

FINANCE OFFICER'S REPORT

June 29, 2007

TO: Board of Directors

FROM: Suha Kilic, Finance Officer

SUBJECT: **Independent Audit Firm**

ISSUE

The District practice has been contracting its independent audit firm for a period of three-years and extending the term for an additional three years. The District's original three-year agreement with the CPA firm, Kasavan and Pope LLP, ended with the completion of the Fiscal Year 2005-06 audit. In March 2007, the Board approved a three-year extension to the agreement at an annual cost of \$15,000. In June 2007, Kasavan and Pope LLP notified the District regarding the departure of Mr. Paul Nowinski, the partner who is in charge of governmental audits. Mr. Nowinski's departure removed Kasavan and Pope's ability to serve governmental clients. Mr. Nowinski joined the *Blanding, Boyer & Rockwell LLP*, a larger and reputable CPA firm with extensive resources, as the partner responsible from governmental agency audits. The firm recently acquired the local CPA firm "Hanson, Rotter & Green" and maintains an office in Carmel where Mr. Nowinski will be located, in addition to its offices in Walnut Creek and San Francisco. Mr. Nowinski as well as Mr. Gary Bong, the firm's managing partner, requested the District to consider the firm's continuing to conduct the District's independent audits for a period of three years at the same cost of \$15,000 and under the same terms and conditions.

RECOMMENDATION

It is recommended the Board consider contracting the CPA and consulting firm *Blanding, Boyer & Rockwell LLP* to conduct annual independent audits of the District's financial transactions for up to three years at a cost of \$15,000 per year.

BACKGROUND & DISCUSSION

The staff contacted two non-profit agency references provided by the firm. Both Mr. Todd Lueders, CEO, Community Foundation of Monterey County and Ms. Beth Bates, Director of Finance, Carmel Foundation provided excellent feedback regarding the firm's professionalism, attentiveness, expertise and resourcefulness.

There has been a significant reduction in CPA firms providing governmental agency audits in the recent years. In November 2006, Carmel Area Wastewater District

("CAWD") sent out audit service Request For Proposals to 16 firms and received four responses (incidentally the only local firm that responded was Kasavan & Pope. The remaining three firms were from Ventura, Newport Beach, and Roseville). CAWD selected Porter & Company of Ventura with a three-year agreement at an annual cost of \$15,000.

Attached letter from Kasavan & Pope dated June 8, 2007 informs the District about Mr. Nowinski's departure from the firm. The letter also indicates Kasavan & Pope's anticipation that the District may contract Blanding, Boyer and Rockwell based on the existing experience with Paul Nowinski and requests authorization to transfer financial records and work papers.

The staff believes that with its extensive resources, favorable client references and satisfactory Peer Review (a copy is attached) combined with Mr. Nowinski's expertise in governmental audits and especially working with the District during the past three years, the Blanding, Boyer & Rockwell (www.bbrcpa.com) presents a notable local alternative to conduct the District's audits at a competitive price.

Enclosures:

- (1): Kasavan and Pope's letter dated June 8, 2007
- (2): Letter from Paul Nowinski dated June 12, 2007
- (3) Latest Peer Review Report dated October 19, 2005 (CPA firm peer reviews are conducted once every three years)
- (4) Excerpts from the firms' website (12 pages)



Kasavan & Pope LLP
CERTIFIED PUBLIC ACCOUNTANTS

June 8, 2007

Suha Kilic, Finance Officer
Pebble Beach Community Services District
Forest Lake and Lopez Roads
Pebble Beach, Ca 93953

Dear Mr. Kilic,

As you may know, effective April 30, 2007, our former member, Paul A. Nowinski, CPA, has terminated his affiliation with the Kasavan & Pope accounting firm and will continue his accounting practice with Blanding, Boyer & Rockwell. Because your matters were previously handled principally by Paul, we anticipate that you will now wish to formally transfer the responsibility for your accounting and tax matters to him.

This letter is for the purpose of obtaining your confirmation of the foregoing, and upon receipt of the enclosed copy of this letter signed by you we will provide to Blanding, Boyer & Rockwell access to your financial records and work papers that we may have regarding your audit. A new engagement letter will be delivered to you from Blanding, Boyer & Rockwell.

Sincerely,

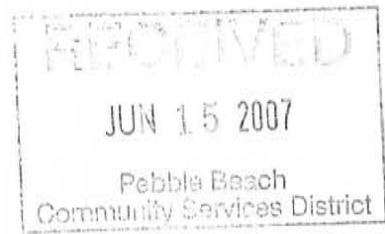
Kasavan & Pope LLP

By: 
Gordon A. Rubbo, CPA

This will authorize you to transfer responsibility for all of Pebble Beach Community Services District's accounting and tax matters to Blanding, Boyer & Rockwell. Please send to me your formal release document.

Date: _____

Print Name: _____



June 12, 2007

Pebble Beach Community Services District
ATTN: Suha Kilic, Finance Officer
3101 Forest Lake Rd.
Pebble Beach, CA 93953

Dear Suha,

This is to inform you that I am no longer employed by Kasavan and Pope, LLP. I am now a principal working for Blanding Boyer & Rockwell, LLP in Carmel.

Please be reassured that this change will not affect the service that you have come to expect.

If you have any questions or concerns, please feel free to call me at my new direct number, (831) 622-4483.

Sincerely,



PAUL A. NOWINSKI, CPA
Principal

October 19, 2005



To the Partners
Blanding, Boyer & Rockwell, LLP

We have reviewed the system of quality control for the accounting and auditing practice of Blanding, Boyer & Rockwell, LLP in effect for the year ended June 30, 2005. A system of quality control encompasses the firm's organizational structure, the policies adopted and procedures established to provide it with reasonable assurance of conforming with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of CPAs (AICPA). The firm is responsible for designing a system of quality control and complying with it to provide the firm reasonable assurance of conforming with professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance with its system of quality control based on our review.

Our review was conducted in accordance with standards established by the Peer Review Board of the AICPA. During our review, we read required representations from the firm, interviewed firm personnel and obtained an understanding of the nature of the firm's accounting and auditing practice, and the design of the firm's system of quality control sufficient to assess the risks implicit in its practice. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the firm's system of quality control. The engagements selected represented a reasonable cross-section of the firm's accounting and auditing practice with emphasis on higher-risk engagements. (The engagements selected included among others, audits of Employee Benefit Plans and engagements performed under *Government Auditing Standards*) Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with firm management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the firm's accounting and auditing practice. In addition, we tested compliance with the firm's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the firm's policies and procedures on selected engagements. Our review was based on selected tests; therefore it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it. There are inherent limitations in the effectiveness of any system of quality control and therefore noncompliance with the system of quality control might occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the accounting and auditing practice of Blanding, Boyer & Rockwell, LLP in effect for the year ended June 30, 2005, has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA and was complied with during the year then ended to provide the firm with reasonable assurance of conforming with professional standards.

John Waddell & Co., CPAs

3416 American River Dr.
Suite A
Sacramento, CA 95864
916/488/2460
Fax/488/2466



Blanding
Boyer &
Rockwell, LLP

Because your Future ...

...Deserves Success

Mission Statement

Blanding Boyer & Rockwell, LLP is a full-service CPA firm providing accounting, auditing, tax and consulting services to individuals, closely held businesses and nonprofit organizations. Our mission is to provide the highest level of service by maintaining and developing competent, experienced personnel who can respond to the diverse needs of our clients in a timely, accurate manner. We believe that this commitment to our clients and personnel, along with our active participation in the community, will generate new opportunities for professional and business growth.

Our clients look to us for the following:

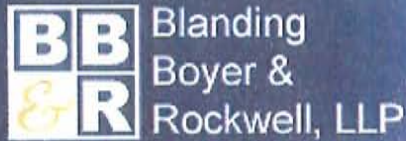
- Accounting Services
- Audit/Review of Financial Statements
- Tax Planning
- Tax Returns
- Estate, Trusts and Wealth Preservation
- Financial Planning
- Litigation Services and Forensic Accounting
- Mortgage Services
- Valuation Services
- Wealth Management
- Other Advisory Services

Industries we serve:

- Manufacturing
- Retail & Wholesale
- Real Estate & Construction
- Professionals
- Nonprofit Organizations
- Restaurants
- High Technology
- Service Providers
- Finance
- Communications
- Distribution

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Blanding Boyer & Rockwell, LLP, Certified Public Accountants (CPA) and Consultants is a full service accounting firm with offices in Walnut Creek, Carmel-by-the-Sea and San Francisco. Services include Accounting, Advisory Services, Audit & Review, Estates & Trusts, Financial Planning, Litigation Support, Tax Services & Planning, Valuations and Wealth Management.

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History

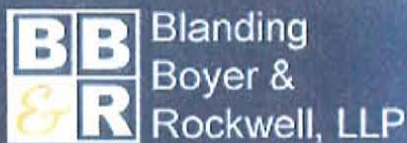
Steve Blanding founded our firm in Alamo in 1973. Now located in downtown Walnut Creek near the Dean Leshner Regional Center for the Arts, Blanding Boyer & Rockwell, LLP, has become one of the most respected full-service public accounting firms in the region. Our goal is to provide the highest level of client service by maintaining and developing competent, experienced personnel who can respond to its clients in a timely, accurate manner.

In the past quarter of a century, we have evolved from a tax return preparation and bookkeeping firm, to a professional services firm, able to provide the quality and range of services found in a large national accounting firm. There are nine partners across offices in both Walnut Creek and Carmel-by-the-Sea -- Ron Boyer, Tom Rockwell, Sue Gibson, Ward Pynn, Gary Bong, Suzanne Ferraro, Mitch Nakagaki, James Rotter Courtney Hanson. As an integral part of the business and civic community, the firm looks forward to Walnut Creek's and Carmel's continued, well-planned growth!

Our atmosphere is relaxed and friendly -- clients and office visitors are welcomed with a cordial "Hello" and offer of a soft drink or a cup of coffee. Since our founding, we have operated under the philosophy that families are the backbone of a civil society. Consequently, BB&R emphasizes flexible scheduling, allowing employees to generally set their own work schedules around a core period of time. Taking care of family oriented needs is an integral part of daily work-schedules. In addition we have a strong commitment to community involvement and participate as an active leader in our community

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Blanding Boyer & Rockwell, LLP has 3 offices located throughout the California Bay Area. Please select one of the following for directions and contact information.

Walnut Creek (Primary Office) | Carmel-by-the-Sea | San Francisco

Walnut Creek Office

Blanding Boyer & Rockwell, LLP

**1676 North California Blvd
Third Floor - Growers Square
Walnut Creek, CA 94596**

**Tel: 925.954.0100
Fax: 925.954.1068**

[View Google Map](#)



Directions

From North of Walnut Creek

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Accounting Services

From basic accounting tasks to managing your entire accounting department, Blanding Boyer & Rockwell, LLP provides a hands-on approach to helping your business achieve its goals.

Accounting Services Offered

- Analysis and interpretation of financial information
- Management consulting
- Preparation of payroll, sales and property tax returns
- Processing of monthly and quarterly financial statements
- Special purpose reports
- Agreed upon procedures
- Training and installation of *QuickBooks*

Contact an Accounting Service Partner

- Thomas Rockwell
- Gary Bong

Other Services

Accounting
Advisory Services
Audit and Review
Estates and Trusts
Litigation Support
Financial Planning
Tax Services
Valuations
Wealth Management

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Rockwell, LLP**

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Advisory Services

Advisory services are provided in an organized and structured manner, geared at helping your business grow.

Advisory Services Offered

- Forecasts and projections
- Analysis of management systems
- Succession planning
- Valuation of business
- Private foundation administration
- Directorship and advisory board services
- Entrepreneurial
- Feasibility studies
- Employee benefit plans
- Merger and acquisition support
- Budgeting
- Asset management
- Loan application and presentation

Contact an Advisory Service Partner

- Thomas Rockwell
- Ronald Boyer
- Ward Pynn

Other Services

Accounting

Advisory Services

Audit and Review

Estates and Trusts

Litigation Support

Financial Planning

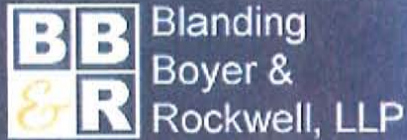
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Valuations

Wealth Management

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Audit and Review Services

The Blanding Boyer & Rockwell audit team understands the importance of quality, accuracy and professionalism in all of its audit and review services. Combine this with a trained audit staff and a value oriented approach which results in an efficient and cost effective solution.

Audit and Review Services Offered

- Audits and reviews of financial statements
- Compilations of financial statements
- Agreed-upon procedure engagements
- Due diligence services
- Employee benefit plan audits, including 401(k) plans
- Forensic accounting
- Internal control reviews
- Litigation support
- Nonprofit "single audits" required under OMB A-133

Contact an Audit and Review Partner

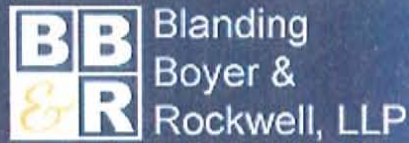
- Gary Bong
- Marcy Morgan
- Thomas Rockwell

Other Services

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Estates, Trust and Wealth Preservation

At Blanding Boyer & Rockwell, LLP we realize that planning for the future is an individualized approach and not a cookie cutter solution. Trained financial experts are available to assist you in a variety of circumstances.

Services Offered for Estates, Trusts and Wealth Preservation

- Estate planning
- Estate and gift tax returns
- Estate and trust income tax return
- Buy and sell agreements
- Trust accounting
- Preparation of court accounting
- Analysis for division of assets

Contact a Partner for Estates, Trusts and Wealth Preservation

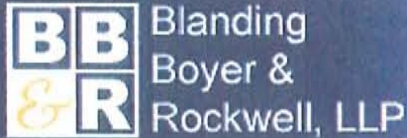
- Susan Gibson
- Ronald Boyer
- Suzanne Ferraro

Other Services

- Accounting
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Litigation Support

In today's fast paced world, companies are finding themselves susceptible and often exposed to litigation proceedings. At Blanding Boyer & Rockwell, LLP we realize the importance of proper representation and have highly trained professionals available for support in regards to these matters.

Litigation Support Services Offered

- Asset valuation
- Damage calculations
- Expert witness testimony
- Marital dissolution testimony
- Preparation of depositions and reports

Contact a Litigation Support Partner

- Gary Bong
- Ronald Boyer
- Thomas Rockwell

Other Services

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Financial Planning

Blanding Boyer & Rockwell, LLP has several, highly trained experts who realize the importance of your financial goals. When working with a financial planner at BB&R you will receive individualized attention that does not originate from a patterned solution.

Financial Planning Services Offered

- Education planning
- Estate planning
- Tax planning
- Cash flow planning
- Retirement planning
- Benefit planning
- Insurance planning

Contact a Tax Partner

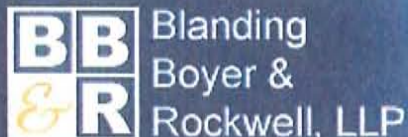
- Ronald Boyer
- Susan Gibson
- Suzanne Ferraro
- Mitch Nakagaki
- Ward Pynn

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Tax Services

Tax Services for both individuals and organizations are at the heart of the services provided by Blanding Boyer & Rockwell. Our highly trained CPA's are always available to meet with you to plan and prepare your required tax documents.

Tax Services Offered

- Estate and gift tax returns
- State and Federal estate and trust income tax returns
- Individual and business tax returns
- Tax planning
- Retirement planning
- Tax returns for individuals, Estates and Trusts
- Tax returns for businesses, Corporations, S-Corporations and LLCs
- Tax returns for Exempt Organizations

Online Tax Preparation

Blanding Boyer & Rockwell values your time and availability with regard to tax preparation. An Online Tax Organizer is available for you to prepare your tax information from wherever you choose.



Contact a Tax Services Partner

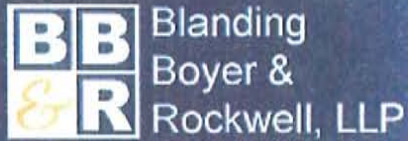
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Valuation Services

Valuations of both personal and business nature are needed in many different industries and in a variety of circumstances. At Blanding Boyer & Rockwell, we are committed to providing timely and cost effective valuation services that meet your specific need.

Valuation Services Offered

- Business Succession planning
- Divorce
- Estate and gift tax planning
- Family limited partnerships
- Lost-profit computations
- Mergers, acquisitions and combinations
- Ownership disputes
- Wealth transfer strategies

Contact a Valuation Partner

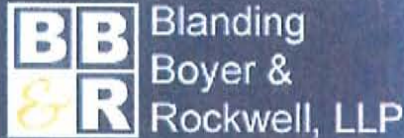
- Ronald Boyer
- Suzanne Ferraro

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Community Involvement

At Blanding Boyer & Rockwell, LLP we recognize the importance of actively participating in the social fabric of community. Throughout the year, BB&R partners and staff can be seen participating and supporting events, fundraisers and activities that benefit our community.

Sponsorships

Our partners and employees can be seen at numerous events through the year. For example, several employ from BB&R annually participate in the Strides for Hope marathon and donate all proceeds to the Wellness Community. Previous marathons include: Kona (2002), New Orleans (2003), Vancouver (2004-2005) and Humboldt's Avenue of the Giants (2006). Team BB&R also hosts several fund raising lunches and other activi to raise funds for the event.

Partner Group - Personal Support

In addition to formal support provided by the firm, BB&R employees are encouraged to take an active leader role within their respective communities. Listed below are several of the organizations that BB&R partners he serving on their board of directors.

- Diablo Road Runners
- Kennedy-King Memorial College Scholarship Fund, Ltd.
- Estate Planning Council of Diablo Valley
- Wellness Community
- Rotary Club of Walnut Creek
- Boy Scouts of America
- Walnut Creek Library Foundation
- Monterey Museum of Art

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