and irrevocable offer for 60 days from the date of this proposal. As partners in the firm of Smith & Newell, CPAs, Norman Newell and Carrie Schroeder are authorized to make representations for the firm. If you have any questions concerning this proposal, please contact Norman Newell or Carrie Schroeder.

Sincerely,
Smith & Newell CPAs



Norman Newell, CPA
Partner



Executive Summary

Smith & Newell CPAs is a full-service CPA firm located in Yuba City, California. Norman Newell, CPA will lead the proposed auditing services that include an audit of the annual financial statements and compliance for the City of Grass Valley for the fiscal year ending June 30, 2020.

When considering whether to hire our firm, you will find that Smith & Newell stands out from our competitors in several areas, such as:

Experienced and Involved Partners

Norman Newell, CPA and Carrie Schroeder, CPA have over 46 years of combined professional auditing, accounting and consulting experience. Both partners will be extensively involved in the City's audit, and will freely lend their expertise on any accounting or internal control issues.

Timely Audits

Smith & Newell is committed to meeting all audit deadlines. Our audits are performed in accordance with an agreed-upon schedule, and submissions to the State of California are filed on time.

Commitment to Quality

Smith & Newell receives a peer review of our system of quality control for our accounting and auditing practice every three years. Our most recent peer review was completed with a *pass* rating. All audits submitted to the State have been approved.

Audit Process

Smith & Newell has extensive experience auditing governmental and nonprofit entities, which makes for a smooth audit process. Our firm guarantees that our staff are experienced and supervised, our clients will be given an audit plan prior to the start of fieldwork, and that we will be considerate of your staff's time during our audit and fieldwork. We will also issue a draft of our reports to the City and will discuss any questions, concerns and audit findings with the City before the reports are finalized.

Problems/Solutions

Smith & Newell CPAs is adept at identifying problem areas that may exist in your organization and providing solutions to help mitigate those problem areas in the future. Both partners will freely discuss any areas that could be changed or improved to help your organization.

Our proposal that follows provides more specific information on the scope of audit services we will provide, our firm and staff experience, qualifications, references and approach to the audit. We hope you choose Smith & Newell CPAs for your auditing needs.

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Section I – Technical Proposal

1. LICENSE TO PRACTICE IN THE STATE OF CALIFORNIA

Smith & Newell CPAs is licensed to practice accounting in the State of California and has complied with all applicable California State Board of Accountancy requirements. In addition, all of the key professional staff that will be assigned to the audit are also licensed to practice in the State of California and have complied with all applicable State Board of Accountancy standards.

2. INDEPENDENCE

Smith & Newell CPAs is independent of the City of Grass Valley and all of the component units of the City of Grass Valley, as defined by auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards (commonly referred to as the “Yellow Book” standards), issued by the Comptroller General of the United States.

3. FIRM QUALIFICATIONS AND EXPERIENCE

Our Practice

Smith and Newell, CPAs was established in 1988 as a full-service firm. We are a CPA firm located in Yuba City, California. We are a general partnership providing auditing, tax, accounting and consulting services to governmental entities, nonprofits, corporations, partnerships and individuals. Government services constitute a significant portion of Smith & Newell’s total practice. The firm of Smith & Newell has a commitment to maintain a “hands on” approach to our governmental audits. We actively participate in all phases of each engagement and feel that because of this policy we are able to offer you a high-quality audit at a reasonable price.

Currently our firm consists of eight individuals, including six professionals and two administrative personnel. The professional staff consists of two partners, one manager, one senior and two staff accountants. The City’s engagement will be staffed full-time, as required, by both partners, one manager, one senior, one staff accountant, plus administrative assistance.

Peer Review

Our firm is devoted to quality, and we have taken extra steps to assure that we meet the highest professional standards of quality. Our firm has a program of quality control to ensure that our engagements meet the standards of the Yellow Book, including qualifications, independence, due professional care, and quality control. Every three years we must undergo a peer review of our system of quality control for our accounting and auditing practice. Our peer review includes an onsite review of specific government engagements. A Peer Review Committee establishes the standards and procedures governing the conduct of the peer review. Upon completion of the peer review, the reviewers communicate their findings to the reviewed firm and

prepare a written report. These standards provide that the report should contain, among other things:

- The reviewer's opinion on whether the reviewed firm's quality control system met the guidelines of quality control standards established by the AICPA, and whether the system was being complied with to provide the firm with reasonable assurance of conforming to professional standards.
- The reviewer may issue an unqualified, qualified or adverse opinion. We are pleased to report that we have always received an unqualified opinion - the highest level of assurance possible. Our continued participation in periodic peer reviews and our voluntary membership in the AICPA and the California Society of CPAs support the firm's commitment to quality and client service.

A copy of our most recent peer review report is provided in Appendix B.

Professional Associations

We are members of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants. In addition, our firm is a member of the AICPA's Governmental Audit Quality Center. We are also members in the Governmental Finance Officers Association (GFOA).

No Record of Substandard Work

Our firm does not have a record of substandard audit work, nor any outstanding claim of substandard work or unsatisfactory performance pending with the State Board of Accountancy nor the Federal Inspector General. There have not been any positive enforcement actions or other matters that would reflect negatively on our professional qualifications, including any action for substandard audits taken by the State Board of Accountancy, or the Federal Inspector General.

Disciplinary Action

There are not any current or pending disciplinary or litigation actions against our firm in any manner related to our professional activities, nor have there been any such actions in the past.

4. PARTNER, SUPERVISORY, AND STAFF QUALIFICATIONS AND EXPERIENCE

Qualifications and Experience of Individuals Assigned to the Engagement

The engagement team for the City of Grass Valley collectively possess over 66 years of auditing experience. They have the ability and expertise to meet the complex demands of the engagement.

- Norman Newell, CPA – Norman is a partner with Smith & Newell CPAs, specializing in government auditing. As a partner in the firm he will have hands-on involvement in all aspects of this engagement. He will serve as quality assurance partner for the City's audit. He will also be responsible for



onsite project management and for the day-to-day management of services to the City. He will be responsible for planning the audit and assuring that the design of audit programs achieves the objectives of the audit. He will review the progress of the audit, assist in resolving technical issues and review reports for overall quality. He reviews and signs all of the reports issued by Smith & Newell and is responsible for firm-wide quality control standards, including annual internal quality control inspections. He will have ultimate responsibility for the delivery of services to the City of Grass Valley and will work with the City regarding new accounting and auditing pronouncements, and ensure issues are identified and resolved in a timely manner.

- Carrie Schroeder, CPA – Carrie is a partner in Smith & Newell CPAs, specializing in government auditing. As a partner in the firm she will have hands-on involvement in all aspects of this engagement. She will serve as a quality assurance partner for the City's audit. She will be responsible for planning the audit and assuring that the design of audit programs achieves the objectives of the audit. As a partner in the firm she will assist in resolving technical issues and perform final review of reports for overall quality. She will work with the City regarding new accounting and auditing pronouncements, and ensure issues are identified and resolved in a timely manner.
- Matthew Davis, CPA – Matt is a manager in Smith & Newell CPAs, with experience in government auditing. As a manager in the firm he will be responsible for ensure the single audit requirements, if required, are complied with in accordance with the Uniform Guidance. His specialty is single audit compliance and keeping abreast of new developments and requirements in accordance with Uniform Guidance audits. He will also participate in various aspects of the City's audit, including internal control testing and analytical reviews.

Engagement Staffing

We are committing the engagement partners, manager, senior and staff as assigned in this proposal, and they will not be changed unless those personnel leave the firm. Resumes of these key professionals to be assigned to the City of Grass Valley's audit are provided on the following pages.



NORMAN NEWELL, CPA, PARTNER

POSITION

Norm is a partner in Smith & Newell CPAs specializing in audits of governmental entities.

EDUCATION

Bachelor of Science degree from University of California, Cal Poly and a second Bachelor of Science degree in Business Administration with a concentration in Accounting from California State University, Chico.

BACKGROUND

Norm has over 30 years of professional experience providing auditing, accounting and consulting services to governmental entities. As a partner in Smith & Newell, he has managed audits for numerous counties, cities, housing authorities, redevelopment agencies, special districts and grants and special programs.

PROFESSIONAL ASSOCIATIONS

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

CONTINUING PROFESSIONAL EDUCATION

Norm has satisfied the “Yellow Book” requirement of having at least 80 hours continuing professional education every two years, of which 24 must directly relate to the government environment and government auditing.

2017

Governmental, Accounting, & Auditing/Fraud	40
Tax	16

2018

Governmental, Accounting, & Auditing/Fraud	50
Tax	18
Ethics, Regulatory & Review	6

2019

Governmental, Accounting, & Auditing/Fraud	40.5
Tax	10
Ethics, Regulatory & Review	4

RELEVANT EXPERIENCE

For the fiscal year ended June 30, 2019, Norm actively participated in the government audits of six counties, four cities, and numerous special districts.



CARRIE SCHROEDER, CPA, PARTNER

POSITION

Carrie is a partner in Smith & Newell CPAs specializing in audits of governmental entities.

EDUCATION

Bachelor of Science in Business Administration with a concentration in Accounting from California State University Sacramento

BACKGROUND

Carrie has over 16 years of professional experience working with Smith & Newell. She has provided auditing and accounting services to a variety of governmental entities. As a partner in Smith & Newell, she has actively participated in audits for numerous counties, cities, housing authorities, redevelopment agencies, special districts, grants and special programs.

PROFESSIONAL ASSOCIATIONS

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

CONTINUING PROFESSIONAL EDUCATION

Carrie has satisfied the “Yellow Book” requirement of having at least 80 hours continuing professional education every two years, of which 24 must directly relate to the government environment and government auditing.

2017

Governmental, Accounting, & Auditing/Fraud	68
Tax	16
Ethics, Regulatory & Review	4

2018

Governmental, Accounting, & Auditing/Fraud	35
Tax	18

2019

Governmental, Accounting, & Auditing/Fraud	54
Tax	12
Ethics, Regulatory & Review	4

RELEVANT EXPERIENCE

For the fiscal year ended June 30, 2019, Carrie actively participated in the government audits of six counties, four cities, and numerous special districts.



MATTHEW DAVIS, CPA, MANAGER

POSITION

Matt is a manager in Smith & Newell CPAs specializing in audits of governmental entities.

EDUCATION

Bachelor of Science degree from Harding University, Arkansas

BACKGROUND

Matt has over 20 years of professional experience providing auditing, accounting and consulting services to governmental entities. As a manager in Smith & Newell, he has actively participated in audits for numerous counties, cities, housing authorities, redevelopment agencies, special districts and grants and special programs.

PROFESSIONAL ASSOCIATIONS

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

CONTINUING PROFESSIONAL EDUCATION

Matt has satisfied the “Yellow Book” requirement of having at least 80 hours continuing professional education every two years, of which 24 must directly relate to the government environment and government auditing.

2017

Governmental, Accounting, & Auditing/Fraud	68
Tax	16
Ethics, Regulatory & Review	4

2018

Governmental, Accounting, & Auditing/Fraud	35
Tax	18

2019

Governmental, Accounting, & Auditing/Fraud	48.5
Tax	8
Ethics, Regulatory & Review	4

RELEVANT EXPERIENCE

For the fiscal year ended June 30, 2019, Matt actively participated in the government audits of six counties, four cities, and numerous special districts.



5. SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENT ENTITIES

Smith & Newell CPAs provides a significant amount of audit services to governmental entities. A firm resume of governmental audits we have performed in the last five years is included in Appendix A. A representative list of three of those audits follows:

City of Colusa

Scope of Services:

Conducted financial and/or compliance audits and prepared reports as follows:

- Annual Financial Report
- Single Audit Report
- Appropriations Limit

Client Contact:

Toni Benson, Finance Director
425 Webster St
Colusa, CA 95932
(530) 458-4941 Ext. 104
accounting@cityofcolusa.com

City of Jackson

Scope of Services:

Conducted financial and/or compliance audits and prepared reports as follows:

- Annual Financial Report
- Single Audit Report
- Annual Report of Financial Transactions
- Public Finance Authority Annual Financial Report

Client Contact:

Dalacie Blankenship, Accounting Manager
33 Broadway
Jackson, CA 95642
(209) 223-1646 Ext. 120
dblankenship@ci.jackson.ca.us

City of Shasta Lake

Scope of Services:

Conducted financial and/or compliance audits and prepared reports as follows:

- Comprehensive Annual Financial Report
- Single Audit Report

Client Contact:

Wendy Howard, Finance Director
4477 Main St
Shasta Lake, CA 96019
(530) 275-7429
whoward@cityofshastalake.org

6. SPECIFIC AUDIT APPROACH

Our audit methodology for performing financial statement audits of government entities involves four phases. Phase 1 – Planning and Strategy, Phase 2 – Systems Evaluation, Phase 3 – Testing and Analysis, Phase 4 – Reporting and Follow-Up. These phases are summarized below:

Phase 1 – Planning and Strategy

This phase establishes our basic understanding of the City and its environment and forms the basis of our evaluation of internal control.

- Establish an understanding with the City
- Schedule staffing and conduct staff fraud and discussion meeting
- Develop and expand understanding of the City's operations by review of prior year workpapers, reviewing minutes and discussion and analysis
- Determine planning and design materiality and tolerable misstatement
- Perform preliminary determination of major programs and materiality
- Conduct entrance meetings with City personnel and management and inquire about fraud and abuse.
- Identify significant processes and internal controls
- Conduct observations and walkthrough of transactions
- Identify risk factors
- Perform tests of transactions for payroll transactions, cash receipts and disbursements, and selected federal program expenditures
- Prepare initial Audit Preparation Schedule and transmit to the City

Phase 2 – Systems Evaluation

The timing of this phase is dependent on when the City has completed the initial Client Preparation Schedule and closed the City general ledger.

- Request Federal program expenditure schedule from City and determine major programs
- Request City closed trial balances
- Format financial statements and footnotes
- Perform preliminary analytical procedures
- Schedule meetings with City management to ensure good coordination of engagement
- Develop and expand understanding of information systems
- Identify control objectives
- Identify and understand relevant control activities for financial reporting as well as for single audit
- Determine the nature, extent and timing of control tests and compliance
- Perform nonsampling control tests and test compliance
- Assess internal control on a preliminary basis
- Design and update audit programs



Phase 3 – Testing and Analysis

The timing of this phase will be flexible to best accommodate the schedule of the City while keeping in line with statutory requirements.

- Conduct additional audit procedures to conclude on financial statement presentation
- Perform compliance procedures on required disclosures including pension and OPEB
- Perform compliance tests including the Uniform Guidance major single audit programs
- Progress conference and exit conference with the City to discuss reports, pending items and observations
- Obtain legal representation letter and review for potential liability
- Documentation and review of workpapers

Phase 4 – Reporting and Follow-Up

- Perform overall analytical procedures
- Reassess materiality and risk
- Evaluate misstatements
- Conclude other audit procedures and clear open items with City
- Determine conformity with applicable standards
- Complete comprehensive engagement review
- Prepare and compile draft reports including Annual Financial Report, Single Audit Report and Management Comment Letter for the City
- Review City comments and suggestions and make any required revisions
- Obtain Management Representation letter
- Make presentation to City

Technological Advantages

We have developed specialized resources for performing government audits. These resources include automated and electronic checklists for evaluation controls, source documents for risk-based audit methodology, standardized sample selection procedures, integrated trial balances, combining schedules and links to professional standards. Our staff have unlimited access to online reference libraries and electronic source documents to help maintain efficiency and accuracy during the audit process.

Our firm utilizes Thomson Reuters' Workpapers CS trial balance software that streamlines the audit process, and gives us the ability to manage documents and data from a variety of sources.

Smith & Newell CPAs is dedicated to protecting our clients' information. We provide an online client portal called SecureDrawer that gives our staff and our clients a very secure way to send and receive information during the audit quickly and securely. Each drawer is encrypted and accessed with a username and password unique to each client.

Laws and Regulations

In the City of Grass Valley's audit, substantial attention will be given to compliance with laws and regulations. Although management is responsible for ensure that the City complies with laws and regulations applicable to its activities, the independent auditor is responsible for considering them and how they affect the audit. We design the audit to provide reasonable assurance that the financial statements are free of material misstatements resulting from violations of laws and regulations that have a direct and material effect on the determination of financial statement amounts.

Among other things, Government Auditing Standards establish additional requirements related to:

- Noncompliance with contracts and grant agreements
- Abuse
- Communication of fraud, illegal acts, noncompliance and abuse

Single Audit Compliance

The Uniform Guidance states that the compliance testing shall include tests of transactions and such other auditing procedures necessary to provide the auditor sufficient evidence to support an opinion on compliance. Supporting an opinion on compliance on each major program requires testing of each major program.

Professional judgement is required in the selection of transactions for testing. Risk factors to consider include the following:

- Size of program
- Program maturity at the Federal agency
- Program maturity at the auditee
- Complexity
- Extent of contracting
- Multiple internal control structures
- Use of subrecipients
- Extent of computer processing
- Level of oversight
- Prior audit findings

The assurance required (and, therefore, the determination of the minimum sample size) is directly related to the risk of material noncompliance remaining after other audit procedures (risk assessment procedures, substantive analytical procedures, and tests of individually important items) have been performed. We typically assume a five percent tolerable exception rate and based on the degree of assurance needed after analysis of our other audit procedures, we select a sample size based on paragraph 11.72 of the GAS/SA Audit Guide.

Identification of Anticipated Potential Audit Problems

We are not aware of any anticipated problems.

**Workpaper Retention**

Audit programs, workpapers and reports will be retained for a period of seven years after the completion of the audit and made available for inspection by the City of Grass Valley, oversight or cognizant agencies, parties designated by federal or state governments, auditors of entities of which the City of Grass Valley is a subrecipient of grant funds or component unit, and additional auditors if requested by them.

Report Format

Sample formats of required reports for this engagement can be obtained by reviewing audit engagements we have completed for other government entities. The City of Colusa's financial reports are available at:

<https://www.cityofcolusa.com/home/government/departments/finance/>

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Section II – Cost Proposal

1. FEE PHILOSOPHY

Our fee philosophy is to foster long-term client relationships by offering fair pricing commensurate with our expertise. We strive to maintain efficiency in our audit approach so we can achieve maximum results in the budgeted time. We also strive to maintain billing rates that are reasonable in relation to the expertise of our staff.

As partners in the firm of Smith & Newell CPAs, Norman Newell and Carrie Schroeder are authorized to represent the firm, empowered to submit the bid, and authorized to sign a contract with the City of Grass Valley.

2. TOTAL ALL-INCLUSIVE MAXIMUM PRICE

	<u>2019/20</u>
Annual Financial Report	\$ 32,150
Single Audit Report	<u>9,350</u>
Total	<u>\$ 41,500</u>

If it should become necessary for the City of Grass Valley to request the auditor to render any additional services to either supplement the services requested in the RFP or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract between the City of Grass Valley and Smith and Newell CPAs. Any such additional work agreed to between the City of Grass Valley and Smith and Newell CPAs shall be performed at a negotiated (agreed-upon) rates relative to the contracted service fee.

3. RATES BY STAFF LEVEL

<u>Staff</u>	<u>Rate</u>
Partner	\$ 175
Manager	120
Senior	100
Staff Accountant	80
Administrative Assistant	60

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APPENDIX

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FIRM RESUME

(Last Five Years)

Cities (Including Single Audits)

City of Auburn
City of Colusa
City of Jackson
City of Lincoln
City of Live Oak
City of Nevada City
City of Shasta Lake
City of Yreka

Counties (Including Single Audits)

County of Amador
County of Calaveras
County of Colusa
County of Del Norte
County of Glenn
County of Mariposa
County of Nevada
County of Plumas
County of Siskiyou
County of Sierra
County of Tehama

Redevelopment Agencies/Housing Authorities

City of Live Oak Redevelopment Agency
Regional Housing Authority
Sutter Community Affordable Housing

Transportation Audits

Colusa County Transportation Commission/Transit
Lake County/City Area Planning Council
Lake County Transit Authority
Mariposa County Transportation Commission/Transit
Plumas County Transportation Commission/Transit
Sierra County Transportation Commission/Transit

Other Audits

Amador County Dept of Auto Ins Fraud Program
Amador County Dept of WC Ins Fraud Program
3CORE, Inc.
Central Valleys Rice Growers Association
Children and Families First - Mariposa County
Children and Families First - Plumas County
Counseling Solutions
North Valley Behavioral Health
Priorities, Inc.
Siskiyou County Dept of Auto Ins Fraud Program
Siskiyou County Dept of WC Ins Fraud Program
Willow Glen Counseling Center
Yuba Sutter Economic Development Corporation

Special Districts

Big Rock Community Service District
Big Springs Irrigation District
Border Coast Regional Airport Authority
Brophy Water District
Butte County Air Quality Management District
Butte Valley Fire Protection District

Special Districts (Continued)

Cemetery District No. 2 of Sierra County
Cemetery District No. 3 of Sierra County
Cemetery District No. 5 of Sierra County
Colusa County Water District
Colusa Resource Conservation District
Copco Lake Fire Protection District
Crescent Fire Protection District
Del Norte County Library District
Del Norte Solid Waste
Drainage District No. 1
Drainage District No. 100
Etna Cemetery District
Feather Water District
Fort Dick Fire Protection District
Gilsizer County Drainage District
Happy Camp Fire Protection District
Hidden Valley Lake CSD
Higgins Area Fire Protection District
Hunter Valley Community Service District
Kelseyville Fire Protection District
Knights Landing Ridge Drainage District
Keystone Cemetery District
Lake County Fire Protection District
Lake of the Pines Ranchos CSD
Lakeport Fire Protection District
Levee District No. 1
Levee District No. 9
Live Oak Cemetery District
Mariposa Resource Conservation District
Maxwell Public Utility District
Mayten Fire Protection District
Montague Fire Protection District
Montague Water Conservation District
Mystic Mine Road Community Services District
North San Juan Fire Protection District
Northshore Fire Protection District
Oak Tree Park & Recreation District
Ophir Hill Fire Protection District
Picard Cemetery District
Pleasant Grove Cemetery District
Reclamation District No. 108
Reclamation District No. 777
Reclamation District No. 2056
Redwood Park Community Service District
Roseville Public Cemetery District
Rough & Ready Fire Protection District
Sacramento River Westside Levee District
Sacramento Valley BAPCC
San Juan Ridge County Water District
Scott Valley Fire Protection District
Scott Valley Irrigation District
Scott Valley & Shasta Valley Watermaster Dist
Smartsville Cemetery District
Smartsville Fire Protection District
Smith River Community Service District
Smith River Fire Protection District
South Sutter Water District

Special Districts (Continued)

South Yreka Fire Protection District

Sutter Basin Fire Protection District

Sutter Cemetery District

Sutter Community Services District

Sutter Resource Conservation District

Sutter-Yuba Mosquito and Vector Control District

Yolo County Water Control and Conservation District

Tulelake Multi-County Fire Protection District

Williams Fire Protection Authority



www.CoughlanNapaCPACo.com
Company@CoughlanNapaCPACo.com

Report on the Firm's System of Quality Control

November 28, 2018

To Smith & Newell 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 & Newell (the firm) in effect for the year ended May 31, 2018. 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 (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

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. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

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.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including a compliance audit under the Single Audit Act.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Smith & Newell in effect for the year ended May 31, 2018, 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 & Newell has received a peer review rating of *pass*.

Coughlan Napa CPA Company, Inc.

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