



**HUMBOLDT COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS
REGULAR SCHEDULED MEETING**

AGENDA

DATE: Tuesday, May 14, 2024

TIME: 5:00 p.m.

LOCATION: 5055 Walnut Drive, Eureka, CA

Teleconference locations: 5055 Walnut Drive, Eureka, CA and
20 Via Ravello, Henderson, NV

The HCSD Boardroom is open to the public during open session segment(s) of the meeting. This meeting will also be held by Zoom video/teleconference, per Government Code Section 54953(b). If members of the public cannot attend in person and would like to speak on an agenda item including Public Participation, please join through the Zoom website (<https://zoom.us>) entering Meeting ID 867 4479 5850 and Passcode 197244. Access may also be achieved via telephone only by dialing 1-669-900-9128.

A. ROLL CALL

Directors Benzonelli, Gardiner, Hansen, Matteoli, Ryan

B. PLEDGE OF ALLEGIANCE

C. CONSENT CALENDAR

1. Approval of May 14, 2024 Agenda *Pgs 1-2*
2. Approval of Minutes of the Regular Meeting of April 23, 2024 *Pgs 3-6*

D. REPORTS

1. General Manager
 - a) District Update *Pg 7*
2. Finance Department
 - a) April 2024 Check Register *Pgs 9-17*
3. Engineering
 - a) Update *Pg 19*
4. Planning
 - a) Update *Pg 21*

5. Legal Counsel
6. Director Reports
7. Other

E. PUBLIC PARTICIPATION **

**Members of the public will be given the opportunity to comment on items not on the agenda. Please use the information set forth above to participate via Zoom. The Board requests that speakers please state their name and where they are from, be clear, concise and limit their communications to 3 to 5 minutes. At the conclusion of all oral communications, the Board or staff may choose to briefly respond with information in response to comments; however, the Brown Act prohibits discussion of matters not on the published agenda. Matters requiring discussion, or action, will be placed on a future agenda.

F. NEW BUSINESS

1. Consideration of Redwood Acres Request for Additional Review of their Two-and-a-Half Year Long Leak and the District's Leak Relief Policy *Pgs 23-30*
2. Consideration of Selecting an Auditor for Fiscal Years Ending 2023 through 2027 *Pgs 31-95*
3. Consideration of Ratepayer Vacation/Construction Sewer Waiver Policy *Pgs 97-98*

G. ADJOURNMENT

Next Res: 2024-04
Next Ord: 2024-01

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact Brenda Franklin at (707) 443-4558, ext. 210. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to this meeting (28 CFR 35.102 – 35.104 ADA Title II).

Pursuant to §54957.5(a) of the California Government Code, any public record writings relating to an agenda item for an open session of a regular meeting of the Board of Directors, not otherwise exempt from public disclosure, are available for public inspection upon request at the District offices located at 5055 Walnut Drive, Monday through Friday (holidays excepted) during regular business hours.

DRAFT – MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
HUMBOLDT COMMUNITY SERVICES DISTRICT

The Board of Directors of the Humboldt Community Services District met in Regular Session at 5:00 p.m. on Tuesday, April 23, 2024, at 5055 Walnut Drive, Eureka, California with public participation available via Zoom tele/video conference.

A. CALL TO ORDER AND ROLL CALL

Present upon roll call were Directors Benzonelli, Gardiner, Hansen, Matteoli, and Ryan. Staff in attendance: General Manager Williams (GM), Finance Manager Montag (FM), Assistant Engineer Rawal (AE), and Utility Services Planner McNeill (USP).

B. PLEDGE OF ALLEGIANCE

President Benzonelli invited those present to join in the Pledge of Allegiance.

C. CONSENT CALENDAR

1. Approval of the April 23, 2024 Agenda
2. Approval of Minutes of the Regular Meeting of April 9, 2024

Public Comment: None

DIRECTOR MATTEOLI MOVED, DIRECTOR RYAN SECONDED, TO ACCEPT AND APPROVE THE APRIL 23, 2024 CONSENT CALENDAR. MOTION CARRIED UPON THE FOLLOWING ROLL CALL VOTE:

AYES: BENZONELLI, GARDINER, HANSEN, MATTEOLI, RYAN
NOES: NONE
ABSENT: NONE

D. REPORTS

1. General Manager

a) District Update

- Governance Trainings – GM summarized Director Gardiner’s request for current information for governance training for the full Board, advising the range of cost is from \$-0- to ~\$20,000, and suggesting such be addressed after the upcoming election cycle. Director Gardiner suggested reaching out to former Director David Tyson who is certified to provide Board training in California. Board conversation concluded with the GM affirming he will investigate options including the possibility of hosting a training outside of the District Boardroom, accommodating public participation by interested community members and reaching out to Mr. Tyson to find out if he is willing and available to facilitate a training.

2. Finance Department

a) March 2024 Budget Report

FM summarized the report highlighting Supplies/Maintenance returning to average spending, Temporary Labor remaining at zero due to full staff, and CIP Vehicle, Rolling Stock & Equipment higher than budgeted due to prior fiscal year purchases with delayed delivery into the current fiscal year.

3. Engineering

a) Update

AE reviewed the April 17, 2024 report emphasizing the field staff ClaVal valves training introduced advanced discussion and live trouble shooting that translates into greater system maintenance and operation.

4. Planning

a) Update

USP summarized the April 18, 2024 report detailing the completion of Spruce Point Well sampling, department assistance to various rate payers, and development of an HCSD owned private pressure reducing valve inventory to improve customer service efficiency and maintenance schedules.

6. Director Reports

Director Benzonelli attended the April 22, 2024 RREDC meeting wherein:

- The Willow Creek Community Services District representative presented information about the Sacramento Delta Conveyance Project that intends to divert water from the upper Trinity River to the Delta which will result in an increase of water temperature in the Trinity affecting salmon spawning grounds. A similar proposal was fought against more than a decade ago and has now resurfaced.
- The COE representative advised that the Taxpayer Protection and Government Accountability Act Initiative No. 21-0026 could affect rates set from 2022 forward if it succeeds as written. It has not yet been determined whether this voter initiative will be approved for the November ballot.
- In June, RREDC will establish an AdHoc to analyze business service opportunities and resource barriers for entry into business associated with non-English speaking people

Director Hansen announced that CWEA (California Water Environment Association) North Coast is starting to revive from the COVID impacts and invited all interested parties to participate. Training sessions will begin again soon.

E. PUBLIC PARTICIPATION

None

F. NEW BUSINESS

1. Consideration of Ratepayer Requests for New Service at 1255 King Salmon Ave

GM reviewed the current property owner's request for reduced capacity charges to buy into the existing HCSD system as well as additional District ratepayer funds to relocate the neighboring property's water meter and sewer cleanout from its current position in front of his property line to enable a more desirable location for their planned driveway access.

PUBLIC COMMENT: Mr. Brian Papstein presented elaboration of his April 12, 2024 written Petition for Waiver of water and sewer infrastructure costs to 1255 King Salmon.

A period of questions to clarify understanding of the circumstances and the basis for Mr. Papstein's request ensued. Upon conclusion, GM assured the Board and Mr. Papstein that HCSD staff will assist with the project as District Code specifies and verify correct USA markings of HCSD infrastructure at the location.

IT WAS THEN MOVED BY DIRECTOR GARDINER, SECONDED BY DIRECTOR MATTEOLI, THAT DUE TO THE SITUATION OF THIS PARTICULAR CASE TO GRANT MR. PAPSTEIN CONNECTION TO THE HCSD SYSTEM AT THE PREVIOUS RATES. MOTION FAILED UPON THE FOLLOWING ROLL CALL VOTE:

AYES: GARDINER, MATTEOLI
NOES: BENZONELLI, HANSEN, RYAN
ABSENT: NONE

2. Consideration of Appointing an AdHoc Committee to Assist with Fiscal Year 2024/2025 Employee Wage and Benefit Negotiations

Both Directors Hansen and Ryan volunteered to serve.

PUBLIC COMMENT: None

Without discussion, IT WAS MOVED BY DIRECTOR MATTEOLI, SECONDED BY DIRECTOR GARDINER, TO APPOINT DIRECTORS HANSEN AND RYAN TO ASSIST WITH EMPLOYEE WAGE AND BENEFIT NEGOTIATIONS FOR THE FISCAL YEAR 2024/2025. MOTION CARRIED UPON THE FOLLOWING ROLL CALL VOTE:

AYES: BENZONELLI, GARDINER, HANSEN, MATTEOLI, RYAN
ABSTAIN: NONE
NOES: NONE
ABSENT: NONE

G. ADJOURNMENT

There being no further business, IT WAS MOVED BY DIRECTOR MATTEOLI, SECONDED BY DIRECTOR GARDINER, TO ADJOURN. MOTION CARRIED UPON THE FOLLOWING ROLL CALL VOTE:

AYES: BENZONELLI, GARDINER, HANSEN, MATTEOLI, RYAN
NOES: NONE
ABSENT: NONE

THE BOARD ADJOURNED ITS REGULAR MEETING OF APRIL 23, 2024 AT 6:09 P.M.

Submitted, Board Secretary

Humboldt Community Services District

Dedicated to providing high quality, cost effective water and sewer service for our customers

MEMORANDUM

TO: Board of Directors

FROM: Terrence Williams, General Manager

DATE: May 10, 2024

SUBJECT: General Manager Report for May 14, 2024 Board Meeting

Administrative Services Position

After careful consideration, the District made an offer of employment to the most qualified candidate for the Administrative Services position that will soon be vacant. This was a tough decision because the top two candidates are both very competent and qualified. I am looking forward to introducing the District's new Administrative Services Assistant/Board Secretary once they have successfully completed the requisite pre-employment physical, drug testing and background check.

Consumer Confidence Report

The District's annual Consumer Confidence Report has been certified and is posted to the District's website for public access. As always, the District's drinking water is very clean and wholesome.

Level Up

On April 18th, Chris Armstrong, who joined HCSD in August 2023, took and passed the State Drinking Water Distribution Level 2 Operator exam. Then on April 25, 2024, District employee Jacob Mitchell took and passed the State Drinking Water Distribution Level 3 Operator exam. Congratulations Chris and Jacob!

Engineering Intern

The District is currently soliciting for an engineering intern to assist with technical tasks and project in the office and in the field. If you know any qualified individuals looking for summer work, please have send them to the Human Resources tab of the District's website or have them reach out to the District's Assistant Engineer, Kush Rawal.

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Accounts Payable

Checks by Date - Detail by Check Date

User: FM
 Printed: 5/3/2024 1:55 PM

Humboldt Community Services District
 5055 Walnut Drive – Eureka CA 95503
 PO Box 158 – Cutten CA 95534 (707) 443-4558

Check No	Vendor No Invoice No	Vendor Name Description	Check Date Reference	Check Amount
57045	UB*02171	AUSTIN DAVEY	04/10/2024	
		Refund Check		15.49
		Refund Check		13.55
		Refund Check		40.89
		Refund Check		31.66
Total for Check Number 57045:				101.59
57046	UB*02169	KARL FERGUSON	04/10/2024	
		Refund Check		9.14
		Refund Check		60.35
		Refund Check		46.69
Total for Check Number 57046:				116.18
57047	UB*02172	DANA/LINNEA MANDELL	04/10/2024	
		Refund Check		27.04
		Refund Check		6.61
		Refund Check		57.94
		Refund Check		34.94
Total for Check Number 57047:				126.53
57048	UB*02170	SANDY ROMERO	04/10/2024	
		Refund Check		18.80
		Refund Check		6.57
		Refund Check		8.06
		Refund Check		24.30
		Refund Check		9.09
Total for Check Number 57048:				66.82
57049	A160	ACWA-JPIA	04/10/2024	
	0702545	aMedical Plan - Employees Coverage Period 05/		54,360.72
	0702545	bDental Plan - Employees Coverage Period 05/0		1,487.88
	0702545	cVision Plan - Employees Coverage Period 05/0		343.86
	0702545	dLife/AD&D Plan - Employees Coverage Period		404.84
	0702545	eMedical Plan - Board Members Coverage Perio		10,745.23
	0702545	fDental Plan - Board Members Coverage Period		342.64
	0702545	gVision Plan - Board Members Coverage Period		62.52
	0702545	hLife/AD&D Plan -Board Members Coverage Pt		27.47
	0702545	iMedical Plan -Retired Members Coverage Perio		23,099.58
	0702545	jDental Plan - Retired Members Coverage Perio		1,266.64
	0702545	kVision Plan - Retired Members Coverage Perio		359.49
	0702545	lCOBRA - Medical Coverage Period 05/01-31/2l		3,161.16
	0702545	mCOBRA - Dental Coverage Period 05/01-31/2l		91.72
	0702545	nCOBRA - Vision Coverage Period 05/01-31/20:		46.89
Total for Check Number 57049:				95,800.64

Check No	Vendor No Invoice No	Vendor Name Description	Check Date Reference	Check Amount
57050	A360 399730	AFLAC Supplemental Health Premium - March 2024	04/10/2024	149.68
Total for Check Number 57050:				149.68
57051	B296 042024 877850 879221	Brandon Balke DWOCF Exam Stipend Reimburse CSU Sac Water Program Enrollment Reimburse CSU Sac Water Program Booklet/Ex:	04/10/2024	370.00 50.00 25.00
Total for Check Number 57051:				445.00
57052	C180 6007557890 6007557890 6007557890	Canon Solutions America Inc. Office/Color Copies WXD03492- 1584 UseTaxRecoveryFee/OfficeCopier Office/Black Copies WXD03492- 2343	04/10/2024	131.87 6.28 30.33
Total for Check Number 57052:				168.48
57053	C194 39650884	Carahsoft Technology Corp Annual AutoCad Water Model Software 05/26/2:	04/10/2024	1,928.00
Total for Check Number 57053:				1,928.00
57054	C410 032024 032024	City of Eureka: SW Humboldt Hill 21% General 79%	04/10/2024	30,771.72 115,760.28
Total for Check Number 57054:				146,532.00
57055	C450 INV05888	City of Eureka: Water Test Microbiological Testing - March 2024	04/10/2024	544.00
Total for Check Number 57055:				544.00
57056	C475 0785766S 0785813S 0785830S	Coast Counties Peterbilt Unit #20 Leak Repair Unit #1 Brakes and Air Compressor Repair Air Compressor Repair for Dump Truck Unit 10	04/10/2024	1,105.97 1,026.53 3,021.13
Total for Check Number 57056:				5,153.63
57057	C495 59760	Colantuono, Highsmith, Whatley, PC Special Legal Services Services through 03/31/2	04/10/2024	700.00
Total for Check Number 57057:				700.00
57058	D200 INV811734	Day Management Corp. New SCADA Water & Sewer Licensing	04/10/2024	4,740.00
Total for Check Number 57058:				4,740.00
57059	E485 032024 032024 157605/3 157644/3 157808/3 158089/3 158400/3 158688/3 158690/3	Cooney Parris and Rieke Corp Discount Earned March 2024 Discount Earned March 2024 Concrete Anchoring Epoxy/ Ball Valve Brass Threadlock Blue/ Threadlock Liq Cleaner Simple Green/Hand Sprayer Multi Cable Wraptor/Elect Tape/LED Flashlight Simple Green/ Roundup W&G Killer/ Contracto Insect Killer 32oz/ Mason Jar 16oz 12 pk/Eyegla Paint PL HV YL 17oz	04/10/2024	-5.46 -20.60 53.85 73.25 34.46 110.95 158.35 41.34 21.53

Check No	Vendor No Invoice No	Vendor Name Description	Check Date Reference	Check Amount
	158743/3	Unit #1 Repair		34.47
	158874/3	Tube Strap/ Cap 2" Slip/ Adapter		9.23
	159159/3	PowerWash Spray/Tape/Ice Bin/Dawn/Wastebas		60.50
Total for Check Number 57059:				571.87
57060	E558	NAPA Auto Parts of Eureka	04/10/2024	
	390399	Brake Parts for Unit 19		473.41
	394096	Unit #14 Grease/Back up Lamp		26.41
Total for Check Number 57060:				499.82
57061	E650	Eureka Ready Mix	04/10/2024	
	93256	Class 2 Base		870.08
Total for Check Number 57061:				870.08
57062	G310	GHD Inc.	04/10/2024	
	380-0048022	SBFM Alternative Eval Task Order: SBFM_GH		2,228.27
Total for Check Number 57062:				2,228.27
57063	H010	Keenan Supply	04/10/2024	
	03312024	Discount Earned March 2024		-28.46
	03312024	Discount Earned March 2024		-129.30
	S013552528.003	AYM PEP Mac-Pak Brass 3 Part CPLG Lead Fr		540.26
	S013625240.001	7.46x12 RPR Clamp		439.38
	S013625240.002	7.46x12 RPR Clamp/ 5.35x12 RPR Clamp/ 9.70:		1,699.85
	S013668026.001	Romac SSI 9.70x16 SS 1 Section Clamp x2		911.66
	S013672184.001	Krausz " 4.25-5.63 Hymax 2 Flip 260 PSI/ Clow		3,471.88
	S013674662.001	Yard Materials Replacement		294.38
	S013674662.001	Materials for Temple Cir SMR		1,260.38
Total for Check Number 57063:				8,460.03
57064	H210	Hensell Materials	04/10/2024	
	650588	Erosion Control for Temple Circle SMR		34.41
Total for Check Number 57064:				34.41
57065	H410	Humboldt Bay Municipal Water D	04/10/2024	
	17825000	PF-2 Reconciliation Credit From FY 2022-23		-205.62
	17825000	Water Purchased - March 2024		92,137.80
Total for Check Number 57065:				91,932.18
57066	I401	Industrial Electric Arcata Inc	04/10/2024	
	IN50061	Repair F St Sewer Pump		1,789.94
Total for Check Number 57066:				1,789.94
57067	I525	Infosend	04/10/2024	
	259677	UB/Process and Mail/Bills - March 2024		4,905.75
Total for Check Number 57067:				4,905.75
57068	I700	IBS Interstate Battery System	04/10/2024	
	5107068	SLA1055 x4 / SLA1116x3		285.20
	5107181	Sewer SCADA Batteries		150.44
Total for Check Number 57068:				435.64

Check No	Vendor No Invoice No	Vendor Name Description	Check Date Reference	Check Amount
57069	J501 222388	JDC UNIT 17; 2023 Ford Transit 3500 VanWagon eq	04/10/2024	412,374.67
Total for Check Number 57069:				412,374.67
57070	J800 178279	Johnson's Mobile Rentals LLC Temporary Fence at Ridgewood tank	04/10/2024	297.39
Total for Check Number 57070:				297.39
57071	J900 Q3 FY 24 Q3 FY 24 Q3 FY 24 Q3 FY 24	ACWA/Joint Powers Insurance Authority Workers Comp Prog-Sales/Meter Period 01/01/2 Workers Comp Prog-Water Period 01/01/24-03/3 Workers Comp Prog-Clerical/Brd Period 01/01/2 Workers Comp Prog-Sewer Period 01/01/24-03/3	04/10/2024	865.77 3,880.36 942.43 1,836.86
Total for Check Number 57071:				7,525.42
57072	M230 M260707 M260727 M261043	Mendes Supply Co PSCQcarbaccide 30gal/DrumDep Credit/Drum deposit PSCQcarbaccide 30gal/DrumDep	04/10/2024	936.43 -180.00 940.21
Total for Check Number 57072:				1,696.64
57073	M450 521137295 521178578 521222816 521266689 521308612	Mission Linen Uniforms/Mats Uniforms/Mats Uniforms/Mats Uniforms/Mats Uniforms/Mats	04/10/2024	402.68 235.03 401.21 231.54 398.50
Total for Check Number 57073:				1,668.96
57074	M560 3690 3690	The Mitchell Law Firm LLP Legal HR Services - March 2024 Legal Services - March 2024	04/10/2024	144.00 32.00
Total for Check Number 57074:				176.00
57075	M888 8796 8925	Myrtle town Body Shop Accident Repairs to Unit 12 Unit 6 Repair	04/10/2024	9,313.92 2,273.70
Total for Check Number 57075:				11,587.62
57076	P190 215216 215421	Pacific Paper Co Binders/Highlighters/Pencils/Office Paper/Noteb Legal Pads/Pencils/Tape/Mouse	04/10/2024	273.85 281.23
Total for Check Number 57076:				555.08
57077	P430 032024 032024 032024 032024 032024 174900 174958 175412 178475	Pierson Building Center Discount Earned March 2024 Discount Earned March 2024 Discount Earned March 2024 Discount Earned March 2024 Discount Earned March 2024 Brass Nipple/Brass Coupling/Brass Elbow Modified TRS SDS/ #4 Step Drill/ 54pc Driver E Premium Top Soil 80lb Premix Concrete	04/10/2024	-5.22 -1.22 -1.20 -0.63 -0.70 29.40 94.25 19.63 54.57

Check No	Vendor No Invoice No	Vendor Name Description	Check Date Reference	Check Amount
	178847	Dish Soap/ 9in metal 5pk/9in Carb Gen 3pk/ 4.5:		85.83
	179631	Donna Drive Hydro CIP		92.49
	179638	Circular Saw		277.48
	180257	2x4x8 Lumber		33.42
Total for Check Number 57077:				678.10
57078	P557	Rexel USA Inc.	04/10/2024	
	4W70746	Liq-Tite 1-In Str Connector x2		30.71
	4X67364	SCADA - Cat 6 Cable - Outdoor/Burial Rated		471.54
	5A04574	SCADA Parts for Walnut Dr Tanks		55.90
	Y861558	SCADA Power Supplies		603.75
	Y864284	SCADA Panel Parts		266.22
Total for Check Number 57078:				1,428.12
57079	P563	Tom Ponton Industries, Inc.	04/10/2024	
	27754-52647	Sewer Meter Calibrations		1,600.00
Total for Check Number 57079:				1,600.00
57081	R250	Recology Humboldt County	04/10/2024	
	31922909	Garbage Service - March 20224		586.44
Total for Check Number 57081:				586.44
57082	S908	SWRCB-DWOCP	04/10/2024	
	43388	WVO 3 Certification Renewal/TW		110.00
Total for Check Number 57082:				110.00
57083	T510	Times-Standard	04/10/2024	
	0001407250	Admin Reqrut Advg, 8 days print/30 days online		838.00
	0001407250	RFP for 2023-2027 Audit		1,090.69
Total for Check Number 57083:				1,928.69
57084	U410	United Way of Humboldt	04/10/2024	
		PR Batch 00001.04.2024 UNITED WAY	PR Batch 00001.04.2024 UNI	1.65
		PR Batch 00001.04.2024 UNITED WAY	PR Batch 00001.04.2024 UNI	1.10
		PR Batch 00001.04.2024 UNITED WAY	PR Batch 00001.04.2024 UNI	1.25
Total for Check Number 57084:				4.00
57085	V700	Valley Pacific Petroleum Services Inc	04/10/2024	
	INV 24-768712	Ethanol Free 2 Octane		36.64
	INV 24-769293	Fuel		3,684.10
Total for Check Number 57085:				3,720.74
57086	W208	Watt's Cleaning Services	04/10/2024	
	1060	Office Cleaning Services for Mar and Quarterly		1,960.00
Total for Check Number 57086:				1,960.00
57087	W570	Western Chain Saw	04/10/2024	
	365107	Chainsaw Pull Cord Repair Unit #1		2.17
	365418	Hex Nut x10		14.36
Total for Check Number 57087:				16.53

Check No	Vendor No Invoice No	Vendor Name Description	Check Date Reference	Check Amount
			Total for 4/10/2024:	816,214.94
57088	A072	Accurate Drug Testing Services	04/17/2024	
	0010874	2nd Qtr Dot Random		100.00
	0010882	2nd Qtr Dot Random		70.00
	0010899	DOT Physical/WP		100.00
			Total for Check Number 57088:	270.00
57089	C036	Corporate Payment Systems	04/17/2024	
	240113440940000	DT/ SP Sperscientific: WaterTurbidity Meter		397.96
	240552240960638	MM/Innoplast: Bollards and Covers for Office P		228.55
	240552240960638	MW/United Rentals: Discharge pump for Constr		511.75
	242042940750017	MM/DRI Crash Plan		29.97
	242316840724000	DT/ Harbor Freight Tools: SCADA Tools		325.41
	242316840754000	DT/Harbor Freight Tools: Vac Con Spot Lights		86.78
	242316840934000	WP/Harbor Freight Tools: Jump Starter for Vehic		97.64
	242750440980300	TW/NCJournal: Utility I/II Recruitment Advg		159.00
	244309940804008	MM/Microsoft		90.63
	244310640890837	MM/Amazon: USB C to A Adapter		9.68
	244310640890837	MM/Amazon: UPS Battery and Surge Protector		225.15
	244921640710000	DT/Real Truck: Unit 17 Floor Mats and Vent Vis		199.31
	244921640950000	DT/ Real Truck: Unit 17 Floor Mats and Vent V:		150.83
	246921640681037	TW/Amazon: Dell SE2422HX Monitor x2		182.37
	246921640681037	TW/Amazon: Acer SH242Y Monitor		225.47
	246921640681037	TW/Amazon: Logitech HD Pro Webcam		43.38
	246921640721064	TW/Craigslist: Admin Recruitment Advg		20.00
	246921640721064	TW/Craigslist: Admin Recruitment Advg		20.00
	246921640821046	MM/Call-Em-All; Credits		700.00
	246921640851703	TW/Amazon: Coffee Supplies		93.34
	246921640931003	DT/Brimar Industries: Unit 17 Safety Road Sign		792.02
	246921640961030	TW/Craigslist: Utility I/II Recruitment Advg		20.00
			Total for Check Number 57089:	4,609.24
57090	C430	City of Eureka: WA	04/17/2024	
	03312024	Water Purchased - March 2024		60,374.00
			Total for Check Number 57090:	60,374.00
57091	C670	CWEA - Oakland	04/17/2024	
	363823	Annual Membership/CA: 05/01/24 - 04/30/2025		221.00
			Total for Check Number 57091:	221.00
57092	I780	Itron Inc.	04/17/2024	
	676862	Meter Reading Hardware Maint Contract 05/01/24 - 04/30/2025		2,834.56
			Total for Check Number 57092:	2,834.56
57093	M348	Microbac Laboratories, Inc	04/17/2024	
	175568	Spruce Point Raw Water Analysis		206.00
			Total for Check Number 57093:	206.00
57094	O475	Occu-Med, Ltd	04/17/2024	
	02427220a	Pre-Employment Screening/MB		36.00
			Total for Check Number 57094:	36.00

Check No	Vendor No Invoice No	Vendor Name Description	Check Date Reference	Check Amount
57095	P006 029169603-4	PACE Supply Corp. Prts for the Stanford Circle SMR Project	04/17/2024	144.39
Total for Check Number 57095:				144.39
57096	P550 1025134591	Pitney Bowes Inc Red Ink for Postage Machine	04/17/2024	126.35
Total for Check Number 57096:				126.35
57097	P785 2658A	Powell Landscape Materials Concrete repair - Myrtle	04/17/2024	291.57
Total for Check Number 57097:				291.57
57098	U410	United Way of Humboldt PR Batch 00002.04.2024 UNITED WAY PR Batch 00002.04.2024 UNITED WAY PR Batch 00002.04.2024 UNITED WAY	04/17/2024 PR Batch 00002.04.2024 UNI PR Batch 00002.04.2024 UNI PR Batch 00002.04.2024 UNI	1.82 0.91 1.27
Total for Check Number 57098:				4.00
57099	U730 INV00303988 INV00321851	USA Bluebook Insulating Glove Kit, Black Class 00, Size 9 x4 Portable Transfer Pump	04/17/2024	655.91 346.92
Total for Check Number 57099:				1,002.83
Total for 4/17/2024:				70,119.94
57100	M565 04142024	Jacob Mitchell DWOCP Stipend for D3 Certification	04/26/2024	370.00
Total for Check Number 57100:				370.00
Total for 4/26/2024:				370.00
57101	UB*02173	AZUCENA GOMEZ Refund Check	04/30/2024	72.39
Total for Check Number 57101:				72.39
57102	UB*02174	KURT KRAMER Refund Check Refund Check Refund Check Refund Check	04/30/2024	19.71 6.88 33.78 18.76
Total for Check Number 57102:				79.13
57103	A072 0010969	Accurate Drug Testing Services DOT Random/ JM	04/30/2024	30.00
Total for Check Number 57103:				30.00
57104	C580 CM23F717 CM23F717 CM23F717	Crown Motors LLC MVCS Fee Unit# 4 2023 F550XL with Crane Tire Tax	04/30/2024	33.00 167,661.75 12.25

Check No	Vendor No Invoice No	Vendor Name Description	Check Date Reference	Check Amount
			Total for Check Number 57104:	167,707.00
57105	F049	Fastenal Company	04/30/2024	
	CAEUR132083	XL Disposable Gloves		272.74
	CAEUR132083	Power Tape		37.76
	CAEUR132177	Disposable Foam Ear Plugs		36.18
	CAEUR132177	Hand Sanitizer/ XL PF Gloves/ XL Disposable C		362.39
	CAEUR132279	AAA Battery/AA Battery/ XL SG-375 PF Glove		178.35
	CAEUR132279	Safety Glasses/Ear Plugs/XL FlexGuard Gloves/		84.26
	CAEUR132372	9V Battery		9.93
			Total for Check Number 57105:	981.61
57106	F050	Fastenal Industrial	04/30/2024	
	CAEUR132077	Disposable Face Masks		22.63
	CAEUR132180	CenterPull White Paper Towel		60.82
	CAEUR132276	Repair & Certification of Confined Space Hoist		1,195.90
	CAEUR132278	White MultiFold Paper Towels		48.13
	CAEUR132377	Metal Handle Brace/Poly Broom/Wood Handle/I		133.91
	CAEUR132436	Hardware to Repair Unit #8 Door		48.16
	CAEUR132437	Unit #1 EQENDG-5300X6 Sling x2		81.37
	CAEUR132446	Contractor Bags		139.03
			Total for Check Number 57106:	1,729.95
57107	F510 45392	Fortuna Iron Railing and Columns for the District Office ADA	04/30/2024	10,650.00
			Total for Check Number 57107:	10,650.00
57108	M780 021220	Municipal Maintenance Equipmen Unit #18 New Hose Reel Due to Leak	04/30/2024	1,847.60
			Total for Check Number 57108:	1,847.60
57109	S850 05162024	Optimum Internet: 04/24/24 - 05/23/24	04/30/2024	561.38
			Total for Check Number 57109:	561.38
57110	P010	Pacific Gas and Electric-GN	04/30/2024	
	05062024	aWA Pump & District/Cummings		6,977.39
	05062024	bHH Water System		10,549.90
	05062024	cFW/MR Water System		464.07
	05062024	dGeneral Sewer System		6,318.96
	05062024	eKS/HH Sewer System		2,387.60
	05062024	fOffice/Yard		6,180.75
	05062024	gSpark energy Gas/LP Gas Chgs		435.20
			Total for Check Number 57110:	33,313.87
57111	P130	Pacific Gas and Electric-St	04/30/2024	
	05032024.1	Street Lights: April 2024		10,217.51
	05032024.2	Street Lights: April 2024		2,325.43
	05062024.1	Street Lights: April 2024		193.66
	05062024.2	Street Lights: Jan - April 2024 Corrections		-117.19
	05062024.2	Street Lights: Jan - April 2024		1,905.19
			Total for Check Number 57111:	14,524.60
57112	S750	Standard Insurance Company	04/30/2024	

Check No	Vendor No Invoice No	Vendor Name Description	Check Date Reference	Check Amount
	05012024	Short&Long Term Employee Disability Billing		1,516.73
			Total for Check Number 57112:	1,516.73
57113	S808 09009612	Statewide Traffic Safety and Signs Warning Flags	04/30/2024	50.84
			Total for Check Number 57113:	50.84
57114	V500 9962255536	Verizon Wireless Cellular Service - April 2024	04/30/2024	536.61
			Total for Check Number 57114:	536.61
57115	X600 714-992121	XPO Logistics Freight, Inc. Ship 2 sewer pumps to Flygt	04/30/2024	241.75
			Total for Check Number 57115:	241.75
			Total for 4/30/2024:	233,843.46
			Report Total (70 checks):	1,120,548.34

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Humboldt Community Services District

Dedicated to providing high-quality, cost-effective water and sewer service for our customers

ENGINEERING MEMORANDUM

To: Board of Directors
From: Kush Rawal, Assistant Engineer
Date: May 9, 2024
Subject: Assistant Engineer Progress Report for May 14, 2024 Board Meeting

District forces have actively been working to complete the Temple Circle and Stanford Circle Steel Main Replacement CIP projects. Construction is nearly complete for the Temple Circle project. The Construction Department has successfully installed a new appropriately sized water main (compliant with modern AWWA standards), a new hydrant system and a valve cluster to isolate flow. The new water main passed pressure and bacteriological testing. The only remaining work to be completed is tying in service lines and re-paving the trenches. As soon as District forces complete work on Temple Circle, they will transition directly into completing the Stanford Circle Steel Main Replacement.

The Donna Drive Hydro Pneumatic Tank Replacement Project is currently underway. The District's Donna Drive Tank site includes a 5,000-gallon hydro pneumatic tank that is being replaced with a new tank of the same size. The tank is being replaced because the Department of Industrial Relations certification for this pressure vessel expires this year, and the District has exhausted all extensions on this asset. Every part necessary to complete the project has arrived and the Engineer and Maintenance Foreman have been coordinating with the O&M Industries crane operator to assist with the completion of the removal of the old tank and the placement of the replacement tank.

On Friday May 3rd at 6:15 P.M. the District received a call from ratepayers on Humboldt Hill reporting a main line break at Wycliff Lane. District forces responded immediately and discovered a section of 8-inch AC water main failed causing the leak. District forces replaced the AC line collar to collar with 8-inch PVC, backfilled, flushed the hydrants and cleaned up and transported debris and sediment resulting from the main break. Positive pressure was maintained throughout the repair, so that there was no potential for contamination of the District's drinking water system as a result of this incident.

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Humboldt Community Services District

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MEMORANDUM

TO: Board of Directors
FROM: Brian McNeill, Utility Services Planner
DATE: May 10, 2024
SUBJECT: Utility Services Planner Report for May 14, 2024 Board Meeting

The Planning Department received a ratepayer email inquiry regarding Per-and Polyfluoroalkyl Substances (PFAS). The District tested for PFAS in August of 2013 and February 2014 and those results came back Not Detected (ND). The District will be testing for 29 forms of PFAS chemicals from our water wells during the calendar year 2025. Humboldt Bay Municipal Water District (HBMWD) has also tested for these chemicals in December of 2023 and HBMWD is slated to perform additional testing for these chemicals in 2025.

District staff continues to support Redwood Acres requests for information and assistance regarding reducing expenses. Redwood Acres proposes to install an independent water meter, that District staff will read, to solely serve their existing 45 RV sites. Redwood Acres expectation is that converting the sewer billing for this portion of their sewer usage from the District's Commercial rate to the District's Trailer Park rate will reduce Redwood Acres sewer expense. An analysis has been provided, based on the District's rate structures, detailing the estimated occupancy rates of the 45 RV sites for the Winter Months (December-March) in order for Redwood Acres to determine whether their proposal will achieve the reduction in sewer expense that they desire.

The Planning Department is overseeing the District's Automated Meter Reading (AMR) program. The goal is to deploy 2,500 water meters with AMR technology this calendar year. These new AMR meters will keep the District on track for the 10-year plan to have all District meters automated by 2031 as reported in the District's annual CIP since 2021.

Additionally, reoccurring tasks were performed including the collection of bacteriological water quality samples from throughout the District, distribution of backflow reminder letters to rate payers who are due to submit their annual backflow test results, and fielding various questions for current and proposed projects District wide.

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Humboldt Community Services District

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AGENDA REPORT

For HCSD Board of Directors Regular Meeting of: May 14, 2024

AGENDA ITEM: F.1

TITLE: Consideration of Redwood Acres Request for Additional Review of their Two-and-a-Half Year Long Leak and the District's Leak Relief Policy

PRESENTED BY: Terrence Williams, General Manager

Recommendation:

- Review Redwood Acres' CEO Mic Moulton's letter.
- Consider the situation as requested in the letter in conjunction with staff comments detailed below.
- Continue working to revise the District's leak relief policy.

Summary:

On May 2, 2024, Mic Moulton, CEO of Redwood Acres hand delivered a letter to the District office at 5055 Walnut Drive in Cutten, CA. The letter is included in this Board Packet for review. The letter pertains to Redwood Acres two-and-a-half-year long leak and the associated agenda report that was published for the April 9, 2024 Board meeting. The April 9 agenda report is included in this packet for convenience.

The District estimates that, over the two-and-a-half years that Redwood Acres allowed this leak to persist, they wasted between 15 and 20 million gallons of water. Mr. Moulton asserts that the leak was fixed within a week of being notified of the leak. The reality is that Redwood Acres first received notification from HCSD about this leak, in June 2021 and the leak was not even acknowledged by Redwood Acres staff until December of 2023.

The District has an Ordinance that prohibits the waste of water. Section 4.05.090 of the HCSD Code states that a customer shall not knowingly permit leaks or waste of water. Where water is wastefully or negligently used on a customer's premises, HCSD may discontinue the service if such conditions are not corrected in a timely manner. Furthermore, HCSD has a program designed to alert customers when excessive water use is detected. Finally, State Water Code Section 350 et. seq., State Water Code Section 71640 et. seq., and the common law of the State of California prohibit water wastage and places the enforcement of said laws squarely upon the District.

In June 2021, HCSD staff called Redwood Acres to alert them that their water usage had significantly increased compared to the previous month and the same month from the previous year; and that HCSD staff suspected that Redwood Acres had a leak. Redwood Acres staff attributed the increased usage to irrigation and assured HCSD staff that they did not have a leak.

In December of 2021, HCSD staff reached out to Redwood Acres again to inform them that their water usage was still high and that HCSD staff still suspected that Redwood Acres had a leak. In December, the District begins the winter averaging for sewer estimates because most ratepayers are not irrigating in December. Again, Redwood Acres staff assured HCSD staff that there was no leak. In December of 2022, HCSD staff reached out again to Redwood Acres to let them know that their usage was STILL extremely high and that HCSD staff STILL suspected that Redwood Acres had a leak. Again, Redwood Acres staff denied that there was a leak.

In May of 2023, HCSD staff reached out to Redwood Acres to let them know that their water use had increased even higher and that District staff suspects an additional leak. Redwood Acres again denied having any leaks, however, about three months later in August 2023, the County also reached out to Redwood Acres to let them know about a new creek that one of their leaks was creating. Redwood Acres addressed the three-month-old leak that created the “creek” but continued to deny the evidence of an ongoing (over two years at that point) leak.

On November 1, 2023 and December 5, 2023, when Mr. Moulton began requesting discounted rates, special treatment, and threatening a lawsuit, District staff told Mr. Moulton personally, over the phone, that District staff suspected there was a major ongoing leak that had gone unaddressed by Redwood Acres for over two years. On December 11, 2023, Mr. Moulton arrived at the District office unannounced insisting upon an immediate in person meeting with the District Finance Manager and General Manager. During that meeting, Mr. Moulton aggressively pursued special treatment from the District, and threatened legal action if his demands were not met. District staff again reiterated that Redwood Acres had an ongoing leak causing the bulk of their charges.

On December 13, 2023, District staff described to Mr. Moulton how and when (what time of day) to read the Redwood Acres water meter to determine if there was a leak. The next day, Mr. Moulton confirmed that the leak was producing about 25,000 gallons per day. Per communication from Mr. Moulton, the leak was finally repaired on December 19, 2023. The leak was found under the commercial kitchen in the “Grand Stand Concession.” Mr. Moulton’s assertion that the leak was addressed within a week of being notified is inaccurate.

The leak, as measured by Mr. Moulton in December, was producing about 25,000 gallons per day. This is the equivalent volume of about 19 full grown elephants, every day for two-and-a-half years. District staff finds it very difficult to believe that a parade of 19 full grown elephants making their way down Harris Street from Redwood Acres to the bay each day would go un-noticed, unless they were in a tunnel, underground. There is one such tunnel that leaves Redwood Acres and heads directly to the bay; HCSD's sewer system.

In his letter, Mr. Moulton claims that Redwood Acres was overcharged \$460,000 for sewer usage based on some statements that he found in the April 9 agenda report. In the April 9 report, District staff makes an estimate that Redwood Acres operating cost will be reduced by about \$225,000 per year as a result of repairing the leak. This is based on the water and sewer rates and structure current to April 9, 2024 and the projected annual cost of water and sewer services at Redwood Acres pre and post leak repair; this estimate does not reflect the actual charges incurred by Redwood Acres.

The reality is that, for the first 13 months of Redwood Acres egregious ongoing leak, the District used the Winter 2020-2021 Winter Average to estimate sewer flows; which is before the leak started in June of 2021. Therefore, the leak did not contribute to the cost of sewer service for the first 13 months that the leak was neglected by Redwood Acres management.

Redwood Acres is billed under the District's Commercial Heavy sewer rate. The Commercial Heavy sewer rate is the rate that applies to restaurants, bakeries, food processing facilities, and food truck commissaries. Redwood Acres facilities include at least five commercial kitchens, a food truck commissary that serves several food trucks, at least one bakery, a food processing facility, 45 RV hookups and an RV-Septage dump station that is out of compliance with the District's code section 5.03.080 Item 18. Redwood Acres wastewater profile definitely falls into the Commercial Heavy category.

From July 1, 2022 to July 31, 2023, the District's sewer rates were constant. The base rate was \$19.09 per Equivalent Dwelling Unit (EDU) which is five Hundred Cubic Feet (HCF) per month (five HCF is about 3,700 gallons) and a volumetric rate of \$11.89/HCF and \$6.16/HCF of passthrough rate from the City of Eureka. The District's sewer rates changed on August 1, 2023 to a base rate of \$30.43 per EDU and a volumetric rate of \$22.50/HCF with no passthrough from the City of Eureka. Thus, Redwood Acres incurred the charges listed above during each respective timeframe.

In summary, due to utilizing a winter average to calculate sewer charges for the subsequent fiscal year, during the first 13 months of the leak, Redwood Acres did not incur additional sewer charges associated with the leak despite the fact that their water usage was consistently triple their normal winter usage due to their, neglected leak. The next 13 months, Redwood Acres was charged \$109.34/month per five HCF (3,740 gallons) of the leak. During the final five months of the leak, Redwood Acres was

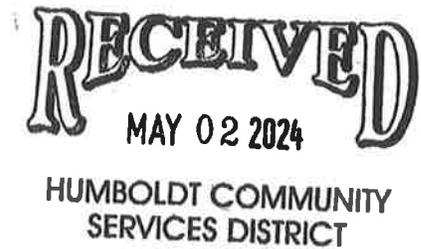
charged \$142.93/month per five HCF (3,740 gallons) of the leak. Considering that Redwood Acres was notified repeatedly about this situation, the fact that they repeatedly disputed having a leak resulting in neglect to address the leak for two-and-a-half years, and that Redwood Acres had an ongoing and notified leak without sewer charges assessed for 13 months, District staff do not find a compelling argument in support of any additional credit to Redwood Acres.

Finally, at Director Gardiner's request, the District established an Ad Hoc committee during the January 9, 2024 Board meeting that is tasked with revising the District's leak relief policy.

Fiscal Impact:

None at this time

9th District Agricultural Association – Redwood Acres
3750 Harris Street, Eureka CA 95503



May 1, 2024

Terrence Williams, General Manager
Heidi Benzonelli, Board President
Humboldt Community Services District
5055 Walnut Drive Eureka, CA 95503

RE: Request for HCSD Board review of policy.

On behalf of Redwood Acres and the 9th District Agricultural Association Board of Directors, I would like to formally request an item be added to the agenda of the next scheduled meeting of your Board of Directors. I would like to speak with the Board in response to the HCSD Agenda Report, dated April 9, 2024, Agenda Item F.1, titled **"Report Regarding Redwood Acres Leak Status"**.

First, I would like to thank HCSD for the credit to Redwood Acres for \$30,285 for the January and February reassessed sewer fees, based on our water leak repair. This will be of great financial benefit to Redwood Acres.

As outlined in Mr. Williams' report, I was made aware of an ongoing major water leak in December 2023. We were able to locate and repair this leak within a week of notification. Per the report, **"The leak repair resulted in a corresponding reduction in the water bill of about \$3,400 per month."** Based on this information, this resulted in a reduction in the water bill of approximately \$40,800 a year. Per the report, **"Repairing this leak will reduce Redwood Acres operating costs by about \$225,000 per year."** \$225,000 minus the leak reduction of \$40,800 equals \$184,200, this divided by 12 months equals \$15,350. This leak cost Redwood Acres \$3,400 in additional water fees and \$15,350 in additional high strength sewer discharge fees per month.

It appears that HCSD determined that the entire leak was discharged into the public sewer system and that the water from the leak was high strength sewage and thus invoiced Redwood Acres accordingly. Mr. Williams reports **"District records indicate that the leak had been ongoing for over two and a half years."** \$184,200 times 2.5 equals \$460,500. The reality is that this water leak did not enter the public sewer system. HCSD did not incur costs for transportation, pumping through the sewage collection system, or wastewater treatment. It appears that HCSD charged fees for a high strength sewer discharge into the public sewer system that did not occur. This resulted in a windfall of nearly a half-million dollars for the district, and a horrible financial blow for Redwood Acres. We do not believe that the policy of charging sewer fees based on known water

leaks is fair or justified. We respectfully request the HCSD Board review both our incident and this policy.

Thank you for your consideration of this request.

Sincerely,

A handwritten signature in black ink, appearing to read "Mic Moulton". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Mic Moulton, CEO

mic@redwoodacres.com

Humboldt Community Services District

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AGENDA REPORT

For HCSD Board of Directors Regular Meeting of: April 9, 2024

AGENDA ITEM: F.1 (New Business)

TITLE: Report Regarding Redwood Acres Leak Status

PRESENTED BY: Terrence Williams, General Manager

Recommendation:

Receive report and discuss. Direct staff if further action is to be taken.

Summary:

In September of 2020, Redwood Acres reached out by way of letter from then Chief Executive Officer (CEO), Ben Brown, to request leak relief for a leak that is estimated to have been about one-million-gallons over three months. That request was denied because of the District's policy to provide leak relief once in a five year period, and Redwood Acres had received substantial leak relief in 2017 (\$1,219) and in 2019 (\$4,562).

Between the months of May and July of 2023, Redwood Acres experienced another substantial water leak. The total volume of the leak was over two-million-gallons. At that time, the Redwood Acres administration again reached out to the District to request leak relief. The request was denied because of the District's policy to provide a refund or credit for half of the cost of the volume leaked, once in a five year period. As stated above, the District had provided leak relief to Redwood Acres in 2019 in the amount of \$4,562; which was about double what the District's policy provides for considering the volume of water leaked.

In December of 2023, Redwood Acres CEO, Mic Moulton reached out to the District's customer service department to discuss utility billing and to try to identify ways to reduce the cost of water to Redwood Acres. The primary driver for Redwood Acres high bills was their water usage, and that message was passed on to Mr. Moulton. Mr. Moulton began to aggressively request a discount from HCSD. The District General Manager and Finance Manager had a meeting with Mr. Moulton where several options were presented to Mr. Moulton that would enable him to reduce the usage at Redwood Acres, including identifying and correcting ongoing leaks. During that meeting, strategies were discussed that would allow Mr. Moulton to identify those Redwood Acres' tenants that are high water and sewer service consumers within the Redwood Acres complex. Sub-metering was identified as a mechanism that Redwood Acres could employ to allow Redwood Acres to charge their tenants according to the tenants' water and sewer usage.

During December 2023, after the meeting between District Staff and Mr. Moulton, District staff assisted Mr. Moulton with leak detection at the Redwood Acres complex, and determined that

Redwood Acres had an ongoing leak that was estimated to be about 24,000 gallons-per-day. Over a year's time, a leak of that magnitude would produce nearly nine-million-gallons of water waste. District records indicate that the leak had been ongoing for over two and a half years.

Mr. Moulton did correct the leak in late December 2023. The next billing cycle reflected a significant reduction in water usage; almost 700,000 gallons. The leak repair resulted in a corresponding reduction in the water bill of about \$3,400 per month. After three consecutive monthly reads at the reduced consumption, District staff was able to adjust Redwood Acres' Winter Average, which is used to calculate their sewer bill. With the adjusted winter average, the monthly sewer charge was reduced by \$15,142.50. Additionally, District staff applied a credit to the Redwood Acres account in the amount of \$30,285.00 to refund the sewer charges for the months of January and February, 2024, after the leak was repaired and before the Winter Average could be re-calculated. Per District records, the total volume of water leaked over the two-and-a-half-year period is about 16-million-gallons. Repairing this leak will reduce Redwood Acres operating costs by about \$225,000 per year.

In 2023, the District Board adopted a rate study that included an adjustment to the District's rate structure to emphasize and encourage water conservation. This was achieved by reducing the percentage of revenue collected through the base rate and increasing the percentage of revenue collected through volumetric charges. This allows a conservation minded person to reduce their overall bill by reducing their consumption. Another impact of this strategy is that it penalizes water waste. I'm glad to see that this has finally provided the impetus to cause Redwood Acres to address their leaking infrastructure.

Fiscal Impact:

None

Humboldt Community Services District

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AGENDA REPORT

For HCSD Board of Directors Regular Meeting of: May 14, 2024

AGENDA ITEM: F.2 (New Business)

TITLE: Selection of Auditor for 2023-2027 Financial Reports

PRESENTED BY: Michael Montag, Finance Manager/District Treasurer

Recommendation:

Motion and roll call vote designating selection of auditing firm for District's 2023-2027 Financial report auditing.

Summary:

The District is scheduled to request proposals from auditing firms every five years for auditing services of the District's annual financial reports. The District reached out to a variety of local and regional Auditing firms directly, placed advertisements in several newspapers statewide requesting proposals, and posted the solicitation on the District website.

Detail:

The District received two proposals from auditing firms in response. The proposals are included with this agenda pack.

The proposals were reviewed and scored by the District's General Manager, Finance Manager, Administrative Services Manager, Community Services Planner, and Assistant Engineer. The proposals were graded on a variety of criteria that is spelled out in the solicitation, and were scored by each person without knowledge of the gradings from the others.

While both proposals were fully qualified, the proposal from CJ Brown CPA was graded with higher scores than the proposal from O'Connor & Company CPA by all five staff members assessing the proposals.

CJ Brown CPA was superior in their Responsiveness, Experience, References, Approach, and Peer review, while O'Connor & Company CPA was superior in Team and Cost. The higher gradings in the areas where CJ Brown CPA excelled resulted in an overall higher grading for CJ Brown CPA.

Additionally, the District has engaged O'Connor & Company, and its predecessor company, RJ Riccardi CPA, for Financial Report auditing from 2012 through 2022. It can be beneficial to periodically change auditing firms, as a different auditing firm may incorporate different methodologies and present novel information.

Staff recommends accepting the proposal from CJ Brown CPA to perform the audits of the District's annual financial reports for the 2023-2027 Fiscal Years.

Fiscal Impact:

Not to exceed \$28,775 Fiscal Year ending 2023
Not to exceed \$28,775 Fiscal Year ending 2024
Not to exceed \$29,320 Fiscal Year ending 2025
Not to exceed \$29,865 Fiscal Year ending 2026
Not to exceed \$30,410 Fiscal Year ending 2027

HUMBOLDT COMMUNITY SERVICES DISTRICT

REQUEST FOR PROPOSAL FOR AUDITING SERVICES

INTRODUCTION

Humboldt Community Services District is requesting proposals from qualified Certified Public Accounting firms to audit its financial statements for the five fiscal years ending June 30, 2023 (FY 2023), through June 30 2027 (FY 2027).

Proposals should be addressed to the HCSD Audit Committee and must be received at the District's main office by 5:00 PM on Friday, March 15 2024. Questions may be directed to Michael Montag, Humboldt Community Services District Finance Manager at (707) 443-4550.

The Board reserves the right to reject any or all proposals submitted. The audit committee will evaluate all proposals. It is anticipated that the award of the contract will be at the regular Board Meeting on March 26, 2024. HCSD is not liable for any costs associated with responding to this request for proposals.

DESCRIPTION OF THE DISTRICT

General Information

Humboldt Community Services District provides water, sewer and street lighting services in the unincorporated area of Humboldt County directly adjacent to and surrounding the City of Eureka. The District boundaries encompass approximately 15 square miles with a population of approximately 19,000. The District currently serves approximately 8,000 water customers and 6,800 sewer customers.

The District was established under the Special District Laws of the State of California in 1952 and operates under a governing body of five elected Directors. The District has an annual operating budget of \$13 million and a capital budget of \$4 million for 2022/2023. The District has 22 full-time employees and five Board members.

Accounting Staff and Financial System:

The financial staff, under the direction of the Finance Manager, consists of three Customer Service Representatives who are responsible for cash receipts, daily deposits, accounts payable, utility billing, customer accounts receivable, and miscellaneous billings and receivables. The Finance Manager is responsible for maintenance of the general ledger, maintenance of fixed asset detail, payroll tax and PERS reporting, bank reconciliation and all other finance related duties.

The District's accounting software is a fully integrated custom system, created and maintained by Springbrook Software Inc. located in Portland Oregon. The software programs run on an Intel based server with a Windows operating system and the Progress database engine. Currently the

District maintains its operating accounts in a single enterprise-type fund using the accrual basis of accounting. Interim financial statements consist of a monthly Budget to Actual Statement and a Check Register (Non-GAAP).

Water and sewer billings are issued monthly in four weekly cycles.

The District does not prepare a Comprehensive Annual Financial Report at this time; however the audit firm selected may be asked to provide assistance in this area in the future.

The District's Finance Manager prepares the State Controller's Annual Report of Transactions.

HCSD is currently not subject to the Single Audit Act.

SCOPE OF WORK

Audit of the District's Financial Records

All audit work is to be done in accordance with generally accepted governmental auditing standards set forth by the American Institute of Certified Public Accountants, Government Auditing Standards issued by the Comptroller General of the United States; and the State Controller's minimum requirements for California Special Districts.

Financial Statements

Preparation of the financial statements and auditors' reports are required along with the following supplemental information:

Schedules of Revenue and Expenses:

- Water Department (All Areas Combined)
 - Original Water System
 - Humboldt Hill Water System
 - FW/MR Water System
- Sewer Department (All Areas Combined)
 - General Sewer System
 - Humboldt Hill Sewer System

Miscellaneous Schedules and Required Supplementary Information

- Allocated General and Administrative Expenses
- Summary of Salaries & Wages
- Freshwater/Mitchell Rd. Water Project Safe Drinking Water Loan Activity
- Funding Status of Retirement Plan

Management Letter

A Management Letter which will include findings, statements, observations, opinions, comments, or recommendations with regards to systems of internal control, accounting systems, functions, procedures and processes, and compliance with laws, rules and regulations is required.

Presentation of the Audited Financial Statements

The Auditor will be available to present the audited financial statements to the District's Audit Committee and Board of Directors.

TIMING AND OTHER REQUIREMENTS

1. It is the Districts goal to have a completed and Board approved audit before the end of November of each year for the previous fiscal year. This allows for a relatively timely distribution of the audit to requesting entities with financial interests in HCSD.
 - a. For the 2023 audit, we will need to move forward as quickly as possible.
2. The auditor will supply an electronic copy of the completed audit in PDF format, including financial statements, reports and schedules.
3. It is expected the audit will be staffed to minimize interference with normal daily operations and to complete the audit in a timely manner. HCSD staff will be available to prepare confirmations, provide information, locate data, research supporting documents and complete work papers.
4. The auditor will provide a schedule of the key elements of the audit. The schedule will include initial and exit meetings as well as interim meetings with the District General Manager and/or Finance Manager to discuss planning, findings and progress.
5. The auditor should be available for telephone consultations with the District General Manager and Finance Manager throughout the year, as needed, to provide guidance on various accounting matters at no additional cost.
6. Fees for services may be billed as the work progresses, but not more often than once a month. The final progress payment will be due after all audit work is completed and accepted by the Board of Directors and final copies of the financial statements are received by the District.
7. The General Manager or Finance Manager must authorize any additional fees for work not included within the scope of services.
8. As part of the audit engagement, the firm must be available to make presentations and answer questions when the Annual Financial Statements are presented to the Audit Committee and to the Board of Directors.

PROPOSAL REQUIREMENTS

All submitted proposals must contain the following information:

1. Title page
2. Description of the audit firm including experience auditing other government clients with an emphasis on special districts and any additional information on qualifications relevant to the engagement.
3. Description of the qualifications of key personnel who will be assigned to the engagement including both the principal auditor and staff. Include information regarding the firm's personnel policies in regard to maintaining continuity of audit staff assigned to clients over time.
4. Description of the scope of work, audit approach and timetable for audit work and delivery of financial statements.
5. Audit fees shall include bids for a five-year engagement and shall be stated on a flat fee or not-to-exceed fee basis. An itemized cost analysis shall be submitted for the amount of time anticipated for the principal auditor and staff. A quote of hourly rates for additional work that may be identified during the course of the audit is also requested. Out-of-pocket expenses shall be included in the within the flat or not-to-exceed fee bid.
6. References from at least three local government agencies, preferably special districts, who can attest to the firm's general experience and reputation in the field of local government auditing and accounting.
7. A copy of the firm's most recent peer review with a statement whether the review included an examination of specific government engagements. The firm shall also state whether it has been the subject of any disciplinary action within the last three years, or if any such action is pending by state regulatory bodies or professional organizations. If such conditions exist, information is to be provided as to the circumstances and status of the disciplinary action.
8. A statement that the firm has the required insurance policies in force in amounts of coverage for not less than \$1,000,000 for Professional Liability, Workers Compensation and Comprehensive General Liability. Prior to any commencement of audit services, the audit firm will be required to provide certificates of insurance coverage to the District. (See Professional Services Contract/Insurance Requirements attachment).
9. A copy of the proposal in an envelope addressed to the HCSD Audit Committee, marked "HCSD Audit Proposal" shall be delivered to the HCSD by 5 PM, Friday March 15, 2024. Proposals may be delivered by hand to HCSD at 5055 Walnut Drive, Eureka, CA 95503, mailed to HCSD at P.O. Box 158, Cutten, CA 95534, or sent as a PDF attachment sent to fm@humboldtcsd.org

EVALUATION CRITERIA

Proposals will be evaluated based upon their response to provisions of this Request for Proposal. The following criteria will be used to evaluate responses to this proposal:

1. Responsiveness of the proposal to the scope of services and overall understanding of the engagement.
2. Prior experience and activities in providing accounting and auditing services to Special Districts in California.
3. Qualifications and related experience of the assigned principal and audit team.
4. Reference of local government clients.
5. Thoroughness of approach to conducting the audit.
6. Results of the firm's most recent peer review.
7. Commitment to timeliness in the conduct of the audit.
8. Maximum fees to conduct the audit.

Items 1 through 7 will represent 75% of the weight of the evaluation criteria. Item 8 will be assigned a 25% weighting in the overall evaluation.

ADDITIONAL INFORMATION

1. The District reserves the right to conduct personal interviews with any or all prospective audit firms prior to selection. The District will not be liable for any cost incurred by the prospective audit firms in connection with such an interview.
2. The District reserves the right to reject any or all proposals and to request additional information from all prospective audit firms. The District will not be liable for any cost incurred by the prospective audit firm in connection with preparing the proposal or supplying any additional information requested.
3. Any agreement or contract resulting from the acceptance of a proposal will be on forms supplied or approved by the District.
4. The firm shall not assign or transfer any interest in the contract without prior written consent of the District.
5. No reports, information or data given to or prepared by the firm under this contract shall be made available to any individual or organization without prior consent of the District except as required for the audit firm's peer review or State Board of Accountancy review.



**Certified
Public
Accountants**



**Consultants
& Advisors**



Humboldt Community Services District

Technical Proposal to Provide Auditing Services

**For the Fiscal Years Ending
June 30, 2023 through 2027**

**Christopher J. Brown CPA, CGMA
Jonathan P. Abadesco, CPA**

10805 Holder Street, Suite 150
Cypress, California 90630

5051 Canyon Crest Drive, Suite 203
Riverside, California 92507

Phone: (657) 214-2307
Email: chris@cjbrowncpa.com

California BOA License Number: 6529



**C.J. Brown & Company, CPAs
An Accountancy Corporation**

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C.J. Brown & Company CPAs

An Accountancy Corporation

Christopher J. Brown, CPA, CGMA
Jonathan Abadesco, CPA
Jeffrey Palmer

Cypress Office:
10805 Holder Street, Suite 150
Cypress, California 90630
(657) 214-2307

Riverside Office:
5051 Canyon Crest Drive, Suite 203
Riverside, California 92507
(657) 214-2307

March 13, 2024

HCSD Audit Committee
Humboldt Community Services District
5055 Walnut Drive
Eureka, California 95503

Re: Request for Proposal for Independent Auditor Services

Dear members of the HCSD Audit Committee:

We appreciate the opportunity to submit our proposal to provide independent auditing services for the Humboldt Community Services District (District) for the fiscal years ending June 30, 2023, through 2027.

In response to your inquiry of C.J. Brown & Company, CPAs – An Accountancy Corporation (Firm), we have prepared a proposal that reflects our understanding of the District audit service requirements and that demonstrates our capability and commitment to serve. Our goal is to build a strong partnership with the District and demonstrate the highest levels of client service.

We understand that you expect a timely audit service conducted in a professional manner in accordance with audit service standards specific to governmental entities such as yours. We are committed to meet all the requirements you have indicated, and we will issue the reports and meet the timing requirements you have requested. We believe we are uniquely qualified to provide the quality and scope of service that the District desires.

Focused on the Special District Industry

Our client service team members are specialists in the governmental special district sector. This means they each focus a substantial portion of their time serving special district governmental clients. We know and understand your organization and the climate within which you work.

Our Firm audits over 60 governmental special districts in the State of California; as a result, this enables our Firm to continuously be immersed in the governmental, financial, and operational issues related to special districts.

Organized to Serve

Our service approach ensures that the District will receive the highest quality, personalized service when and where you need it. By tailoring our approach, we guarantee that the District will receive timely and attentive service that forms the hallmark of our approach to serving clients. **Our governmental audit and consulting practice accounts for a substantial portion of our Firm's annual services.** Therefore, we have made a substantial commitment and investment to serve our governmental clients.

Organized to Serve, continued

While our governmental experience is substantial, it is not the only factor that sets us apart from other firms; moreover, it is the commitment to utilize our resources and experience for the benefit of our clients.

Our approach to the engagement will be to establish a delivery system for providing a truly exceptional level of service. Each element of that system including staffing, audit approach, communication, and coordination will be examined and refined to fit the needs of the District. The hardest to quantify may be the relationship aspect of working with one professional service firm versus another. Because of the service delivery approach, we are recommending and our history of working with many special district governmental units like the District, we are confident that our Firm knows how to address the unique needs of the District.

Our staff members assigned to the District are experienced governmental professionals that have managed numerous audits and attest engagements. We have assisted in the initial preparation and successful submission of many clients' Annual Comprehensive Financial Reports for the GFOA Award Program. Each of our staff has extensive experience that allows for a new outlook with innovative suggestions to improve quality and efficiency. We believe that our references will show that we are the best selection for the District. The choice of an audit firm should be based upon several factors including, but not limited to, staff retention, training programs, proactively addressing governmental industry changes, and adherence to a strict quality control program.

We are confident that we will provide the District with consistent staffing over the contract period as the continuity of staff is as important to us as it is to the District. We will be committed to the District and believe that our audit engagement team is the best selection for the District.

Our proposal and fee schedule shall be valid and binding for 60 days following the proposal due date and will become part of the contract that is negotiated with the District.

C.J. Brown & Company, CPAs – An Accountancy Corporation

Address:	10805 Holder Street	5051 Canyon Crest Drive
	Suite 150	Suite 203
	Cypress, CA 90630	Riverside, CA 92507

Website (Currently in development <https://cjbrowncpa.axionthemes.com/>)

Phone Number: (657) 214-2307

Email: chris@cjbrowncpa.com

You may contact, Christopher Brown, or Jonathan Abadesco if you have any questions or need additional information. Christopher Brown will be your primary contact during the proposal evaluation period. He may be reached at (657) 214-2307, or by e-mail at chris@cjbrowncpa.com.

We look forward to hearing from you soon.

Cordially,



C.J. Brown & Company, CPAs – An Accountancy Corporation

Statement of Understanding

Audit Engagements

Our audits will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. The audit engagements will be comprised of the elements enumerated in the District's Request for Proposal including:

- 1. Audit of the Basic Financial Statements of the District and assistance in the Preparation of the Annual Financial Report including requested schedules;**
- 2. Preparation of Management Reports (Board Communication) for the District;**
- 3. Attendance at Meetings and Presentation to the Board of Directors; and**
- 4. Provide guidance, training, and technical assistance to the District in implementing *Government Accounting Standards* issued, including Annual Accounting Update Session (as required) – at no charge/cost to the District**

Timing of Our Procedures

We understand that the District is looking for value in the professional relationship they have with their auditors. Value comes from the knowledge, experience, and dedication that our Firm employs. We stress employs because all of the knowledge and expertise shown on paper will reap no benefit to you unless it is applied. This application equates to time well spent. We have developed an audit plan that we feel will accomplish the objectives of the District and will meet your special needs.

In order to accomplish our audit objectives and meet your deadlines for delivery, the sequence and timing of our procedures are critical. The Schedule below highlights our expected timeline which will be mutually agreed with the District every year.

Schedule of Deliverables – Subject to Client Preference

March - April	Engagement Planning
May	Interim Field Work (Test of Controls, Risk Assessment) and Initial Conference
July	Send all confirmation forms
August	Year-End/Final Fieldwork
October	Provide Draft Financial Statements, and Management Report
October - November	Provide all Final Reports and Present to the BOD

Firm Provided Affirmations

- A. C.J. Brown & Company, CPAs – An Accountancy Corporation affirms that the Firm and all key professional staff are properly registered and licensed or supervised by certified public accountants in good standing duly authorized to practice in the State of California.
- B. C.J. Brown & Company, CPAs – An Accountancy Corporation affirms that the Firm is independent of the District, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial and compliance audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States.
- C. C.J. Brown & Company, CPAs – An Accountancy Corporation affirms that the Firm currently maintains errors and omissions insurance coverage in the aggregate amount of one million dollars and general liability coverage of two million dollars. The Firm will provide the required insurance coverage and Accord insurance form to the District upon acceptance of the audit engagement.
- D. C.J. Brown & Company, CPAs – An Accountancy Corporation affirms that it has the necessary experience to conduct high-quality audits of local government and enterprise special districts and agencies in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial and compliance audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States and the Single Audit Act. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
- E. C.J. Brown & Company, CPAs – An Accountancy Corporation affirms that it will meet your timing requirements to begin and complete the audit of the District.
- F. C.J. Brown & Company, CPAs – An Accountancy Corporation affirms that senior staff scheduled on the audit of the District are experienced personnel and that no person designated as “key” to the project shall be removed or replaced without the prior written consent of the District.
- G. C.J. Brown & Company, CPAs – An Accountancy Corporation affirms that it has never been the subject of any lawsuits, claims of fraud, malpractice and/or disciplinary action by any State or Federal District in relation to the Firm’s governmental practice in its entire existence.
- H. C.J. Brown & Company, CPAs – An Accountancy Corporation affirms that it has not been censured or disciplined from the State Board of Accountancy.
- I. C.J. Brown & Company, CPAs – An Accountancy Corporation affirms that it will allow the District or their designee access to pertinent District audit work papers, financial reports, and management letters.
- J. C.J. Brown & Company, CPAs – An Accountancy Corporation affirms that it has never filed bankruptcy, there is no pending litigation against the Firm, there are no planned office closings, there are no impending mergers, and there are no potential labor disputes that may impede us the ability to complete the audit for the District.

Signature of Authorized Official: 

Name: Christopher J. Brown, CPA CGMA

Title: President

Firm: C.J. Brown & Company, CPAs – An Accountancy Corporation

Date: March 13, 2024

Firm Qualifications and Experience

C.J. Brown & Company, CPAs – An Accountancy Corporation, is a full-service firm licensed to practice in the State of California providing accounting, audit, and consulting services for governmental and commercial enterprises, throughout the State of California. Our Governmental Services personnel are currently comprised of eight professionals with extensive experience in governmental accounting, auditing, and additional reserve staff available on an as needed basis. The Firm maintains an office in Cypress, and Riverside, California.

Your main contact will be Mr. Christopher Brown. Our contact information can be located on our letterhead. All of the work for the District will be staffed directly out of our Riverside office and will not be subcontracted to any other firm.

Our Firm is fully automated in-house and utilizes current technology and software on all audit engagements. We utilize CCH ProSystems *fx* Engagement ® and Knowledge Coach Audit Software.

C.J. Brown & Company, CPAs – An Accountancy Corporation is an equal opportunity employer and certifies that our Firm is in compliance with the Civil Rights Act of 1964, the State Fair Employment Practice Act, and all other applicable federal and state laws and regulations relating to equal opportunity employment, including Executive Order No. 11246 of September 24, 1965. Our Firm is committed to affirmative action in hiring practices.

Professional Education

It is a requirement of the State Board of Accountancy for all public accounting firms who are involved in governmental auditing to allocate a specific portion of continuing education in governmental accounting and auditing every two years. The Firm has met this requirement for all staff involved with governmental accounting and auditing. Our Firm's strict adherence to these continuing professional education standards ensures the highest quality of staff assigned to the District audits over the term of our agreement. Our Firm also requires that all personnel at all organizational levels adhere to the independence rules, regulations, interpretations, and rulings of the AICPA, California State Society of CPAs, State Board of Accountancy, State Statute, and in some cases, the Securities and Exchange Commission and other regulatory agencies. Our Firm strictly follow the requirements of Government Code Section 12410.6(b) regarding auditor rotation requirements of public accounting firms providing audit services to local agencies. The Firm is not the object of any disciplinary action in its entire existence.

Quality Control

The Board of Directors of the District can measure the quality of the opinions expressed by the Firm by evaluating the level of professional standards maintained by our Firm as discussed in this proposal. The Board of Directors can also measure the performance and quality control of our Firm by evaluating our participation in the profession's peer review process as well as evaluating our Firm's professional standards and quality of work ethic in discussions with our Firm's current client base in the special district industry.

Using guidelines established by the AICPA, the Firm has designed and implemented an effective quality control system to ensure that our accounting and auditing work conforms to professional standards. **C.J. Brown & Company, CPAs – An Accountancy Corporation has transitioned the operations of Fedak & Brown LLP into the Firm and expects to undergo initial Peer Review in September 2024.** We have included the last peer review report from Fedak & Brown LLP on the next page.

Firm Qualifications and Experience, continued



Report on the Firm's System of Quality Control

June 8, 2022

To the Owners of
Fedak & Brown LLP and the Peer Review Committee of the CA Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Fedak & Brown LLP (the firm) in effect for the year ended September 30, 2021. 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.

Deficiencies Identified in the Firm's System of Quality Control

We noted the following deficiencies during our review:

1. The firm's policies and procedures require that all work be performed and documented in accordance with professional standards and that a proper review by the engagement partner take place before the reports are released. Due to time constraints caused by the Pandemic and numerous personnel changes, including at the Partner level, engagements were not given the proper focus and attention needed. As a result, we noted the following: a) On an Audit of a Not-for-Profit organization, we noted that the functional expenses were presented as Supplemental Information instead of on the Statement of Activities or in the notes to the financial statements as required and we noted that accounts receivable confirmations were not requested, and the auditor did not document how the presumption for these requests was overcome; b) On the compliance audit under the Single Audit Act, we noted that the firm selected different requirements as being direct and material than those listed in the applicable Compliance Supplement; and c) On an Audit and a Review, we noted the failure to consider the new Revenue Recognition standard. In our opinion, these contributed to a compliance audit under the Single Audit Act, an audit of a Not-for-profit organization, and a Review engagement that did not conform to professional standards in all material respects. Of lesser significance, yet a result of the same systemic cause, we noted that while the firm performed a fair amount of work for obtaining an understanding of internal control on the audits, we found they inappropriately relied on inquiries of personnel for some procedures.

2. Statements on Quality Control Standards require that firms monitor their quality control system to provide assurance that the policies and procedures established by the firm are suitably designed and effectively applied. During our review, we noted that although the firm's policies and procedures require monitoring procedures, they were not performed as required. As a result, the firm was not in compliance with the monitoring element of the Quality Control Standards.

Opinion

In our opinion, except for the deficiencies previously described the system of quality control for the accounting and auditing practice of Fedak & Brown LLP in effect for the year ended September 30, 2021, 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*. Fedak & Brown LLP has received a peer review rating of *pass with deficiencies*.

Heidenreich & Heidenreich, CPAs, PLLC

Experience and Technical Competence

We have prepared a listing of some of our governmental audit clients on the next page. We believe this listing exemplifies that we have significant experience in conducting high-quality audits of local governments and enterprise special Districts. Our governmental audit team has significant experience in auditing special district governmental agencies and our team members may have conducted some of these audits over the past year (see next page).

Firm Qualifications and Experience, continued

The following is a partial listing of some of our Governmental Special District Clients that our Audit Teams Have Served!

Los Angeles County

*49-99 Cooperative Library System
Antelope Valley Watermaster
California Library Association
Gateway Water Management Authority
Greater Los Angeles County Vector Control District
Green Valley County Water District
Inland Library System
Los Angeles County West Vector Control District
La Puente County Valley Water District
Los Cerritos Wetlands Authority
Palos Verdes Library District
Peninsula Friends of the Library
Pomona Walnut Rowland Joint Water Line Commission
Puente Basin Water Agency
Quartz Hill Water District
San Gabriel Valley Municipal Water District
Santiago Library System
Serra Cooperative Library System
Spadra Basin Groundwater Sustainability Agency
Southern California Library Cooperative
The Mr. and Mrs. Samuel Oschin Family Foundation
Walnut Valley Water District
Valley County Water District*

Riverside County

*Cabazon Water District
Coachella Valley Desert and Mountains RC Authority
Coachella Valley Mosquito and Vector Control
Desert Recreation District
Edgemont Community Services District
Fern Valley Water District
High Valleys Water District
Lake Hemet Municipal Water District
Lake Elsinore and San Jacinto Watersheds Authority
Idyllwild Fire Protection District
Lake Hemet Municipal Water District
Northwest Mosquito and Vector Control
Palo Verde Valley Library District
Santa Ana Watershed Project Authority
Santa Ana River Water Company*

Santa Barbara County

Santa Maria Public Airport Authority

San Diego County

*Vista Fire Protection District
Borrego Springs Watermaster*

San Bernardino County

*Bighorn Desert View Water Agency
Cabazon Water District
Chino Basin Water Conservation District
Chino Basin Watermaster
Helendale Community Services District
Joshua Basin Water District
Mojave Desert Air Quality Management District
Monte Vista Water District
Phelan Pinon Hills Community Services District
Six Basins Watermaster*

Inyo County

Great Basin Unified Air Pollution Control District

Kern County

*Bear Valley Community Services District
Indian Wells Valley Water District
Rand Community Services District*

Mono County

June Lake Public Utility District

Ventura County

Piru Cemetery District

Northern California/ Bay Area

*Aromas Water District
Avila Beach Community Services District
Butte County Mosquito and Vector Control District
Central Water District
Coastside County Water District
Fresno Irrigation District
Granada Community Services District
June Lake Public Utilities District
North Marin Water District
McKinleyville Community Services District
Mid-Peninsula Water District
North Kings Groundwater Sustainability Agency
Oakdale Irrigation District
Pajaro Valley Water Management Agency
San Lorenzo Valley Water District
San Luis Obispo Local Agency Formation Commission
Shasta Mosquito and Vector Control District
Solano Irrigation District
Solano Water Authority
South Feather Water and Power Agency
Trout Gulch Mutual Water Company
Tri-Dam Power Authority
Tri-Dam Project
Westborough Water District*

Partner, Supervisory and Staff Qualifications and Experience

Summary Qualification of Key Personnel

Our Firm's philosophy is to take a team approach with our clients in conducting our audit engagements. A properly developed, mutually agreeable timeline results in the most efficient engagement. We want you to not only think of us as your auditor, but as a resource to be used whenever the need occurs. Also, it is our Firm's philosophy to have our partners, audit managers and audit supervisors involved in the day-to-day audit details of our clients.

You will have an Engagement Partner as well as a Technical Review Partner, a field audit Partner/Manager assigned to the District audits; in addition, one or more staff accountants will be assigned to the audit. All team members work in the field while the audit fieldwork is in process. Each team member has the following responsibilities:

The engagement partner is responsible for all services provided to the District. The engagement partner's responsibilities consist of the overall planning, supervision and review of the audit test work, and preparation of the audit report.

The audit supervisor is responsible for coordinating the audit test work, which includes the on-site supervision of staff, and preparation of the audit report.

Once audit test work is completed, the field audit partner/manager will work with the audit team to complete the reports for the District for all recipients. The engagement partner will be your contact throughout the engagement year.

Prior to discussions with your staff, the field audit partner/manager, in collaboration with audit staff, will make sure that all facts have been evaluated to minimize utilizing your staff's time for audit assistance purposes.

Knowledge and Understanding of Local Environment

The engagement team members strive to be experts within the governmental sphere. We keep ourselves apprised of current issues affecting the District operating environment.

Partner Participation

The partner in charge of the audit will be available to attend meetings of the District's Audit Committee and the Board of Directors to discuss and report on the audit process and the deliverables associated with the audit. We will provide the District with accounting advice regarding subjects that could affect the report, particularly those that will directly impact its recipients.

Partner, Supervisory and Staff Qualifications and Experience, continued

**JONATHAN P. ABADESCO, CPA
TECHNICAL REVIEW PARTNER**

Education:	Bachelor of Science in Accountancy – Miriam College Foundation, Inc., Philippines 1999
License:	Certified Public Accountant – 2012
Continuing Education	Total hours were 82 hours in last two years of which 32 were in governmental accounting and auditing subjects. Mr. Abadesco has the Governmental Auditing Standards requirement for governmental CPE.
Memberships	California Society of Certified Public Accountants American Institute of Certified Public Accountants Government Finance Officers Association California Society of Municipal Finance Officers Association
Experience	<p>Jonathan P. Abadesco is a CPA in the State of California and has over twenty years of experience in public accounting and auditing governmental entities having worked at a national firm. He has served as the Assistant General Manager – Administration/CFO for a governmental special district (Hi-Desert Water District) and as a CFO/Controller for a not-for-profit (Inland Counties Legal Services).</p> <p>Mr. Abadesco’s public accounting experience includes tenure with CPA Firm, Ernst & Young and PricewaterhouseCoopers. He is involved in performing financial, compliance and performance audits of governmental and non-profit entities, as well as medium to large global organizations. Has thorough knowledge in Generally Accepted Accounting Principles, Governmental Accounting, and Auditing Standards as well as the Single Audit Act of 1984 and the Uniform Guidance.</p> <p>While working with his previous CPA firm, Mr. Abadesco was instrumental in preparing the agreed upon procedures that was utilized by the U.S. Department of Energy. Also, Mr. Abadesco has provided significant audit, accounting and consulting services to various governmental entities engaged in transportation including Los Angeles County Metropolitan Transportation Authority, Metro Gold Line Foothill Extension Construction Authority, Los Angeles Department of Transportation and Metropolitan Atlanta Rapid Transportation Authority.</p> <p>He has been involved on the following governmental special districts engagements:</p> <ul style="list-style-type: none">➤ McKinleyville Community Services District➤ Helendale Community Services District➤ Monte Vista Water District➤ Joshua Basin Water District➤ Oakdale Irrigation District➤ Santa Clarita Valley Water Agency➤ Mojave Desert Air Quality Management District➤ Lake Hemet Municipal Water District➤ San Lorenzo Valley Water District➤ Coachella Valley Mosquito and Vector Control District➤ Chino Basin Watermaster➤ Vista Fire Protection District➤ Los Angeles Gateway Region Integrated Regional Water Management Joint Powers Authority

Partner, Supervisory and Staff Qualifications and Experience, continued

**CHRISTOPHER J. BROWN, CPA, CGMA
ENGAGEMENT PARTNER**

Education:	Bachelor of Arts - Business Administration: Finance – California State University, San Bernardino 1995 Accountancy – California State University, San Bernardino 1999
License:	Certified Public Accountant – 2002
Continuing Education	Total hours were over 90 hours in the last two years of which 32 were in governmental accounting and auditing subjects. Mr. Brown has the Governmental Auditing Standards requirement for governmental CPE.
Memberships	California Society of Certified Public Accountants American Institute of Certified Public Accountants Government Finance Officers Association California Society of Municipal Finance Officers Association
Experience	<p>Christopher J. Brown is a CPA in the State of California and has over eighteen years of experience in public accounting and auditing governmental entities having worked at a national firm. Mr. Brown holds a Bachelor’s Degree from California State University, San Bernardino. He has extensive experience in the areas of governmental financial and compliance reporting.</p> <p>Member of Board of Directors – Treasurer, Riverside County Philharmonic</p> <p>Mr. Brown’s public accounting experience includes tenure with CPA firm RSM. He is also involved in auditing governmental and non-profit entities as well as medium to large manufacturing, construction and service oriented corporations. Has thorough knowledge in Generally Accepted Accounting Principles, Governmental Accounting, and Auditing Standards as well as the Single Audit Act of 1984 and the Uniform Guidance.</p> <p>Mr. Brown has provided significant audit and accounting services to various governmental entities. In these accounting engagements, he has been involved in the strategic planning processes, design and implementation of policies and procedures. He has also been involved in the implementation of performance management budgeting and planning processes.</p> <p>He has been involved on the following governmental special districts engagements:</p> <ul style="list-style-type: none">➤ McKinleyville Community Services District➤ Phelan Pinon Hills Community Services District➤ Helendale Community Services District➤ Bear Valley Community Services District➤ Oakdale Irrigation District➤ Monte Vista Water District➤ Santa Ana Watershed Project Authority➤ Indian Wells Valley Water District➤ Santa Maria Public Airport District➤ Santa Clarita Valley Water Agency➤ Mojave Water Agency

Partner, Supervisory and Staff Qualifications and Experience, continued

**JEFF PALMER
AUDIT SUPERVISOR**

Education: Bachelor of Science – Business Administration: Accountancy & Finance – California State University, Long Beach 2005

License: In Process

Continuing Education: Total hours were 80 hours in last three years of which 32 were in governmental accounting and auditing subjects. Mr. Palmer meets the Governmental Auditing Standards requirement for governmental CPE.

Memberships: California Society of Certified Public Accountants

Experience: Over fourteen years of experience in public accounting and auditing of governmental, private, and non-profit entities. Relevant governmental experience includes cities, special districts, airports, transportation agencies, and public financing authorities. He has extensive experience in conducting financial audits under GAO Yellow Book standards and compliance single audits in accordance with the Single Audit Act of 1984 and the Uniform Guidance. He has assisted clients in implementation and publishing their Comprehensive Annual Financial Reports in compliance with GFOA requirements.

Mr. Palmer has provided significant audit, accounting, and consulting services to various governmental entities. In these accounting and auditing engagements, he has been involved in the strategic planning processes, design and implementation of policies and procedures, performance management budgeting and planning processes, financial reviews, and cash management practices. In these consulting engagements, he has provided services including franchise tax compliance reviews, excise tax compliance and reporting reviews, and enterprise utility tax-exempt purchasing reviews.

He has been involved on the following governmental special districts engagements:

- Phelan Pinon Hills Community Services District
- McKinleyville Community Services District
- North Marin Water District
- Walnut Valley Water District
- La Puente Valley County Water District
- Monte Vista Water District
- Crescenta Valley Water District
- Orange County Water District
- Indian Wells Valley Water District
- Westborough Water District
- Coastside County Water District
- Mojave Water Agency
- Bighorn Desert View Water Agency
- Santa Maria Public Airport District
- Helendale Community Services District
- Bear Valley Community Services District

Similar Engagements with Other Government Entities

References

Presented below are four significant engagements performed in the last five years similar to the engagement described in this Request for Proposal. Please do not hesitate to contact these references regarding our Firm and the high level of service we provide. We will be happy to provide additional references for your review.

<p>1. Mr. Patrick Kaspari, PE, General Manager McKinleyville Community Services District 1656 Sutter Road McKinleyville, CA 95519</p>	<p>Community Services District Annual Audit – Annual Financial Report 707-839-3251 Total engagement hours – 200 hours Government Budget \$3,100,000 Enterprise Budget \$13,100,000 Engagement Partner: Christopher Brown</p>
<p>2. Ms. Lori Lowrance, Administrative Services Manager Phelan Piñon Hills Community Services District 4176 Warbler Road Phelan, CA 92371</p>	<p>Community Services District Annual Audit – Annual Comprehensive Financial Report 760.868.1212 ext. 307 Total engagement hours – 200 hours Government Budget \$1,900,000 Enterprise Budget \$10,200,000 Engagement Partner: Christopher Brown</p>
<p>3. Ms. Sharon Cisneros, CFO Oakdale Irrigation District 1205 East F Street Oakdale, CA 95361</p>	<p>Irrigation District Annual Audit – Financial Statements 209.840.5501 Total engagement hours – 220 hours Enterprise Budget \$19,100,000 Engagement Partner: Christopher Brown</p>
<p>4. Ms. Stephanie Reimer, AGM/CFO Monte Vista Water District 10575 Central Avenue Montclair, CA 91763</p>	<p>Water District Annual Audit – Annual Comprehensive Financial Report 909.267.2151 Total engagement hours – 220 hours Enterprise Budget \$32,700,000 Engagement Partner: Christopher Brown</p>

Specific Audit Approach

Specific Audit Approach

Our Firm's audit approach is tailored to each client in the following manner:

- We understand the significant work requirements of our clients. We work with our clients' schedules when scheduling segments of the audit or requesting documentation to minimize disruption during the audit process.
- We strive to utilize support already prepared by our clients to avoid duplication or unnecessary requests for audit supporting schedules.
- We have implemented a paperless audit process that utilizes CCH ProSystems fx Engagement ® and Practitioners Publishing Company software packages. These platforms provide for greater efficiency within the audit process. In addition, we fully embrace the utilization of data extraction capabilities within a client's reporting system to further increase efficiency and reduce demands on client staff time.
- Our staff is trained and familiar with government accounting and audit concepts, so you will see the difference in working with our professional staff.
- We audit various large and small governmental organizations, allowing us to consult with our clients on implementing various best-practices in their organizations.
- We believe that regular communication is the most important part of the audit process; as a result, we ask that if you ever have any questions about any financial, accounting, or audit issues, please contact us anytime throughout the year.

Interim Audit Planning and Testwork

Planning is necessary to ensure a quality audit, efficient use of professional staff and timely delivery of reports. Adequate planning of the audit is essential to minimize disruption of the ongoing daily operations of the District and their recipients. We have developed a comprehensive, efficient planning process. We will begin the planning of the audit upon notification of award of the contract.

Tasks to be accomplished during the planning phase include:

- Conducting an Audit Entrance Conference with the District Board of Directors and management to discuss the scope and timing of the audit test work, the availability of the District accounting staff, prior audit problems encountered, the extent of interim audit test work to be performed, the establishment of a liaison for the audit, and the arrangements for workspace and other needs to conduct the audit test work.
- Reviewing the Board minutes, agreements/contracts, and applicable strategy for the audit period.
- Interviewing finance staff regarding internal controls.
- Discussing the status of prior year's audit findings, if any.
- Review of the District internal control structure and communication of recommendations to the District management team concerning District policies and procedures.
- Tests of controls of audit areas to determine the effectiveness of the District internal control structure. (Minimum of 25 selections per area – revenue, expenses, payroll, bank reconciliations)
- Evaluation of any unusual items noted from our analytical procedures.
- Reviewing of important contracts, debt issues, leases and joint power agreements.

Specific Audit Approach, continued

Interim Audit Planning and Testwork, continued

- Providing the District with suggestions regarding the closing of the District books after year end. Our assistance and communication in the closing of the District books is expected to minimize the number of audit adjustments required after the close of District books.

After we obtain an understanding of the District internal controls, evaluate their design and implementation and perform our interim test work we will determine the nature, scope, and timing for our final audit test work.

Final Audit Test Work

After the final closing of the District books and preparation of final trial balances (including fund trial balances) and audit supporting schedule by District personnel, we will commence performing our *final audit testwork*.

Our final examination will include analysis of critical audit areas which we deem necessary, including:

- Analysis of cash and investment balances to online bank and brokerage websites.
- Analysis of bank reconciliations.
- Analysis of accounts receivable, delinquent balances and relative ratios.
- Analysis of unbilled receivables.
- Analysis of allocations of interest income.
- Analysis and testing of capital assets: construction-in-progress, significant additions/disposals, and related depreciation.
- Analysis of deferred outflows of resources balances and related amortization.
- Analysis of accounts payable.
- Performance of a search for unrecorded liabilities.
- Analysis and testing of valuation of the liabilities for compensated absences.
- Analysis of long-term debt balances.
- Analysis of the annual roll-forward of net pension liability balances.
- Analysis of net other post-employment benefit liability.
- Analysis of unearned revenue.
- Analysis of deferred inflows of resources balances and related amortization.
- Analysis of the proper establishment of reserves and designations.
- Analysis of significant grant agreements, awards and contracts.
- Analysis of significant events after year end (through the completion of our audit).
- Analysis of attorney letters for significant legal matters affecting the District financial position.

The abovementioned analysis and inquiries are only a sample of the tests performed during the examination and is not meant to be all inclusive.

Audit Completion

At the completion of the audit each year, we will meet with the District management team to review our audit findings. We will communicate all deficiencies in controls which may assist the District in strengthening the internal control structure. Comments and recommendations relating to the accounting system will also be discussed. Finally, we will discuss all findings noted during the engagement. After discussion, the final report will be submitted to the District.

Specific Audit Approach, continued

Identification and Communication of Internal Control Matters

The objective of our audit is to form an opinion on the District. Our objective is not to identify deficiencies in internal controls; however, when control deficiencies are identified during our audit and if they constitute significant deficiencies or material weaknesses, we will communicate in writing those deficiencies to those charged with governance and the District management.

Audit Documentation

We will document matters pertaining to our audit planning and audit test work. The audit documentation will clearly demonstrate procedures performed, evidence obtained, and conclusions reached.

Communication with Management and the Board of Directors

In addition to our written reports, we believe an oral presentation to the District management, Finance Committee, and the Board of Directors, to be a minimum service provided by our Firm and would be pleased to schedule a mutually convenient time for such a presentation at the conclusion of the engagement or any time during the progression of the audit.

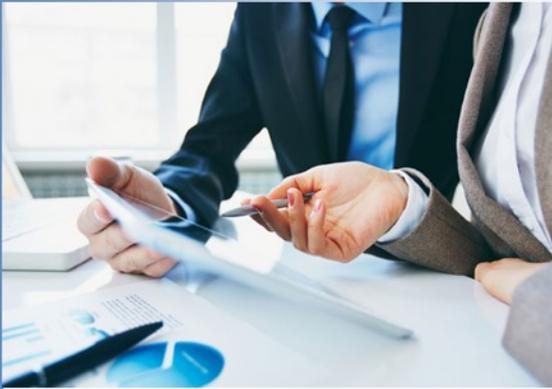
Other Assistance

Providing management assistance requires more than having talented people on staff; it requires a proactive approach. First, we assign experienced senior level professionals to our engagements. Our client base of governmental entities and commercial companies demands broad business and industry experience, as well as technical expertise. Those talented professionals have to be exposed to clients and develop an in-depth understanding of particular situations.

Second, we actively look for opportunities to provide assistance. We try to initiate rather than respond. For instance, if we believe a situation is developing, we will approach the client, offer to investigate and provide recommendations. If a formal project to address the problem is required, we will define the approach, execute the assignment and follow through with implementation assistance.

Proposed Hours and Segmentation of the Audit

See our Cost Proposal for further information of the segmentation of the proposed audit process by hours and staffing.



**Certified
Public
Accountants**



**Consultants
& Advisors**



Humboldt Community Services District

Cost Proposal to Provide Auditing Services

**For the Fiscal Years Ending
June 30, 2023 through 2027**

**Christopher J. Brown CPA, CGMA
Jonathan P. Abadesco, CPA**

10805 Holder Street, Suite 150
Cypress, California 90630

5051 Canyon Crest Drive, Suite 203
Riverside, California 92507

Phone: (657) 214-2307

Email: chris@cjbrowncpa.com

California BOA License Number: 6529



**C.J. Brown & Company, CPAs
An Accountancy Corporation**



C.J. Brown & Company CPAs

An Accountancy Corporation

Cypress Office:
10805 Holder Street, Suite 150
Cypress, California 90630
(657) 214-2307

Riverside Office:
5051 Canyon Crest Drive, Suite 203
Riverside, California 92507
(657) 214-2307

Christopher J. Brown, CPA, CGMA
Jonathan Abadesco, CPA
Jeffrey Palmer

March 13, 2024

HCS D Audit Committee
Humboldt Community Services District
5055 Walnut Drive
Eureka, California 95503

Re: Request for Proposal for Auditing Services

Dear members of the HCS D Audit Committee:

Based on our understanding of the Humboldt Community Services District’s (District) requirements, our all-inclusive fee for audit services and estimated out-of-pocket expenses, at our discounted rates for the fiscal years ending June 30, 2023, through 2027, will be **\$28,775, \$28,775, \$29,320, \$29,865 and \$30,410**, respectively. These fees are based on our understanding of the District’s audit requirements.

Our estimate for out-of-pocket expenses is a separate estimate and may not be utilized in total to the amount estimated. Again, these fees are based on the estimated costs to complete the audit. The components of this audit services fee proposal and out-of-pocket costs for the fiscal years ending June 30, 2023, through 2027, are itemized in the attached Exhibits.

Our not-to-exceed fee proposal is contingent upon our understanding of your requirements and the assistance we require as noted in our original audit technical proposal.

Additional services not included in this proposal will be based on our discounted billing rates based on the level of experience required. We would execute a separate contract for these services, if they are requested by the District.

I am authorized to make representations for C.J. Brown & Company, CPAs – An Accountancy Corporation and am duly authorized to sign a contract with the District.



Christopher J. Brown, CPA CGMA

March 13, 2024

Date

Exhibit I – Proposed Hours and Our Fees

Proposed Hours and Our Fees

We anticipate that, for the fiscal years ending June 30, 2023, through 2027, the audit of the District will require approximately 210 audit hours. These hours, by major area, are summarized as follows:

Breakout of Audit Hours					
Audit Steps	Partner	Manager	Sup. Senior	Staff	Total
Planning	1	2	5	20	28
Controls Testwork	3	8	20	25	56
Substantive Testwork	5	10	30	45	90
Reporting	6	10	10	10	36
Total	15	30	65	100	210

As shown above, we expect approximately 52% of engagement hours to come from the Partners, Managers, and Supervisors assigned to the engagements.

Working on the premise that we will be provided with all the documents listed per our audit requirements (will be provided prior to commencement of fieldwork), we expect to perform the audit of the District at fees as stated in the attached Schedule of Professional Fees on Page 3 for the fiscal years ending June 30, 2023, through 2027.

Our fees are based on the product of the time spent on the engagement and the billing rates of the individuals assigned, plus out-of-pocket costs (such as report reproductions, typing, postage, travel, copies, telephone, etc.). We will obtain the assistance of District’s personnel to the extent possible and otherwise endeavor to keep these charges to a minimum. We will submit progress billings monthly to your office as our work progresses, which will be due and payable thirty days from the date of the invoice.

Based upon the present size and scope of the activities of the District, we expect to perform the services enumerated above at our standard hourly rates. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to the audit.

In accordance with your request for proposal and the Office of Management and Budget Circular A-128, we will maintain our work papers for a minimum of seven years and make them available to the District, state agencies, the General Accounting Office, and other parties upon the direction of the District. We have provided a breakdown of our current hourly rates, which would apply to this engagement on the attached Schedule of Professional Fees by Hours on pages 4 through 5 of this cost proposal.

We want the Board to understand that we will provide **any** assistance and answer **any** questions that the District’s staff or members of the Boards may have when they arise for the entire duration of our contract. We find it important to stay abreast of the District’s activities and issues during the entire engagement.

We would like to thank you and the Board for the opportunity to submit a proposal for the auditing services of the District. Because of our experience in special districts and agencies, we will provide you with accounting updates (GASB) to assist in your operations as well as meet the audit needs of the organization. We will also continually make recommendations on these and other matters that come to our attention. We are proud of the professional services we provide and encourage you to make inquiries to any of our clients about their satisfaction with our services and the quality of our staff.

Exhibit II – Schedule of Professional Fees

Humboldt Community Services District

	<u>Fiscal Year 2023</u>	<u>Fiscal Year 2024</u>	<u>Fiscal Year 2025</u>	<u>Fiscal Year 2026</u>	<u>Fiscal Year 2027</u>
Financial audit and preparation of the District's Financial Report	\$ 25,775	25,775	26,320	26,865	27,410
Out-of-Pocket Expenses (Travel, Printing Costs)	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>
Totals	<u>\$ 28,775</u>	<u>28,775</u>	<u>29,320</u>	<u>29,865</u>	<u>30,410</u>

Exhibit III – Schedule of Professional Fees by Hours

FISCAL YEAR 2023

Breakdown of Fees by Hours

Fiscal Year 2023 Audit of:	<u>Hours</u>	<u>Hourly Rates</u>	<u>Total</u>
District's Basic Financial Statements			
Partners - Audit & Independent Technical Review	15	\$ 200	\$ 3,000
Manager	30	155	4,650
Supervising Senior	65	125	8,125
Staff	100	100	10,000
Total Financial Statement Audit for 2023	<u>210</u>		<u>25,775</u>
Out-of-Pocket Expenses (Travel, Postage & Printing Costs)			<u>3,000</u>
Total Maximum for 2023			<u>\$ 28,775</u>

FISCAL YEAR 2024

Breakdown of Fees by Hours

Fiscal Year 2024 Audit of:	<u>Hours</u>	<u>Hourly Rates</u>	<u>Total</u>
District's Basic Financial Statements			
Partners - Audit & Independent Technical Review	15	\$ 200	\$ 3,000
Manager	30	155	4,650
Supervising Senior	65	125	8,125
Staff	100	100	10,000
Total Financial Statement Audit for 2024	<u>210</u>		<u>25,775</u>
Out-of-Pocket Expenses (Travel, Postage & Printing Costs)			<u>3,000</u>
Total Maximum for 2024			<u>\$ 28,775</u>

FISCAL YEAR 2025

Breakdown of Fees by Hours

Fiscal Year 2025 Audit of:	<u>Hours</u>	<u>Hourly Rates</u>	<u>Total</u>
District's Basic Financial Statements			
Partners - Audit & Independent Technical Review	15	\$ 204	\$ 3,060
Manager	30	158	4,740
Supervising Senior	65	128	8,320
Staff	100	102	10,200
Total Financial Statement Audit for 2025	<u>210</u>		<u>26,320</u>
Out-of-Pocket Expenses (Travel, Postage & Printing Costs)			<u>3,000</u>
Total Maximum for 2025			<u>\$ 29,320</u>

Exhibit III – Schedule of Professional Fees by Hours

FISCAL YEAR 2026

Breakdown of Fees by Hours

	Hours		Hourly Rates		Total
Fiscal Year 2026 Audit of:					
District's Basic Financial Statements					
Partners - Audit & Independent Technical Review	15	\$	208	\$	3,120
Manager	30		161		4,830
Supervising Senior	65		131		8,515
Staff	100		104		10,400
Total Financial Statement Audit for 2026	210				26,865
Out-of-Pocket Expenses (Travel, Postage & Printing Costs)					3,000
Total Maximum for 2023					\$ 29,865

FISCAL YEAR 2027

Breakdown of Fees by Hours

	Hours		Hourly Rates		Total
Fiscal Year 2027 Audit of:					
District's Basic Financial Statements					
Partners - Audit & Independent Technical Review	15	\$	212	\$	3,180
Manager	30		164		4,920
Supervising Senior	65		134		8,710
Staff	100		106		10,600
Total Financial Statement Audit for 2027	210				27,410
Out-of-Pocket Expenses (Travel, Postage & Printing Costs)					3,000
Total Maximum for 2027					\$ 30,410

Proposal For Auditing Services

For

Humboldt Community Services District

For the Fiscal Year Ending

June 30, 2023

Submitted by March 15, 2024

Proposed by:



Michael A. O'Connor, CPA
1701 Novato Blvd, Suite 302
Novato, CA 94947
Telephone: (415) 457-1215

March 15, 2024

Audit Committee
 Humboldt Community Services District
 5055 Walnut Drive
 Eureka, CA 95503
 Email: fm@humboldtcsd.org

Dear Audit Committee:

We are pleased to submit, in response to your request, the following proposal for a financial statement audit for Humboldt Community Services District for the fiscal year ending June 30, 2023, to be performed in accordance with applicable California Government Code provisions and Humboldt Community Services District's policies and procedures.

We believe that the selection of a public accounting firm is a very important decision. Our local firm can offer the strength and experience necessary to meet the challenges at hand. In summary:

- We specialize in auditing government-assisted and nonprofit programs. Consequently, we are acutely aware of the operating and accounting problems inherent to such organizations and can provide competent professional services tailored to your needs.
- The management staff assigned to this engagement have the following audit experience:

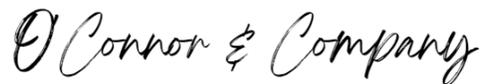
	<u>Estimated Governmental or Nonprofit Experience</u>
Michael O'Connor, CPA	51,000 hours
Matt Mingram	12,064 hours
Michelle Nguyen	6,223 hours
Ian McGraw, CPA	3,423 hours
Amy Arend, CPA	1,955 hours

- The lead auditor on this engagement will be Mr. Michael A. O'Connor, CPA. Mr. O'Connor is a member of the California State Municipal Finance Officers Association and Government Finance Officers Association. He is also a member of the GFOA Special Review Committee. Mr. O'Connor has reviewed or prepared over 50 GFOA Certificated CAFR's and has been the lead auditor on over 300 single audits. He has also prepared over 100 TDA Audit Reports.
- Our Auditors have audited the following similar programs:
 - Marinwood Community Services District
 - Strawberry Park and Recreation District
 - Marin City Community Services District
 - Cameron Park Community Services District
 - Muir Beach Community Services District
 - Bel Marin Keys Community Services District
 - Bodega Bay Public Utilities District
 - Highlands Recreation District
 - Contra Costa LAFCO
 - Marin LAFCO
 - Sonoma LAFCO
 - San Mateo LAFCO
 - San Diego LAFCO

- Our examination will include a list of comments to management regarding the present state of Humboldt Community Services District's accounting system. This document will recognize strengths of the Accounting Department as well as provide recommendations for improvement.
- The firm does not have any current projects that would prevent it from completing this engagement in a timely manner, and further, we are not committed to a project with Humboldt Community Services District that would constitute a conflict of interest or impair our independence.
- The firm is committed to performance within a reasonable time period; we estimate that the audit will be completed and a report issued by December, unless Humboldt Community Services District would like the audit completed sooner.
- This proposal is firm for 60 days.
- The firm maintains the following Insurance.
 - General Liability \$1,000,000 Limit
 - Professional Liability \$1,000,000 Limit
 - Workers Compensation As required by state law
- The individual authorized to make representations and bind the firm is:
 - Michael O'Connor, CPA
 - O'Connor & Company
 - 1701 Novato Blvd, Suite 302
 - Novato, CA 94947
 - Federal ID# 88-3469983
 - Telephone: (415) 457-1215, Fax: (415) 457-6735
 - E-mail: michael@maocpa.com
- Our fees for services are detailed in the accompanying Fee proposal letter.

We appreciate the opportunity to present this proposal and look forward to continuing our working relationship with Humboldt Community Services District. We want your business and are making a personal and professional commitment to provide you the highest quality of services available.

Sincerely,



O'Connor & Company

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Firm Profile

Structure

O'Connor & Company is a certified public accounting firm located at 1701 Novato Blvd in Novato California. Established in 2023 with Ralph Ricciardi's support after he retired and closed down R.J. Ricciardi, Inc. CPAs, the firm is committed to providing clients with the finest quality of accounting services available. In particular, we have developed significant expertise in auditing governmental and nonprofit entities, and a comprehensive understanding of the issues and challenges facing the financial and accounting personnel of such organizations. Furthermore, the firm's staff have an excellent reputation for technical assistance and cooperation with the auditee's staff.

The firm's total staff consists of 9 professionals and the management staff consists of the following individuals:

Michael A. O'Connor, CPA, Director
Amy Arend, CPA, Audit Manager
Matt Mingram, Audit Manager
Michelle Nguyen, Audit Supervisor

The firm and all key professional staff assigned are properly licensed to practice in California. We believe that continuity of audit personnel and institutional knowledge are instrumental in providing a quality audit. The lead auditor on this engagement has been working as an auditor for 38 years and will be committed in serving Humboldt Community Services District for the term of this agreement. References and continuing education are provided at the back. We understand Humboldt Community Services District reserves the right to request replacement of any members of the auditing team at any time. Humboldt Community Services District will also be notified in advance of any changes made by us concerning the make-up of the auditing team after the work has begun. We strive to provide staff continuity and institutional knowledge to our clients.

Range of Services

The firm offers a full range of accounting services including tax preparation (for both nonprofit and for-profit clients), management consulting, general accounting, and auditing. Each of these areas will be of value to Humboldt Community Services District, in particular our industry expertise in auditing federally-assisted programs.

Quality Review

The firm was established in January 2023, and as such will undergo its first quality review at 18-months as required by the A.I.C.P.A. and Government Audit Standards.

Small Business Concern

The firm meets both Federal and State small business concern qualifications.

Mandatory Criteria

· Licensing

O'Connor & Company is a properly certified public accounting firm in California. In addition, our firm meets the independence standards of the GAO, *Standards for Audit of Governmental Organizations, Programs, Activities and Functions* (2003 Revision) with regard to Humboldt Community Services District.

California CPA Corporate License number	COR 9263
Federal Identification number	88-3469983
California State Business number	5163781

· Record of Excellence

The firm meets all qualifications and requirements imposed by the California State Board of Accountancy.

Further, the firm and its staff affirm that:

- We have no record of substandard work.
- We have not been debarred or suspended.
- We are not under review for debarment or suspension.
- There is no disciplinary action being taken or pending against the firm during the past 3 years with state regulatory bodies or professional organizations, nor has there been any pending or settled litigation within the past 3 years.

Approach to the Examination

Audit Objective

The objective of the work to be performed under the agreement will be the examination and expression of an opinion on Humboldt Community Services District's financial statements for the year ending June 30, 2023.

We will also assist in preparation and review of year-end closing entries and adjustments. Such an examination is subject to the inherent risk that errors or irregularities may not be detected. If conditions are discovered which lead to the belief that material errors, defalcations, or other irregularities may exist, or if any other circumstances are encountered which require extended services, we will promptly advise the requester. Finally, no extended services will be performed unless they are authorized in the contractual agreement or in an amendment to the agreement. The examination will be performed in accordance with U.S. generally accepted auditing standards and will include auditing procedures to ensure that all laws and regulations have been complied with during the fiscal year. In addition, the examination will be performed in accordance with the provisions of: (1) *Standards for Audits of Governmental Organizations, Programs, Activities, and Functions* promulgated by the Comptroller General of the United States, which pertain to financial and compliance audits; and (2) *State of California Controller's Minimum Audit Requirements and Reporting Guidelines for Special Districts*.

Work Plan

Advance planning is the key to any successful engagement. In relation to other firms involved in audits, we believe we provide for a higher proportion of director's time in planning the engagement. With careful and extensive planning, we tailor our audit program to fit the unique aspects of each client. Through this means, we are able to better target our audit work, get to the core of accounting issues and systems, and thus provide more meaningful information to our clients.

The first step in the planning process is the preparation of a time line and work plan by significant segments. This schedule appears subsequently, encompassing the time period from September through November. Upon award of the engagement, we solicit additional input from the client and preliminarily evaluate and become familiar with their accounting system. We then revise the work plan to include details and specifics to "map out" our approach to the audit. The refinement of the work plan is, however, a continual process which occurs throughout the audit.

An integral part of preliminary planning is the assignment of staff best qualified to work on the particular engagement. We foresee, in the course of the audit, a substantial amount of director's time spent on on-site supervision. These factors, combined with communication with Humboldt Community Services District, will facilitate the inclusion of new ideas and experience into the initial work plan.

Ultimately, this process leads to a quality audit that is performed in a timely and efficient manner.

Proposed Segmentation of the Audit Engagement

1. Planning

- Gain an understanding of Humboldt Community Services District's controls
- Test controls noted above
- Inquire about fraud and related risks
- Assess fraud risk
- Review and obtain risk management policies
- Discuss with management and document control environment
- Send confirmations
- Document other inquiries (contingencies and related party and subsequent events)
- Discuss observations with management

2. Year-End Testing

- Perform analytical review and inquire about fluctuations
- Perform year-end audit tests on Humboldt Community Services District's accounts
- Exit conference and communicate audit adjustments

3. Presentation and Disclosure

- Review Financial Statements and complete GFOA checklist
- Communicate changes to Management
- Prepare Management report and send draft
- Final Management/Director review Report issuance

Humboldt Community Services District

Year Ending

Work Plan by Significant Segments

	Sept	Oct	Nov	Hours
Planning				
Meet with client to discuss current year issues and audit work plan	2			2
Consult with management regarding internal control, computer and financial reporting. Review Humboldt Community Services District's organizational chart, current year audit objectives of Humboldt Community Services District, current litigation regarding Humboldt Community Services District, new Federal, State and local legislation affecting Humboldt Community Services District, material subsequent events, and review of prior year reports and findings.	10			10
Conduct Fraud Risk Assessment.	2			2
Compliance				
Document and evaluate significant accounting systems.	3			3
Perform all necessary compliance testing of Humboldt Community Services District using various checklists to cover the following areas: Petty cash, investments, cash, minutes, contracts, ordinances, revenue, receivables, service revenue, expenditures, accounts payable, payroll and related liabilities, inventories, property, equipment and capital expenditures, grants, single audit compliance and other pertinent areas.	25			25
Discuss interim findings with management.	2			2
Financial				
Perform year-end substantive testing including using tailored audit programs to test year end account balances, third party confirmations, verify material balances, Humboldt Community Services District compliance with its budget and additional compliance testing as needed.		40	35	75
Exit conference and discuss findings with management.			2	2
Prepare Draft Audit Reports and Financial Statements for Humboldt Community Services District.		19	20	39
Complete/issue Financial Reports and Management Letter.			2	2
Total Estimated Hours				162

Computer Assisted Auditing Techniques

We use Prosystems Fx Engagement auditing software, Microsoft Excel and Word, and Adobe Acrobat to prepare reports and to assist us with managing the trial balances, audits and creating reports. We use judgmental sampling not software to choose audit samples. Audit samples will be chosen judgmentally and haphazardly. The purpose of the test of compliance will be to meet single audit compliance requirements. Also to detect any weaknesses in the internal control system, risk of fraud, and material differences with account balances. We prefer to receive as much information as possible in an electronic format and provide a secure FTP site, if the client prefers not to use email.

Approach to Internal Control Structure

Audit staff will send Humboldt Community Services District an internal control questionnaire. The Audit Director will discuss with Humboldt Community Services District's staff the answers to the internal control questionnaire. The Director will type up the narrative on the various Humboldt Community Services District internal control cycles. Humboldt Community Services District's staff will review and make any changes to the narrative. The audit staff will then test the internal controls of the Humboldt Community Services District as noted in the narrative. Any findings or weaknesses will be discussed immediately with Humboldt Community Services District's staff and Alameda LAFCO will have an opportunity to respond.

Approach to Determining Laws and Regulations Subject to Audit Test Work

Review of government grant contracts and related laws and regulations, transportation development act Humboldt Community Services District, other laws and regulations and other areas of human resources GAAP, state and local government code, and any other applicable laws and regulations. Legal confirmations will be sent to attorneys Humboldt Community Services District does business with during the fiscal year.

Identification of Anticipated Potential Audit Problems

We do not foresee any at this time. However, we are happy to assist Humboldt Community Services District should any arise during the course of the audit.

New Accounting Laws and Principles

We will notify Humboldt Community Services District of any impending changes that will affect the audit, and assist them with implementation if necessary.

IT Controls Audit Procedures

- 1) Inquire about system controls;
- 2) Walk through system controls;
- 3) Review data input and reports generated;
- 4) Review approval of transactions and related reports; and
- 5) Observe Humboldt Community Services District staff's use of hardware and software.

Project Management and Experience

Engagement Team

The following is a synopsis of each team member's professional background. Detailed resumes for our staff are included in the appendix to this proposal.

Michael A. O'Connor, CPA, CEO Director

Mr. O'Connor began his accounting career in 1987. His prior experience includes the audit of commercial entities as well as HUD projects and ten city and Special District audits. His current audit experience includes Transportation Commissions, Cities, Towns, Sanitation Districts, Community Services Districts, Retirement/Pension Plans, Fire Protection Districts, Local Agency Formation Commissions, Public Utility Districts, Head Start, NASA, NSF, Health and Human Services, Department of Labor, CSBG and various other funding streams. Mr. O'Connor will be the lead person and Project Manager for this project.

Amy Arend, CPA, Audit Director

Ms. Nguyen has been performing governmental, nonprofit, and corporate auditing since 2020. She has in depth knowledge as an accounting professional and analyst. In her years as an auditor she has rapidly increased her knowledge and experience and now performs complex financial audits for various governmental agencies, corporations, and non-profit organizations. She will be available to perform the audit, tax preparation of nonprofit returns (if applicable) or for reviewing reports and audit documentation.

Ian McGraw, CPA, Audit Supervisor

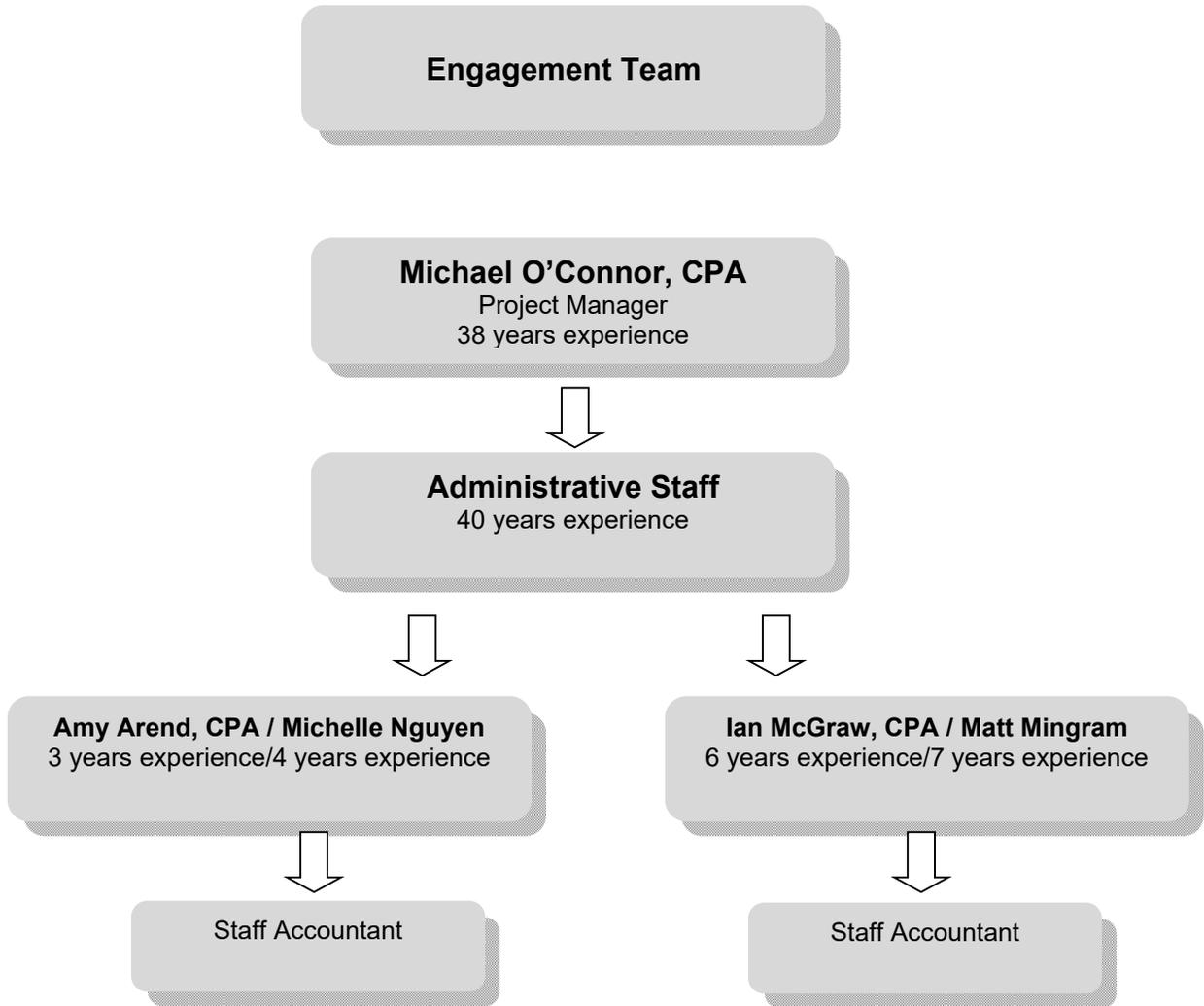
Mr. McGraw has over 5 years of auditing and tax experience, in addition to experience as a small business owner. He has performed financial audits for various non-profit organizations, partnerships, and corporations. He will be available to assist with tax preparation of nonprofit returns (if applicable) and for reviewing reports and audit documentation.

Matt Mingram, Audit Manager

Mr. Mingram has been auditing and preparing nonprofit taxes since 2016. He has performed complex financial audits for various governmental agencies, and non-profit organizations. He will be available to assist with the audit, tax preparation of nonprofit returns (if applicable) and for reviewing reports and audit documentation.

Michelle Nguyen, Audit Supervisor

Ms. Nguyen has been auditing and preparing nonprofit taxes since 2020. In her years as an auditor she has rapidly increased her knowledge and experience and now performs complex financial audits for various governmental agencies, corporations, and non-profit organizations. She will be available to perform the audit, tax preparation of nonprofit returns (if applicable).



Similar Engagements with Other Government Entities Performed within the Past 5 Years

■ Marinwood Community Services District

Scope: Basic Financial Statements
Audit Year: 6/30/22
Total Hours: 62
Partner: Michael O'Connor, CPA
CAFR Yes/No: No
Client contact: Erik Dreikosen, General Manager
Phone number: (415) 479-7751

■ Highlands Recreation District

Scope: Basic Financial Statements
Audit Year: 6/30/22
Total Hours: 74
Partner: Michael O'Connor, CPA
CAFR Yes/No: No
Client Contact: Naomi Kawakita, General Manager
Phone Number: (650) 341-4251

■ Strawberry Recreation District

Scope: Basic Financial Statements
Audit Year: 6/30/21
Total Hours: 77
Partner: Michael O'Connor, CPA
CAFR Yes/No: No
Client Contact: Nancy Shapiro, District Manager
Phone Number: (415) 383-6494

■ Cameron Park Community Services District

Scope: Basic Financial Statements
Audit Year: 6/30/21
Total Hours: 163.25
Partner: Michael O'Connor, CPA
CAFR Yes/No: No
Client Contact: Christina Greek, General Manager
Phone Number: (530) 677-2231

■ Bel Marin Keys Community Services District

Scope: Basic Financial Statements
Audit Year: 6/30/22
Total Hours: 93
Partner: June Nguyen, CPA
CAFR Yes/No: No
Client Contact: Noemi Camargo-Martinez, District Manager
Phone Number: (415) 883-4222

Similar Engagements with Other Government Entities Performed within the Past 5 Years *(continued)*

■ City of Fortuna

Scope: Basic Financial Statements, State Controller's Report;
Appropriations limit
Audit Year: 6/30/21
Total Hours: 210.5
Partner: Michael O'Connor, CPA
CAFR Yes/No: No
Client Contact: Aaron Felmlee, Director of Finance
Phone Number: (707) 725-1402

■ City of Calistoga

Scope: Basic Financial Statements, CAFR, SAR, Local Transportation Audit,
Measure A Funds Compliance, Appropriations limit review
Audit Year: 6/30/22
Total Hours: 204.25
Partner: Michael O'Connor, CPA
CAFR Yes/No: Yes
Client Contact: Administrative Services Director
Phone Number: (707) 942-2803

Ancillary Services

In addition to being a full-service accounting firm, over the years our staff have obtained certain areas of expertise. First and foremost, in setting us apart from other firms is our vast experience in the auditing of federally-assisted programs. However, other services, in which we have accomplished a high degree of proficiency, follow:

Internal Control System Review

Because of our experience with nonprofit and Federal grant auditing, we have the ability to review internal control systems from the standpoint of “materiality” vis-a-vis the almost endless list of compliance control systems required by Federal and State funding sources. For this reason, we feel we are in a somewhat unique position to review and evaluate internal control systems of governmental entities and nonprofit clients and issue an opinion on them.

Indirect Cost Allocation Plans

We have been helpful to a number of our clients in the development, implementation, and/or review of Indirect Cost Allocation Plans.

Fixed Unit Price Contracts / Performance Based Contracts

Our firm has several clients that are subject to both fixed unit and performance based contracts. These contracts can be complex; we can offer the know-how and experience to assist in their development.

Computer Conversions

We can offer assistance in EDP systems conversions as well as pre-audit assistance to determine if computer installation/conversion was satisfactorily accomplished. We have facilitated conversions for a number of our clients, and would be pleased to provide such services to you when and if they are needed.

Close-out Report Reconciliations

Funding sources frequently express disappointment in the limited financial information they receive from the Schedule of Federal Financial Assistance (Single Audit Report). They ask for additional information regarding a reconciliation between the Schedule of Federal Financial Assistance and the Funding Agency’s Close-out Report. We have provided many clients with special reporting sections in their audit report that satisfy this request and/or respond to special requirements with which the Agency must comply. We believe that this valuable service is essential in maintaining good relations between our clients and their funding sources.

Staff Resumés

Michael A. O'Connor, CPA

President (License 1990 55781E)

Personal Data

A native of Novato, Michael obtained his CPA License in May of 1990. Mr. O'Connor is a member of the Government Finance Officers Association of the United States, American Institute of Certified Public Accountants, and the California Society of CPA's. After working for R.J. Ricciardi, Inc. for over 30 years, upon Ralph Ricciardi's retirement announcement and with his encouragement and support, Michael started his own firm in 2022.

Education

Mr. O'Connor graduated from St. Mary's College in 1987, receiving a Bachelor's Degree in Business Administration with an emphasis in Accounting.

Experience

In 1987, Mr. O'Connor accepted a position with Seiler and Company in Redwood City, California. At that time, he worked on Housing and Urban Development audits as well as audits of various commercial entities.

From 1989 through March, 1991, he served as a Senior Accountant for C.G. Uhlenberg & Company in Redwood City, California. During this time Mr. O'Connor supervised audits of the following:

- City of Campbell (Awarded the GFOA and CSMFO Certificate of Achievement)
- City of Cupertino
- City of Menlo Park (Awarded the GFOA and CSMFO Certificate of Achievement)
- City of Pittsburg (Awarded the GFOA and CSMFO Certificate of Achievement)
- City of Redwood City
- City of San Bruno
- Purisma Hills Water District
- Sausalito and Marin City Sanitary District
- South Bay Systems Authority
- Dublin/San Ramon Services District
- The North Marin Water District
- The Town of Atherton
- The Town of Los Altos Hills (Awarded the GFOA and CSMFO Certificate of Achievement)
- The Town of Portola Valley
- The Town of Woodside

From 1991-2022 he worked with R.J. Ricciardi, Inc. Certified Public Accountants. During that period Mr. O'Connor successfully built the Government auditing side of the practice, while continuing to hone his nonprofit auditing skills. His audit experience included:

Municipalities and Special Districts

- Alameda Resource Conservation District
- Almonte Sanitary District
- Alto Sanitary District
- Amador County Transportation Commission
- Bel Marin Keys Community Services District
- Bay Public Utilities District
- Bolinas Community Public Utility District
- Cameron Park Community Services District

Mr. O'Connor's audit experience (continued)

Municipalities and Special Districts (continued)

- City of Alturas
- City of Amador
- City of Calistoga
- City of Crescent City
- City of Fortuna
- City of Gustine
- City of Livingston
- City of Monterey
- City of Newman
- City of Patterson
- City of Rio Dell
- City of Willits
- Alameda LAFCO
- County of Modoc
- Norte Local Transportation Commission
- Diamond Springs-El Dorado County Fire Protection Agency
- Highlands Recreation District
- Homestead Valley Sanitary District
- Humboldt Bay Community Services District
- Humboldt Bay Municipal Water District
- Indian Valley Community Services District
- Inverness Public Utility District
- Kentfield Fire Protection District
- Livermore-Amador Valley Water Management Agency
- Marin City Community Services District
- Marin General Services Authority
- Marin Healthcare District
- Marinwood Community Services District
- Mendocino Council of Governments
- Mendocino Transit Authority
- Muir Beach Community Services District
- Napa County Mosquito Abatement District
- River Reclamation District
- North of the River Recreation District
- Placer County Transportation Planning Agency
- Pleasant Hill Recreation and Park District
- Pleasant Hill Senior's Club
- Redwood Coast Transit Authority
- Ross Valley Fire District
- San Mateo County Resource Conservation District
- Sonoma Resource Conservation District
- Southern Marin Emergency Medical Paramedic System
- Southern Marin Fire Protection District
- Regional Transit
- Recreation District
- Tehama County Transportation Commission
- Timber Cove County Water District
- Town of Colma
- Town of San Anselmo
- Transportation Authority of Marin
- Ukiah Valley Sanitation District
- Yolo County Resource Conservation District

Mr. O'Connor's audit experience (continued)

Municipalities and Special Districts (continued)

LAFCOs

- Contra Costa LAFCO
- Marin LAFCO
- San Diego LAFCO
- San Mateo LAFCO
- Sonoma LAFCO

Child Care Programs / Head Start

- Child Family and Community Services
- Community Action Marin
- Institute for Human and Social Development
- Sierra Cascade Family Opportunities WIOA/JTPA Programs
- Community Services and Employment Training
- Mother Lode Job Training Agency
- Plumas Job Training Center
- Proteus Inc.
- San Luis Obispo PIC

CSBG /CDBG/ECIP/LIHEAP

- Community Action Marin
- Community Services and Employment Training
- Proteus Inc.

Scientific Research

- American Technology Alliances (NASA, Commercial)
- Molecular Research Institute (NASA, NIH, Commercial)
- SETI Institute (NASA, NSF, other)

Pension Plan Audits

- California Autism Foundation
- Child Start Inc.
- Community Action Commission of Santa Barbara County
- Community Action Marin
- Consumer Credit Counseling Services of San Francisco
- Proteus, Inc.
- Resort at Indian Springs

Other Nonprofits

- Bay Institute of San Francisco
- California Maritime Academy Foundation
- Family Service Agency of Marin
- The Friends of Photography
- Lassen Economic Development Corp
- MariNet
- Marin Professional Firefighters
- MATRIX
- National Poetry Association
- Prison Law Office
- Support for Families of Children with Disabilities
- Training Employment and Community Help, Inc.
- Helping All People

Amy Arend, CPA
Audit Director (License 121045)

Personal Data

Ms. Arend is a resident of Sonoma County. She has an extensive background in finance, audit, and accounting. Ms. Arend has experience in public auditing with a strong focus on governmental agencies with a high level of complexity. She is also adept at assisting small and large businesses with bookkeeping and complex accounting systems.

Education

She has a Bachelor's Degree in Major International Business from Elmhurst College in Illinois and obtained her CPA license in 2013.

Experience

Ms. Arend's experience in accounting and auditing includes, but is not limited to:

O'Connor & Company
Audit Director (2023-present)

Towns & Cities

- City of Alturas
- City of Gustine
- City of Newman
- Town of Colma

Municipalities and Special Districts

- Redwood Coast Transit Authority
- Alto Sanitary District

Nonprofits

- Jewish Community Free Clinic

R.J. Ricciardi, Inc. Certified Public Accountants
Senior Auditor (2020-2022)

Municipalities and Special Districts

- Almonte Sanitary District
- Alto Sanitary District
- Homestead Valley Sanitary District

Cities

- City of Alturas
- City of Gustine
- City of Newman

Other Entities

- Gateway Transportation, LLC
- The Ford Street Project

Ms. Arend's experience (continued)

United Airlines, San Francisco, California

Sr. Financial Analyst (2006 – 2020)

- Develop and maintain annual \$400 million manpower/non manpower plan, forecast, and actual budgets for Gound Services and Facilities divisions of Maintenance which includes 1,851 management and operational represented employees
- Developed and maintained annual \$106 million manpower/non manpower plan, forecast, and actual budgets for Critical Facilities and Provisioning, Service Management, and Vendor Management divisions of IT which includes 242 employees and contractors
- Develop, justify and forecast capital expenditures correcting costs erroneously charged to operational expense budget working with all stake holders on the envision, design and build time lines for planning and variance communication
- Cross train all Tech Ops and finance staff as a leader in financial tools supporting analysis and accounts payable
- Improve monthly close process reducing close period from seven to two days
- Manage finance and accounting functions for twenty-three coordinators across fifty stations within the United Airlines network
- Subject matter expert for Oracle P Card I Expense program and PACE Utility program
- Develop and maintain zero base budgets for 50 GSE PV stations across United's network creating a one-page document for monthly forecast and review at the cost center level
- Develop and maintain standard power point financial results document for all management leadership
- Design and lead Technical Maintenance Operation post audit reviews, for the purpose of validating management remediation activities specific to supply chain and contract management
- Design elimination process for the purpose of eliminating Technical Maintenance affiliated corporate revenue including accounting entries and variance explanations
- Design synergy review process for the purpose of stream lining corporate Internal Audit review benchmarking and communicating process to all divisions within United
- Processed Decision One IT service invoices, including analysis, validation, & reporting of data provided by D1 using Access data base and Oracle applications streamlined processing time from weeks to hours while attending weekly savings workshops achieving \$10 million in reduced contracted costs
- Designed various process improvements aligned with Property Accounting, Provisioning, Airport Operations, Sourcing and Resource Management in order provide critical operational equipment and service cost drivers
- Lead resource planning initiatives capturing time reported for all direct reports allocating core versus discretionary tasks
- Developed and performed internal audit financial control programs for assigned audits including international locations in China, Australia, Japan, and Mexico
- Maintained cross divisional relationships to ensure appropriate financial reporting
- Designed and maintained various data bases used for analysis and financial reporting

Kessler, Orlean, & Silver, Inc. P.C., Deerfield, Illinois, CPA (2001-2006)

- Planned and performed audits for private companies, schools, health and welfare organizations, and pension plans
- Educated clients on Quicken and QuickBooks
- Prepared quarterly payroll and year-end tax returns for all entities
- Completed agreed upon procedures for clients, including inventory audits
- Completed compliance procedures for federally assisted schools

Village of Villa Park, Villa Park, Illinois, Assistant Finance Director (1999-2001)

- Managed finance department staff of 6
- Prepared monthly financial statements, reconciled and maintained all bank accounts
- Prepared payroll for all department staff
- Performed all collection procedures for utility billing and account receivable
- Prepared and assisted auditors and executive staff with annual audit and budget

Ian McGraw, CPA

Audit Supervisor (License 2022 148747)

Personal Data

Mr. McGraw joined our firm with experience working in the public accounting sector at Vine Solutions, R.J. Ricciardi, Inc. Certified Public Accountants, Perotti & Carrade CPAs, as well as spending time in the private accounting side of the industry. Mr. McGraw also ran his own business for a 2 year period.

Education

He studied accounting at St. Mary's College and received a Master of Accountancy from Golden Gate University.

Experience

Mr. McGraw's public accounting experience includes both Governmental and Nonprofit work, such as:

Nonprofits/ Governmental Agencies

- Abraham Lincoln High School of San Francisco Alumni Association
- City of Nevada City
- City of Newman
- Contra Costa LAFCO
- Humboldt Community Services District
- Job Training Center of Tehama County
- Marin Recycling & Recovery Center
- MariNet
- Matrix
- Northern Rural Training and Employment Consortium
- Richmond Art Center
- Rural Human Services
- San Francisco Estuary Institute
- Seeds of Learning
- Sourcewise
- Sonoma LAFCO
- Sonoma Resource Conservation District
- Superior California Economic Development

Matthew Mingram

Audit Manager

Personal Data

Mr. Mingram joined our firm with experience working in the public accounting sector at Novogradac & Company, R.J. Ricciardi, Inc Certified Public Accountants, as well as spending time in the private accounting side of the industry.

Education

He studied accounting at Sonoma State University and received a post-graduate advanced accounting certification at Santa Clara University.

Experience

Mr. Mingram's public accounting experience includes both Governmental and Nonprofit work, such as:

Nonprofits

- Alameda Food Bank
- Alliance for Workforce Development
- Astronomical Society of the Pacific
- Big Brothers Big Sisters of the Bay Area
- Community Action Marin
- Community Action Napa Valley
- Community Support Network
- Earth Island Institute
- Family Resource Navigators
- Great Northern Services
- Jefferson Economic Development Institute
- Job Training Center of Tehama County
- Marin Professional Firefighters
- MariNet
- Matrix
- Northern Rural Training and Employment Consortium
- Oak Hill School
- Project Sanctuary
- Rhodes Residential Services
- Richmond Art Center
- Rural Human Services
- San Francisco Estuary Institute
- Seeds of Learning
- Shining Star Foundation, dba Star Academy
- Sourcewise
- Sonoma LAFCO
- Superior California Economic Development

Mr. Mingram's audit experience (continued)

Government Agencies

- Alto Sanitary District
- Bel Marin Keys Community Services District
- Bodega Bay Public Utilities District
- Bolinas Community Public Utility District
- City of Alturas
- City of Calistoga
- City of Fortuna
- City of Rio Dell
- Alameda LAFCO
- County of Modoc
- Highlands Recreation District
- Humboldt Bay Municipal Water District
- Inverness Public Utility District
- Marin County Public Works
- Marinwood Community Services District
- Mendocino Council of Government
- Mendocino Transit Authority
- Muir Beach Community Services District
- North of the River Recreation District
- Redwood Coast Transit Authority
- San Mateo County Resource Conservation District
- Southern Marin Emergency Medical Paramedic System
- Southern Marin Fire Protection District
- Strawberry Recreation District
- Tehama County Transportation Commission
- Town of Colma

Michelle Nguyen

Audit Supervisor

Personal Data

Ms. Nguyen is a resident of Alameda County. Ms. Nguyen came to us with over 2 years of experience in public auditing at R.J. Ricciardi, Inc. Certified Public Accountants, and additional experience at a small tech start-up as an accountant. Ms. Nguyen is adept with nonprofit tax/auditing and governmental auditing.

Education

She has a Bachelor's Degree in Business Administration & Accounting from San Jose State University.

Experience

Ms. Nguyen's experience in tax and auditing experience includes, but is not limited to:

Nonprofits

- Advance SF
- Ala Costa Centers
- Alameda Food Bank
- Bay Area Environmental Research Institute
- California Maritime Academy Foundation
- Casa Allegra Community Services
- Community Care Management Corporation
- Community Action of Napa Valley
- Family Resource Navigators
- Ford Street Project
- Freedom FWD
- Global Strategies
- Great Northern Services
- Institute for Human & Social Development
- Intercommunal Preschool
- JobTrain
- Marin Advocates for Children
- Marin District Attorney's Office
- Pleasant Hill Senior Center
- Project Sanctuary
- SF New Deal
- Silicon Valley De-Bug
- Support for Families of Children with Disabilities

Government Agencies

- City of Alturas
- City of Fortuna
- City of Gustine
- City of Newman
- Humboldt Bay Municipal Water District
- Humboldt Community Services District
- Marin Professional Firefighters
- Mendocino Council of Governments
- Muir Beach Community Services District
- North of the River Recreation District
- Pleasant Hill Recreation and Park District

Ms. Nguyen's audit experience (continued)

- Redwood Coast Transit Authority
- San Diego LAFCO
- Sonoma LAFCO
- Southern Marin Emergency Paramedic Services
- Strawberry Recreation District
- Town of Colma
- Trinity Resource Conservation District

Education and Training

Education and Training

Michael O'Connor, CPA

Conference/Training	Years	Hours
Not-for Profit Organizations Conference	2023	8
Basic Accounting and Financial Reporting for Leases	2023	2
Government Accounting and Reporting	2023	8
Accounting: FASB Updates for 2022	2023	8
Data Portal: Annual Debt Transparency Report Tutorial	2023	1.5
Not-for-Profit Organizations Virtual Conference	2022	8
Governmental Accounting and Auditing Virtual Conference	2022	8
Fundamentals of Single Audit	2022	8
Governmental Accounting & Auditing Conference	2021	8
California Regulatory Review for CPAs-RRS-014-0414	2021	2
Risk Assessment Deep Dive: How to Avoid Common Missteps	2021	3.5
GASB Basic Financial Statements for State and Local Governments	2021	8
Nonprofit Accounting and Auditing Update	2021	8
Not-for-Profit Organizations Conference	2020	8
Governmental Accounting and Auditing Conference	2020	9

Amy Arend, CPA

Conference/Training	Years	Hours
Not-for Profit Organizations Conference	2023	8
Basic Accounting and Financial Reporting for Leases	2023	2
Government Accounting and Reporting	2023	8
Accounting: FASB Updates for 2022	2023	8
Data Portal: Annual Debt Transparency Report Tutorial	2023	1.5
Accountants Liability: Balancing Risk and Reward (A&A Focus)	2022	4
Not-for-Profit Organizations Virtual Conference	2022	8
Governmental Accounting and Auditing Virtual Conference	2022	8
Fundamentals of Single Audit	2022	8
Not-for-Profit Organizations Virtual Conference	2021	8
Governmental Accounting & Auditing Conference	2021	8
California Regulatory Review for CPAs-RRS-014-0414	2021	2
Risk Assessment Deep Dive: How to Avoid Common Missteps	2021	3.5
GASB Basic Financial Statements for State and Local Governments	2021	8
Nonprofit Accounting and Auditing Update	2021	8
Not-for-Profit Organizations Conference	2020	8
Governmental Accounting and Auditing Conference	2020	9

Ian McGraw, CPA

Conference/Training	Years	Hours
Not-for Profit Organizations Conference	2023	8
Basic Accounting and Financial Reporting for Leases	2023	2
Accountants Liability: Balancing Risk and Reward	2023	4
Introduction to Government Accounting	2022	2
Implementing and Maintaining and Internal Control System	2021	8
Leases: Topic 842 in Depth	2021	8
Not-for-Profit Organizations Virtual Conference	2022	8
Introduction to Government Accounting	2022	2

Matt Mingram

Conference/Training	Years	Hours
Not-for Profit Organizations Conference	2023	8
Basic Accounting and Financial Reporting for Leases	2023	2
Accounting: FASB Updates for 2022	2022	16
Governmental Accounting & Reporting	2022	8
Governmental Accounting & Auditing Conference	2022	8
Governmental Accounting & Auditing Conference	2021	10
Not-for-Profit Organizations Conference	2020	9

Michelle Nguyen

Conference/Training	Years	Hours
Basic Accounting and Financial Reporting for Leases	2023	2
Governmental Accounting & Auditing Conference	2023	11
Fundamental of Single Audit	2023	8.5
Not-for Profit Organizations Conference	2023	8
Best Practices for NPO	2023	4
Revenue Recognition Under ASC 606	2023	1
Lease Accounting for Lessees Under ASC 842 2023	2023	1
Practical Tools & Tips to help CPAs Manage Risk	2023	4
Intermediate Governmental Accounting	2023	12
Governmental Accounting & Auditing Conference	2021	9
Not-for Profit Organizations Conference	2020	9

References

References

The best recommendations a CPA firm can have are those of existing clients. We are, therefore, including a partial list of references and encourage you to contact them.

ORGANIZATION/CONTACT	TELEPHONE/EMAIL
San Diego LAFCO Keene Simonds	(619) 321-3380 keene.simonds@sdcounty.ca.gov
San Mateo LAFCO Rob Bartoli	(650) 363-1857 rbartoli@smcgov.org
Sonoma LAFCO Cynthia Olson	(707) 565-3780 cynthia.olson@sonoma-county.org
Highlands Recreation District Meg Catmull	(650) 341-4251 generalmanager@highlandsrec.ca.gov
Marinwood Community Services District Eric Dreikosen	(415) 479-7751 edreikosen@marinwood.org
Bodega Bay Public Utilities District Jan Ames	(707) 875-3332 j.ames@bodegabaypud.com
City of Fortuna Aaron Felmlee	(707) 725-1402 afelmlee@ci.fortuna.ca.us

March 15, 2024

Audit Committee
Humboldt Community Services District
5055 Walnut Drive
Eureka, CA 95503
Email: fm@humboldtcsd.org

Dear Audit Committee:

We understand the importance of price in the decision you are now making, and have based our fee on our best estimates of time and out-of-pocket expenses.

Our estimate assumes that Humboldt Community Services District's personnel will provide us with all information we request in our Client Participation List, in the format requested, and send it to us 30 days prior to scheduling the audit field work. If you have insufficient personnel or time to prepare these items, we can assist you in this area and we will discuss with you the additional time required and estimated fee for these services.

We believe that our proposal fee is both reasonable and fair. We are prepared to discuss it further with you should you have any concern in this area.

Sincerely,



O'Connor & Company

Attachments (2)

- Attachment A: Audit Work Cost Proposal
- Attachment B: Hourly Rates and Maximum Fee

ATTACHMENT A

Audit Cost Proposal

	<u>Hours</u>	<u>Rates</u>	<u>Estimated amount</u>
Director	20	\$ 205	\$ 4,100
Audit Director/Reviewer	4	155	620
Audit Supervisor	60	125	7,500
Senior Accountant	30	105	3,150
Admin	8	105	840
	<u>162</u>		<u>16,210</u>
Travel, out-of-pocket expenses, etc.			<u>1,190</u>
Estimated audit fees for the year ended June 30, 2023			<u>\$ 17,400</u>
Estimated audit fees for the year ended June 30, 2024			<u>\$ 17,400</u>
Estimated audit fees for the year ended June 30, 2025			<u>\$ 17,400</u>
Estimated audit fees for the year ended June 30, 2026			<u>\$ 17,400</u>

**Expenses and incidentals, such as mileage and travel are charged each month with billing that includes the total for all services and expenses. These costs are included in the total audit fees.*

ATTACHMENT B

**Our Hourly Rates and Maximum
Fee to Perform this Engagement**

The audit fees assume reasonable access to O'Connor & Company professional staff at no additional cost throughout the fiscal year. This includes time that we may spend answering technical questions related to the audit. The fees contemplate that the books will be closed and ready for audit, that substantially all adjusting entries will be made by Humboldt Community Services District staff prior to the start of final fieldwork, which Humboldt Community Services District staff will provide supporting schedules and reconciliations for all significant asset and liability balances.

If additional time is needed for us to assist Humboldt Community Services District in the resolution or investigation of accounting errors, discrepancies, or reconciliation issues, assistance in the preparation of year end schedules, to research accounting questions unrelated to the audit, or to reflect in our work papers entries made after the start of the audit, we will perform such additional work at our standard hourly rates.

If there is a matter that is outside the scope of the audit which takes up more than an hour of time or possibly requires research on our part, we will inform Humboldt Community Services District and come to an agreement about additional costs, prior to billing outside the scope of the audit for special accounting work we may perform.

2024 Hourly Rates:

Director \$205

Audit Director/Audit Manager \$125-155

Audit Supervisor \$125-155

Senior Auditor/Accountant \$105-125

Staff Auditor/Accountant \$105

Administrator \$105

Humboldt Community Services District

Dedicated to providing high quality, cost effective water and sewer service for our customers

AGENDA REPORT

For HCSD Board of Directors Regular Meeting of: May 14th 2024

AGENDA ITEM: F.3 (New Business)

TITLE: Adjustment to Vacancy and Construction Sewer Waivers

PRESENTED BY: Michael Montag, Finance Manager/District Treasurer

Recommendation:

Motion and roll call vote affirming staff's proposed modification to procedure for Vacancy and Construction sewer waivers so that monthly flat charges are billed if there is access to sewer service during the vacancy.

Summary:

District staff has reviewed the procedure for ratepayers that file for Vacancy and Construction Waivers as permitted by District Code Sections 7.04.020 and 7.04.025. Historically, both Flat and Consumption charges are waived for accounts that have been approved for Vacancy or Construction sewer waivers.

Staff has found that this is not in line with District Rate Studies dating back to 2012 in which service addresses with connection to the District's Wastewater system are billed monthly flat Sewer charges, even if they do not utilize such access.

Additionally, the District has charged flat sewer charges to ratepayers that have access to District mains within 300-feet of their property even if they are not connected. This practice was established when the District took over County Service Area 3 because this was a County policy supporting County and State ordinances that require the discontinuation of septic systems in sewer areas. This is further supported by District Code Section 5.02.050 established in 1981.

Sewer Consumption charges fund the variable costs associated with transporting and treating wastewater, while Sewer Flat charges fund the fixed costs associated with ongoing maintenance and repair of the District's Wastewater system and infrastructure. Since Flat Charges fund ongoing maintenance and improvements to the District's wastewater collection system, flat charges are billed to all customers with connection to the District's Wastewater system, even if the customers do not utilize such access. District staff recommends updating the procedure for Vacancy and Construction waivers so that all addresses with connection to the District's Wastewater system are billed monthly flat sewer charges, and only consumption charges will be waived. Customers

without access to the District's Sewer system, such as new construction, in which there is no connection to the sewer system, would continue to be eligible for a full waiver of sewer charges including the flat monthly charges while the sewer waiver is in effect.

This process adjustment will bring alignment across various District policies.

Fiscal Impact:

Approximately \$500 per month increase in Sewer Flat charge income from, on average, 16 accounts with active sewer waivers.