



NOTICE OF BUDGET & FINANCE COMMITTEE MEETING

Responsible for the review of District finances including: rates, fees, charges and other sources of revenue; budget and reserves; audit; investments; insurance; and other financial matters.

NOTICE IS HEREBY GIVEN that the San Lorenzo Valley Water District has called a meeting of the Budget & Finance Committee to be held on **Thursday, February 4, 2021, 2:00 pm**, via video/tele conference.

<https://global.gotomeeting.com/join/783916253>

You can also dial in using your phone.

(For supported devices, tap a one-touch number below to join instantly.)

United States (Toll Free): 1 866 899 4679

- One-touch: tel:+18668994679,,783916253#

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Access Code: 783-916-253

AGENDA

1. Convene Meeting/Roll Call

2. Oral Communications

This portion of the agenda is reserved for Oral Communications by the public for items which are not on the Agenda. Please understand that California law (The Brown Act) limits what the Board can do regarding issues raised during Oral Communication. No action or discussion may occur on issues outside of those already listed on today's agenda. Any person may address the Committee at this time, on any subject that lies within the jurisdiction of the District. Normally, presentations must not exceed five (5) minutes in length, and individuals may only speak once during Oral Communications. Any Director may request that the matter be placed on a future agenda or staff may be directed to provide a brief response.

3. New Business:
Members of the public will be given the opportunity to address each scheduled item prior to Committee action. The Chairperson of the Committee may establish a time limit for members of the public to address the Committee on agenda items.
 - A. ELECTION OF COMMITTEE CHAIR
Discussion and possible action by the B & F Committee regarding the election of the Committee Chair.
 - B. SET DAY AND TIME FOR COMMITTEE REGULARLY SCHEDULED MEETINGS
Discussion and possible action by the B & F Committee regarding regularly scheduled meeting time and day.
 - C. PREPARE A MULTI-MONTH CALENDAR
Discussion by the B & F Committee regarding the preparation of a multi-month calendar to look-ahead at least 3 months including update on current projects previously discussed in committee.
 - D. REVIEW FISCAL YEAR 19/20 BUDGET VERSUS ACTUALS
Discussion and possible action by the B & F Committee regarding review of FY 19/20 Budget.
 - E. AUDIT FIRM PROPOSAL REVIEW
Discussion and possible action by the B & F Committee regarding review of audit firm proposal.
4. Old Business: None
Members of the public will be given the opportunity to address each scheduled item prior to Committee action. The Chairperson of the Committee may establish a time limit for members of the public to address the Committee on agenda items.
5. Informational Material:
Here is a link <https://www.slvwd.com/node/290/minutes/2020> to previous Budget & Finance Committee meeting minutes.
6. Adjournment

Agenda documents, including materials related to an item on this agenda submitted to the Committee after distribution of the agenda packet, are available for public inspection and may be reviewed at the office of the District Secretary, 13060 Highway 9, Boulder Creek, CA 95006 during normal business hours. Such documents may also be available on the District website at www.slvwd.com subject to staff's ability to post the documents before the meeting.

Certification of Posting

I hereby certify that on January 29, 2021 I posted a copy of the foregoing agenda in the outside display case at the District Office, 13060 Highway 9, Boulder Creek, California, said time being at least 24 hours in advance of the special meeting of the Admin Committee of the San Lorenzo Valley Water District in compliance with California Government Code Section 54956.

Executed at Boulder Creek, California, on January 29, 2021.

Holly B. Hossack, District Secretary
San Lorenzo Valley Water District

2021

SAN LORENZO VALLEY WATER DISTRICT

SCHEDULE OF MEETINGS

January 2021							February 2021							March 2021								
S	Mo	Tu	We	Th	Fr	Sa	S	Mo	Tu	We	Th	Fr	Sa	S	Mo	Tu	We	Th	Fr	Sa		
					1	2			1	2	3	4	5	6			1	2	3	4	5	6
3	4	5	6	7	8	9	7	8	9	10	11	12	13	7	8	9	10	11	12	13		
10	11	12	13	14	15	16	14	15	16	17	18	19	20	14	15	16	17	18	19	20		
17	18	19	20	21	22	23	21	22	23	24	25	26	27	21	22	23	24	25	26	27		
24	25	26	27	28	29	30	28							28	29	30	31					
31																						
April 2021							May 2021							June 2021								
S	Mo	Tu	We	Th	Fr	Sa	S	Mo	Tu	We	Th	Fr	Sa	S	Mo	Tu	We	Th	Fr	Sa		
				1	2	3							1			1	2	3	4	5		
4	5	6	7	8	9	10	2	3	4	5	6	7	8	6	7	8	9	10	11	12		
11	12	13	14	15	16	17	9	10	11	12	13	14	15	13	14	15	16	17	18	19		
18	19	20	21	22	23	24	16	17	18	19	20	21	22	20	21	22	23	24	25	26		
25	26	27	28	29	30		23	24	25	26	27	28	29	27	28	29	30					
						31	30	31														
July 2021							August 2021							September 2021								
S	Mo	Tu	We	Th	Fr	Sa	S	Mo	Tu	We	Th	Fr	Sa	S	Mo	Tu	We	Th	Fr	Sa		
				1	2	3		1	2	3	4	5	6	7				1	2	3	4	
4	5	6	7	8	9	10	8	9	10	11	12	13	14	5	6	7	8	9	10	11		
11	12	13	14	15	16	17	15	16	17	18	19	20	21	12	13	14	15	16	17	18		
18	19	20	21	22	23	24	22	23	24	25	26	27	28	19	20	21	22	23	24	25		
25	26	27	28	29	30	31	29	30						26	27	28	29	30	31			
October 2021							November 2021							December 2021								
S	Mo	Tu	We	Th	Fr	Sa	S	Mo	Tu	We	Th	Fr	Sa	S	Mo	Tu	We	Th	Fr	Sa		
					1	2		1	2	3	4	5	6				1	2	3	4		
3	4	5	6	7	8	9	7	8	9	10	11	12	13	5	6	7	8	9	10	11		
10	11	12	13	14	15	16	14	15	16	17	18	19	20	12	13	14	15	16	17	18		
17	18	19	20	21	22	23	21	22	23	24	25	26	27	19	20	21	22	23	24	25		
24	25	26	27	28	29	30	28	29	30					26	27	28	29	30	31			
31																						

BoD MEETINGS 1ST & 3RD THURSDAY OF EVERY MONTH 5:30PM

ADMINISTRATION 2nd Tuesday 9:00 a.m. Fultz, Mahood, Bounds, DeJesus, Dolson

BUDGET & FINANCE _____ Henry, Mahood, Hill, Lund, Winegarden

ENGINEERING 3rd Tuesday 2:00 p.m. Smolley, To, Ladd, Lande, Murphy

ENVIRONMENTAL _____ Fultz, To, Herbst, Layng, O'Connor

FACILITIES 4th Thursday 3:00 p.m. Armstrong, Guiney, Lande, Rintoul, Sprenger, Thomas, Unger

LADOC Bi-Annually-4th Tuesday 5:30 p.m. Hagen, LoBalbo, Norton

HOLIDAYS

M E M O

TO: Budget & Finance Committee

FROM: Director of Finance

SUBJECT: FY1920 Budget vs. Actuals Report

DATE: February 4, 2021

BACKGROUND:

It is important to do a review after the audit of how the revenue and expenditures compare to the budget. The budget is a guideline to help monitor if revenue and expenses are tracking reasonably. There are some differences between budgeted and audited numbers that are important to note. For the most part the budget and audit follow accrual based accounting. Non-cash items such as depreciation, non-cash actuarial assessments and some others are excluded from the budget, however, may be integrated back in to help bridge a comparison to the audited financials.

The District typically will review actuals to budget 3 ways during the process:

- Throughout the year the District has monthly and quarterly financial reports that compare budget to actuals.
- Comparisons of budget to estimated full year actuals for revenues and expenses begin during the next year's budget process. It is a way to see how items are tracking and assist in budgeting for the following year.
- Another review, this review, is done after completion of the audit to do another high level view on the final revenues and expenditures. This helps as a guide for the Board as well, with the upcoming year(s) budget.

It is important to read any footnotes of comments associated with the report. This will help identify some of the differences you may see compared to the audited financials, as well as highlight any significant changes between the budget and actuals.

INFORMATION:

- Operating revenues were 2.9% or \$317K favorable to budget.
 - This was mainly attributed to consumption coming in 4% higher than expected.
- Operating expenses were 3.5% or \$270K favorable to budget

- This was mainly attributed to budgeted expenses not used yet:
 - \$90K net savings, decreases from employee changes and health care, offset by increased OT.
 - \$30K savings in legal, compared to expected budget.
 - \$30K savings from delayed or changed engineering department expenses, such as scanning.
 - \$90K savings in Operations and Supply & Treatment operating expenses. These are typically based on run rates and can vary depending on the type of emergencies each year.
 - \$25K lower expenditures than anticipated with the sewer fund.
- Non-operating revenues were \$318K or 26.1% favorable to budget, with \$283K due to increased interest earnings from the capital debt funding earning interest as we have not expended it all.
- Non-operating expenses were \$640K unfavorable to budget, this was due to the issuance cost of the \$14.5M COP, as well as the associated interest expense.
- Capital Project expenditures were budgeted to be \$8.8M, but came in significantly under at \$4.8M spent.
 - The majority of this was timing of projects being pushed out, most projects will occur in a later fiscal year:
 - Swim Tank (now Redwood Park Tank) had delays that pushed into FY20-21 budget. (\$2M)
 - Lyon Zone Pipe was delayed more than expected (\$1.9M)
 - This resulted in less money being spent from reserves or pre-funded debt, thus helping increase the Districts interest earnings.

FY1920 BUDGET VS. ACTUALS - SUMMARY

OPERATING REVENUES	FY1920 Actuals	FY1920 Budget	\$ Var	% Var
WATER BASIC CHARGE	\$ 3,175,865	\$ 3,163,000	\$ 12,865	0.4%
WATER USAGE CHARGE	\$ 7,689,328	\$ 7,395,500	\$ 293,828	4.0%
WASTEWATER CHARGE	\$ 134,148	\$ 132,170	\$ 1,978	1.5%
SALE OF METERS	\$ 86,114	\$ 55,000	\$ 31,114	56.6%
MISC. FEES & CHARGES	\$ 49,015	\$ 72,000	\$ (22,985)	-31.9%
TOTAL OPERATING REVENUES	\$ 11,134,470	\$ 10,817,670	\$ 316,800	2.9%
OPERATING EXPENSES				
SALARIES & BENEFITS	\$ 5,073,254	\$ 5,164,975	\$ (91,721)	-1.8%
CONTRACT/PROFESSIONAL SERVICES	\$ 613,419	\$ 735,711	\$ (122,292)	-16.6%
LEGAL SERVICES	\$ 164,137	\$ 195,000	\$ (30,863)	-15.8%
OPERATING EXPENSES	\$ 400,849	\$ 435,250	\$ (34,401)	-7.9%
MAINTENANCE	\$ 214,976	\$ 218,850	\$ (3,874)	-1.8%
FACILITIES	\$ 569,129	\$ 591,700	\$ (22,571)	-3.8%
GEN. & ADMIN.	\$ 371,213	\$ 335,670	\$ 35,543	10.6%
TOTAL OPERATING EXPENSES	\$ 7,406,977	\$ 7,677,156	\$ (270,179)	-3.5%
OPERATING INCOME (LOSS)	\$ 3,727,493	\$ 3,140,514	\$ 586,979	18.7%
NON-OPERATING REVENUE (EXPENSES)				
PROPERTY TAXES	\$ 813,051	\$ 783,750	\$ 29,301	3.7%
ASSESSMENT REV. - OLY MUTUAL	\$ 48,308	\$ 51,000	\$ (2,692)	-5.3%
ASSESSMENT REV. - LOMPICO	\$ 300,946	\$ 295,000	\$ 5,946	2.0%
MOBILE SERVICES LEASE FEES	\$ 26,297	\$ 23,750	\$ 2,547	10.7%
RENTAL INCOME	\$ 17,751	\$ 18,000	\$ (250)	-1.4%
INTEREST - INVESTMENTS	\$ 333,478	\$ 50,000	\$ 283,478	567.0%
NON-OPERATING EXPENSES				
INVESTMENT IN SMGWA	\$ (178,740)	\$ (140,000)	\$ (38,740)	27.7%
INTEREST EXPENSE	\$ (638,604)	\$ (449,210)	\$ (189,394)	42.2%
BOND ISSUANCE COST	\$ (412,354)		\$ (412,354)	-
TOTAL NON-OPERATING REV. (EXP.)	\$ 310,132	\$ 632,290	\$ (322,158)	-51.0%
DEBT PRINCIPAL PAYMENTS	\$ (932,975)	\$ (953,184)	\$ 20,209	-2.1%
CAPITAL IMPROVEMENT				
CAPITAL IMPROVEMENT PROJECTS	\$ (4,767,528)	\$ (8,805,895)	\$ 4,038,367	-45.9%
FUNDING FROM NON-DEBT SOURCES	\$ 44,240	\$ -	\$ 44,240	-
FUNDING FROM ASSESSMENT DISTRICTS	\$ 541,968	\$ 695,000		
FUNDING FROM DEBT SOURCES	\$ 2,738,669	\$ 7,037,895	\$ (4,299,226)	-61.1%
FLOW OF CAPITAL FUNDING	\$ (1,442,651)	\$ (1,073,000)	\$ (369,651)	34.5%
INCREASE (DECREASE) IN RESERVES	\$ 1,661,999	\$ 1,746,620	\$ (84,621)	-4.8%

FY1920 BUDGET VS. ACTUALS - OPERATING REVENUE

Fund	Description	FY1920 Actuals	FY1920 Budget	\$ Var	% Var	Notes
01	WATER BASIC CHARGE	\$ 3,175,865	\$ 3,163,000	\$ 12,865	0%	
01	WATER USAGE CHARGE	\$ 7,689,328	\$ 7,395,500	\$ 293,828	4%	[1]
02	WASTEWATER CHARGE	\$ 134,148	\$ 132,170	\$ 1,978	1%	
01	SALE OF METERS	\$ 86,114	\$ 55,000	\$ 31,114	57%	[2]
01	MISC. FEES & CHARGES	\$ 49,015	\$ 72,000	\$ (22,985)	-32%	[3]
TOTAL OPERATING REVENUE		\$ 11,134,470	\$ 10,817,670	\$ 316,800	3%	

[1] FY1920 consumption was based on 660,000 units of water being sold. Actual FY1920 consumption was 678,447, or 3% higher. SVWD had equipment failure that resulted in SLVWD selling approximately \$46K in water to them.

[2] It is typically unknown how many new connection or meter upgrades will be requested each year. Outside of a known project development, this is based on prior years.

[3] Decrease due to suspension of past due process for COVID-19 consideration.

FY1920 BUDGET VS. ACTUALS - NON-OPERATING REVENUE

NON-OPERATING REVENUES

Description	FY1920 Actuals	FY1920 Budget	\$ Var	% Var	Notes
PROPERTY TAXES	\$ 813,051	\$ 783,750	\$ 29,301	3.7%	
ASSESSMENT REV. - OLY MUTUAL	\$ 48,308	\$ 51,000	\$ (2,692)	-5.3%	[1]
ASSESSMENT REV. - LOMPICO	\$ 300,946	\$ 295,000	\$ 5,946	2.0%	[1]
MOBILE SERVICES LEASE FEES	\$ 26,297	\$ 23,750	\$ 2,547	10.7%	
RENTAL INCOME	\$ 17,751	\$ 18,000	\$ (250)	-1.4%	
INTEREST - INVESTMENTS	\$ 333,478	\$ 50,000	\$ 283,478	567.0%	[2]
NON-OPERATING REVENUES	\$ 1,539,830	\$ 1,221,500	\$ 318,330	26.1%	

[1] Assessment revenue estimates can vary if a parcel chooses to pay off the assessment early.

[2] Capital projects had debt funding that was received in advance and used as we incur the expenditures. This was for the \$2M Probation Tank loan and the \$14M COP, which sit in interest bearing accounts. Interest earnings on regular reserve funds was in line with the budget.

CAPITAL CONTRIBUTIONS

Description	FY1920 Actuals	FY1920 Budget	\$ Var	% Var	Notes
CAPITAL CONTRIBUTION - STATE	\$ 44,240		\$ 44,240	-	[3]

[3] Reimbursement ahead of project completion for Master Plan.

FY1920 BUDGET VS. ACTUALS - OPERATING EXPENSES

BUDGETED OPERATING EXPENSES

Dept.	Description	FY1920 Actuals	FY1920 Budget	\$ Var	% Var	Notes
WATER FUND						
100	ADMINISTRATIVE					
	SALARIES & BENEFITS	\$ 454,420	\$ 491,956	\$ (37,536)	-8%	Difference in assumptions for PTO fluctuations
	CONTRACT/PROFESSIONAL SERVICES:					
	CONTRACT/PROFESSIONAL SERVICES	\$ 60,307	\$ 59,100	\$ 1,207	2%	
	LEGAL SERVICES	\$ 164,137	\$ 195,000	\$ (30,863)	-16%	Ran lower than expected run rate
	OPERATING EXPENSES	\$ 11,794	\$ 1,986	\$ 9,808	494%	
	MAINTENANCE	\$ 18,880	\$ 15,887	\$ 2,993	19%	Laptops, webcams needed due to COVID
	FACILITIES	\$ 30,205	\$ 26,810	\$ 3,396	13%	
	GEN. & ADMIN.	\$ 190,403	\$ 159,112	\$ 31,291	20%	\$26K from insurance claims and \$4K over in advertising
	ADMINISTRATIVE	\$ 930,146	\$ 949,851	\$ (19,705)	-2%	
200	FINANCE					
	SALARIES & BENEFITS	\$ 1,075,255	\$ 1,102,927	\$ (27,672)	-3%	~\$10K decrease in medical insurance due to plan changes, and ~\$10K allocated for projects/sewer
	CONTRACT/PROFESSIONAL SERVICES	\$ 100,504	\$ 108,728	\$ (8,225)	-8%	Some small savings from meters being behind and decreased IVR fees due to COVID
	OPERATING EXPENSES	\$ 5,433	\$ 1,738	\$ 3,695	213%	1 laptop and 2 monitors needed for remote work
	MAINTENANCE	\$ 14,719	\$ 15,738	\$ (1,019)	-6%	
	FACILITIES	\$ 1,296	\$ 1,500	\$ (204)	-14%	
	GEN. & ADMIN.	\$ 163,445	\$ 147,473	\$ 15,972	11%	Increase in bank charges and bad debt, \$6K each
	FINANCE	\$ 1,360,652	\$ 1,378,104	\$ (17,452)	-1%	
300	ENGINEERING					
	SALARIES & BENEFITS	\$ 340,167	\$ 379,817	\$ (39,650)	-10%	\$20K from new hire, \$13K changes in medical plans
	CONTRACT/PROFESSIONAL SERVICES	\$ 13,132	\$ 32,000	\$ (18,868)	-59%	Budgeted for scanning and outside engineering
	OPERATING EXPENSES	\$ 14,607	\$ 23,000	\$ (8,393)	-36%	Budgeted for higher tech GPS equipment
	MAINTENANCE	\$ 278	\$ 1,000	\$ (722)	-72%	
	FACILITIES	\$ 760	\$ 2,500	\$ (1,740)	-70%	
	GEN. & ADMIN.	\$ 1,461	\$ 7,800	\$ (6,339)	-81%	Budgeted for training and subscriptions
	ENGINEERING	\$ 370,405	\$ 446,117	\$ (75,712)	-17%	
400	DISTRIBUTION					
	SALARIES & BENEFITS	\$ 1,584,815	\$ 1,482,930	\$ 101,885	7%	\$25K change in payroll assumptions, \$15K PTO, \$15K PERS, \$10K OT, remainder coding between Dept 800
	CONTRACT/PROFESSIONAL SERVICES	\$ 80,391	\$ 140,000	\$ (59,609)	-43%	Based on historic run rates, can be cyclical if no major instances arise
	OPERATING EXPENSES	\$ 178,785	\$ 172,000	\$ 6,785	4%	
	MAINTENANCE	\$ 101,656	\$ 105,749	\$ (4,093)	-4%	
	FACILITIES	\$ 192,001	\$ 197,866	\$ (5,865)	-3%	
	GEN. & ADMIN.	\$ 6,322	\$ 8,440	\$ (2,118)	-25%	
	DISTRIBUTION	\$ 2,143,971	\$ 2,106,985	\$ 36,986	2%	

Dept.	Description	FY1920 Actuals	FY1920 Budget	\$ Var	% Var	Notes
500	WATERSHED					
	SALARIES & BENEFITS	\$ 112,063	\$ 193,048	\$ (80,985)	-42%	\$70K salary difference from Env. Manager, \$12K medical
	CONTRACT/PROFESSIONAL SERVICES	\$ 157,407	\$ 160,111	\$ (2,704)	-2%	
	OPERATING EXPENSES	\$ 2,213	\$ 4,500	\$ (2,287)	-51%	
	MAINTENANCE	\$ 1,505	\$ 8,000	\$ (6,495)	-81%	
	FACILITIES	\$ 351	\$ 1,200	\$ (849)	-71%	
	GEN. & ADMIN.	\$ 4,123	\$ 3,850	\$ 273	7%	
	WATERSHED	\$ 277,662	\$ 370,709	\$ (93,047)	-25%	
800	SUPPLY & TREATMENT					
	SALARIES & BENEFITS	\$ 1,462,238	\$ 1,457,630	\$ 4,609	0%	
	CONTRACT/PROFESSIONAL SERVICES	\$ 139,500	\$ 160,000	\$ (20,500)	-13%	Based on historic run rates, can be siclical if no major instances arise
	OPERATING EXPENSES	\$ 176,788	\$ 207,000	\$ (30,212)	-15%	Based on historic run rates, can be siclical if no major instances arise
	MAINTENANCE	\$ 76,435	\$ 70,003	\$ 6,432	9%	
	FACILITIES	\$ 332,700	\$ 349,577	\$ (16,877)	-5%	Savings in utilities bills
	GEN. & ADMIN.	\$ 3,942	\$ 7,447	\$ (3,505)	-47%	
	SUPPLY & TREATMENT	\$ 2,191,603	\$ 2,251,657	\$ (60,054)	-3%	
	WATER FUND	\$ 7,274,440	\$ 7,503,423	\$ (228,983)	-3%	
600	WASTEWATER FUND					
	WASTEWATER					
	SALARIES & BENEFITS	\$ 44,296	\$ 56,667	\$ (12,371)	-22%	Less time spent on emergencies
	CONTRACT/PROFESSIONAL SERVICES	\$ 62,178	\$ 75,772	\$ (13,594)	-18%	Less water analysis than anticipated.
	OPERATING EXPENSES	\$ 11,228	\$ 25,026	\$ (13,798)	-55%	Based on historic run rates, can be siclical if no major instances arise
	MAINTENANCE	\$ 1,503	\$ 2,472	\$ (969)	-39%	
	FACILITIES	\$ 11,816	\$ 12,248	\$ (432)	-4%	
	GEN. & ADMIN.	\$ 1,516	\$ 1,547	\$ (32)	-2%	
	WASTEWATER	\$ 132,537	\$ 173,733	\$ (41,196)	-24%	
	WASTEWATER FUND	\$ 132,537	\$ 173,733	\$ (41,196)	-24%	
TOTAL OPERATING EXPENSES		\$ 7,406,977	\$ 7,677,156	\$ (270,179)	-4%	
PRO FORMA TO AUDIT						
[1]	NON-CASH ACTUARIAL ITEMS	\$ 517,578				
	OPERATING EXPENSES PER AUDIT	\$ 7,924,555	<i>Agrees to pg. 15 in audit</i>			
BUDGETED NON-OPERATING EXPENSES						
[2]	NON-OPERATING EXPENSES					
	INVESTMENT IN SMGWA	\$ 178,740	\$ 140,000	\$ 38,740	28%	
	INTEREST EXPENSE	\$ 638,604	\$ 449,210	\$ 189,394	42%	
	BOND ISSUANCE COST	\$ 412,354				
[3]	OVERHEAD ABSORPTION	\$ (231,862)				
[4]	DEPRECIATION	\$ 1,582,370				
TOTAL EXPENSES PER AUDIT		\$ 10,504,761	<i>Agrees to pg. 15 in audit</i>			

[1] Non-cash expenses for future estimated actuarial expenses are an accounting method based on GASB. As these are non-cash and based on future assumptions, it is not a budgeted item. Pension Exp \$373K, OPEB Exp \$144K.

[2] Non-operating expenses are all made up of debt interest expense

[3] Overhead absorption are the direct and indirect capitalized costs associated with an asset the District did internally. For example, a capital pipeline project was constructed by District staff and materials versus hiring an outside contractor. The cost of the staff are still an operating expense, but the cost is then allocated to the asset.

[4] Depreciation is an accounting method of allocating the cost of a tangible asset over its useful life. The initial asset is recorded as an asset on the balance sheet and then the depreciation is gradually recognized as an expense over the useful life. This item is not typically budgeted for, but can be a useful tool to see what assets are nearing expected life end. The District budgets separately for planned capital asset additions.

FY1920 BUDGET VS. ACTUALS - SUMMARY CAPITAL PROJECTS

#	Project	Funding Type	FY1920 BUDGET REQUEST	FY1920 Actual Spend	Difference from Budget	Notes
General Water System:						
1	Probation Tank	PRE FUNDED LOAN	1,670,770	1,635,100	(35,670)	Project completed FY1920, total \$2,767,238. Original total project est. cost \$2,250,000.
2	Felton Heights Tank and Booster	LOAN	300,000	1,341	(298,659)	Pushed out to FY20-21 Budget
3	Meter Replacement	RESERVES	200,000	88,178	(111,822)	Lower than expected replacements. Total 301: 218 dead meters replaced, 83 meters from the meter replacement program.
4	1 Field CS Vehicle	RESERVES	35,000		(35,000)	Vehicles came in the beginning of FY20-21
5	2 Ops Vehicles	RESERVES	80,000		(80,000)	Vehicles came in the beginning of FY20-21
6	1 Pooled Vehicle (Eng./Env.)	RESERVES	28,000		(28,000)	Pushed out to FY20-21 Budget
7	Glen Arbor Bridge South	RESERVES	75,000	43,473	(31,527)	Timing, remainder of project in the FY20-21 Budget
8	System Wide Master Plan	RESERVES/ \$70K GRANT	200,000	63,525	(136,475)	Timing, remainder of project in the FY20-21 Budget
9	Swim Tank	LOAN	2,000,000	39,965	(1,960,035)	Now the Redwood Park Tank project, timing, remainder of project in the FY20-21 Budget.
10	Lyon Zone Pipe	LOAN	1,950,000	37,143	(1,912,857)	Timing, majority moved to FY20-21 budget, with completion in FY21-22
11	Fall Creek Fish Ladder	LOAN	40,000	113,302	73,302	Timing, remainder of project in the FY20-21 Budget
12	San Lorenzo Bridge Pipeline	RESERVES	15,000		(15,000)	Timing
13	El Solyo Tank	LOAN	50,000	32,310	(17,690)	Timing, remainder spent in FY20-21
14	Highland Tank	LOAN	25,000		(25,000)	Pushed out to FY20-21 Budget
15	Brookdale Tank Coating	LOAN	250,000		(250,000)	Pushed out to FY20-21 Budget
16	Blair Tank Coating	LOAN	225,000		(225,000)	Pushed out to FY20-21 Budget
17	4 Mobile/4 Fixed Generators	LOAN	420,000	533,571	113,571	Approved for 2 additional generators, 10 total
19	Vactor Truck	RESERVES	25,000	24,306	(694)	Project completed FY1920, total \$24,306
20	HCP Report District Wide	RESERVES	130,000	30,340	(99,660)	Timing, should be completed in FY20-21
21	CEQA for Intertie	100% GRANT	85,000		(85,000)	Pushed out to FY20-21 Budget
Lompico Assessment District						
22	PRV's	LOMPICO AD	100,000	528,611	428,611	Projected pushed from FY1819 here. Project completed FY1920 \$565,431
23	Madrone Tank	LOMPICO AD	267,375	276,648	9,273	Timing, remainder spent in FY20-21
24	Kaski Tank	LOMPICO AD	206,250	95,761	(110,489)	Timing, remainder spent in FY20-21
25	Lewis Tank	LOMPICO AD	228,500	519,310	290,810	Timing, remainder spent in FY20-21
Storm Damage 2017 FEMA						
26	Lyon Slide Repair	FEMA/RESERVES	200,000	25,993	(174,007)	Pushed out to FY20-21 Budget
TOTAL BUDGETED PROJECT SPEND			8,805,895	4,088,877	(4,717,018)	
OTHER PROJECTS NOT ORIGINALLY BUDGETED FOR:						
	Lompico Service Lines			6,945		Done on an as needed basis
	Sequoia Pipeline			5,548		Was expected to be FY20-21
	California Dr Pipeline			42,165		Was expected to be FY20-21
	Hillside Dr Pipeline			41,810		Was expected to be FY20-21
	Quail Hollow Pipeline			46,932		Was expected to be FY20-21
	Paso Well 6			130,582		Expected to have completed FY1819, \$789,140 total.
	Probation Tank SCADA			24,276		
	New meter sets			27,341		Funded from customer installation fees
	Quail 5A & Oly 3 Well Rehab			152,449		
	Lyon Plant Return Pump			12,748		
	Lab Autoclave Sterilizer			8,800		
	Huckleberry Tank Cathodic Protection			6,200		
	Wells Rd Pressure System			8,005		
	Caliente/Collado PRV			10,612		
	Bear Creek Rd Slide			146,998		Unexpected disaster
	HVAC Engineering			7,240		
TOTAL OTHER PROJECTS DURING THE FY				678,651		
TOTAL CAPITAL PROJECT SPEND FY1920			8,805,895	4,767,528	(4,038,367)	

M E M O

TO: Budget & Finance Committee
FROM: Director of Finance
SUBJECT: Audit Firm RFP Review
DATE: February 4, 2021

RECOMMENDATION:

It is recommended the Committee members, District Manager and Director of Finance, review and complete a review sheet for each of the 5 audit firm proposals received in advance of the meeting. The Committee can then discuss their assessments and propose a recommendation to the full Board.

BACKGROUND:

The District will typically secure an agreement with an audit firm for 3 years, with the possibility for an extension of 2 more years. The District's Director of Finance acts as the Treasurer for the SMGWA. It was agreed that the same firm the District uses may perform the SMGWA audits for simplicity. Additionally, it is expected that SLVWD will require a single audit for the next couple fiscal years due to the FEMA reimbursements. SMGWA may also require a single audit depending on the amount of grant reimbursements. Please review the full RFP and supplemental questions and answers on the website below:

<https://www.slvwd.com/doing-business/pages/bid-opportunities>

The District received 5 proposals for review. There is an attached scoring sheet to use for each proposal.

Audit Firm		FY2021	FY2122	FY2223	FY2324	FY2425	Single Audit	Est Hours	Address	
Badawi & Associates	Audit Fee	\$ 20,315	\$ 20,900	\$ 21,390	\$ 21,390	\$ 21,390		216	2855 Telegraph Avenue, Suite 312, Berkeley CA 94705	
	Annual Report of Financial Trans.	\$ 590	\$ 630	\$ 670	\$ 670	\$ 670		6		
	Out of Pockets									
	Estimated Total	\$ 20,905	\$ 21,530	\$ 22,060	\$ 22,060	\$ 22,060				
	Single Audit	\$ 1,520	\$ 1,620	\$ 1,720	\$ 1,720	\$ 1,720		16		
	SMGWA	\$ 8,105	\$ 8,320	\$ 8,640	\$ 8,640	\$ 8,640		86		
	Grand Total	\$ 30,530	\$ 31,470	\$ 32,420	\$ 32,420	\$ 32,420	\$ 159,260	324		
David Farnsworth	Audit Fee	\$ 19,200	\$ 19,776	\$ 20,369	\$ 20,980	\$ 21,610			11501 Dublin Blvd, #200, Dublin, CA 94568	
	Annual Report of Financial Trans.	\$ 495	\$ 510	\$ 525	\$ 541	\$ 557				
	Out of Pockets	\$ 1,440	\$ 1,483	\$ 1,528	\$ 1,574	\$ 1,621				
	Estimated Total	\$ 21,135	\$ 21,769	\$ 22,422	\$ 23,095	\$ 23,788		144		
	Single Audit	\$ 5,284	\$ 5,442	\$ 5,606	\$ 5,774	\$ 5,947		40		Backed in from regular audit rate
	SMGWA	\$ 7,934	\$ 8,172	\$ 8,417	\$ 8,670	\$ 8,930		52		
	Grand Total	\$ 34,353	\$ 35,383	\$ 36,445	\$ 37,539	\$ 38,665	\$ 182,385	236		
Fedak & Brown	Audit Fee	\$ 18,375	\$ 18,375	\$ 18,375	\$ 18,375	\$ 18,375		160	6081 Orange Ave., Cypress, CA 90630	
	Annual Report of Financial Trans.	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500		5		
	Out of Pockets									
	Estimated Total	\$ 18,875	\$ 18,875	\$ 18,875	\$ 18,875	\$ 18,875				
	Single Audit	\$ 4,670	\$ 4,670	\$ 4,670	\$ 4,670	\$ 4,670		40		
	SMGWA Audit + FTR	\$ 5,110	\$ 5,110	\$ 5,110	\$ 5,110	\$ 5,110		45		
	SMGWA Single Audit	\$ 4,610	\$ 4,610	\$ 4,610	\$ 4,610	\$ 4,610		40		
	Grand Total Less SMGWA SA	\$ 28,655	\$ 28,655	\$ 28,655	\$ 28,655	\$ 28,655	\$ 143,275	250		
Harshwal	Audit Fee	\$ 14,190	\$ 14,757	\$ 15,347	\$ 15,961	\$ 16,599			7677 Oakport Street, Suite 460, Oakland, CA 94621	
	Annual Report of Financial Trans.	\$ 510	\$ 510	\$ 510	\$ 530	\$ 552				
	Out of Pockets									
	Estimated Total	\$ 14,700	\$ 15,267	\$ 15,857	\$ 16,491	\$ 17,151		140		Includes single audit
	Single Audit	\$ 3,000	\$ 3,120	\$ 3,244	\$ 3,374	\$ 3,509				Included in the 140 hrs above
	SMGWA	\$ 6,995	\$ 7,274	\$ 7,565	\$ 7,867	\$ 8,182		56		
	Grand Total	\$ 24,695	\$ 25,661	\$ 26,666	\$ 27,732	\$ 28,842	\$ 133,596	196		
Fechter	Audit Fee	\$ 20,000	\$ 20,500	\$ 21,013	\$ 21,538	\$ 22,076			3445 American River Dr. Sacramento, CA 95864	
	Annual Report of Financial Trans.									
	Out of Pockets	\$ 1,000	\$ 1,025	\$ 1,051	\$ 1,077	\$ 1,104				
	Estimated Total	\$ 21,000	\$ 21,525	\$ 22,063	\$ 22,615	\$ 23,180		195		
	Single Audit	\$ 2,700	\$ 2,768	\$ 2,837	\$ 2,908	\$ 2,980		21		Backed in from regular audit rate
	SMGWA	\$ 8,500	\$ 8,713	\$ 8,930	\$ 9,154	\$ 9,382		77		
	Grand Total	\$ 32,200	\$ 33,005	\$ 33,830	\$ 34,676	\$ 35,543	\$ 169,254	293		

Firm/Proposal: _____

Reviewed By: _____

SCORE

- 1. Firm's Experience (25 pts)..... _____
- 2. Professional Personnel (25 pts)..... _____
- 3. Planning of Engagement (20pts) _____
- 4. Fee for the Engagement (20pts)..... _____
- 5. Adherence to RFP (10 pts) _____

Notes: _____

San Lorenzo Valley Water District

TECHNICAL PROPOSAL

For Professional Auditing Services

for the San Lorenzo Valley Water District

*For fiscal years ending June 30, 2021 through 2023,
with the option of auditing its financial statements for
each of the two (2) subsequent fiscal years.*

January 13, 2021

Contact Person:

Ahmed Badawi, CPA
Badawi & Associates
Certified Public Accountants
2855 Telegraph Avenue, Suite 312
Berkeley, CA 94705
Phone: (510) 768-8244
Fax: (510) 768-8249
E-mail: abadawi@b-acpa.com



San Lorenzo Valley Water District

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January 13, 2021

Ms. Stephanie Hill
Director of Finance & Business Services
San Lorenzo Valley Water District
13060 Highway 9
Boulder Creek, CA 95006

Dear Ms. Hill:

Badawi & Associates (B&A), Certified Public Accountants (the "Firm") is pleased to have the opportunity to respond to your request for a proposal to provide external audit services and to submit its qualifications to perform an independent audit of the financial statements of the San Lorenzo Valley Water District (the "District") for the fiscal years ending June 30, 2021 through 2023, with the option of auditing its financial statements for each of the two (2) subsequent fiscal years. The objective of our audits is to issue opinions regarding the fairness of presentation of the financial position of the District in accordance with generally accepted accounting principles. These audits are to be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the General Accounting Office's (GAO) Government Auditing Standards, with the *Minimum Audit Requirements and Reporting Guidelines for California Special Districts* as required by the State Controller's Office and with Generally Accepted auditing Standards (GAAS), as well as any other applicable federal, state, local or programmatic audit requirements.

We will also perform the following as part of our audit:

- Single Audit (if required)
- Financial Transactions Report
- Santa Margarita Groundwater Agency Audit

We will also apply limited audit procedures to Management's Discussion and Analysis (MD&A) and required supplementary information. In addition, we will prepare the management letter containing comments and recommendations regarding our review and evaluation of the systems of internal control and accounting procedures.

This proposal will highlight the background of the partners and staff assigned to the engagement, summarize our experience in the governmental area, and describe our approach to auditing the District.

This proposal demonstrates our ability to render the quality examination and to perform the necessary accounting and auditing services requested by the District on a timely basis.

As a partner of the Firm, I will be the primary contact for negotiation of the contract. Additionally, I have been authorized to legally bind the Firm. You may contact me at the following address and phone number:

Mr. Ahmed Badawi, CPA
Badawi & Associates
Certified Public Accountants
2855 Telegraph Avenue, Suite 312
Berkeley, CA 94705
Telephone: (510)768-8244
E-mail: abadawi@b-acpa.com

Ms. Stephanie Hill
Director of Finance & Business Services
San Lorenzo Valley Water District
Page 2

We are committed to performing the required work, completing the audit, and issuing the necessary auditors' reports.

We believe we are the best qualified to perform the audit because our audit staff includes individuals well versed in municipal auditing and reporting requirements. We have performed auditing and consulting engagements for numerous agencies throughout California. We will be responsive to the needs of the District, we understand the District's operational environment, and pledge to you our complete commitment to providing a quality product that meets the District's requirements.

The approach to the audit has been designed to meet the audit requirements of the District with the least disruption to the District's office operations. The foundation of the audit approach is based on communication coupled with a strong knowledge of District operations and detailed planning at the initial stages of the audit. Open communication lines with all parties of the Engagement Team and District Management and staff throughout the engagement eliminate "surprises". Initial planning and proper assignment of duties to experienced personnel provide for an effective and efficient audit process. Consequently, inefficiencies and disruptions are kept to a minimum. In addition, we perform almost half of the audit tasks during the interim phase to minimize any unforeseen delays during the year-end phase and to ensure a smooth and timely audit process.

The Firm maintains liability insurance coverage for professional liability, Workers' Compensation, Comprehensive General Liability and Auto as part of our comprehensive insurance policy.

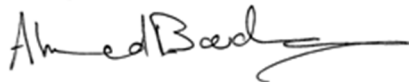
The Firm is an Equal Opportunity employer and complies with all Federal and State hiring requirements. The Firm also supports Affirmative Action philosophies and works hard to provide disadvantaged groups with opportunities for self enhancement.

This proposal is a firm and irrevocable offer for 180 days.

We are confident that you will find our organization offers the required expertise, technical knowledge, and business understanding to perform an audit of the District. Our past experience provides us with a thorough understanding of the needs and requirements of the District, as well as the technical knowledge to perform such services in accordance with the accounting and auditing guidelines as published by the various authoritative entities.

We welcome your inquiries and look forward to further discussions with you.

Sincerely,



Ahmed Badawi
Partner
Badawi & Associates
Certified Public Accountants

Independence Independence

The Firm is independent of the San Lorenzo Valley Water District as defined by the GAO's Standards for Audit of Governmental Organizations, Programs, Activities and Functions, and the AICPA and California State Society of Certified Public Accountants as promulgated in various auditing and professional standards.

Firm Qualifications and Experience

Insurance

The Firm maintains professional liability insurance and other coverage as part of our comprehensive insurance policy. Upon selection as the District's independent auditor, the Firm and our insurance provider will provide a certificate of insurance to the District which shows the minimum requirements identified by the District have been met.

License to Practice in California

The Firm and all key professional staff assigned to the District's audits are properly licensed to practice as Certified Public Accountants in the State of California and comply with GAO Government Auditing Standards.

The Firm is registered with the California State Board of Accountancy. Its State number is COR6823.

The Firm has met all required State and local laws, rules, and regulations.

Firm Qualifications

Badawi & Associates was founded by Mr. Ahmed Badawi. Mr. Badawi has over 20 years of experience working with state and local government. Prior to founding B&A, Mr. Badawi was a partner with several local and national firms, where he headed their government practice in Northern California. Mr. Badawi founded Badawi & Associates to serve the fast-paced needs of California's local governments. The goal is to build a proactive, client-focused culture from the ground up and to eliminate the entrenched bureaucratic culture and intrinsic limitations of the big audit firms.

Located in Berkeley, CA, the Firm serves a variety of cities throughout California as well as conducting financial related services for numerous special districts and authorities. The Firm staff level fluctuates throughout the year, the firm has up to 15 professional staff, and a quality control reviewer during the busy season. Names and phone numbers of several of our current and past clients and other references are provided for your inquiries. We encourage you to contact these individuals to obtain information on the quality of the audit and the ability of the audit staff.

Our Berkeley office will be the Engagement Office assigned to the District.

In addition to specific district financial statements, the Firm members have also audited numerous redevelopment agencies, public financing authorities, hospitals, housing authorities, transportation authorities, special districts, water districts, OCJP grants, self-insurance pools, joint power authorities and has also performed numerous compliance audits in accordance with the Single Audit Act, childcare regulations, TOT regulations, AQMD regulations, franchise requirements, RDA compliance, and other special projects. Additionally, the Firm has significant experience in bond offerings, post closure landfill costs, and recent changes to redevelopment District reporting requirements

The Engagement Partner assigned to the District, Mr. Ahmed Badawi. Mr. Badawi has over 20 years of government audit and accounting experience. He is a member of various governmental committees, has actively participated in the development of accounting and audit guidelines for the governmental sector, and is an instructor for the California Society of Municipal Finance Officers.

The professional staffs assigned to the Engagement are qualified and experienced. Each individual of the Engagement Team has several years of experience and has conducted or participated in numerous municipal audits of various sizes. Their understanding of governmental operations and the various authoritative guidelines will provide the where-with-all to perform the audit in an efficient and effective manner with minimal disruption to the District's finance department.

Technical Approach

The approach to the audit has been designed to meet the audit requirements of the various authorities with the least disruption to the District's operations. The foundation of the audit approach is based on communication coupled with a strong knowledge of District operations and detailed planning at the initial stages of the audit. Open communication lines with all parties of the Engagement Team and District Management and staff throughout the engagement eliminate "surprises". Initial planning and proper assignment of duties to experienced personnel provide for an effective and efficient audit process. Consequently, inefficiencies, disruptions, and lack of understanding are kept to a minimum.

The audit approach will consist of four phases:

1. **Initial Planning Meeting:**

The Engagement Partner and Manager will meet with District Management to discuss the audit approach, identify specific needs of District Management, and familiarize themselves with District policies and practices.

2. **Interim:**

The Engagement Team members including the Engagement Team Partner will perform the internal control reviews, test transactions, and identify potential audit issues that need to be addressed, perform limited confirmation procedures, and develop a clear understanding between the Engagement Team and District Management of the year-end audit responsibilities and assignments. **In addition, we strive to complete many of the year-end audit tasks during the interim phase to ensure a smoother audit process. We will work with the District on providing a list of those tasks that we will target to complete during interim and work with the District on how to complete them to minimize the amount of effort and time needed at year-end which in turn will assist the District in meeting its goal of issuing the report by the desired deadline.**

3. **Year end:**

The Engagement Team members including the Engagement Team Partner will conduct validation procedures on general ledger account balances, complete confirmation procedures, perform analytical procedures on revenue and expenditures, perform search for unrecorded liabilities, complete compliance work on Federal Assistance (if required), and wrap up audit field work.

4. **Reporting:**

Auditor's reports for all District reporting entities and compliance requirements will be finalized along with the Management Letter comments. The Partner and Manager will be available to make presentations to the Board and/or designated bodies.

Firm Experience

The Firm is located in Berkeley, and provides a full range of accounting services to governmental agencies throughout California, including audit, tax and accounting. The Firm's professional staff members provide the financial background and specific experience to meet the District's operational needs. Additionally, this situation provides the District with an auditing firm that has depth in capabilities to address any financial issue the District may need assistance with, and the quality audit approach that you expect.

Our Berkeley office will be the Engagement Office assigned to the District.

Firm policy requires that the Engagement Partner, during the first year of the engagement, be actively involved in the daily fieldwork. This means to the District that Mr. Badawi will actually be on-site during the audit coordinating the audit process, supervising the audit staff, gaining a hands-on understanding of District processes, and benefiting the District with his broad municipal experience. We have found that this effort benefits the District and the Firm through developing a thorough knowledge of the District's practices and issues and establishing a close working relationship with the District's Management. Additionally, continuity of audit personnel is assured because of the hands on involvement of the Partner.

We are committed to providing appropriate and related experience, personal involvement, and a broad business perspective to produce a quality end product within the time frames required.

The Firm provides financial and compliance auditing services to governmental agencies throughout California. We are a governmental agency auditing firm and our professional staff members have been performing these services for many years. As a result, we have performed financial and compliance audits on most, if not all, types of governmental agencies and operations including:

- Cities
- Redevelopment Agencies
- Financing Authorities
- Housing Authorities
- Special Districts
- Water Districts
- Waste Management Authorities and Operations
- Pension Plans
- Child Care Operations
- Joint Power Authorities
- Investment Activities
- Landfills
- Enterprise Funds
- Airports
- Transportation Operations
- Federal and State Grants

Additional Activities

We offer a full range of accounting and finance services to the governmental sector. These services include:

- Financial audits
- Compliance audits
- Tax advice
- Development of financial and accounting policies and procedures
- Investment review and compliance evaluation
- Operational reviews
- Technical guidance on existing and upcoming accounting issues
- Training seminars
- Pension/profit-sharing plans
- Performance audits
- Business consulting

Consequently, Firm personnel are well qualified to perform the services expected by the District

Client Training Seminar

The Firm hosts an annual update on recent technical accounting and finance issues affecting the governmental area. This all day session reviews new and anticipated pronouncements from GASB, discusses future issues under consideration by GASB, reviews accounting treatment of various transactions where issues may arise, and provides a general overview of state and federal compliance issues. All of our clients are invited to attend, free of charge. The one day session qualifies for CPE under the rules of the State Board of Accountancy and is held in locations throughout the Bay Area.

CSMFO Training

The Firm provides a one-day training session entitled "Introduction to Governmental Accounting" to members of CSMFO. Firm personnel developed the class materials and teach the sessions. Approximately 10 sessions are held annually at various locations throughout the State. The Firm provides these sessions for only the cost of materials to CSMFO in keeping with its philosophy to support the industry in which it serves.

GASB 68 Firm Developed Tools and Assistance

The Firm has developed tools to assist our clients with preparation of GASB 68 journal entries for the CalPERS' Cost Sharing Plans (for which individualized actuarial valuations are no longer prepared) and the CalPERS' Agent Multiple Employer Plans. In addition to providing our clients with these tools and instructions on how to use them, we are available to answer any questions on how to prepare and complete the GASB 68 journal entries.

Quality Control Review

According to Government Auditing Standards, firms who perform audits under the Yellow Book are required to have a peer review once every three years. We received a report with a rating of pass with no deficiencies which we attached for your review.



Report on the Firm's System of Quality Control

Badawi & Associates

Oakland, California;
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Badawi & Associates (the firm) in effect for the year ended February 28, 2019. 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 compliance audits under the Single Audit Act.

As 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.

CPAs ▪ Advisors

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Peer Review Report
Page 2 of 2

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Badawi & Associates in effect for the year ended February 28, 2019, 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*. Badawi & Associates has received a peer review rating of *pass*.

GYL LLP

Ontario, California
May 31, 2019

GYL

B&A has policies and procedures to ensure it hires only qualified people, that it properly supervises them and provides professional training, that it advances them to responsibilities they are capable of handling, and that it provides them with necessary technical resources. All members of B&A are very familiar with the stringent quality control standards established by the AICPA.

The Firm is a member of the AICPA Government Audit Quality Center.

The Firm is a member of the AICPA Private Companies Practice Section.

Federal or State Desk Reviews

The Firm has had no negative federal or state reviews in the past three (3) years.

Disciplinary Action

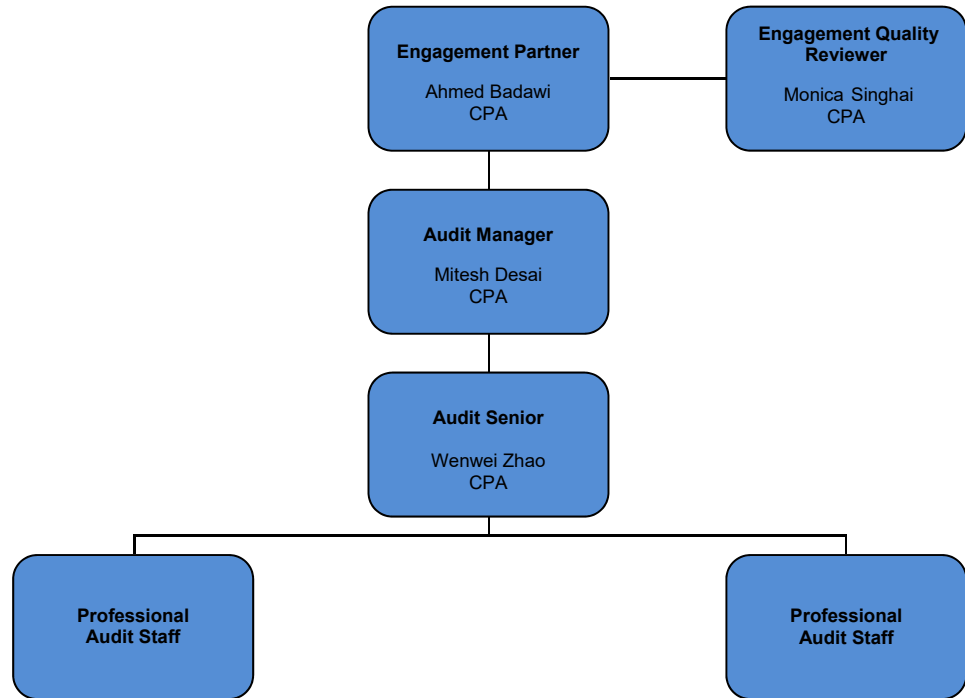
There has not been any state or federal disciplinary actions taken or pending against the Firm nor any findings to report.

Litigations

The Firm has not experienced any lawsuits or legal actions that have been resolved or are currently pending in the prior five years.

**Partner,
Supervisory,
and Staff
Qualifications
and
Experiences**

The Engagement Team will normally consist of six individuals who provide a broad business perspective and significant experience in governmental auditing. This team will provide access to a wide range of technical capabilities which will provide the District with not only the technical support necessary to perform the audit, but also the broad business background to interpret findings and observations to offer effective solutions to issues, and the personal involvement of the Engagement and Compliance Partners of the Firm.



The Engagement Team will be led by Ahmed Badawi, CPA. Mr. Badawi’s background includes over twenty years of municipal auditing experience. He is the instructor of the CSMFO “Introduction to Governmental Accounting” training classes. Mr. Badawi is a member of the Government Accounting and Auditing Committee of the California Society of Certified Public Accountants. He has participated in the audits of numerous city, county and special district governments, as well as non-profit entities. His diversified background offers the technical qualities required of the governmental and non-profit areas and the necessary wherewithal to properly evaluate the entire accounting process, develop opportunities to improve the accounting process, and to offer practical business recommendations.

The second member of the Engagement Team will be Mitesh Desai, CPA. Mr. Desai’s background includes thirteen years of experience in municipal auditing. Mr. Desai has participated in the audits of numerous governmental agencies, assisted in their efforts to publish their CAFRs in compliance with GASB 34, and a volunteer member of the GFOA Special Review Committee. Mr. Desai has also achieved the Advanced Single Audit Certificate offered by the AICPA. He will serve as the Audit Manager.

The third member of the Engagement Team will be Wenwei Zhao, CPA. Ms. Zhao’s background includes four years of accounting and auditing experience. She has participated in the audits of numerous governmental entities and assisted in their efforts to publish their financial statements in compliance with various regulations. Ms. Zhao will be the Audit Senior of this engagement.

The fourth member of the Engagement Team will be Monica Singhai, CPA. Mrs. Singhai's background includes over seventeen years of experience in municipal auditing. She has participated in the audits of numerous governmental agencies and assisted in their efforts to publish their financial statements in compliance with various regulations. Mrs. Singhai will be the Engagement Quality Reviewer of this engagement.

Each member of the Engagement Team participates in continuing education programs offered by the AICPA and California State Society of Certified Public Accountants, and each has met the continuing education requirements for municipalities. In addition, the firm offers at least 60 hours of in-house CPE annually focused mainly on municipal audits.

Professional Development:

The Firm maintains a comprehensive training program targeted at appropriate professional staff levels. It utilizes in-house developed educational programs, AICPA and California CPA Foundation educational programs, and on-the-job training.

The Firm's annual training schedule which officially begins in April for all professional staff and administrative staff includes comprehensive in-house training sessions on such topics as:

- Review of principles of accounting and financial reporting for state and local governments
- Review of governmental fund types and account groups
- Review of newly issued generally accepted auditing standards and GAO auditing standards
- Review of Internal Control evaluation approaches including COSO principles
- Updates on recent governmental accounting and reporting guidelines
- Review of Single Audit requirements and approaches
- Review of financial audit approaches
- Overview of audit and internal control work paper techniques
- Review of GASB reporting requirements
- Review of current issues facing the governmental community

During the year, professional staff members are sent to various educational sessions sponsored by the AICPA and California State Society of CPAs, as considered appropriate for the level and need of the individual. These classes include, among others:

- Governmental Financial Reporting Standards and Practices
- Yellow Book: Government Auditing Standards
- Financial Accounting Standards: Comprehensive Review
- Single Audit
- Governmental Auditing & Accounting Update
- Governmental Accounting Principles
- Comprehensive Review of Generally Accepted Auditing Standards

The result of the Firm's training program is the production of a highly educated and competent municipal audit group capable of performing an efficient and effective audit for the District.

The Team members will continue their professional development efforts.

Staff Retention and Continuity:

The Firm's policy on providing service to our clients includes a commitment to maintaining continuity of audit personnel. We cannot guarantee that our staff will remain with the Firm. However, to encourage our staff to remain with us, we pay competitive wage rates; offer promotional opportunities; provide state-of-the-art equipment and excellent working conditions; and offer various benefits, such as retirement plans, medical plans, profit sharing programs, educational benefits, and other such benefits. Additionally, we will guarantee that any staff member assigned to this engagement will return to the District in subsequent years if he or she is still with the Firm. We can also guarantee that the partner will be involved in future years. Continuity of audit staff is of prime concern to us and because of the hands-on involvement of the partner; we can assure you that future years' audits will be conducted in an efficient and effective manner with qualified and experienced professionals.

The Firm is an Equal Opportunity employer and complies with all Federal and State hiring requirements. The Firm also supports Affirmative Action philosophies and works hard to provide disadvantaged groups with opportunities for self enhancement.

Resumes of each member of the Engagement Team follow.

Ahmed Badawi, Certified Public Accountant – Engagement Partner

Length of Career

- Twenty years of experience in municipal auditing and accounting
- Certified Public Accountant for the State of California

Professional Experience

- Partial listing of clients served:

	Services Provided					
	Financial Audit	Single Audit	RDA Audit	PFA Audit	Enterprise Fund	Other
Special Districts and Other:						
Southern Marin Fire Protection District	X					
Alameda County Water District	X				X	X
Elk Grove Water District	X				X	
Marin Municipal Water District	X					X
West County Wastewater District	X					X
Aptos/La Selva Fire Protection District	X					
Castro Valley Sanitary District	X				X	
Central County Fire District	X					
Coastside Fire Protection District	X					X
Cosumnes Community Services District	X					X
East Bay Regional Park District	X	X				X
Metropolitan Transportation Commission						X
Sanitary District No. 5	X				X	
South Bayside System Authority	X					X
Stanislaus County Childcare	X					X
Cities:						
Albany	X	X	X			X
Antioch	X	X		X	X	X
Berkeley	X	X	X		X	X
Burlingame	X				X	X
Dublin	X	X				X
Fremont	X	X	X			X
Pleasanton	X	X		X		X
Richmond	X	X	X	X	X	X
San Bruno	X	X	X		X	X
San Leandro	X	X	X			X
Turlock	X	X	X	X	X	X
Union City	X	X	X		X	X
Walnut Creek	X	X	X		X	X
Counties:						
Santa Cruz County	X	X	X	X	X	X
Contra Costa County	X	X	X	X	X	X

- Has performed numerous financial audits, Single Audits, Transportation Development Act audits, housing audits, electrical utility audits, RDA audits, PFA audits, and Trust Fund audits, and has prepared numerous CAFRs

Education

- BS Degree in Accounting from the University of Alexandria, Egypt

Professional Activities

- Instructor, CSMFO’s “Introduction to Governmental Accounting” training class
- Member, CALCPA Government Accounting and Auditing Committee
- Member, American Institute of Certified Public Accountants
- Member, California Society of Certified Public Accountants
- Member, Government Finance Officers Association
- Member, California Society of Municipal Finance Officers

Continuing Education

- Has met the current CPE educational requirements to perform audits on governmental agencies

Mitesh Desai, Certified Public Accountant – Professional Audit Manager

Length of Career

- Thirteen years of experience in municipal auditing
- Certified Public Accountant for the State of California

Professional Experience

- Has participated in several financial audits, Single Audits, RDA audits, PFA audits, Transportation Development Act audits, and housing audits

	Services Provided					
	Financial Audit	Single Audit	RDA Audit	PFA Audit	Enterprise Fund	Other
Special Districts and Other:						
Alameda County Water District	X				X	X
Castro Valley Sanitary District	X				X	
Elk Grove Water District	X				X	
Marin Municipal Water District	X					X
West County Wastewater District	X					X
Coastside Fire Protection District	X					X
Cosumnes Community Services District	X					X
East Bay Regional Park District	X	X				X
Metropolitan Transportation Commission						X
Monterey Bay Unified Air Pollution Control District	X					
Sanitary District No. 5	X				X	
South Bayside System Authority	X					X
Stanislaus County Childcare	X					X
Cities:						
Albany	X	X	X			X
Antioch	X	X		X	X	X
Berkeley	X	X	X		X	X
Burlingame	X				X	X
Dublin	X	X				X
Fremont	X	X	X			X
Pleasanton	X	X		X		X
Richmond	X	X	X	X	X	X
San Bruno	X	X	X		X	X
San Leandro	X	X	X			X
San Mateo	X	X	X		X	X
Turlock	X	X	X	X	X	X
Union City	X	X	X		X	X
Walnut Creek	X	X	X		X	X
Counties:						
Santa Cruz County	X	X	X	X	X	X
Contra Costa County	X	X	X	X	X	X
County of Lassen	X	X			X	X
Health Care:						
Alameda County Medical Center	X	X				X

Education

- BS Degree in Business Economics with an emphasis in Accounting from University of California, Santa Barbara

Professional Activities

- Member, American Institute of Certified Public Accountants
- Member, California Society of Certified Public Accountants
- Volunteer Member, GFOA Special Review Committee

Continuing Education

- Various municipal accounting courses offered by the California Society of CPAs and local universities including:
 - Governmental Financial Reporting Standards and Practices
 - Yellow Book: Government Auditing Standards
 - Municipal Accounting
 - Single Audit
- Has met the current CPE educational requirements to perform audits on governmental agencies

Wenwei Zhao, *Certified Public Accountant* – Professional Audit Senior

Length of Career

- Four years of experience in auditing
- Certified Public Accountant for the State of California

Professional Experience

- Has participated in several financial audits, Single Audits, RDA audits, PFA audits, Transportation Development Act audits, and housing audits

	Services Provided					
	Financial Audit	Single Audit	RDA Audit	PFA Audit	Enterprise Fund	Other
Special Districts and Other:						
Elk Grove Water District	X					
Marin Municipal Water District	X					
Alameda County Single Audit		X				
Contra Costa County Child Care	X					X
Cosumnes Services District	X					
Hayward Area Recreation and Park District	X					
Resource Conservation District of Santa Cruz County	X					
San Mateo County Mosquito and Vector Control District	X					
Santa Cruz Regional 9-1-1	X					
Cities:						
Barstow	X					
Berkeley	X				X	X
Crescent City	X	X			X	X
East Palo Alto	X	X			X	
El Cerrito	X				X	
Folsom	X					X
Larkspur	X					
Menlo Park	X				X	X
Millbrae	X					
Newark	X	X	X			X
Oakdale	X				X	X
Pinole	X				X	
Redwood City	X					
San Luis Obispo	X					
San Mateo	X				X	
Susanville	X				X	
Town of Los Gatos	X					
Town of Yountville	X				X	
Union City	X	X			X	X
Waterford	X					
Yuba City	X	X			X	X

Education

- Master of Accounting from University of Pittsburgh, PA

Continuing Education

- Various municipal accounting courses offered by the California Society of CPAs and local universities including:
 - Governmental Financial Reporting Standards and Practices
 - Yellow Book: Government Auditing Standards
 - Municipal Accounting
 - Single Audit
- Has met the current CPE educational requirements to perform audits on governmental agencies

Monica Singhai, Certified Public Accountant – Engagement Quality Reviewer

Length of Career

- Seventeen years of experience in auditing with special focus on municipalities.
- Certified Public Accountant for the State of California.

Professional Experience

- Has participated in several financial audits, Single Audits, RDA audits and PFA audits

	Services Provided					
	Financial Audit	Single Audit	RDA Audit	PFA Audit	Enterprise Fund	Other
Special District:						
Alameda County Fire District	X					
Alameda County Law Library	X					
Burbank Sanitary District	X				X	
Lions Gate Community Service District	X					
Los Medanos Community Health Care District	X					
Oakland-Alameda County Coliseum Authority	X					
Bayshore Elementary School District	X					
Belmont-Redwood Shores School District	X	X		X		
Brisbane School District	X					
Jefferson Elementary School District	X	X				
La Honda-Pescadero Unified School District	X	X		X		
Pacifica School District	X	X				
Ravenswood City School District	X	X			X	
Redwood City School District	X	X				
San Mateo-Foster City School District	X	X			X	
Cities:						
Berkeley	X	X			X	
East Palo Alto	X				X	
Menlo Park	X	X			X	
Redwood City	X	X			X	
Charter schools:						
Oakland Military Institute College Preparatory Academy	X	X				
Sacramento Valley Charter School	X					
West Sacramento College Prep Charter School	X					
First 5:						
First 5 Alameda County	X	X				
First 5 Inyo County	X					
First 5 Marin County	X					
First 5 Monterey County	X					
First 5 Santa Cruz County	X					
Others:						
Alameda County Housing Community Development Agency	X	X			X	
Alameda County Redevelopment Agency	X		X			
Alameda County Successor Agency	X					
City of Oakland - Measure C	X					
City of Oakland - Measure Y	X					
City of Oakland - Child Care and Development Program	X					
City of Oakland - Wildfire Prevention Assessment District	X					

Education

- Bachelor of Science in Accounting from Jabalpur University, India.

Professional Activities

- Member, California Society of Certified Public Accountants.
- Member, Institute of Chartered Accountants of India.

Continuing Education

- Various local governments and not for profit accounting courses offered by the California Society of CPAs and AICPA including:
 - Governmental Financial Reporting Standards and Practices
 - Yellow Book: Government Auditing Standards
 - Single Audit

Has met the current CPE educational requirements to perform audits on governmental agencies.

Similar Engagements with Other Governmental Entities

The table below lists all special district engagements (in order of audit hours):

Special District	Client Since	Hours	Engagement Partner	Principal Contact	CAFR	GFOA Award	Single Audit	Enterprise Funds
Florin Resource Conservation District/ Elk Grove Water District	2015	350	Mitesh Desai	Mr. Patrick Lee Finance Manager / Treasurer (916)685-3556 plee@egwd.org	Yes	Yes		X
Hayward Area Recreation and Park District	2017	350	Ahmed Badawi	Ms. Janelle Cameron Administrative Services Director (510)881-6707 camj@haywardrec.org	No	No		
Cosumnes Community Services District	2008	350	Mitesh Desai	Mr. Jeremy Edwards Finance Manager (916)405-7187 jeremyedwards@yourcsd.com	Yes	Yes		
Monterey Bay Unified Air Pollution Control District	2016	200	Mitesh Desai	Ms. Rosa Rosales Administrative Services Manager (831)718-8019 rrosales@mbard.org	No	N/A		
Aptos La Selva Fire District	2016	150	Mitesh Desai	Ms. Nancy Dannhauser Finance Director 6934 Soquel Drive, Aptos, CA (831)685-6690	No	N/A		
Central County Fire Department	2012	150	Mitesh Desai	Ms. Jan Cooke Finance Director (650)375-7408 jcooke@hillsborough.net	Yes	Yes		
Zayante Fire Protection District	2017	150	Mitesh Desai	Mr. John Stipes Fire Chief (831) 335-5100 chief2401@cwncast.net	No	No		
Santa Cruz Regional 9 - 1 - 1	2016	150	Mitesh Desai	Mr. Dennis Kidd General Manager (831)471-1038 dennis.kidd@scr911.org	No	No		
Resource Conservation District of Santa Cruz County	2017	150	Mitesh Desai	Ms. Sharon Corkrean Director of Finance scorkrean@rcdsantacruz.org	No	No		
Port of San Luis Harbor District	2017	150	Ahmed Badawi	Ms. Kristen Stout Business Manager (805)595-5413 kristens@portsanluis.com	Yes	Yes		
Central Fire Protection District of Santa Cruz County	2018	150	Mitesh Desai	Mrs. Nancy Dannhauser Finance Director (831)479-6842 nancyd@centralfpd.com	No	Yes		

The table on the following page lists City engagements that encompassed issuing a Comprehensive Annual Financial Report (resulting in a GFOA award), audit of enterprise activities, or encompassed performance of a Single Audit.

* Indicates cities with population over 50,000

** Indicates cities with governmental revenues over 100 million and population over 50,000

City	Client Since	Hours	Engagement Partner	Principal Contact	CAFR	GFOA Award	RDA/Successor Agency	Single Audit	TDA	Water Fund	Sewer Fund	Child Care Audit	Housing Authority	Enterprise Funds	Pension Trust Fund
** Berkeley	2008	1800	Mitesh Desai	Mr. Henry Oyekanmi Finance Director (510)981-7300 hoyekanmi@ci.berkeley.ca.us	X	X	X	X	X		X			X	X
* Union City	2006	850	Mitesh Desai	Mr. Mark Evanoff Interim Finance Director (510)675-5345 MarkE@unioncity.org	X	X	X	X	X					X	
** Folsom	2019	807	Ahmed Badawi	Ms. Stacey Tamagni Finance Director (916)461-6712 stamagni@folsom.ca.us	X	X		X		X	X			X	
* Petaluma	2019	691	Ahmed Badawi	Ms. Corey Garberolio Finance Director (707)778-4357 cgarbero@cityofpetaluma.org	X	X			X	X	X	X			
San Luis Obispo	2019	638	Ahmed Badawi	Ms. Brigitte Elke Finance Director (805)781-7125 belke@slocity.org	X	X			X	X	X				
* Antioch	2005	586	Mitesh Desai	Ms. Dawn Merchant Finance Director (925)779-6135 Dmerchant@ci.antioch.ca.us	X	X	X	X	X	X	X			X	
** San Mateo	2004	566	Mitesh Desai	Mr. Richard Lee Finance Director (650)522-7102 rlee@cityofsanmateo.org	X	X	X	X	X		X			X	
East Palo Alto	2014	560	Mitesh Desai	Ms. Brenda Olwin Finance Director (650)853-3122 bolwin@cityofepa.org	X	X	X	X		X				X	
El Cerrito	2018	547	Ahmed Badawi	Mr. Mark Rasiah Finance Director/City Treasurer (510)215-4312 mrasiah@ci.el-cerrito.ca.us	X	X	X	X	X					X	X
** Dublin	2018	546	Ahmed Badawi	Ms. Lisa Hisatomi Director of Finance & Admin. Services (925)833-6640 Lisa.Hisatomi@dublin.ca.gov	X	X			X						
Azusa	2017	540	Ahmed Badawi	Ms. Talika Johnson Administrative Services Director (626)812-5202 tjohnson@AzusaCa.Gov	X	X	X	X		X	X			X	

City	Client Since	Hours	Engagement Partner	Principal Contact	CAFR	GFOA Award	RDA/Successor Agency	Single Audit	TDA	Water Fund	Sewer Fund	Child Care Audit	Housing Authority	Enterprise Funds	Pension Trust Fund
Millbrae	2015	524	Ahmed Badawi	Mr. Mike Sung Finance Director (650)259-2433 msung@ci.millbrae.ca.us	X		X			X	X			X	
* Merced	2016	489	Ahmed Badawi	Ms. Venus Rodriguez Finance Director rodriguezv@cityofmerced.org				X		X	X			X	
* Buena Park	2013	450	Mitesh Desai	Mr. Sung Hyun Finance Director (714)562-3717 shuyn@buenapark.com	X	X	X	X		X	X			X	
* Yuba City	2017	450	Ahmed Badawi	Mr. Spencer Morrison Finance Director (530)822-4615 smorrison@yubacity.net	X	X	X	X		X	X			X	
Pinole	2018	419	Ahmed Badawi	Ms. Genie Rocha Interim Finance Director (510)724-9823 iFinDirector@ci.pinole.ca.us	X		X				X			X	
Larkspur	2019	382	Ahmed Badawi	Ms. Cathy Orme Administrative Services Director (415) 927-5019 finanace@cityoflarkspur.org				X					X	X	
Los Gatos	2017	366	Ahmed Badawi	Mr. Stephen Conway Finance and Admin. Services Director (408)354-6828 sconway@losgatosca.gov	X	X									X
Lindsay	2017	365.6	Ahmed Badawi	Ms. Juana Espinoza Finance and Accounting Manager (559)562-7102 ext. 8025 jespinoza@lindsay.ca.us						X	X			X	
Waterford	2018	311	Ahmed Badawi	Mrs. Tina Envia Finance Manager (209)874-2328 Ext: 104 tenvia@cityofwaterford.org			X			X	X			X	
Solvang	2019	308	Ahmed Badawi	Ms. Xenia Bradford City Manager (805)688-5575 xeniab@cityofsolvang.com	X	X				X	X				
Oakdale	2016	306	Ahmed Badawi	Mr. Albert Avila Finance Director (209)845-3584 aavila@ci.oakdale.ca.us			X	X	X	X	X			X	
Guadalupe	2017	303	Ahmed Badawi	Mrs. Carolyn Cooper Finance Director (805)356-3895 ccooper@ci.guadalupe.ca.us			X			X	X			X	

City	Client Since	Hours	Engagement Partner	Principal Contact	CAFR	GFOA Award	RDA/Successor Agency	Single Audit	TDA	Water Fund	Sewer Fund	Child Care Audit	Housing Authority	Enterprise Funds	Pension Trust Fund
Sebastopol	2017	275	Mitesh Desai	Mrs. Ana Kwong Finance Director (707)824-4879 akwong@cityofsebastopol.org	X	X	X			X	X			X	
Crescent City	2014	227	Mitesh Desai	Ms. Linda Leaver Finance Director (707)464-7483 x224 lleaver@crestcity.org			X	X		X	X		X	X	
Scotts Valley	2019	202	Ahmed Badawi	Mr. Tina Friend City Manager (831)440-5600 tfriend@scottsvally.org	X	X	X							X	
Calimesa	2013	193	Mitesh Desai	Ms. Bonnie Johnson Finance Director (909)795-9801 ext 231 bjohnson@cityofcalimesa.net			X								

Understanding of Services to be Provided

The District desires an audit of the financial records for the District and an expression of an opinion in accordance with generally accepted accounting principles on the fairness of presentation of financial statements for the fiscal years ending June 30, 2021 through 2023, with the option of auditing its financial statements for each of the two (2) subsequent fiscal years.

The Firm will:

- Express an opinion on the fair presentation of its basic financial statement in conformity with generally accepted accounting principles in the United States of America.
- Express an opinion on the fair presentation of any supplementary information in conformity with generally accepted accounting principles. The Firm will provide an “in-relation-to” report on the supporting schedules contained in the comprehensive annual financial report based on the auditing procedures applied during the audit of the basic financial statements and schedules.
- Express an opinion on the fair presentation of the schedule of expenditures of federal awards in relation to the basic financial statements.
- Perform limited procedures on supplementary information required by the Government Accounting Standards Board.
- Issue the following reports, following the completion of the audit of the fiscal year’s financial statements:
 - Independent Auditor’s Report on Financial Statements.
 - Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statement Performed in Accordance with *Government Auditing Standards*.
 - Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance required by the Uniform Guidance.
 - Schedule of findings and questioned costs
 - Auditor’s Communication with Those Charged with Governance
 - Financial Transactions Report
 - Santa Margarita Groundwater Agency Audit
- Provide special assistance to the District as needed.
- Retain all working papers and reports at the audit firm’s expense for a minimum of 7 years. In addition, make working papers available to the District and/or any government agency as appropriate.

Should any conditions be discovered requiring corrective action, the Firm will provide a detailed description of the findings and recommended actions as to their resolution.

The Firm will submit a report to the District’s Board and management detailing auditor’s responsibility under generally accepted auditing standards, significant accounting policies, management judgments and accounting statements, significant audit adjustments, other information in documents containing audited financial statements, disagreements with management, management consultations with other accountants, major issues discussed with management prior to retention, difficulties encountered during the audit, and any significant deficiencies or material weaknesses found during the audit. Non-material instances of noncompliance will be reported in a separate management letter, if appropriate, along with any other observations or recommendations determined to be informative to District Management.

The Firm will be available to provide advice and counsel regarding significant matters during the year.

The Firm’s Partner and Staff welcome the opportunity to make presentations to the Board and will be ready to respond to questions from the Board and any other interested parties.

Specific Audit Approach

Objectives of Our Services

The basic objective of our audit of the District is to conduct an examination of the financial statements in accordance with generally accepted auditing standards and to express our opinion on the fairness of presentation of such financial statements in conformity with generally accepted accounting principles.

Additionally, we believe that another real value of our audit lies in meeting other objectives at no additional cost. The following are other objectives of our services that have important benefits to the District:

- To offer substantive observations and recommendations relating to accounting and operating control policies and procedures.
- To identify opportunities for operating efficiencies and isolate candidate activities for cost reduction opportunities.
- To perform a professional audit in an efficient and effective way to minimize disruption to the office operations.
- To offer ongoing advisory services to assist in the running of the operation and implementation of improved operating procedures.

The engagement will be conducted within the framework of the Firm's quality control program which includes the use of audit programs, careful planning, use of computerized audit software and internal control evaluation and documentation software, and objective review procedures. On-site staff will use Firm supplied portable computers and printers.

Audit Approach

The specific audit approach has been designed to efficiently and effectively address the audit requirements of the District, to perform the audit of the District's financial records in a timely manner with minimal disruptions to office operations, and to meet the District's timeline.

The audit will be conducted in accordance with:

- 1) Generally accepted auditing standards established by the AICPA.
- 2) The standards contained in Government Auditing Standards issued by the GAO.
- 3) Provisions of the Single Audit Act and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). (if required)
- 4) Requirements issued by the California State Controller's office.
- 5) Other requirements as required.

We will conduct the necessary audit steps to perform:

- Planning of the engagement.
- Evaluation of the existing internal control environment to determine degree of risk of material misstatement.
- Determination of degree of compliance with laws, regulations, grant provisions, and District approved policies.
- Assessment of potential fraudulent issues.
- Validation of account balances.
- Verification of reasonableness of management estimates.

Technical Approach

We use an industry specific audit approach tailored to governmental entities. Our governmental audit approach addresses the special risks and circumstances of local governments. As a result, the audit is conducted efficiently and effectively with minimal disruption to your staff.

The core of our governmental technical audit approach can be summarized as follows:

1. Planning, Understanding and Communication:

Based on our previous audit experience, using the budget, organizational charts, manuals and other financial information systems and our knowledge of how governments work, we will obtain an insight to the specific concerns and sensitivities of the District. Our understanding is updated continuously through our year-round contact and communication efforts. We will agree on common audit objectives and expectations with management before audit work begins and, throughout the audit, will meet regularly with management to discuss audit issues and to gather feedback.

2. In-Depth Review of Systems and Controls:

We have developed diagnostic reviews which enable us to evaluate your systems and controls, and to provide management with constructive feedback. Combined with our knowledge of the District and understanding and experience with the District's accounting software, our control review will form the basis of our audit risk assessment. We will utilize the COSO approach in our evaluation of the District's internal processes to identify potential control deficiencies. In future years, we will update our understanding through similar procedures.

3. Risk-Based Customized Testing Program:

Our audit approach is tailored to governmental applications. We will use audit programs specifically designed to address the operational environment of governmental entities. Our approach will identify potential control risks and the opportunities for risk of material misstatements and fraud. We will evaluate the various risk assessments and identify the potential risks relating to the:

- Balance Sheets / Statement of Net Position
- Statement of Revenues and Expenditures / Statement of Activities
- Presentation
- Disclosure

Our audit procedures will then be developed to address these risk areas.

4. Expanded Interim Fieldwork:

Timeliness and audit efficiency is enhanced by performing extensive interim work. Partners, managers and senior staff work with District staff to identify and resolve potential audit issues early. Accordingly, the amount of audit work to perform at year end is minimized. Because our audit staff is familiar with the operations before year-end fieldwork begins, disruption of accounting staff is minimized

5. Smooth Transition:

Our testing program focuses on audit risks identified by our understanding of the District's operations. We will work with the accounting staff to identify the most effective ways to address our objectives. Communication between the members of the audit engagement team and District staff will be fluid and continuous.

6. Sample Size and Sampling Techniques:

Our audit approach will include sampling activities. Population size and the level of assurance to be derived from a particular test will dictate the sample size. We use sampling in our audit approach to compliment skilled judgment and knowledge of the particular situation. Our sample size will range normally from 25 to 60 items.

7. Automated Systems:

We will evaluate controls over the IT functions to assess control risk. We intend to test controls for purposes of reliance. Our review procedures will evaluate controls over:

- Security Management
- Logical and Physical Access
- Configuration Management
- Segregation of Duties
- Contingency Planning

In addition, we will review controls over:

- Input, processing, output, master data
- Application interface
- Data management system interface

8. Analytical Procedures:

We use analytical procedures in several aspects of our audit. Extensive knowledge and industry background are required for effective analytics, and our staff possesses the appropriate experience and knowledge for the District to benefit from these procedures.

9. Approach to be Taken in Determining Laws and Regulations Subject to Audit Test Work:

We continuously refer to specific regulations, compliance supplements, state guidelines and contracts currently in force. We perform the procedures required related to laws and regulations, using inquiries, observations and sampling techniques. Some of the laws and regulations that we believe may be applicable to the District are the requirements of the California Public Utilities Commission, Single Audit Act and other applicable laws and regulations, including the California Government Code, provisions of applicable Grant guidelines, requirements of local measures, etc.

10. Report Format:

We will meet with District Management to review report formats. Any report format changes will be made in conjunction with approval from the District's management.

11. Work Plans:

The detailed work plans will be designed to efficiently and effectively address the audit requirements of the District in accordance with generally accepted auditing standards, to perform the audit of the District's financial records in a timely manner with minimal disruptions to office operations, and to meet the District's timeline.

12. Adjusting Journal Entries:

We will discuss and explain proposed audit adjusting entries with the District's designated Finance Department personnel prior to recording. Audit adjusting entries will be provided in a format showing the lowest level of posting detail needed for data entry on the District's general ledger system.

13. Listing of Schedules and Tables (anticipated to be prepared by the District):

Based on preliminary inquiries made with management and District staff and review of documents, we will tailor a list of schedules, tables, and other reconciliations required for the audit. We will take into account as much as possible reconciliations already prepared by the District for day to day operations and reporting, as well as any reports that are system generated to limit the need for additional District staff hours.

The following is a listing of significant reconciliations that we would normally expect the District to provide to us in assisting us in conducting our fieldwork.

- Trial Balance
- CAFR/BFS and Account Roll Up Schedule
- Budget to Actual Reports
- Bank Reconciliations
- Listing of manually prepared journal entries posted
- Summary of Investments held by the District
- Capital Asset Schedules
- Long Term Debt Schedules
- Debt amortization schedules & Calculations of deferred amounts
- Calculations of any debt covenants amounts or percentages
- Schedule of Operating Leases
- Analysis of Deferred Inflows of Resources and Deferred Outflows of Resources
- Reconciliation of Receivables to subsidiary ledgers
- Calculations for estimate of allowance for uncollectible accounts
- Loans Receivable Schedules
- Reconciliation of Significant Revenue Accounts
- Fee schedules
- Compensated Absences and Early Retirement Obligation Schedules and Copies of Related Policies
- Claims Payable schedules
- Pension and OPEB Roll Forward & Supporting Schedules
- Supporting schedules for the District's significant cost allocations
- Interfund Transaction Schedules

14. Computer Software:

The firm maintains a variety of software packages in the audit and financial statement compilation process, which include MS Office (Word, Excel, etc.), Prosystem fx Engagement, Accounting Research Manager, and CCH Knowledge Coach. Our audit staff also have the ability to run analytical queries, ratio analysis, customized reports, and other types of data analysis using CCH TeamMate Analytics.

Our audit software enables us to link our audit trial balance to the financial statements, for efficient financial statement compilation. It allows us to create various analytical reports easily (e.g. year to year comparisons, budget to actual comparisons, trend analysis, ratio analysis, etc.). TeamMate Analytics provides us with more than 150 Computer Aided Audit Tools (or CAATS) that allow us to perform powerful data analysis, perform complex calculations, analyze duplicates, detect gaps in sequenced items (e.g. check numbers, invoice numbers, journal entry numbers), compare spreadsheets for matching or missing records and quickly visualize your data for analysis and reporting.

Our research tools are always kept up to date to ensure compliance with accounting and auditing standards, and are also a resource for us to provide guidance to our clients.

We also use CCH Engagement Organizer, which provides an automated way to request, send, and receive documents from the District before and during an engagement. Files of any type can be attached to individual document requests on our electronic 'Prepared by Client (PBC)' list, which allows for easier tracking of the documents received and outstanding. The CCH Engagement Organizer also sends notifications when changes are made or when outstanding requests are approaching their due date.

Audit Schedule

2021 Period	Audit Tasks
	<p>Award of Contract</p> <p>Interim Audit Procedures</p>
May	<p>- Planning and Administration</p> <ul style="list-style-type: none"> ▶ Review and obtain copies of key work papers of prior audit firm ▶ Entrance conference with District Management to discuss audit approach, timing, assistance, and issues ▶ Review and evaluate the District's accounting and financial reporting. Prepare an overall memo of recommendations, potential issues, and suggestions for improvements. ▶ Prepare overall memo to District confirming audit procedures, timing, and assistance. ▶ Prepare detailed audit work plan and audit programs, audit budget and staffing schedule, and list of schedules to be prepared by District staff, and provide it to District Management.
May	<p>- Internal Control Evaluation</p> <ul style="list-style-type: none"> ▶ Meeting with key Finance Division personnel. ▶ Obtain and document understanding of key internal control systems through walk-throughs, interviews of staff, and review of supporting documentation <ul style="list-style-type: none"> General ledger system Budgeting system. Revenue, accounts receivable, and cash collections Purchasing, expenditures, accounts payable, and cash disbursements Payroll Federal Financial Assistance Other systems ▶ Identify control risks ▶ Evaluate IT control environment ▶ Perform testing of the internal control system and evaluate the effectiveness of the District's systems. Select large dollar and random samples of transactions in key operating systems. Sample size to meet required level for determined degree of risk. Review supporting documentation of selected transactions, evaluate adequacy of support and approvals, and conclude on degree of adherence to accuracy and compliance with District policies ▶ Conduct fraud assessment procedures ▶ Assess degree of risk for material misstatement ▶ Provide to the District's management a memo concerning management letter points and identify issues, if any

2021 Period	Audit Tasks
May	<p data-bbox="656 285 824 317">- Other Tasks</p> <ul style="list-style-type: none"> <li data-bbox="656 348 1430 380">▶ Review minutes of Board meetings and other key committees. <li data-bbox="656 380 1495 464">▶ Preliminary testing, verify and validate account balances by reviewing supporting documentation including invoices, vouchers, council resolutions, minutes, and other documents, as required. <li data-bbox="656 464 1495 800">▶ Coordinate with District staff and prepare of all appropriate confirmation requests including: <ul style="list-style-type: none"> <li data-bbox="748 527 927 558">Bank accounts. <li data-bbox="748 558 1057 590">Investment pool accounts. <li data-bbox="748 590 992 621">Accounts receivable. <li data-bbox="748 621 927 653">Federal grants. <li data-bbox="748 653 1203 684">Revenue from governmental agencies. <li data-bbox="748 684 1008 716">Bond and other debts. <li data-bbox="748 716 911 747">Pension plan. <li data-bbox="748 747 935 779">Attorney letters. <li data-bbox="748 779 984 810">Others, as required.
August - September 15	<p data-bbox="656 831 873 863">- Final Field work</p> <ul style="list-style-type: none"> <li data-bbox="656 894 1260 926">▶ Entrance conference with District Management. <li data-bbox="656 926 1203 957">▶ Follow-up on all outstanding confirmations. <li data-bbox="656 957 1495 1041">▶ Verify and validate account balances by reviewing supporting documentation including invoices, vouchers, board resolutions, minutes, and other documents, as required. <li data-bbox="656 1041 1495 1104">▶ Perform analytical review of revenue and expenditures. Determine reason for material differences between budget and actual. <li data-bbox="656 1104 1495 1188">▶ Perform a search for unrecorded liabilities by reviewing disbursements subsequent to June 30, testing terms of contractual obligations, and interviewing District staff. <li data-bbox="656 1188 1495 1283">▶ Perform review of subsequent events by discussions with District Management and update all minutes of District Board and key committees
October	<p data-bbox="656 1314 846 1346">- Audit Reports</p> <ul style="list-style-type: none"> <li data-bbox="656 1377 1276 1409">▶ Prepare preliminary drafts of financial statements <li data-bbox="656 1409 1089 1440">▶ Prepare other reports as required <li data-bbox="656 1440 1495 1503">▶ Provide drafts of reports to District Management by October 31 for review
November 30	<p data-bbox="656 1566 1495 1629">- Provide revised final drafts of all required reports to the District for approval</p>
December	<p data-bbox="656 1650 1325 1682">- Final Audit Reports, Financial Statements delivered</p>

Discussion of Relevant Accounting Issues

Identification of Anticipated Potential Audit Problems

We do not anticipate that there will be any audit problems at the District. However, the following are some areas that we will carefully investigate and monitor during our audit procedures:

- Financial Reporting:
 - Review and evaluate that the District's Annual Financial Reports are in compliance with current reporting and disclosures requirements issued by the GASB and GFOA.
 - Review Annual Financial Reports for financial reporting conformance awards issued by CSMFO and GFOA.
 - Review and evaluate degree of compliance with the various GASBs in effect.
 - Review degree of compliance with infrastructure obligations and regulatory provisions.
- Internal Control Structure:
 - Review and evaluate the District's internal control functions and ascertain compliance with proper internal control philosophies.
 - Review computer system processes and controls and evaluate adequacy of the control environment.

Several new GASB pronouncements will become effective over the time period of this proposal. As such, specific attention will be provided to determine the proper implementation of these new pronouncements. A list of known new pronouncements with implementation dates that fall within this proposal period are as follows:

2021

- Statement 84 – Fiduciary Activities
- Statement 90 – Majority Equity Interests
- Statement 93 – Interbank Offered Rates (except LIBOR removal and lease modifications)

2022

- Statement 87 – Leases
- Statement 89 – Construction-period Interest
- Statement 92 – Omnibus (multiple effective date)
- Statement 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

2023

- Statement 91 – Conduit Debt
- Statement 93 – LIBOR Removal and Lease Modifications
- Statement 94 – Public-private Partnerships
- Statement 96 – Subscription-Based Information Technology Arrangements

Conclusion

A client relationship with the District will be of great value to our Firm and we welcome the opportunity to develop a long-term relationship with the District. We are committed to:

- Rendering the highest standard of service.
- Developing a long-term working relationship dedicated to meeting the needs of the District.
- Assisting the District in operational issues.
- Producing a quality end-product.

We have the technical qualifications and experience to provide the level of service desired and expected by the District and stand ready to provide our knowledge and experience for the benefit of your organization.

We would like to express our appreciation to the District and to its Staff for allowing us the opportunity to submit a proposal to perform professional auditing services. We are available, at your convenience, to discuss any aspects of our proposal.

Thank you for allowing us to present our Firm to you.

Appendix A References

- 1) Florin Resource Conservation District/ Elk Grove Water District
 - Scope of Work:, Comprehensive Annual Financial Report, Single Audit
 - Date of Service: Fiscal years ended June 30, 2015 - Present
 - Engagement Partner: Mitesh Desai
 - Address: 9257 Elk Grove Boulevard, Elk Grove, Ca 95624
 - Principal Contact:
Mr. Patrick Lee
Finance Manager / Treasurer
(916)685-3556
plee@egwd.org
- 2) City of Petaluma
 - Scope of Work: Comprehensive Annual Financial Report, Transportation Development Act Fund, SAS 114.
 - Date of Service: Fiscal years ended June 30, 2019 - Present
 - Engagement Partner: Ahmed Badawi
 - Address: 11 English St, Petaluma, 94952
 - Principal Contact:
Ms. Janine Tedrow
Finance & Accounting Manager
(707)778-4579
jtedrow@ci.petaluma.ca.us
- 3) Monterey Bay Unified Air Pollution Control District
 - Scope of Work:, Annual Financial Report
 - Date of Service: Fiscal years ended June 30, 2016 - Present
 - Engagement Partner: Mitesh Desai
 - Address: 24580 Silver Cloud Court, Monterey CA 93940
 - Principal Contact:
Ms. Rosa Rosales
Administrative Services Manager
(831)718-8019
rrosales@mbard.org
- 4) Hayward Area Recreation and Park District
 - Scope of Work: Annual Financial Report, Measure F1
 - Date of Service: Fiscal years ended June 30, 2017 - Present
 - Engagement Partner: Ahmed Badawi
 - Address: 1099 E Street, Hayward, CA 94541
 - Principal Contact:
Ms. Janelle Cameron
Administrative Services Director
(510)881-6707
camj@haywardrec.org

- 5) City of Folsom
 - Scope of Work: Comprehensive Annual Financial Report, Single Audit, Gann Limit, SAS 114, Folsom Successor Agency, Folsom Ranch Financing Authority
 - Date of Service: Fiscal years ended June 30, 2019 - Present
 - Engagement Partner: Ahmed Badawi
 - Address: 50 Natoma Street, Folsom, California 95630
 - Principal Contact:
Ms. Stacey Tamagni
Finance Director
(916)461-6712
stamagni@folsom.ca.us

- 6) Port of San Luis Harbor District
 - Scope of Work: Comprehensive Annual Financial Report, SAS114.
 - Date of Service: Fiscal years ended June 30, 2017 - Present
 - Engagement Partner: Ahmed Badawi
 - Address: 3950 Avila Beach Drive, Avila Beach, CA 93424
 - Principal Contact:
Ms. Brigitte Elke
Finance Director
(805)781-7125
belke@slocity.org

San Lorenzo Valley Water District

FEE ESTIMATE

***For Professional Auditing Services for
the San Lorenzo Valley Water District***

*For fiscal years ending June 30, 2021 through 2023,
with the option of auditing its financial statements for
each of the two (2) subsequent fiscal years.*

January 13, 2021

Contact Person:

Ahmed Badawi, CPA
Badawi & Associates
Certified Public Accountants
2855 Telegraph Avenue, Suite 312
Berkeley, CA 94705
Phone: (510) 768-8244
Fax: (510) 768-8249
E-mail: abadawi@b-acpa.com



Name of Firm and Certification

Name of Firm: Badawi & Associates

Address: 2855 Telegraph Avenue, Suite 312

City, State, Zip: Berkeley, CA 94705

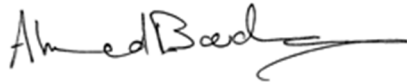
Contact Name: Ahmed Badawi

Contact Telephone Number(s): 510-768-8244

Contact Fax Number(s): 510-768-8249

Contact E-mail Address: abadawi@b-acpa.com

I, the undersigned, certify I am duly authorized to represent the above named firm and am empowered to submit this bid. In addition, I certify I am authorized to contract with the San Lorenzo Valley Water District on behalf of the above named firm. The Firm will honor the prices listed in this proposal for 180 days from the submittal deadline.



	President	January 13, 2021
Signature	Title	Date

Ahmed Badawi

Name (print)

Schedule of Professional Fees

Service	2021 Hours	2021	2022	2023	2024 Optional Year	2025 Optional Year
San Lorenzo Valley Water District	216	\$ 20,315	\$ 20,900	\$ 21,390	\$ 21,390	\$ 21,390
Financial Transactions Report	6	590	630	670	670	670
Single Audit (if required)	16	1,520	1,620	1,720	1,720	1,720
Santa Margarita Groundwater Agency	86	8,105	8,320	8,640	8,640	8,640
Total Cost	324	\$ 30,530	\$ 31,470	\$ 32,420	\$ 32,420	\$ 32,420

Position	2021		2022		2023		Optional Year 2024		Optional Year 2024	
	Hours	Rates	Hours	Rates	Hours	Rates	Hours	Rates	Hours	Rates
Partner	34	\$ 150	32	\$ 160	31	\$ 160	31	\$ 160	31	\$ 160
Audit Manager	64	120	63	130	60	130	60	130	60	130
Audit Senior	98	85	94	90	91	100	91	100	91	100
Professional Audit Staff	116	75	113	80	110	90	110	90	110	90
Administrative Assistant	12	60	11	60	11	60	11	60	11	60
Total Hours	324		313		303		303		303	
Total Cost	\$	30,530	\$	31,470	\$	32,420	\$	32,420	\$	32,420

Manner of Payment:

Each Engagement Team member maintains detailed time sheets describing work performed, date of work, and amount of time spent on each task for the Engagement. The Firm will bill the District after completion of each phase of the audit and bill the District up to a maximum of 90%. The remaining 10% of the proposal amount will not be due until all final reports are delivered and accepted by the District. Interim billings will cover a period of not less than a calendar month. The District can anticipate three billings as follows:

Work Performed	% of Proposal Amount
For interim work	45%
For year-end work	45%
At presentation and acceptance of final reports	10%
Total	100%

Rates for Additional Professional Services:

Any services outside the scope of our engagement will be promptly identified before the services are rendered. Upon mutual agreement, the out-of-scope services will be separately billed at our standard hourly rates. While it can be difficult to simply state hourly rates, as often times the needs of the client and the specific tasks directly impact the billing rates for our services, we want to provide the following information regarding our published billing rates:

Position	Hourly Rate
Partner	\$ 200
EQR	200
Manager	150
Senior	125
Staff	100
Admin.	75

Our Standard Hourly Rates are adjusted annually by 3% for Cost of Living and Inflation Adjustments

A client relationship with the District will be of great value to our Firm and we welcome the opportunity to develop a long-term relationship with the District. We are committed to:

- * Rendering the highest standard of service.
- * Developing a long-term working relationship dedicated to meeting the needs of the District.
- * Assisting the District in operational issues.
- * Producing a quality end-product.

We have the technical qualifications and experience to provide the level of service desired and expected by the District and stand ready to provide our knowledge and experience for the benefit of your organization.

We would like to express our appreciation to the District and to its Staff for allowing us the opportunity to submit a proposal to perform professional auditing services. We are available, at your convenience, to discuss any aspects of our proposal.

Thank you for allowing us to present our Firm to you.

PROFESSIONAL AUDIT SERVICES PROPOSAL

SAN LORENZO VALLEY WATER DISTRICT & SANTA MARGARITA GROUNDWATER AGENCY

CONTACT: DAVID FARNSWORTH, CPA

DECEMBER 28, 2020

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EXECUTIVE SUMMARY

From The
CPA

December 28, 2020

San Lorenzo Valley Water District
13060 Hwy 9
Boulder Creek, CA 95006

Dear Members of the Board and Management,

Getting ready and preparing reports for an annual financial audit is not easy and is extremely inconvenient. Combine the headache of going through an audit with the fact that only between 3% - 5% of fraudulent activity is discovered by a financial audit, choosing a new auditing firm can be daunting to say the least. As board members you assume a heavy burden to ensure that all financial practices of the District are running properly and managed responsibly.

We take our role seriously to help carry this burden for you and to ensure that you are protected from unexpected misuse of funds and fraud of any kind. We have witnessed firsthand the negative impact of loose and unsecured processes and have committed ourselves to providing the very best in financial controls and fraud prevention in government organizations and non-profit agencies such as yours.

The scope of our services includes the following:

1. Audit the financial statements (CAFR) of the San Lorenzo Valley Water District, to include all applicable footnotes
2. Prepare annual special district financial transactions report for the San Lorenzo Valley Water District
3. Audit the financial statements of the Santa Margarita Groundwater Agency JPA (SMGWA)
4. Prepare annual special district financial transactions report for the Santa Margarita Groundwater Agency JPA (SMGWA)

As owner and principal, I am authorized to make representations for and to bind our firm. Should you have any questions, please feel free to contact me via email at david@dfarnsworthcpa.com or via phone at (408) 780-2236. Our mailing address is 11501 Dublin Blvd, #200, Dublin, CA 94568. This proposal is a final and irrevocable offer for a period of sixty (60) calendar days from the submitted date.

Sincerely,

David Farnsworth, CPA
David Farnsworth, CPA

OUR APPROACH

Our approach is somewhat different than other auditing firms because we educate and train our clients to understand fraudulent red flags and prevent abuse and fraud in addition to performing the financial audit in accordance with the applicable audit standards. Many special districts depend on their auditors to discover fraud and be the tool to prevent or detect fraud. As discussed in the previous page, only 3% - 5% of audits discover fraudulent activity (*See ACFE Study, Report to the Nations Study 2020, P. 78 of 88*). Our approach is designed to assist the District in discovering ways to improve financial processes and strengthen fraud prevention and detection procedures.

Our financial audit is performed in accordance with generally accepted auditing standards and generally accepted government auditing standards. Our engagements are supervised and managed by the principal owner.

STEP 1 – LEARN AND UNDERSTAND THE DISTRICT OPERATIONS AND FINANCES

We first need to understand how the District operates its finances. This is called the ‘Planning phase’ of the audit. We learn the financial processes of the District. For example, staff will walk us through the customer billing cycle and the vendor billing cycle. In addition, we perform many different procedures ranging from reading board meeting minutes to analyzing the financial reports and comparing them to prior year, and interviewing board members and key financial staff.

This phase gives us the information to tailor the audit procedures specific to your District.

STEP 2 – PERFORM FINANCIAL AUDIT

This step is where the bulk of the audit will be performed. After tailoring or customizing the audit specific to how you operate the financial operations, we will be confirming various balances (i.e., cash, accounts receivable, etc.) with third parties such as banks and customers. We reconcile accounts and compare invoices with the financial reports. We speak with legal counsel and the predecessor auditors. Included in the audit is a review or inspection of the financial activity after the year-end date.

After this step is completed, we will have most of the proposed adjusting journal entries (if needed) documented, along with any audit findings identified in the audit.

STEP 3 – REVIEW THE WHOLE AUDIT PROCESS

This step is where we review our work performed in step 1 and 2. I (David Farnsworth) personally review the audit workingpapers and ensure they are prepared in accordance with applicable audit standards. Our Firm also has a quality control reviewer to further ensure the financial audit is performed in accordance with applicable standards. A few of the procedures performed in this step is to reconcile the workpapers to the balances found in the financial report name trial balance. We perform further analytical procedures (two-year comparison of the financial statements, trend analysis, etc.) to ensure the financial statements are correctly stated.

OUR APPROACH (Continued)

STEP 4 – PREPARE AUDIT REPORT AND FINANCIAL STATEMENTS

We will prepare the audit report and the accompanied financial statements, notes to financial statements, and supplemental information. After the financial statements are prepared, the financial statements will be forwarded to the financial staff and GM for review. After the staff and finance committee reviews the financial statements and approves them, the audit will be forwarded to the Board of Directors for approval.

STEP 5 – PRESENT AUDIT REPORT

I will be presenting the audit report with any findings to the Board of Directors at a scheduled board meeting. I will be presenting the audit in a format that is more easily understood.

STEP 6 – TRAINING

After the audit is complete, we provide fraud prevention training and internal control training to staff and board members. There is no extra charge for these training. We also provide a monthly newsletter to assist staff and board members with budgeting, fraud prevention, single audit compliance requirements, etc.

In addition to these trainings, we will schedule a bi-monthly meeting with staff throughout the year. These meetings are for the benefit of the auditor-client relationship and serves a two-fold purpose. Purpose #1 is for the staff just in case s/he has questions about accounting, internal controls. Purpose #2 is for us to receive an update from staff of any new projects or anything we should be made aware of during the interim period.

PROPOSED AUDIT TIMELINE

We understand starting with a new audit firm can be intimidating not knowing what to expect. Because of this we provided a timeline of when we expect to start and end the financial audit. The specific dates will change for fiscal years 2022 and 2023.

Phase of Audit	Proposed Calendar
Planning Phase	Sept 7 - 9, 2021
Fieldwork Phase	September 13 - 17, 2021
Preliminary Audit Report	November 30, 2021
Present Audit Report and Finalize	December Board Meeting
Bi-Monthly Meetings with Staff (Interim Period)	Feb, April, June, Aug

SCOPE OF SERVICES

The period covered will be for the fiscal years ending June 30, 2021, 2022, and 2023 with an option to extend the contract two years. This scope of services will be performed for San Lorenzo Valley Water District and Santa Margarita Groundwater Agency JPA (SMGWA). It is our understanding the scope of the services will be the following:

1. Pre-audit conference with District staff
2. Prepare financial statements (CAFR) for San Lorenzo Valley Water District and standard financial statements for Santa Margarita Groundwater Agency JPA
3. Prepare annual report of Financial Transactions of Special Districts
4. Prepare opinion letter
5. Prepare management letter
6. Perform single audit, if applicable
7. Submit draft of initial comprehensive financial report to the finance committee for review and comment (2-weeks prior to finalizing the audit)
8. Present conclusions of financial audit to the board of directors at a scheduled monthly meeting
9. Exit conference with District staff
10. Submit final audit report

The financial audit will be performed in accordance with generally accepted accounting standards; generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, and generally accepted government auditing standards.

License

The firm and all key personnel are properly licensed to practice in California.

Independence

David Farnsworth, CPA is independent of the San Lorenzo Valley Water District as defined by GAGAS. David Farnsworth, CPA has not had any professional relationships with the District or its staff.

Insurance Requirements

We will maintain insurance coverage throughout the course of the professional service agreement. Proof of coverage will be sent to the District prior to performing fieldwork of audit.

WORK TASKS AND PRODUCTS

The following is a listing of items, we will be requesting prior to the start of the audits.

1. Adopted policies and Resolutions / Ordinances for FYE 2021
2. General ledger and trial balance for FYE 2021 and first two-months of subsequent year
3. Most recent water rate study and sewer rate study for FYE 2021
4. Water/sewer rates for FYE 2021 and the county populated report for sewer assessments, if applicable.
5. A schedule to show the number of customers and their water/sewer charges for FYE 2021
6. AR ledger and AR aging schedule
7. County reports from July 1, 2020 through July 31 2021
8. Bank statements and investment states
9. Depreciation Schedule
10. Vendor invoices and customer receipts
11. Grant contracts
12. Contracts larger than \$30K with vendors
13. Minutes from July 2020 through Aug 2021
14. Payroll timesheets
15. Payroll quarterly tax forms
16. Payroll liability schedule
17. Inventory county at year end
18. Pension actuary report
19. OPEB actuary report
20. W-2s (2020)
21. Vacation accrual as of June 30, 2021
22. Capital contribution schedule
23. MOU for employees
24. Prepaid expense schedule
25. AP ledger and AP aging schedule
26. Customer deposit schedule
27. Deferred compensation plan including employee and employer contributions
28. QuickBooks backup (If this accounting system is used)
29. Amortization schedule for bonds payable and notes payable
30. Contracts for notes and bonds payable
31. Capital lease contracts
32. Unearned revenues – customer deposits and construction deposits

We use Wolters Kluwer CCH Engagement to perform and organize our financial audits. We use the PPC approach to perform our audits. The workpapers of the audit will utilize the following formats: PDF, Microsoft Word, or Microsoft Excel. Assuming the District utilizes Microsoft Office or the equivalent GSuite (Google docs, sheets, etc.) the District's current accounting system and reporting should not need to change. If customer/vendor invoices are not scanned, no worries, we scan them and upload them to our audit software system.

ABOUT *Our* COMPANY

FIRM'S EXPERIENCE

Our Firm and Client Base

Our firm specializes solely in performing audits of local governments. Our clients range from sewer districts, water districts, and many other types of special districts. We perform financial audits all year long and only perform financial audits and financial reviews. We will assign our entire audit staff to this engagement. These include one principle, one subcontracted manager, and one staff. We attached the principle (David Farnsworth) and manager (John Blomberg) resumes to this proposal for your review. We have one office located in Dublin, CA

Our Principles

We are a customer-focused, flexible, hard-working firm that strives to improve the financial position of every client we serve. We hold ourselves to the highest standards and believe in the core principles of:

Relationship – Having a caring relationship with our clients who are the lifeblood of our firm, taking a personal stake in the future success of our clients, and shared leadership based on positive influence, honest dialogue, empowerment, and trust.

Professionalism – Maintaining a culture that is high-performing, open-minded, respectful, supportive, and enjoyable, while embracing systems documentation as a way of life so we can efficiently over-deliver on our service promises.

Progressive – Using progressive thinking and technology so we can do more for our clients while promoting mutual responsibility and ownership so we can anticipate obstacles and exceed our clients' expectations.

Our Founder

David holds a Certified Public Accounting license with the state of California. He has specialized in financial audits while serving local governments through relationships with their board of directors and management. He has established and implemented new accounting systems, new accounting processes and stabilized many accounting operations. His hands-on experiences include preparing financial statements, verifying payroll, audit reports, fraud prevention protocols and client-specific policies and procedures.

Our Commitment and Service

We are committed to providing the very best in financial controls and fraud prevention to government organizations. We provide complementary customized training of internal controls and fraud prevention training to strengthen processes and reduce fraud and human error. We endorse and follow the proven techniques that work the best in the government sector according to the fraud study done by the Association of Certified Fraud Examiners. Our goal is to help you improve business operations and have a more transparent District so you can serve your community better.

SUMMARY

Adaptive auditor & accountant in financial audits of local governments, accounting operations, program management, process design, documentation, and implementation. Strong accounting and interpersonal skills. Proven success in building a shared vision, defining and delivering effective initiatives, and aligning with cross-functional teams to meet organization goals.

SELECTED ACCOMPLISHMENTS

- ▶ Presented financial audit reports and findings to multiple local government Board of Directors
- ▶ **Performed and managed single audit of local government**
- ▶ Audited financial statements of local governments including fire, cemetery, water, sewer, etc
- ▶ **Analyzed, prepared reports, and communicated embezzlement within a fire district**
- ▶ Improved internal controls of client by recommending adding the account numbers to the invoice prior to payment along with signature of authorization
- ▶ Recommendations to improve internal controls and fraud prevention secured capital assets and assisted the District in savings thousands of dollars of stolen equipment

EXPERIENCE

David Farnsworth, CPA

Founder

Feb 2018 - Present

- Performed financial audits of local governments
- Provided fraud awareness and internal control training to local governments
- Recommendations of audit client secured capital assets and saved client thousands of dollars
- Installation of accounting software to improve financial reporting
- Provided key financial metrics to improve financial reporting of audit clients and review financial statements over a period of five years.

Accenture @ Google

Finance Manager

April 2018 - March 2019

- Prepared financial reports to finalize and finish external audit
- Reviewed revenue accounting standards to properly record revenue
- Created framework of month end close analytical process
- Created new processes of reconciliations and analyzing Google revenue products after >30 new products were migrated to AR Google subledger

Arvato Financial Solutions, F&A @ Google

Finance Team Lead

Jan 2017 - March 2018

- Part of cross-functional team that mapped Google in-house built financial customer database with monthly +17B line items
- Consulted financial operations department on how to create a report to review the full-cycle of AR
- Stabilized and handed-over subledger operations to a team in Ireland. Subledger operations scope was +30 entities, +17B transactions, +10B monthly revenues, +30 products, +20 currencies

David Farnsworth, CPA

PHONE 408-780-2236

EMAIL david@dfarnsworthcpa.com

Arvato Financial Solutions, F&A @ Google

Senior Financial Analyst

April 2014 - Dec 2016

- Created month end processes for +5B USD of revenues, AR, cash, and cost of sales
- Presented business operation walk-through of Google Play applications to Google internal auditors
- Owned 8 entities for month end and responsible for month end close
- Traveled to Ireland to train financial analysts on triaging and understanding a financial customer accounting database

Blomberg & Griffin Accountancy Corporation

Auditor / Accountant

May 2010 - Mar 2014

- Performed and managed financial audits of local governments and not-for-profit organization. The Districts audited ranged from 30M in revenue to as low as 100K in revenue. ie cemetery, water, fire, park & rec
- **Performed single audit of water district (2013)**
- Reconciled A/R, A/P, prepaid assets, and other accounts
- Proposed adjusting journal entries to tax and audit clients
- **Analyzed, prepared reports, and communicated embezzlement within a local government.**
- Presented audit reports to Board of Directors
- Prepared financial statements for tax / audit clients

EDUCATION

CSU - Stanislaus, 2010

Bachelors of Science - Accounting

CERTIFICATION

Certified Public Accountant, 2012

CA License 116727

SKILLS

- GASB
- GAAP
- GAAS
- GAGAS
- Business process improvement
- Microsoft Office (Excel, word, etc)
- QuickBooks Accounting Software
- Xero Accounting Software

Resume of John E. Blomberg, C.P.A

1013 N. California St.
Stockton, CA 95202



EDUCATION/LICENSE/MEMBERSHIP

- Certified Public Accountant, California – 1977
- **San Diego State University**, Bachelor of Science degrees in Accounting and Economics – 1974.
- Honorary Lifetime Member of California Society of Certified Public Accountants.
- Member of California Special Districts Association.

EXPERIENCE

Blomberg & Griffin Accountancy Corporation

President

1981-Present

- Conduct audit services to various organizations such as Special District, Non Profit, and Professional Health Care Organizations.
- Conduct Water Rate Study to Special District
- Prepare tax returns for clients of diverse situations.
- Financial Planner
- Manage the company's employees, finances, and marketing.
- Meet with audit and tax clients

Steelgard, Inc.

1988-1990

Chief Financial Officer

- Managed all financial functions of 30 million dollar manufacturing organization.

Keller, Blomberg, Griffin, & Co.

Partner

1978-1981

- Perform audits of Special Districts, Non -Profit, and Professional Health Care Organizations.
- Prepare tax returns for clients which own rental properties, companies, conduct business in other states and countries, and sell stocks and bonds.

Blomberg & Bott

1974-1978

Staff Accountant

- Perform audits of Special District, Non-Profit, and Professional Health Care Organizations.
- Prepare tax returns
- Write letters

COMPUTER SKILLS

- Microsoft Office 2010, Lacerte Tax Program, Thomson Reuters Audit Program, various accounting and bookkeeping programs, and ten key.

REFERENCES

Name of District	Contact Name and Title	Phone Number	Email Address
East Palo Alto Sanitary District	Micheline Wegem, CPA, District Accountant	(650) 325-9021	mwegem@epasd.com
Salsipuedes Sanitary District	Delia Brambila, Manager	(831) 722-7760	salsan@sbcglobal.net
Lindsay-Strathmore Cemetery District	Brenda Altermatt, Manager	(559) 562-3349	lscd@attitude.com
North County Fire Protection District of Monterey County	Carolina Bravo, Administrative Officer	(831) 633-2578 ext 200	carolina.bravo@ncfpd.org
El Dorado County Resource Conservation District	Mark Egbert, District Manager	(530) 303-5328	Mark.Egbert@ca.nacdn.net

SIMILAR ENGAGEMENTS PERFORMED IN THE LAST 5 YEARS

Name of Engagement

Georgetown Divide Resource Conservation District
 Dos Palos Cemetery District
 Happy Camp Fire Protection District
 King City Cemetery District
 Tracy Public Cemetery District
 Snelling Cemetery District
 Lakeview Cemetery District
 Gonzales Rural Fire Protection District
 Santa Clara Valley Habitat Agency
 Reclamation District #2142
 Reclamation District #2064
 Russian River Cemetery District



Audit Engagement Letter—Yellow Book

December 28, 2020

To Governing Board and Management of the
San Lorenzo Valley Water District
1070 Faraday St
Boulder Creek, CA 95006

We are pleased to confirm our understanding of the services we are to provide San Lorenzo Valley Water District for the years ended June 30, 2021, 2022, and 2023 with an option to extend the contract two-years. We will audit the financial statements of the business-type activities and each major fund, including the related notes to the financial statements, which collectively comprise the basic financial statements of San Lorenzo Valley Water District as of and for the years ended June 30, 2021, 2022, and 2023 with an option to extend the contract two-years. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement San Lorenzo Valley Water District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to San Lorenzo Valley Water District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by U.S. generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis.

Audit Objectives

The objective of our audit is the expression of opinion as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of San Lorenzo Valley Water District and other procedures we consider necessary to enable us to express such opinion. We will issue a written report upon completion of our audit of San Lorenzo Valley Water District's financial statements. Our report will be addressed to the governing board of San Lorenzo Valley Water District. We cannot provide assurance that unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add emphasis-of-matter or other-matter paragraphs. If our opinion are other than unmodified, we will discuss the reasons with you in advance.

If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinion, we may decline to express opinion or issue reports from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose.

If during our audit we become aware that San Lorenzo Valley Water District is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste and abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, an unavoidable risk exists that some material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial

statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of San Lorenzo Valley Water District's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Other Services

We will also assist in preparing the financial statements and related notes of San Lorenzo Valley Water District in conformity with U.S. generally accepted accounting principles based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Management Responsibilities

Management is responsible for designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, including identification of all related parties and all related-party relationships and

transactions, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, or contracts or grant agreements that we report.

You are responsible for the preparation of the supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to [include the audited financial statements with any presentation of the supplementary information that includes our report thereon OR make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon]. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information. Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information. You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration and Other

We may from time to time and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain

AUDIT PROPOSAL SAN LORENZO VALLEY WATER DISTRICT

internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers. We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing. We will provide copies of our reports to the District; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection. The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the State Controller's Office. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation. We expect to begin our audit on approximately August 16, 2021 and to issue our reports no later than December 31, 2021. David Farnsworth, CPA is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Fee

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed \$21,135, \$21,769, \$22,422, \$23,095, and \$23,788 for the fiscal years ended June 30, 2021, 2022, and 2023 with an option to extend the contract two-years. If the District is subject to the single an additional charge of \$5,284, \$5,442, \$5,606, \$5,773, and \$5,947 will be billed for the fiscal years ended June 30, 2021, 2022, 2023 with an option to extend the contract two-years. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit.

We appreciate the opportunity to be of service to San Lorenzo Valley Water District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

David Farnsworth, CPA

RESPONSE:

This letter correctly sets forth the understanding of San Lorenzo Valley Water District.

Management signature: _____

Title: _____

Date: _____

Governance signature: _____

Title: _____

Date: _____



Audit Engagement Letter—Yellow Book

December 28, 2020

To Governing Board and Management of the
Santa Margarita Groundwater Agency JPA
2 Civic Center Drive
Scotts Valley, CA 95066

We are pleased to confirm our understanding of the services we are to provide Santa Margarita Groundwater Agency JPA for the years ended June 30, 2021, 2022, and 2023 with an option to extend the contract two-years. We will audit the financial statements of the business-type activities and each major fund, including the related notes to the financial statements, which collectively comprise the basic financial statements of Santa Margarita Groundwater Agency JPA as of and for the years ended June 30, 2021, 2022, and 2023 with an option to extend the contract two-years. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Santa Margarita Groundwater Agency JPA's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to Santa Margarita Groundwater Agency JPA's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by U.S. generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

2) Management's Discussion and Analysis.

Audit Objectives

The objective of our audit is the expression of opinion as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of Santa Margarita Groundwater Agency JPA and other procedures we consider necessary to enable us to express such opinion. We will issue a written report upon completion of our audit of Santa Margarita Groundwater Agency JPA's financial statements. Our report will be addressed to the governing board of Santa Margarita Groundwater Agency JPA. We cannot provide assurance that unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add emphasis-of-matter or other-matter paragraphs. If our opinion is other than unmodified, we will discuss the reasons with you in advance.

If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinion, we may decline to express opinion or issue reports from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose.

If during our audit we become aware that Santa Margarita Groundwater Agency JPA is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste and abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, an unavoidable risk exists that some material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial

statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Santa Margarita Groundwater Agency JPA’s compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Other Services

We will also assist in preparing the financial statements and related notes of Santa Margarita Groundwater Agency JPA in conformity with U.S. generally accepted accounting principles based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Management Responsibilities

Management is responsible for designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of

SANTA MARGARITA GROUNDWATER AGENCY JPA

the financial statements, including identification of all related parties and all related-party relationships and transactions, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, or contracts or grant agreements that we report.

You are responsible for the preparation of the supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to [include the audited financial statements with any presentation of the supplementary information that includes our report thereon OR make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon]. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information. Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information. You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration and Other

We may from time to time and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers but remain

SANTA MARGARITA GROUNDWATER AGENCY JPA

committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers. We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing. We will provide copies of our reports to the District; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection. The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the State Controller’s Office. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation. We expect to begin our audit on approximately August 16, 2021 and to issue our reports no later than December 31, 2021. David Farnsworth, CPA is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Fee

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed \$5,284, \$5,442, \$5,606, \$5,773, and \$5,947 for the fiscal years ended June 30, 2021, 2022, and 2023 with an option to extend the contract two-years. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit.

We appreciate the opportunity to be of service to Santa Margarita Groundwater Agency JPA and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

David Farnsworth, CPA

RESPONSE:

This letter correctly sets forth the understanding of Santa Margarita Ground Water Agency.

Management signature: _____
Title: _____
Date: _____

Governance signature: _____
Title: _____
Date: _____

COST PROPOSAL

In accordance with the request for proposal for audit services issued by San Lorenzo Valley Water District, we provide our cost proposal.

Financial Audit

Three-Year Engagement with 2-year Extension	June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024	June 30, 2025
Financial Audit	\$ 19,200	\$ 19,776	\$ 20,369	\$ 20,980	\$ 21,610
Travel, Admin, and Software Cost*	1,440	1,483	1,528	1,574	1,621
Special District Financial Transactions Report	495	510	525	541	557
Total financial audit fee (not-to-exceed)	21,135	21,769	22,422	23,095	23,788
Single Compliance Audit	5,284	5,442	5,606	5,774	5,947
Total single and financial audit fee (not-to-exceed)	\$ 26,419	\$ 27,211	\$ 28,028	\$ 28,868	\$ 29,735

Assigned Personnel	Estimated Hours	Hourly Rate	Total Cost
Staff	60	\$ 105	\$ 6,300
Manager	40	\$ 125	5,000
Partner	36	\$ 175	6,300
Quality Control Reviewer	8	\$ 200	1,600
Total **	144		\$ 19,200

* A 7.5% charge is added for travel, admin, and software cost.

** A 3% increase in cost is added for each additional year.

COST PROPOSAL

In accordance with the request for proposal for audit services issued by Santa Margarita Groundwater Agency JPA, we provide our cost proposal.

Financial Audit

<u>Three-Year Engagement with 2-year Extention</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>	<u>June 30, 2024</u>	<u>June 30, 2025</u>
Financial Audit	\$ 6,920	\$ 7,128	\$ 7,341	\$ 7,562	\$ 7,789
Travel, Admin, and Software Cost*	519	535	551	567	584
Special District Financial Transactions Report	495	510	525	541	557
Total financial audit fee (not-to-exceed)	<u>\$ 7,934</u>	<u>\$ 8,172</u>	<u>\$ 8,417</u>	<u>\$ 8,670</u>	<u>\$ 8,930</u>

Assigned Personnel	Estimated Hours	Hourly Rate	Total Cost
Staff	24	\$ 105	\$ 2,520
Manager	12	\$ 125	1,500
Partner	12	\$ 175	2,100
Quality Control Reviewer	4	\$ 200	800
Total **	<u>52</u>		<u>\$ 6,920</u>

* A 7.5% charge is added for travel, admin, and software cost.

** A 3% increase in cost is added for each additional year.

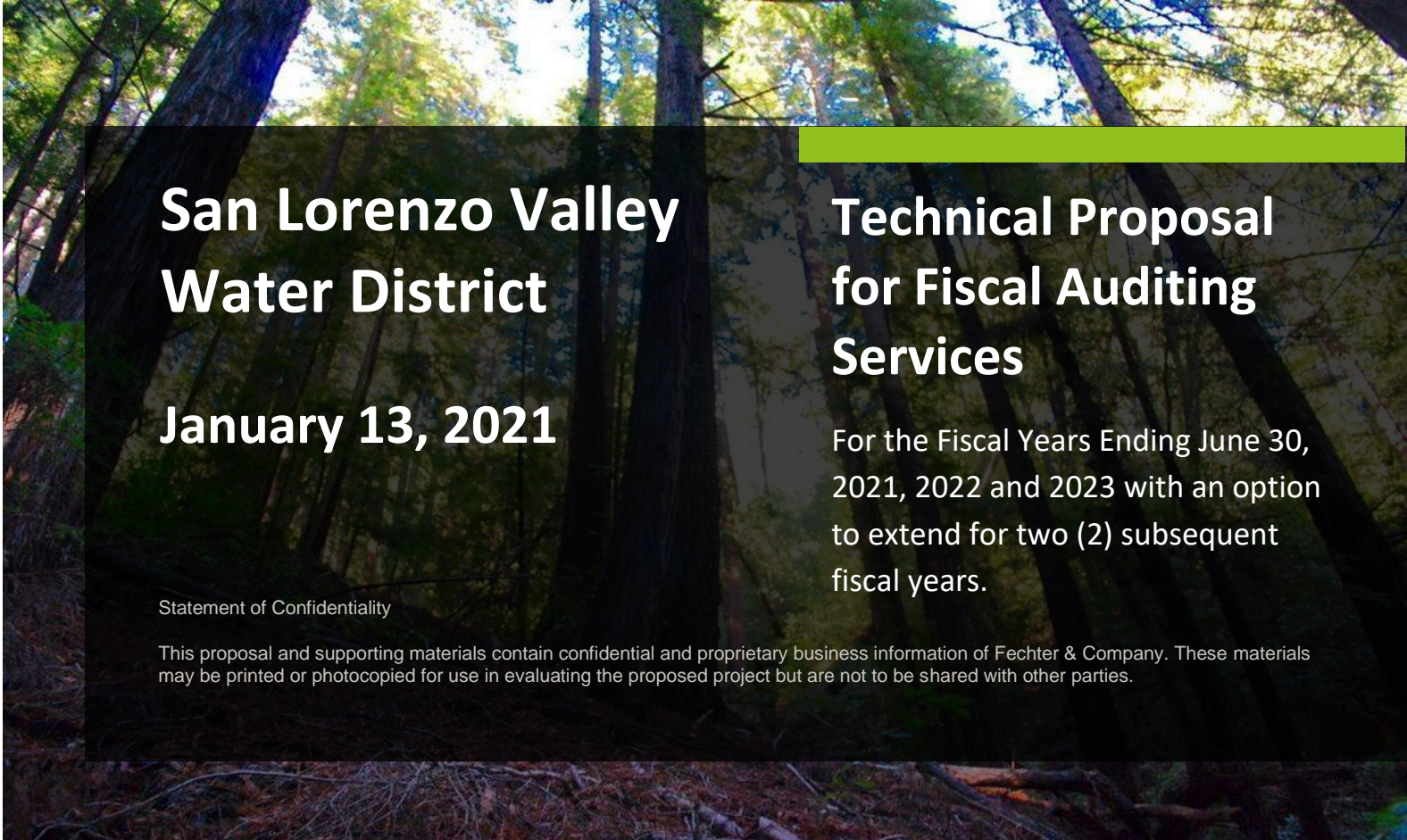


Fechter & Company
Certified Public Accountants

3445 American River Drive, Suite A
Sacramento, Ca 95864
(T) 916.333.5360 (F) 916.333-5370

cfechter@gmail.com
www.fechtercpa.com

Company Representative: Craig R. Fechter, CPA MST



San Lorenzo Valley Water District

January 13, 2021

Technical Proposal for Fiscal Auditing Services

For the Fiscal Years Ending June 30,
2021, 2022 and 2023 with an option
to extend for two (2) subsequent
fiscal years.

Statement of Confidentiality

This proposal and supporting materials contain confidential and proprietary business information of Fechter & Company. These materials may be printed or photocopied for use in evaluating the proposed project but are not to be shared with other parties.

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January 13, 2021

Stephanie Hill
Director of Finance and
Business Services

San Lorenzo Valley
Water District
13060 CA-9
Boulder Creek, CA
95006

(831) 430-4620

shill@slvwd.com

Dear Ms. Hill:

Fechter & Company, Certified Public Accountants, is pleased to present our proposal to provide audit services to the San Lorenzo Valley Water District (the District). We are a local Sacramento firm. The credentials listed in the resumes of our team will demonstrate our qualifications, competence, and capacity to perform the audit services requested within the time frame required by the District.

We believe we are best qualified to perform this engagement because we maintain a small staff of experienced auditors and accountants. We are able to promise the staff on your engagement will have experience that is directly applicable to your entity.

A summary of the audit scope is as follows:

The audit will be performed in accordance with generally accepted principles as set forth by the Governmental Accounting Standards Board (GASB) and issued by the Comptroller General of the United States. It is understood that both the District and the Santa Margarita Groundwater Agency JPA will be considered in this engagement.

This includes addressing GASB 68 (pension) and 75 (other post-employment benefits) requirements. The audit will include a written report consisting of the audited financial statements, notes to the financial statements, and required supplementary information. The audit will also include a management letter addressing the firm's evaluation of the adequacy of the internal control system. The management letter shall identify whether any material weaknesses have been identified and outline any related recommendations. A Comprehensive Annual Financial Report (CAFR) will be completed for the District and a standard annual financial report will be prepared for the SMGWA. We will also prepare the Annual Report of Financial Transactions of special Districts as mandated by the State controller by the required due date. If required, we will also perform a Single Audit in accordance with OMB's Uniform Guidance.

January 13, 2021

Stephanie Hill
Director of Finance and
Business Services

San Lorenzo Valley
Water District
13060 CA-9
Boulder Creek, CA
95006

(831) 430-4620

shill@slvwd.com

Our firm shall also be available to present the report to the Board at a Board meeting. For more information regarding our specific audit approach, please see the Specific Audit Approach section of this Proposal on page 17.

We commit to completing your audit within the time frame required, which is specified in the Audit Timeline on page 22.

We do not anticipate any audit problems. However, if problems do arise, we will discuss them with your management and work with your team to resolve the problems as effectively and efficiently as possible.

This proposal is an irrevocable offer valid for 60 days after the date of the proposal. I am authorized to represent and to obligate the firm contractually to the District. I am located 3445 American River Drive, Suite A, Sacramento, CA 95864, and you can contact me by telephone at (916) 333-5360.

Thank you for considering our proposal. We look forward to a long and successful working relationship with you and your management team.

Very Truly Yours,



Craig R. Fechter, CPA, President

Fechter & Company, Certified Public Accountants
3445 American River Drive, Suite A
Sacramento, CA 95864
(T) 916.333.5360 (F) 916.333.5370
cfechter@gmail.com

Federal Employment Number: 20-8710580

Firm Qualifications and Experience



Fechter & Company, Certified Public Accountants is a professional corporation based in Sacramento, California. Since April 2005 we have built a practice providing audit, tax, and business consulting to government agencies, non-profit organizations, and small business with annual budgets of less than \$25 million.



EXPERIENCED AUDITORS

From our staff of 4 CPA's and 5 seasoned staff, 3-4 will be assigned to perform all audit procedures. From initial planning through fieldwork to financial statement preparation, our depth of experience will be evident.



PERSONAL SERVICE

You receive a high level of personal service with easy access to professionals who can answer your questions and facilitate the audit process.



STEADFAST TURNAROUND

The professional staff is highly focused on assuring that all financial statements are issued as soon as the audit is complete. Our standard issue time is 10 days from the date we receive the final information from our clients.



EFFICIENT PROCESSES

Our staff turnover is very low. As a result, you will have the same staff from year to year, resulting in a more efficient and effective use of your staff.

Firm Qualifications and Experience, Continued



TECHNOLOGY AND SECURITY

- Microsoft Office: Since most of our clients use Microsoft applications, we likewise use the programs, which enable us to collaborate on projects.
- Engagement Processing: We use Thomson Reuter's Engagement CS paperless auditing software to provide for an efficient audit process. Your staff will not be required to provide mass amounts of copies, only access to the document and we will scan what we need.
- All laptop computers are secured with passwords, changed frequently.
- Our firm subscribes to approximately a dozen industry periodicals and newsletters to help us proactively inform our clients about potential changes in accounting legislation and standards
- We offer an annual Government Accounting Standards Board (GASB) and Financial Accounting Standards Board (FASB) update course to our clients at no additional charge.

OTHER AFFIRMATIONS

- We know of no conflicts of interest with the District or any of its personnel.
- We will notify you with any changes that occur with our peer review or license status.

ENGAGEMENT PARTNER AND STAFF FOR THIS ASSIGNMENT

Mr. Craig Fechter will lead the audit while Ms. Sandy Sup and Ms. Joanne Berry will assist with the fieldwork. Complete resumes are attached to this proposal.

We have recognized the District's need for staff consistency. You will deal with the same principal each year on the audit – Mr. Craig Fechter, CPA.

Mr. Craig Fechter, CPA is authorized to answer questions and to bind our firm.

Craig R. Fechter, CPA, President
3445 American River Drive, Suite A
Sacramento, CA 95864
(T) 916.333.5360
(F) 916.333.5370
cfechter@gmail.com

Firm Qualification and Experience

Licensing, Independence, and Insurance



LICENSE TO PRACTICE IN CALIFORNIA

- Since 2005, our firm has been licensed as a certified public accounting firm by the California State Board of Accountancy.
- All key professional staff are properly licensed in California.
- Our firm has had no disciplinary action taken or pending since its inception in 2005.
- We have no prior substandard audit work or unsatisfactory performance pending with the State board of Accountancy or other related professional organizations.
- We received an unmodified opinion in our 2017 peer review which has been submitted to the state society of CPAs for approval.

INDEPENDENCE

- Our firm is independent of the District as defined by generally accepted auditing standards and the US General Accounting Office's Government Auditing Standards.
- All professional staff in our firm meet the independence requirements of the American Institute of Certified Public Accountants and the Government Auditing Standards, 2003 revision, published by the U.S. General Accounting Office.
- Our firm has no history or professional relationships with the District or its personnel.

INSURANCE

- We carry the insurance coverage required by the District.
- A copy of our current Liability Insurance Certificate is included as Attachment A.

CONTINUING EDUCATION

All of our staff are required to maintain their continuing education at levels necessary to provide services to government clients.

Firm Qualification and Experience

Quality Control Review



Our peer review, including a review of a specific governmental engagement, is provided below. Fechter & Company has never failed a peer review and has fully implemented all required quality control procedures, our next peer review is due in 2020.

Contact information:

Grant Bennett Associates
David C. Wilson, CPA, CVA
1375 Exposition Boulevard
Suite 230
Sacramento, California
95815

916-922-5109

Grant Bennett Associates

A PROFESSIONAL CORPORATION

Report on the Firm's System of Quality Control

September 27, 2018

To the Owner of Fechter & Company and the Peer Review Committee of the California Society of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Fechter & Company (the firm) in effect for the year ended March 31, 2017. 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 an engagement performed under *Government Auditing Standards*, including a compliance audit under the Single Audit Act; and an audit of an employee benefit plan.

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

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Fechter & Company in effect for the year ended March 31, 2017, 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*. Fechter & Company has received a peer review rating of *pass*.

Grant Bennett Associates
GRANT BENNETT ASSOCIATES
A PROFESSIONAL CORPORATION
Certified Public Accountants



1375 Exposition Boulevard, Suite 230
Sacramento, CA 95815
916/922-5109 FAX 916/641-5200

P.O. Box 223096
Princeville, HI 96722
888/769-7323

List of Similar Engagements with Other Government Entities



This is a comprehensive list representing California governmental agencies our firm has served by conducting audits over the last three (3) years. Contacts and email addresses will promptly be provided upon request. Approximately 50% of our audit clients are government entities.

MUNICIPAL UTILITY AGENCIES

- Banta-Carbona Irrigation District
- Bayshore Sanitary District proposal
- East Contra Costa Irrigation District
- Emerald Bay Services District
- Fox Canyon Groundwater Mgmt Agency
- Georgetown Divide Public Utility District
- Granada Community Services District
- Markleeville Public Utility District
- North Coast County Water District
- Olivehurst Public Utility District
- Rio Linda-Elverta Community Water District
- Sewerage Commission - Oroville Region
- Sites Project Authority
- Thermalito Water and Sewer District
- Washington County Water District

OTHER SPECIAL DISTRICTS AND AGENCIES

- Eastside Mosquito Abatement District
- Solano County Mosquito Abatement District
- Turlock Mosquito Abatement District
- E. Stanislaus Resource Conservation District
- W. Stanislaus Resource Conservation District
- Fair Oaks Cemetery District
- Roseville Cemetery District
- Sylvan Cemetery District
- Los Medanos Community Healthcare District
- Eastern Sierra Transit Authority
- Mono County Local Transportation District
- Dixon Public Library
- Nevada County LAFCo
- Colusa Basin Drainage District

Extended List of Engagements with Other Government Entities



This is a comprehensive list representing California governmental agencies our firm has served by conducting audits over the last three (3) years. Contacts and email addresses will promptly be provided upon request. Approximately 50% of our audit clients are government entities.

SPECIAL DISTRICTS – FIRE PROTECTION

- Alpine Fire Protection District
- Bonita-Sunnyside Fire Protection District
- Borrego Springs Fire Protection District
- Bridgeport Fire Protection District
- Carpinteria Fire Protection District
- Courtland Fire Protection District
- El Dorado Fire Protection District
- Garden Valley Fire Protection District
- Greenfield Fire Protection District
- Julian-Cuyamaca Fire Protection District
- Kensington Fire Protection District
- Lakeside Fire Protection District
- Mokelumne Fire Protection District
- Montecito Fire Protection District
- North County Fire Protection District
- North Tahoe Fire Protection District
- Pioneer Fire Protection District
- Pioneer Fire Protection District
- South Lake County Fire Protection District
- Springlake Fire Protection District
- Stanislaus Consolidated Fire
- Truckee Fire Protection District
- Woodland Avenue Fire Protection District

SPECIAL DISTRICTS – RECREATION AND PARK

- Ambrose Recreation and Park District
- Arden Manor Recreation and Park District
- Boulder Creek Recreation and Park District
- Carmichael Recreation and Park District
- Fair Oaks Recreation and Park District
- Fulton El Camino Rec and Park District
- Greater Vallejo Recreation District
- Mission Oaks Recreation and Park District
- North County Recreation and Park District
- Pleasant Hill Recreation and Park District
- Sunrise Recreation and Park District

References



**RIO LINDA/ELVERTA
COMMUNITY WATER
DISTRICT**
Rio Linda, CA

Contact information:

Deborah Denning,
Bookkeeper

730 L St.
Rio Linda, CA 95673

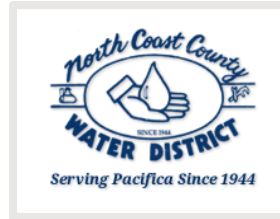
916-991-1000
ddenning@rlcwd.com

Scope of audit work: CAFR
Client

Audit of the GASB 34 financial statements, single audit, management letter and report on internal control structure.

Hours Annually: 150
Partner: Craig R. Fechter

September 2015-present



**NORTH COAST COUNTY
WATER DISTRICT**
Pacifica, CA

Contact information:

Connie Hsu,
Accountant

2400 Francisco Blvd,
Pacifica, CA 94044

650-355-3462
chsu@nccwd.com

Scope of audit work:

Audit of the GASB 34 financial statements, management letter and report on internal control structure, and preparation of annual report of financial transactions of special districts.

Hours Annually: 175
Partner: Craig R. Fechter

September 2016-present



**GRANADA COMMUNITY
SERVICES DISTRICT**
El Granada, CA

Contact information:

Delia Comito, Assistant
General Manager

504 Avenue Alhambra, 3rd
Floor, El Granada, CA
94018

650-726-7093
dcomito@granada.ca.gov

Scope of audit work:

Audit of the GASB 34 financial statements, management letter and report on internal control structure, and preparation of annual report of financial transactions of special districts.

Hours Annually: 150
Partner: Craig R. Fechter

September 2011-present



**BAYSHORE SANITARY
DISTRICT**
Brisbane, CA

Contact information:

Joann Landi,
Clerk

36 Industrial Way,
Brisbane, CA 94005
415-467-1144

BayshoreSanitary@aol.com

Scope of audit work:

Audit of the GASB 34 financial statements, single audit, management letter and report on internal control structure.

Hours Annually: 125
Partner: Craig R. Fechter

September 2016-present

Principal Supervisory and Management Staff



Craig Fechter, CPA

Classification: President

Years of Experience: 18

Master of Science in Taxation at Golden Gate University, 2012

BS in Business Administration, Accountancy at CSUS, 2001

PROFESSIONAL CERTIFICATIONS AND AFFILIATIONS

Certified Public Accountant
Member California Society of Certified Public Accountants
Member American Institute of Certified Public Accountants
Adjunct Professor of Accounting, University of California, Davis Extension
Executive Committee, Big Brothers Big Sisters of the Greater Sacramento Area
Scoutmaster, Boy Scouts of America, Troop 320
Facilities, Transportation & Finance Committee, San Juan Unified School District
Past Finance Committee Chair, San Juan Education Foundation

RELEVANT EXPERIENCE

During college, Mr. Fechter worked for a local sole practitioner. Following graduation from Sacramento State in 2001, he gained valuable experience at two regional CPA firms. In 2005, he struck out on his own and Fechter & Company was born.

Throughout his professional career, Mr. Fechter has performed financial statement audits of numerous counties, local government agencies, and non-profit agencies.

In 2012, Mr. Fechter earned his Masters of Science in Taxation from Golden Gate University.

Mr. Fechter oversees the Firms Tax and Audit practice, providing tax and business consulting to a wide range of professional corporations, not-for-profits, and small businesses.

Principal, Supervisory, and Management Staff



Craig Fechter, CPA

Classification: President

Years of Experience: 18

Master of Science in Taxation at Golden Gate University, 2012

BS in Business Administration, Accountancy at CSUS, 2001

CONTINUING PROFESSIONAL EDUCATION

Mr. Fechter takes annual courses on the Governmental Accounting & Audit Update. He has recently completed a course in the implementation of the new Auditing Standards (SAS 108-114). He also serves on the accounting advisory board for UC Davis Extension and teaches a course, which serves as a source of CPE for Mr. Fechter.

Mr. Fechter is an accomplished public speaker and published author. He has taught CPE courses for the American Society of Women Accountants (Sacramento chapter). He is also the author of accounting-related articles published by Comstock's Magazine and The Nugget, the journal of the Sacramento District Dental Society.

FINANCIAL STATEMENT AUDITS:

Participated as Engagement Partner

California Society of Health System Pharmacists
Associated Building Materials of America (business association)
Lakeside Fire Protection District
Borrego Springs Fire Protection District
Bonita-Sunnyside Fire Protection District
Carpinteria-Summerland Fire Protection District
South Lake County Fire Protection District
Stanislaus Consolidated Fire Protection

References for the above clients, who worked exclusively with Mr. Fechter, are available upon request.

FINANCIAL STATEMENT AUDITS:

Participated as Lead Auditor

Marin County, MAAP, Inc., San Joaquin County, Stanislaus County, Sierra County, San Luis Obispo County, Lassen County

Principal, Supervisory, and Management Staff



Scott German, CPA

Classification: Independent Reviewer
 Years of Experience: 34
 BS California State University,
 Sacramento

RELEVANT EXPERIENCE

Following his graduation from California State University, Sacramento, Mr. German began his career at Main Hurdman, a predecessor form of KPMG. While there he was responsible for providing audit to large not-for-profit organizations, construction, auto dealers and healthcare.

Following KPMG, he moved into the private sector with a large trade association in Sacramento where he served as the Director of Finance for 5 years. He was responsible for managing the entities investment in a for profit subsidiary, information systems and budgeting.

Mr. German continued his career with the California subsidiary of the international drilling company, Major Drilling, Inc. In his capacity as controller he was responsible for cash management, insurance, bonding and financial reporting.

Volunteer

St Francis High School, Patron's of the Arts

Sacramento Theatre Company

Mr. German develops and oversees the Firm's Quality Control program acting as the Independent Review "Partner" on all engagement he does not manage. His extensive experience in the private sector is a great resource for our clients and allows us to focus appropriately on audit risk.

Principal, Supervisory, and Management Staff



Scott German, CPA

Classification: Independent Reviewer
 Years of Experience: 34
 BS California State University,
 Sacramento

FINANCIAL STATEMENT AUDITS: **Fechter & Company**

E. Claire Raley Center for the Performing Arts
EMSTA College
Sylvan Cemetery District
Fair Oaks Cemetery District
Syngen

Marys Gone Crackers
Creative Solutions 4 Autism.
North Coast County Water District
Sunrise Recreation & Park District
Olivehurst Public Utility District

FINANCIAL STATEMENT AUDITS: **With former firms**

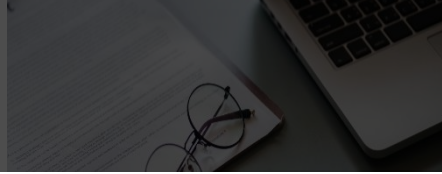
California Dental Association
California Manufacturers Association
United Way Sacramento

Teichert Construction
American Red Cross, Sacramento
The Dentists Company, Insurance Services

INDUSTRY EXPERIENCE

California Optometric Association Director of Finance
PC Exploration, Inc. Controller

Principal, Supervisory, and Management Staff



Sandy Sup, CPA, MBA

Classification: Audit Manager
 Years of Experience: 25
 BS University of New Hampshire
 MBA at CSUS

RELEVANT EXPERIENCE

Sandy has been auditing government entities for more than 25 years. She has audited 28 of the 58 counties in California as well as numerous cities and districts in California and Nevada. This work included primary responsibility for the preparation of Comprehensive Annual Financial Reports as well as many other financial reports, including single audit reports. All the Comprehensive Annual Financial Reports for which Sandy served as the primary preparer were considered for, and awarded, the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association. Sandy served as a reviewer on the Special Review Committee of the Government Finance Officers Association that is responsible for awarding the Certificate of Achievement for Excellence in Financial Reporting for more than four years.

PROFESSIONAL ASSOCIATIONS

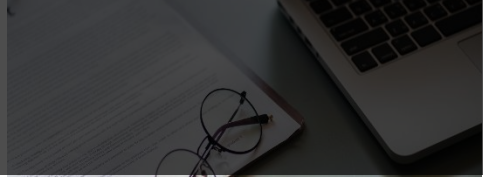
American Institute of Certified Public Accountants (AICPA)

California Society of Certified Public Accountants (CalCPA)

Government Finance Officers Association (GFOA)

Sandy meets the continuing professional education requirements for performing audits in accordance with Government Auditing Standards, which require that she receive 80 credit hours of continuing professional education every two years with at least 24 of those hours being specifically related to governmental accounting and auditing.

Principal, Supervisory, and Management Staff



Sandy Sup, CPA, MBA

Classification: Audit Manager
 Years of Experience: 17
 BS University of New Hampshire
 MBA at CSUS

FINANCIAL STATEMENT AUDITS: **With Fechter & Company**

Granada Community Services District
Rio Linda/Elverta Water District
East Stanislaus RCD
Thermalito Water and Sewer District
Sewage Commission Oroville Region
Banta-Carbona Irrigation District

East Stanislaus Resource Conservation District
Amador Air District
North Coast County Water District
Markleeville Public Utility District
Olivehurst Public Utility District
Nevada LAFCO

FINANCIAL STATEMENT AUDITS: **With former firm**

Amador County
Butte County
El Dorado County
Inyo County
Lake County
Marin County
Mono County
Monterey County

Napa Sanitation District
Nevada County
City of Porterville, CA
Citrus Heights Water District
Sierra County
Siskiyou County
Sutter County
City of Reno, Nevada

Principal, Supervisory, and Management Staff



Joanne Berry, CPA

Classification: Audit Manager

Years of Experience: 16

BS in Business Administration, Accounting from California Polytechnic Institution, 1997

RELEVANT EXPERIENCE

Mrs. Berry began working in public accounting in 1998 with the international accounting firm Ernst & Young, LLP. Mrs. Berry has held successful financial management positions with biotech and energy organizations. Her experience includes the following:

- Month end close and reporting
- Construction and development
- Compliance with regulatory requirements
- Project management of various accounting projects including software implementations and internal control rework

As Audit Manager at Fechter & Company, Joanne has conducted a variety of audits in accordance with the Yellow Book and governmental auditing standards.

FINANCIAL STATEMENT AUDITS:

With Fechter & Company

Olivehurst Public Utility District
Rio Linda/Elverta Community Water District
Progressive Employment Concepts
Bradshaw Christian School
California Society of Health-System Pharmacists
Community Living Options
Sacramento Ballet
International Christian Adoptions
Greater Yosemite Council – Boy Scouts of America

Specific Audit Approach

We will perform an onsite interim audit, we use electronic paperless audit software, and will facilitate the collection of source documents through an electronic portal.

The District requests that the auditor express an opinion on the District presentation of its financial statements in accordance with accounting principles generally accepted in the United States of America. We propose that the engagement be divided into the following segments:

PHASE I
Initial planning and preparation
Preliminary analysis, report preparation, cash and other confirmation
Information gathering
Evaluating internal controls
PHASE II
Fieldwork
Post-field-work activities (e.g., follow-up on pending items, collection of confirmation letters, etc.)
PHASE III
Report finalization and final analysis
Report delivery and Board of Directors presentation

ESTIMATED STAFF HOURS BY PHASE

SLVWD	Phase I Hours	Phase II Hours	Phase III Hours	Total Hours	SMGWA	Phase I Hours	Phase II Hours	Phase III Hours	Total Hours
Partners	6	7	7	20	Partners	2	2	2	6
Managers	20	30	20	70	Managers	10	10	10	30
Professional Staff	10	60	20	90	Professional Staff	5	25	5	35
Clerical/Support Staff	5	5	5	15	Clerical/Support Staff	2	2	2	6
Total	41	102	52	195	Total	19	39	19	77

Specific Audit Approach, Continued

Phase 1

INITIAL PLANNING AND PREPARATION

As the first step in our planning and preparation phase, we will meet with the staff of your company to establish a working relationship. We expect this meeting will involve the District's key financial personnel.

We will deliver a Prepared-by-Client list (PBC), which details the items we will need to perform the audit. We will resolve any ambiguities or questions we or the District might have about the services we are to perform.

We will gather contact information for the District's bankers, attorneys, prior accountant, and other relevant parties, and make inquiries as required by Government Auditing Standards.

We will examine prior year's financial statements to develop audit plans for each significant balance sheet and income statement account.

PRELIMINARY ANALYSIS

The primary focus of an audit is to develop expectations and compare actual financial results against those expectations. We will compare the current year's results with budgetary expectations to identify any areas of material misstatement.

REPORT PREPARATION

Unlike other firms, we prepare financial statements prior to field work. Doing so allows us to focus on the overall financial position of the organization and limits our testing of clearly insignificant areas.

CASH AND OTHER CONFIRMATIONS

We will confirm cash with the bank, any material year-end accounts or grants receivable, grants or donations received during the year, debt outstanding at the end of the year, and any other financial transaction that we consider material to the financial statements as a whole. The decision to confirm a statement item depends on the materiality of the item, the susceptibility of the item to misstatement, or the likelihood of fraud.

Specific Audit Approach, Continued

Phase 1

INFORMATION GATHERING: We will obtain the information requested in the PBC along with any associated report required.

1. Testing statistical samples

During sample selection we consider three questions: (1) purpose of the test—attribute or balance testing, (2) susceptibility of the population or process to fraud or misstatement, and (3) size of transactions—small and numerous, or large and infrequent.

2. Testing revenues and disbursements

In testing revenues and disbursements, we determine that the attribute being tested is applied to the transaction as approved by the District's Management and Board. We will select 20 to 30 items based on the results of a random number generator, and select another 20 to 30 items by scanning the detailed general ledger. The result is an overall sample of 40 to 60 invoices to confirm compliance with board-approved procedures. We determine sample sizes in accordance with the objective of the test, the population to be sampled, and the risk associated with that population. The sample size also depends on the size of the population and whether or not we will be able to properly stratify populations into individually significant and individually insignificant items.

3. Type and extent of analytical procedures

We will use analytical procedures in all areas of the audit. Initially, we will perform analytical procedures to assist us in identifying areas of risk for which substantive procedures will be performed. For certain areas, especially revenues and expenses, we will also utilize analytical procedures as part of our substantive testing. In the final stages of the audit, we will use analytical procedures as part of our final review of the audit.

Specific Audit Approach, Continued

Phase 1

INFORMATION GATHERING: We will obtain the information requested in the PBC along with any associated report required.

4. Examining the District's internal control structure

Among the items included in the PBC is a questionnaire regarding internal controls. We will review the completed questionnaires and compare them with procedures the District has established for actions such as purchasing, cash and check collections, inventorying fixed assets, billing, payroll disbursement, and budgeting. We will then audit each area of internal control that will materially affect the audit.

5. Determining pertinent laws and regulations

We will examine items such as grant agreements to determine their effect on the District, and audit them if necessary. We will also examine pertinent ordinances to determine whether the District is complying.

6. Assessing risk

Generally accepted auditing standards require that we assess the risks of material misstatement and fraud. After analyzing internal controls and evaluating potential weaknesses, we will determine which areas of the audit carry the risk of material misstatement and take steps to mitigate that risk.

7. Testing for functionality of internal controls

We will conduct random tests on a year-to-year basis to determine the functionality of the District's internal controls. We will randomly select customers and trace each step of each payment into the system over the course of a year. We will audit any area of potential weakness with a specifically designed test.

Specific Audit Approach, Continued

Phase 2

FIELDWORK

With the assistance of District personnel, we will test the balances resulting from the following procedures:

- Cash deposits
- Internal control of disbursements
- Payroll
- Revenues
- Inventory control
- Billing and collections
- Unrecorded liabilities

We will also discuss with the Board any specific concerns or procedures they want performed.

POST-FIELDWORK ACTIVITIES

Once we complete our fieldwork, we will resolve any pending items and ensure that all requested third-party confirmations have been received. After the District has reviewed the financial statements and any proposed adjusting journal entries, we will obtain signed representation letters from the District and from its counsel that confirm or explain any pending litigation against the District and its effect on the audited financial statements.

Phase 3

REPORT FINALIZATION AND FINAL ANALYSIS

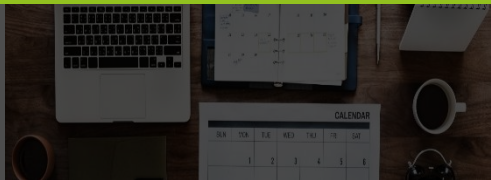
Prior to finalizing the financial statements, we will perform a second comparison of current year results with prior year results, and budgetary expectations to actual results. Performing these tests subsequent to the audit work provides additional assurance that the financial statements are free of material misstatement.

REPORT DELIVERY AND BOARD OF DIRECTORS PRESENTATION

We will deliver our report in person to the Board of Directors. We will also attend a board meeting to answer questions that the Board may have. Our aim is to create an open line of communication between our firm and your organization so the Board feels comfortable asking for help with any questions or issues that may arise during the year.

Specific Audit Approach, Continued

Audit Timeline



Because the firm president performs and supervises on-site fieldwork, the turnaround time from the end of our fieldwork to the report draft is typically only 10 days. Completion of the final audit report depends on how promptly the District’s staff is able to provide needed reports and confirmations. The typical turnaround is within 3 weeks. The following table shows our timeline for completing the major tasks of the audit.

Phase	Audit Task	Estimated Timeline
I	Pre-Audit conference	August 2021
	Initial planning and audit planning: Prepared-by-Client list, Information from bankers, attorney’s Prior year’s statements	August 2021
	Preliminary analysis: Report preparation, Cash and other confirmations, Internal controls Information gathering: Statistical sampling and testing, Revenues and disbursements, Internal controls, Laws and regulations, Risk assessment, Functionality testing	September 2021
II	Fieldwork (3-4 days): Cash deposits, Internal control of disbursements, Payroll, Revenues, Inventory control, Billing and collections, Unrecorded liabilities	By September 15, 2021
	Post-fieldwork activities: Third-party confirmations	September 2021
III	Report finalization and final analysis	October 2021
	Final analysis	October 2021
	Report draft delivery	By November 30, 2021
	Final report delivery	By November 30, 2021

Specific Audit Approach

Identification of Anticipated Potential Audit Problems



IDENTIFICATION OF POTENTIAL PROBLEMS

At the present moment we do not anticipate any major audit problems that will cause delays in issuance of the audit report as evidenced by the District's timely audits in the past several years. We recognize that timeliness is important to the District and we commit to issuing the audits in a timely manner.

Based on prior experiences, the following difficulties may cause delays:

- New accounting or GASB standards.
- Confirmations* that we repeatedly send to confirmation sources, such as long-term debt, cash, or grant confirmations.
- Failure of client personnel to respond to our questions and needs in a timely manner.
- Books that are not appropriately closed and require numerous adjustments.

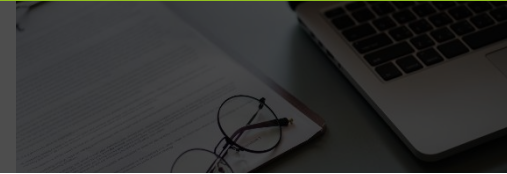
STEPS TO ADDRESS ANTICIPATED ISSUES

In order to address these frequent issues, the below are steps that we attempt to take with each client:

- Proactively inform you of major GASB standard changes that will take place in a future year – a prime example of a GASB standard that will impact nearly every governmental agency is that of GASB 87 which require capitalization of leases and should be effective for the fiscal year ended June 30, 2021.
- We attempt to tackle confirmations as early as we can in the audit process. Confirmations are an integral part of every audit and must be pro-actively managed. We attempt to start this process early on and then we automatically follow up with each confirmation source every couple of weeks. If we do not hear back from a source after a couple of attempts, we will follow up with you.
- While we understand that nearly every audit may result in open items. We also understand that client staff can get busy with day to day jobs. We attempt to follow up on open items every couple of weeks to make sure requests are fulfilled.
- If we encountered serious delays in prior years, we will follow up with District staff well before an audit is scheduled to make sure we are able to assist where necessary to assure proper closing of the books.

Specific Audit Approach

Remote Work Capabilities



Because of COVID-19, we have the capability of performing 100% remote work.

Even before COVID, our firm had sensed an overall change in the labor and audit market and we began to prepare for work in a remote environment. This allowed employees with more flexibility to work at home as needed and to have more time for themselves, in addition to overall environmental considerations.

Once COVID became a reality of life, our employees began to work exclusively at home and we began to perform remote engagements. In order to facilitate this work, we offer the following:

- Our audit software is exclusively on a secure cloud-based server. Our employees have access to the audit file from wherever is most convenient to them or the client.
- We have an online server through a system called Gofileroom. We will set you up with access to this server and you will be able to securely transfer files to us through it. This server is directly connected to our audit software.
- We are likewise able to transfer information to you via this server. We are able to open the audit file, right click on documents, and send directly to your portal.
- We have the commercial version of “Zoom”, meaning we can have an unlimited amount of “face to face” meetings with an unlimited number of people.

We are confident we will be able to complete your review in a remote environment assuring the maximum amount of security for your and our staff.

Compensation

Proposed Fee Schedule

The following fee quote is a fixed price to be charged for all services rendered in connection with the audits of both requested years combined. Our best understanding is that the following must be performed – performing auditing standards under GAAP standards, preparing the financial statements, and annual tax returns as requested.

*Please note an additional \$2,700 will be charged if a Single Audit is required.

We propose a fee increase of 2.5% for subsequent audits.

STANDARD BILLING RATES FOR CLASSES OF PROFESSIONAL PERSONNEL EXPECTED TO WORK ON THE ENGAGEMENT:

	Hourly Rate
Partner	\$225
Manager	150
Professional Staff	100
Clerical/Support Staff	50

SLVWD	Hours	Hourly Rate	Total FY 2021
Partners	20	\$ 225	\$ 4,500
Managers	70	150	10,500
Professional Staff	90	100	9,000
Clerical/Support Staff	15	50	750
Sub-Total	195		24,750

Less Professional Discount	(4,750)
Discounted Fee	20,000
Direct Expenses (travel, printing, etc.)	1,000
Total for SLVWD	\$ 21,000*

SMGWA	Hours	Hourly Rate	Total FY 2021
Managers	6	\$ 225	\$ 1,350
Professional Staff	30	150	4,500
Clerical/Support Staff	35	100	3,500
Clerical/Support Staff	6	50	300
Sub-Total	77		9,650

Less Professional Discount	(1,650)
Discounted Fee	8,000
Direct Expenses (Travel, printing, etc.)	500
Total for SMGWA	\$ 8,500*

SAN LORENZO VALLEY WATER DISTRICT

**Proposal to Provide
Audit Services**

**For the Years Ending
June 30, 2021—2023
and Optional Years 2024—2025**

**Andy Beck CPA,
Charles Z. Fedak CPA, MBA**

6081 Orange Avenue
Cypress, California 90630

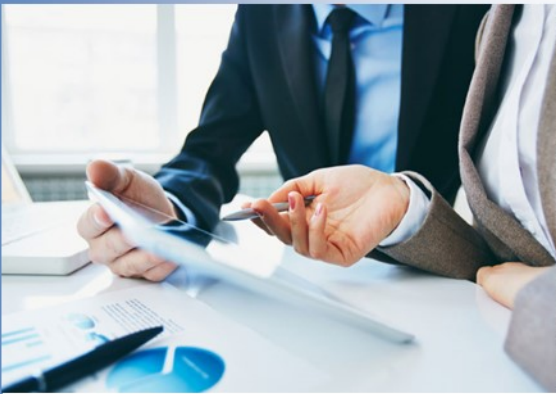
1945 Chicago Avenue, Suite C-1
Riverside, California 92507

Phone: (657) 214-2307

Email: andy@fedakbrownllp.com

chuck@fedakbrownllp.com

California BOA License Number: 7723



**Certified
Public
Accountants**



**Consultants
& Advisors**



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Section and Content

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2. **Executive Summary**
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5. **References**
6. **Firm Provided Affirmations**
7. **Our Specific Approach to your Audit**

Separate Fee Estimates

- **Cost Proposal - San Lorenzo Valley Water District**
- **Cost Proposal - Santa Margarita Groundwater Agency**



Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA, CGMA
Andy Beck, CPA

Fedak & Brown LLP

Certified Public Accountants

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6081 Orange Avenue
Cypress, California 90630
(657) 214-2307
FAX (714) 527-9154

Riverside Office:
1945 Chicago Avenue, Suite C-1
Riverside, California 92507
(951) 783-9149

January 7, 2021

Ms. Stephanie Hill, Director of Finance & Business Services
San Lorenzo Valley Water District
13060 Highway 9
Boulder Creek, California 95006

Re: Request for Proposal for Independent Auditor Services

Dear Ms. Hill:

We appreciate the opportunity to submit our proposal to provide annual audit services for the San Lorenzo Valley Water District (District) for the fiscal years ending June 30, 2021 through June 30, 2023, and optional years 2024 and 2025.

In response to your inquiry of Fedak & Brown LLP (Firm), we have prepared a proposal that reflects our understanding of the District's 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 50 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.

Ms. Stephanie Hill, Director of Finance & Business Services
San Lorenzo Valley Water District
January 7, 2021
Page 2

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's, 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 audit and attest engagements. 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 represents our irrevocable offer for a period of 180 days from the date of this letter to provide audit services to the District for the fiscal years ending June 30, 2021 through June 30, 2023, and optional years 2024 and 2025. You may contact, Andy Beck if you have any questions or need additional information. Andy Beck will be your primary contact during the proposal evaluation period. He may be reached at (657) 214-2307, or by e-mail respectively.

We look forward to hearing from you soon.

Cordially,



FEDAK & BROWN LLP
CERTIFIED PUBLIC ACCOUNTANTS

Audit Engagements

Our audit 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 following elements:

1. **Audit of the Basic Financial Statements of the District and Assistance in the Preparation of the District's Comprehensive Annual Financial Report;**
2. **Preparation of the District's Annual State Controller's Report;**
3. **Audit of Federal Awards - Single Audit, as required**
4. **Preparation of Management Reports for the District;**
5. **Provide guidance and technical assistance to the District in implementing Governmental Accounting Standards issued, including Annual Accounting Update Session (as required)**

Previous Audits Engagements

The Government Auditing Standards establishes that auditors should evaluate whether the audited entity must take appropriate corrective action to address findings and recommendations from previous engagements that could have a material effect on the subject matter, or an assertion about the subject matter, of the examination engagement.

Reporting Deficiencies in Internal Control, Fraud, Noncompliance with Provisions of Laws, Regulations, Contracts, and Grant Agreements, and Abuse

The Government Auditing Standards establishes that during the performance of Generally Accepted Governmental Auditing Standards (GAGAS) examination engagements, auditors should report, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the subject matter or an assertion about the subject matter and any other instances that warrant attention of those charge with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the subject matter or an assertion about the subject matter of the examination engagement; and (4) abuse that has a material effect on the subject matter of the examination engagement.

Also, Government Auditing Standards requires an additional reporting standard that auditors must follow. It requires the auditor to communicate his/her responsibility in a financial statement audit, including responsibilities for testing and reporting on internal controls and compliance with laws and regulations.

Commitment to the Highest Professional Standards

Our Firm is committed to the highest professional standards and our client service teams are fully versed in current professional guidance. Our Firm's extensive experience translates into a service approach that includes providing clients the educational tools to properly implement new accounting pronouncements. We encourage our clients to reach out with questions they may have. ***Our client service teams were integral to the implementation of Governmental Accounting Standards Board (GASB) No. 75 and 68 for our clients throughout the State of California and are prepared to provide assistance as the implementation date for GASB No. 87 approaches.*** Our client service approach includes review and assistance with current and pending GASB pronouncements.

Firm Qualifications and Experience

Identification of Proposer and Geographic Location to the District

Fedak & Brown LLP, Certified Public Accountants, is celebrating over 35 years of client service.

Our Firm is a full-service firm licensed to practice in the State of California providing accounting, audit, and consulting services for governmental and commercial enterprises, as well as extensive tax planning for domestic and international entities throughout the State of California. Our Governmental Services personnel are trained professionals with extensive experience in governmental accounting, auditing, and consulting services with offices in Cypress, and Riverside, California.

Your main contact will be Mr. Andy Beck. Our contact information can be located on our letterhead. All of the work for the District will be staffed directly out of our Cypress and Riverside offices 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 ® Audit Software.

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. Fedak & Brown LLP 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's audit 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. Fedak & Brown LLP has never been the object of any disciplinary action in its entire existence.

Experience and Technical Competence

We have prepared a listing of some of our governmental audit clients on the previous 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

“We Are Committed to the Governmental Special District Industry!”

The following is a listing of some of our Governmental Special District Clients that our Audit Teams have served by County!

Kern County

*Bear Valley Community Services District
Indian Wells Valley Water District
Stallion Springs Community Services District*

Los Angeles County

*Castaic Lake Water Agency
Crescenta Valley Water District
Greater Los Angeles County Vector Control District
Long Beach Airport
Long Beach Water Department
Palmdale Water District
Palos Verdes Library District
San Gabriel Valley Municipal Water District
Sanitation Districts of LA County
Southern California Library Cooperative
Valley County Water District
Water Replenishment District*

Orange County

*Buena Park Library District
Capistrano Bay Community Services District
East Orange County Water District
El Toro Water District
Irvine Ranch Water District
Mesa Consolidated Water District
Nature Reserve of Orange County
Rossmoor/Los Alamitos Area Sewer District
Santiago County Water District
Southern California Coastal Water Resource Authority
Yorba Linda Water District*

Riverside County

*Beaumont-Cherry Valley Water District
Cabazon Water District
Coachella Valley Mosquito and Vector Control
Desert Recreation District
Edgemont Community Services District
Idyllwild Fire Protection District
Lake Hemet Municipal Water District
Northwest Mosquito and Vector Control
Santa Ana Watershed Project Authority
Temecula Public Cemetery District
Western Municipal Water District*

Santa Barbara County

*Goleta Water District
Montecito Water District
Santa Maria Public Airport Authority
SantaYnez Community Services District
Summerland Sanitary District*

San Bernardino County

*Baldy Mesa Water District
Big Bear City Community Services District
Big River Community Services District
Chino Basin Water Conservation District
Chino Basin Watermaster
Helendale Community Services District
Hi-Desert Water District
Inland Empire Utilities Agency
Joshua Basin Water District
Mojave Water Agency
Monte Vista Water District
Phelan Pinon Hills Community Services District
San Bernardino Valley Water Conservation District
Victor Valley Wastewater Reclamation Authority
Water Facilities Authority - JPA
West Valley Mosquito and Vector Control District
West Valley Water District*

San Diego County

*Leucadia Wastewater District
Public Agency Self-Insurance System
Rincon Del Diablo Water District
Vallecitos Water District*

Ventura County

*Gold Coast Transit
Oxnard Harbor District
Pleasant Valley Recreation and Park District
Saticoy Sanitary District
Triunfo Sanitation District
Ventura County Resource Conservation District
Ventura Regional Sanitation 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
North Marin Water District
McKinleyville Community Services District
Oakdale Irrigation District
Pajaro Valley Water Management Agency
Purissima Hills Water District
San Lorenzo Valley Water District
Scotts Valley Water District
Solano Irrigation District
Soquel Creek Water District
Westborough Water District*

Firm Qualifications and Experience, continued

Quality Control

The Board of Directors of the District can measure the quality of the opinions expressed by Fedak & Brown LLP 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.

Fedak & Brown LLP is pleased to announce the successful completion of our most recent independent quality review of our accounting and auditing practice, which included a review of specific governmental audit engagements. Our Firm's governmental audit engagements were reviewed as they related to governmental agencies and other special districts in the field of governmental auditing. After a thorough study of our procedures and work practices, the reviewers concluded that our Firm complies with the stringent quality control standards established by the American Institute of Certified Public Accountants (AICPA). Our Firm has received an unmodified opinion in every independent quality review that it has participated in since its inception of the program by the profession.

A team of independent CPAs, who were appointed by the California Society of Certified Public Accountants, conducted the review. Using guidelines established by the AICPA, the reviewers determined that our Firm has an effective quality control system and that our accounting and auditing work conforms to professional standards. Our Firm has not had any clients who have been the subject of any desk reviews. ***Our Firm has never been the subject of any disciplinary action by any State or Federal Agency in its entire existence.***

Our continued participation in required periodic quality reviews, our voluntary membership in the AICPA and California Society of CPAs, as well as our continuing professional education supports our commitment to quality and our high standards for client service.

Fedak & Brown LLP 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.

Firm Qualifications and Experience, continued

Marcia J. Hein, CPA

5922 Bromborough Drive
Windsor, CO 80550

Phone: (970) 775-7332 e-mail: marcia@mjh-cpa.com

Report on the Firm's System of Quality Control

April 29, 2019

To the Partners
Fedak & Brown, LLP
and the Peer Review Committee of the California Society of CPAs

I 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, 2018. My 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, in any.

Peer Reviewer's Responsibility

My responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on my review.

Required Selections and Considerations

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

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

Opinion

In my opinion, the system of quality control for the accounting and auditing practice of Fedak & Brown, LLP in effect for the year ended September 30, 2018, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. Fedak & Brown, LLP has received a peer review rating of *pass*.

Marcia J. Hein, CPA

Marcia J. Hein, CPA

Partner, Supervisory, 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 governmental audit Supervisor assigned to the District's audit; in addition, one or more staff accountants (governmental auditing staff only) 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 governmental audit manager 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 governmental audit manager will work with the supervisor to complete the reports for the District for all recipients. The manager will be your contact throughout the engagement year.

The governmental audit staff accountant will be in the field conducting the audit test work. The staff accountant is responsible for testing internal controls and substantive testing procedures and will interact with your staff at your staff's convenience.

Prior to discussions with your staff, the staff accountant 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's operating environment.

Partner Participation

The partner in charge of the audit will be available to attend meetings of the District's Administrative/Finance Committee and the Boards 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, Staff Qualifications and Experience, continued

**CHARLES Z. FEDAK, CPA, MBA
TECHNICAL REVIEW PARTNER**

Education:	Bachelor of Science – Business Administration: Accountancy – California State University, Long Beach 1973 Master of Business Administration – California State University, Long Beach 1984
License:	Certified Public Accountant - 1983
Continuing Education	Total hours were 136 hours in last two years of which 32 were in governmental accounting and auditing subjects. Mr. Fedak has the Governmental Auditing Standards requirement for governmental CPE.
Memberships	California Society of Certified Public Accountants American Institute of Certified Public Accountants National Association of Corporate Directors
Experience	<p>Charles Z. Fedak is a CPA in the State of California and has been in public accounting for forty-two plus years, having worked seven years at the national firm level before starting his own practice in January of 1981. Mr. Fedak holds a Bachelors of Science Degree in Accounting and a Masters in Business Administration from California State University, Long Beach. He has extensive experience in the audits of governmental entities including cities, towns, and special districts, while working at the national firm level as well as in our own Firm.</p> <p>Mr. Fedak’s public accounting experience includes tenure with Big Four CPA Firms, Ernst & Young (“EY”) and KPMG. He is also involved in auditing of governmental and non-profit entities as well as medium to large manufacturing, construction and service oriented corporations. He has thorough knowledge of Generally Accepted Accounting Principles, Governmental Accounting, and Auditing Standards as well as the Single Audit Act. His work experience also includes tax planning and preparation at the corporate, individual, estate and trust levels.</p> <p>Member of Board of Directors – Molina Healthcare, Inc. (MOH) New York Stock Exchange 2002 – 2019</p> <ul style="list-style-type: none">➤ Chairman, Compensation Committee – MOH; 2002 – 2006➤ Chairman, Audit Committee – MOH; 2004 – 2019 <p>Mr. Fedak has also participated in various tours and educational trips sponsored by the Metropolitan Water District, including the southern section of the Colorado River and the northern portion of the California Delta as they both relate to the State Water Project.</p>

**ANDY BECK, CPA
ENGAGEMENT PARTNER**

Education:	Bachelor of Arts in Economics – University of California, Irvine 2001
License:	Certified Public Accountant – 2008
Continuing Education	Total hours were 90 hours in last two years of which 24 were in governmental accounting and auditing subjects. Mr. Beck has the Governmental Auditing Standards requirement for governmental CPE.
Memberships	California Society of Certified Public Accountants
Experience	<p>Over fifteen years of experience in public accounting and auditing governmental entities, not-for-profit organizations, and employee benefit plans. Mr. Beck is involved in 20%-30% of the Special District clients served by our Firm.</p> <p>Andy Beck is a CPA in the State of California and has been in public accounting for approximately 15 years. Mr. Beck holds a Bachelors of Science Degree in Economics from the University of California Irvine. He has extensive experience in the audits of governmental entities.</p> <p>He has been involved on the following governmental special districts engagements:</p> <ul style="list-style-type: none">➤ Pajaro Valley Water Management Agency➤ Victor Valley Wastewater Reclamation Authority➤ Hi-Desert Water District (Water & Wastewater)➤ Mckinleyville Community Services District➤ Avila Beach Community Services District➤ Solano Irrigation District➤ Oakdale Irrigation District➤ Aromas Water District➤ Central Water District➤ San Lorenzo Valley Water District➤ Santa Maria Public Airport District➤ Butte County Mosquito and Vector Control District➤ Antelope Valley Air Quality Management District➤ Mojave Desert Air Quality Management District

References


References

Presented below are three client references of officials of California Special Districts and/or agencies who currently conduct enterprise type activities. Please do not hesitate to contact these references regarding our Firm and the high level of service we provide.

1. Ms. Cammie Morin, Finance Manager Solano Irrigation District 810 Vaca Valley Parkway, Suite 201 Vacaville, CA 95688	Irrigation District Annual Audit – Financial Statement 707.448.6847
2. Mr. Jonathan Abadesco, CFO Hi-Desert Water District 55439 Twentynine Palms Highway Yucca Valley, CA 92284	Water/Wastewater District Annual Audit – CAFR 760.228.6284
3. Mr. Brian Lockwood, General Manager Pajaro Valley Water Management Agency 36 Brennan Street Watsonville, CA 95076	Water Agency Annual Audit 831.722.9292

Firm Provided Affirmations

- A. Fedak & Brown LLP 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. Fedak & Brown LLP 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. Fedak & Brown LLP 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. Fedak & Brown LLP 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. Fedak & Brown LLP affirms that it will meet your timing requirements to begin and complete the audit of the District.
- F. Fedak & Brown LLP affirms that it will staff the audit of the District with experienced personnel and not use this audit as training grounds for new staff and that no person designated as “key” to the project shall be removed or replaced without the prior written consent of the District.
- G. Fedak & Brown LLP 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. Fedak & Brown LLP affirms that it has not been censured or disciplined from the State Board of Accountancy.
- I. Fedak & Brown LLP affirms that it will allow the District or their designee access to pertinent District audit work papers, financial reports, and management letters.
- J. Fedak & Brown LLP 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: Andy Beck, CPA

Title: Partner

Firm: Fedak & Brown LLP

Date: January 7, 2021

Our Specific Approach to your Audit

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 in order to minimize disruption during the audit process.
- We strive to utilize support already prepared by our clients in order 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's Board of Directors and management to discuss the scope and timing of the audit test work, the availability of the District's 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's internal control structure and communication of recommendations to the District's management team concerning District policies and procedures.
- Tests of controls of audit areas to determine the effectiveness of the District's 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.

Our Specific Approach to your Audit, continued

Interim Audit Planning and Testwork, continued

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

After we obtain an understanding of the District's 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's books and preparation of final 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 (as required)
- 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's 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's 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.

Our Specific Approach to your Audit, 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 in the course of 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's 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's management, Administrative/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 pro-active 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.

Our Specific Approach to your Audit, continued

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. Per the District’s schedule requirements, interim fieldwork will begin in May through June of each year (the District’s preference of dates), concluding no later than June 30th (TBD) of each year. Final fieldwork will begin in August-September of each year (the District’s preference of dates).

Delivery of the draft financial statements and Management Report no later than October 31st as noted in the RFP. Submission of the Annual State Controller’s Report no later than January 31st, of each year or as prescribed by law.

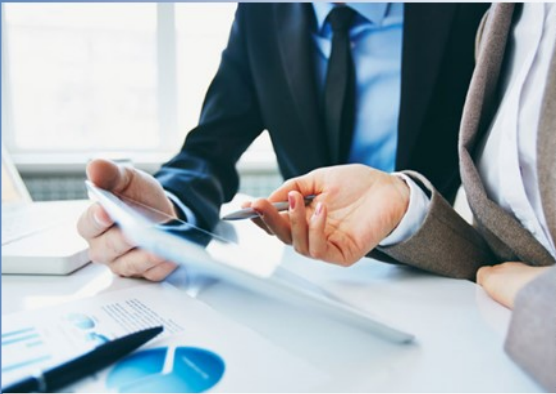
In the table that follows, we provide a summary of our planned activities and their timing based on our understanding of District requirements:

Timing	Activity
Between March and April Between March through May (TBD)	Provide Audit Plan and transition efforts Interim Fieldwork - Conduct audit entrance conference. Perform preliminary procedures including: initial control assessments, minute and contract/major agreement review, major transaction review, conduct EDP review, final controls assessment, determination of specific audit procedures, provide finance department with audit plan and listing of audit schedules required, conduct progress conference with key Finance Personnel. Complete test for Federal Awards (if required). Communication with District’s management about interim fieldwork status and any potential findings or issues.
August- September (TBD)	Commence audit fieldwork. Conduct audit exit conference, including discussion of draft AJE’s and Management Letter comments (if any).
By October 31 st <u>or as needed by the District.</u>	Provide draft of the Financial Statements and Management Report.
By January 31 st or as prescribed by law.	Prepare and submit the Annual State Controller’s Report.
At the District’s Preference (TBD)	Present the Financials and audit results to the Board.

TBD – To Be Determined. Based on Client requirements

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**



SAN LORENZO VALLEY WATER DISTRICT

**Cost Proposal
to Provide Audit Services**

**For the Years Ending
June 30, 2021—2023
and Optional Years 2024—2025**

**Andy Beck CPA,
Charles Z. Fedak CPA, MBA**

6081 Orange Avenue
Cypress, California 90630

1945 Chicago Avenue, Suite C-1
Riverside, California 92507

Phone: (657) 214-2307

Email: andy@fedakbrownllp.com

chuck@fedakbrownllp.com

California BOA License Number: 7723





Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA, CGMA
Andy Beck, CPA

Fedak & Brown LLP

Certified Public Accountants

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(951) 783-9149

January 7, 2021

Ms. Stephanie Hill, Director of Finance & Business Services
San Lorenzo Valley Water District
13060 Highway 9
Boulder Creek, California 95006

Re: Request for Proposal for Independent Auditor Services

Dear Ms. Hill:

Based on our understanding of the San Lorenzo Valley Water District’s (District) requirements, our fee for audit services, assistance in preparation of the District Comprehensive Annual Report (CAFR), and preparation of the District’s State Controller’s Report for the fiscal year ending June 30, 2021 is **\$18,875**. This fee is based on our understanding of the District’s audit requirements.

Assuming there is no substantial change in the District’s activities and operations, our fee for audit services, assistance in preparation of the District’s CAFR, and preparation of the District’s State Controllers Report for the fiscal years ending June 30, 2022 through 2023, and optional years 2024 and 2025 would be **\$18,875** per year, respectively.

The cost for Other Items as requested or needed by the District each year is priced separately.

Our 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 Fedak & Brown LLP and am duly authorized to sign a contract with the District.

Andy Beck, CPA

January 7, 2021

Date

Exhibit I – Proposed Hours and Our Fees

Proposed Hours and Our Fees

We anticipate that for the years ending June 30, 2021 through 2023, and optional years 2024 and 2025, the audit of the District will approximate 160 audit hours. These hours, by major area, are summarized as follows:

<u>Audit Steps</u>	<u>Partners</u>	<u>Manager/ Supervisor</u>	<u>Staff</u>	<u>Total</u>
Planning	2	5	10	17
Control Testwork	4	10	35	49
Substantive Testwork	4	10	45	59
Reporting	15	10	10	35
Total Hours	<u>25</u>	<u>35</u>	<u>100</u>	<u>160</u>

As shown above, we expect approximately 38% of engagement hours to come from the Partners and Managers assigned to the engagement.

Working on the premise that we will be provided with a year-end trial balance, along with an audit package of reconciled balances and supporting schedules of all balance sheet accounts, we expect to perform the audit of the District at fees as stated in the attached Schedules of Professional Fees on Page 3 through 6 for the years ending June 30, 2021 through 2023, and optional years 2024 and 2025 respectively.

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 the 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 audits.

In accordance with your request for proposal and the Office of Management and Budget, we will maintain our work papers for at least 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 want the Board to understand that we will provide **any** assistance and answer **any** questions that the District's staff or members of the Board 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 accounting 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 our interest in the District, we will provide you with assistance 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

San Lorenzo Valley Water District

<u>Engagement Fees By Fiscal Years</u>	<u>Audit Service Fees</u>	<u>Preparation of the State Controller's Report</u>	<u>Total Audit and State Controller's Report</u>	<u>Single Audit of Federal Awards</u>	<u>Total</u>
Fiscal Year 2021	\$ 18,375	500	18,875	4,670	23,545
Fiscal Year 2022	18,375	500	18,875	4,670	23,545
Fiscal Year 2023	18,375	500	18,875	4,670	23,545
Total Three Year Contract	\$ 55,125	1,500	56,625	14,010	70,635
 <u>Optional Years</u>					
Fiscal Year 2024	\$ 18,375	500	18,875	4,670	23,545
Fiscal Year 2025	\$ 18,375	500	18,875	4,670	23,545

Exhibit III – Schedule of Professional Fees by Hours

FISCAL YEAR 2021

Breakdown of Fees by Hours

	Hours		Hourly Rates		Total
Fiscal Year 2021 Audit of:					
District's Basic Financial Statements (CAFR)					
Partner - Engagement	20	\$	160	\$	3,200
Partner - Technical	5		160		800
Manager/Supervisor	35		125		4,375
Staff	100		100		10,000
Total Financial Statement Audit for 2021	160				18,375
Preparation of the District's Annual State Controller's Report	5		100		500
Total Maximum for 2021				\$	18,875
Optional Item Asked to be Priced by the District:					
Single Audit of Federal Awards					
Partner - Engagement	5		160	\$	800
Partner - Technical	2		160		320
Manager/Supervisor	10		125		1,250
Staff	23		100		2,300
Total Optional Item For 2021	40			\$	4,670

FISCAL YEAR 2022

Breakdown of Fees by Hours

	Hours		Hourly Rates		Total
Fiscal Year 2022 Audit of:					
District's Basic Financial Statements (CAFR)					
Partner - Engagement	20	\$	160	\$	3,200
Partner - Technical	5		160		800
Manager/Supervisor	35		125		4,375
Staff	100		100		10,000
Total Financial Statement Audit for 2022	160				18,375
Preparation of the District's Annual State Controller's Report	5		100		500
Total Maximum for 2022				\$	18,875
Optional Item Asked to be Priced by the District:					
Single Audit of Federal Awards					
Partner - Engagement	5		160	\$	800
Partner - Technical	2		160		320
Manager/Supervisor	10		125		1,250
Staff	23		100		2,300
Total Optional Item For 2022	40			\$	4,670

Exhibit III – Schedule of Professional Fees by Hours

FISCAL YEAR 2023

Breakdown of Fees by Hours

	Hours	Hourly Rates	Total
Fiscal Year 2023 Audit of:			
District's Basic Financial Statements (CAFR)			
Partner - Engagement	20	\$ 160	\$ 3,200
Partner - Technical	5	160	800
Manager/Supervisor	35	125	4,375
Staff	100	100	10,000
Total Financial Statement Audit for 2023	160		18,375
Preparation of the District's Annual State Controller's Report	5	100	500
Total Maximum for 2023			\$ 18,875
Optional Item Asked to be Priced by the District:			
Single Audit of Federal Awards			
Partner - Engagement	5	160	\$ 800
Partner - Technical	2	160	320
Manager/Supervisor	10	125	1,250
Staff	23	100	2,300
Total Optional Item For 2023	40		\$ 4,670

OPTIONAL YEAR - FISCAL YEAR 2024

Breakdown of Fees by Hours

	Hours	Hourly Rates	Total
Fiscal Year 2024 Audit of:			
District's Basic Financial Statements (CAFR)			
Partner - Engagement	20	\$ 160	\$ 3,200
Partner - Technical	5	160	800
Manager/Supervisor	35	125	4,375
Staff	100	100	10,000
Total Financial Statement Audit for 2024	160		18,375
Preparation of the District's Annual State Controller's Report	5	100	500
Total Maximum for 2024			\$ 18,875
Optional Item Asked to be Priced by the District:			
Single Audit of Federal Awards			
Partner - Engagement	5	160	\$ 800
Partner - Technical	2	160	320
Manager/Supervisor	10	125	1,250
Staff	23	100	2,300
Total Optional Item For 2024	40		\$ 4,670

Exhibit III – Schedule of Professional Fees by Hours

OPTIONAL YEAR - FISCAL YEAR 2025

Breakdown of Fees by Hours

	Hours		Hourly Rates		Total
Fiscal Year 2025 Audit of:					
District's Basic Financial Statements (CAFR)					
Partner - Engagement	20	\$	160	\$	3,200
Partner - Technical	5		160		800
Manager/Supervisor	35		125		4,375
Staff	100		100		10,000
Total Financial Statement Audit for 2025	160				18,375
Preparation of the District's Annual State Controller's Report	5		100		500
Total Maximum for 2025				\$	18,875
Optional Item Asked to be Priced by the District:					
Single Audit of Federal Awards					
Partner - Engagement	5		160	\$	800
Partner - Technical	2		160		320
Manager/Supervisor	10		125		1,250
Staff	23		100		2,300
Total Optional Item For 2025	40			\$	4,670

SANTA MARGARITA GROUNDWATER AGENCY

Cost Proposal to Provide Audit Services

For the Years Ending
June 30, 2021—2023
and Optional Years 2024—2025

Andy Beck CPA,
Charles Z. Fedak CPA, MBA

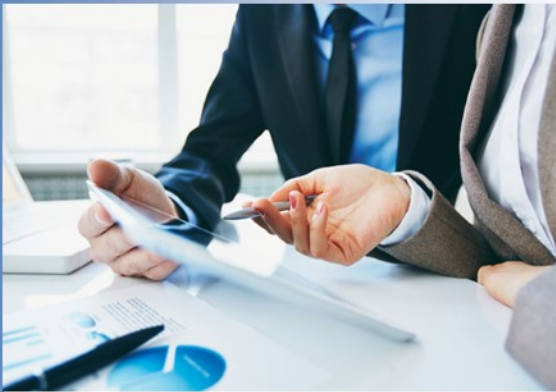
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chuck@fedakbrownllp.com

California BOA License Number: 7723



**Certified
Public
Accountants**



**Consultants
& Advisors**





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Christopher J. Brown, CPA, CGMA
Andy Beck, CPA

Fedak & Brown LLP

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Riverside, California 92507
(951) 783-9149

January 7, 2021

Ms. Stephanie Hill, Treasurer
Santa Margarita Groundwater Agency
2 Civic Center Drive
Scotts Valley, California 95066

Re: Request for Proposal for Independent Auditor Services

Dear Ms. Hill:

Based on our understanding of the Santa Margarita Groundwater Agency’s (Agency) requirements, our fee for audit services, assistance in preparation of the Agency’s annual report, and preparation of the Agency’s State Controller’s Report for the fiscal year ending June 30, 2021 is **\$5,110**. This fee is based on our understanding of the Agency’s audit requirements.

Assuming there is no substantial change in the Agency’s activities and operations, our fee for audit services, assistance in preparation of the Agency’s annual report, and preparation of the Agency’s State Controllers Report for the fiscal years ending June 30, 2022 through 2023, and optional years 2024 and 2025 would be **\$5,110** per year, respectively.

The cost for Other Items as requested or needed by the Agency each year is priced separately.

Our 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 Agency.

I am authorized to make representations for Fedak & Brown LLP and am duly authorized to sign a contract with the Agency.

Andy Beck, CPA

January 7, 2021

Date

Exhibit I – Proposed Hours and Our Fees

Proposed Hours and Our Fees

We anticipate that for the years ending June 30, 2021 through 2023, and optional years 2024 and 2025, the audit of the Agency will approximate 40 audit hours. These hours, by major area, are summarized as follows:

<u>Audit Steps</u>	<u>Partners</u>	<u>Manager/ Supervisor</u>	<u>Staff</u>	<u>Total</u>
Planning	1	2	2	5
Control Testwork	1	2	4	7
Substantive Testwork	1	2	8	11
Reporting	3	4	10	17
Total Hours	<u>6</u>	<u>10</u>	<u>24</u>	<u>40</u>

As shown above, we expect approximately 40% of engagement hours to come from the Partners and Managers assigned to the engagement.

Working on the premise that we will be provided with a year-end trial balance, along with an audit package of reconciled balances and supporting schedules of all balance sheet accounts, we expect to perform the audit of the Agency at fees as stated in the attached Schedules of Professional Fees on Page 3 through 6 for the years ending June 30, 2021 through 2023, and optional years 2024 and 2025 respectively.

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 the Agency'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 Agency, 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 audits.

In accordance with your request for proposal and the Office of Management and Budget, we will maintain our work papers for at least seven years and make them available to the Agency, state agencies, the General Accounting Office, and other parties upon the direction of the Agency.

We want the Board to understand that we will provide **any** assistance and answer **any** questions that the Agency's staff or members of the Board may have when they arise for the entire duration of our contract. We find it important to stay abreast of the Agency's activities and accounting 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 Agency. Because of our experience in Special Districts and our interest in the Agency, we will provide you with assistance 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

Santa Margarita Groundwater Agency

<u>Engagement Fees</u>	<u>Audit Service Fees</u>	<u>Preparation of the State Controller's Report</u>	<u>Total Audit and State Controller's Report</u>	<u>Single Audit of Federal Awards</u>	<u>Total</u>
Fiscal Year 2021	\$ 4,610	500	5,110	4,610	9,720
Fiscal Year 2022	4,610	500	5,110	4,610	9,720
Fiscal Year 2023	4,610	500	5,110	4,610	9,720
Total Three Year Contract	\$ 13,830	1,500	15,330	13,830	29,160
 <u>Optional Years</u>					
Fiscal Year 2024	\$ 4,610	500	5,110	4,610	9,720
Fiscal Year 2025	\$ 4,610	500	5,110	4,610	9,720

Exhibit III – Schedule of Professional Fees by Hours

Santa Margarita Groundwater Agency - Fiscal Year 2021 Breakdown of Fees by Hours

Fiscal Year 2021 Audit of:	<u>Hours</u>		<u>Hourly Rates</u>		<u>Total</u>
Agency's Basic Financial Statements					
Partner - Engagement	4	\$	160	\$	640
Partner - Technical	2		160		320
Manager/Supervisor	10		125		1,250
Staff	24		100		2,400
	<u>40</u>				<u>4,610</u>
Total Financial Statement Audit for 2021					
Preparation of the Agency's Annual State Controller's Report	<u>5</u>		100		<u>500</u>
Total Maximum for 2021				\$	<u><u>5,110</u></u>
Optional Item Asked to be Priced by the Agency:					
Single Audit of Federal Awards					
Partner - Engagement	4		160	\$	640
Partner - Technical	2		160		320
Manager/Supervisor	10		125		1,250
Staff	24		100		2,400
	<u>40</u>				<u>4,610</u>
Total Optional Item For 2021				\$	<u><u>4,610</u></u>

Santa Margarita Groundwater Agency - Fiscal Year 2022 Breakdown of Fees by Hours

Fiscal Year 2022 Audit of:	<u>Hours</u>		<u>Hourly Rates</u>		<u>Total</u>
Agency's Basic Financial Statements					
Partner - Engagement	4	\$	160	\$	640
Partner - Technical	2		160		320
Manager/Supervisor	10		125		1,250
Staff	24		100		2,400
	<u>40</u>				<u>4,610</u>
Total Financial Statement Audit for 2022					
Preparation of the Agency's Annual State Controller's Report	<u>5</u>		100		<u>500</u>
Total Maximum for 2022				\$	<u><u>5,110</u></u>
Optional Item Asked to be Priced by the Agency:					
Single Audit of Federal Awards					
Partner - Engagement	4		160	\$	640
Partner - Technical	2		160		320
Manager/Supervisor	10		125		1,250
Staff	24		100		2,400
	<u>40</u>				<u>4,610</u>
Total Optional Item For 2022				\$	<u><u>4,610</u></u>

Exhibit III – Schedule of Professional Fees by Hours

Santa Margarita Groundwater Agency - Fiscal Year 2023

Breakdown of Fees by Hours

Fiscal Year 2023 Audit of:	Hours	Hourly Rates	Total
Agency's Basic Financial Statements			
Partner - Engagement	4	\$ 160	\$ 640
Partner - Technical	2	160	320
Manager/Supervisor	10	125	1,250
Staff	24	100	2,400
Total Financial Statement Audit for 2023	40		4,610
Preparation of the Agency's Annual State Controller's Report	5	100	500
Total Maximum for 2023			\$ 5,110
 Optional Item Asked to be Priced by the Agency:			
Single Audit of Federal Awards			
Partner - Engagement	4	160	\$ 640
Partner - Technical	2	160	320
Manager/Supervisor	10	125	1,250
Staff	24	100	2,400
Total Optional Item For 2023	40		\$ 4,610

Optional Year - Santa Margarita Groundwater Agency - Fiscal Year 2024

Breakdown of Fees by Hours

Fiscal Year 2024 Audit of:	Hours	Hourly Rates	Total
Agency's Basic Financial Statements			
Partner - Engagement	4	\$ 160	\$ 640
Partner - Technical	2	160	320
Manager/Supervisor	10	125	1,250
Staff	24	100	2,400
Total Financial Statement Audit for 2024	40		4,610
Preparation of the Agency's Annual State Controller's Report	5	100	500
Total Maximum for 2024			\$ 5,110
 Optional Item Asked to be Priced by the Agency:			
Single Audit of Federal Awards			
Partner - Engagement	4	160	\$ 640
Partner - Technical	2	160	320
Manager/Supervisor	10	125	1,250
Staff	24	100	2,400
Total Optional Item For 2024	40		\$ 4,610

Exhibit III – Schedule of Professional Fees by Hours

Optional Year - Santa Margarita Groundwater Agency - Fiscal Year 2025

Breakdown of Fees by Hours

Fiscal Year 2025 Audit of:	<u>Hours</u>	<u>Hourly Rates</u>	<u>Total</u>
Agency's Basic Financial Statements			
Partner - Engagement	4	\$ 160	\$ 640
Partner - Technical	2	160	320
Manager/Supervisor	10	125	1,250
Staff	24	100	2,400
Total Financial Statement Audit for 2025	<u>40</u>		<u>4,610</u>
Preparation of the Agency's Annual State Controller's Report	<u>5</u>	100	500
Total Maximum for 2025			<u>\$ 5,110</u>
Optional Item Asked to be Priced by the Agency:			
Single Audit of Federal Awards			
Partner - Engagement	4	160	\$ 640
Partner - Technical	2	160	320
Manager/Supervisor	10	125	1,250
Staff	24	100	2,400
Total Optional Item For 2025	<u>40</u>		<u>\$ 4,610</u>



*Technical Proposal to Provide Professional Audit Services
For Fiscal Years ending June 30, 2021 through June 30, 2023
with an Option to Extend for Two (2) Additional Years*

Submitted by:



7677 Oakport Street, Suite 460

Oakland, CA 94621

Phone: (510) 452-5051 Fax: (510) 452-3432

January 08, 2021

Contact Person

Managing Partner: Sanwar Harshwal, CPA

Cell Phone: (858) 784-1622

Federal Employer ID Number: 27-0741376

Email - sanwar@harshwal.com Website: www.harshwal.com

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January 08, 2021

San Lorenzo Valley Water District
ATTN: Stephanie Hill, Director of Finance & Business Services
13060 Hwy 9
Boulder Creek, CA 95006

Dear Stephanie Hill and Evaluation Committee Members,

The partners and staff at Harshwal & Company, LLP are pleased to present our technical proposal to provide audit services. Our firm has experienced continuous growth and success as we meet and exceed client expectations. Our overall goal is to provide responsive, innovative services of the highest quality to our clients.

We understand that the San Lorenzo Valley Water District (referred to later in this proposal as the "District") requires a timely audit service; we are committed to meeting all terms, conditions and requirements addressed in this request for proposal. With our experience and knowledge, we fully understand the requirements and your expectations for the services to be provided.

We believe our firm is the best qualified to perform this engagement because our audit services are best performed by utilizing specialized resources and technical proficiency. Our expertise in governmental auditing and accounting combined with our vast access to resources empowers us to solve challenges encountered during the audit. Our highly trained engagement team will maintain a knowledgeable, yet, non-intrusive, approach to the audit to deliver an audit that is of exceptional quality that requires minimal disruptions of the District's on-going operations.

Understanding of the Work to be Done:

We understand that you require us to conduct an audit of the financial statements of the District for the fiscal years ending June 30, 2021 and June 30, 2023 with an option to extend for two (2) additional years, in accordance with auditing standards generally accepted in the United States of America, the standards set forth for financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the U.S. Office of Management and Budget OMB Circular (Uniform Guidance) Audits of State and Local Governments and Non-Profit Organizations.

Ability to Perform the Work within Provided Time Frame:

Harshwal & Company, LLP is benchmarked for providing the work within the time frame requested. Our team is committed to completing the audit on time, as they are fully equipped with contemporary technology, which will add value to a successful and timely delivery of the audit. We are responsive and solution oriented; providing quick responses on matters that require immediate attention, hence enhancing the quality of our audit. We focus on staff continuity, which enables us to develop and maintain an in-depth understanding of your operations, management style and operating practices, which ultimately allows us to offer you experienced resources, value-added services, specialization and overall better personal service, which again unequivocally results in a timely submission of the audit report.

Why Harshwal & Company, LLP:

- Extensive partner involvement on each engagement
- Presence of a manager and/or CPA always on site during fieldwork
- Consistent and experienced staff
- Timeliness of communications
- Proactive approach in addressing complex issues early in the engagement
- Availability to clients as a specialized resource
- Professionalism with understanding

Client Confidentiality and Security

- At Harshwal & Company, LLP, we are committed to safeguarding client information. Maintaining trust is one of the core values of our firm. Since your privacy is a priority to us, we will not share nonpublic information about you with third parties without your consent.
- In order to facilitate a highly secure method for exchanging electronic files between our firm and our clients, we have implemented a secure, trackable method for sharing large files via a hosted website called ***Suralink***.
- All laptops of our audit and tax professionals are encrypted to protect our clients' information.

Our proposal is a firm and irrevocable offer for sixty (60) days.

Our Managing Partner, Mr. Sanwar Harshwal, is authorized to represent the firm and he is the authorized person to contractually obligate the firm, to negotiate the contract on behalf of the firm and to be contacted for clarification questions regarding the RFP. He can be reached at 16870 W. Bernardo Drive, Suite 250, San Diego CA 92127; Phone No. (858) 784-1622, Fax No. (858) 964-3754 or via an email at sanwar@harshwal.com.

Harshwal & Company, LLP is a small business enterprise that is SBA 8(a) certified, GSA vendor and a 100% minority owned CPA firm.

We thank you for your consideration and hope that you will provide us with the opportunity to serve your esteemed organization with our services.

Sincerely,

**Harshwal & Company, LLP
Certified Public Accountants**



**Sanwar Harshwal, CPA, CIA, CISA, CFE
Managing Partner**

FIRM'S INFORMATION

Harshwal & Company, LLP was founded ten years ago and is a locally established firm of CPAs, offering auditing, accounting, management consulting, IT services and other specialized services to various clients. Our client base consists of special districts, state and local governments, not-for-profit organizations, tribes and tribal governments, school districts, and housing authorities throughout the United States. Our commitment to our clients has provided our firm with continued growth and success at developing and maintaining strong professional relationships. Our engagement team also has extensive experience in auditing and reviewing financial statements and has received GFOA.

The members of the firm have accumulated over four decades of experience in public auditing; primarily with international certified public auditing firms while employed in high-level supervisory positions. Individually, the partners and management staff are recognized in their respective areas for leadership roles, which they take part in promoting the high ideals of the auditing profession and for producing the highest quality services.

Staff Structure:

Audit Team	Manpower
Managing Partner	01
Additional Partners	02
Audit Manager	02
Operations Manager	01
CPAs and Senior Staff	04
Additional Staff	07
Total	17

One audit manager, one senior auditor, and one staff member will be assigned on a full-time basis, and one staff auditor and one senior auditor will be available on a part-time basis.

Our Oakland office will be providing audit services to the San Lorenzo Valley Water District. The address and phone number of our office is below:

Oakland, CA	7677 Oakport Street, Suite 460 Oakland, CA 94621	Phone: (510) 452-5051 Fax: (510) 452-3432
--------------------	-----------------------------------------------------	----------------------------------------------

Staff Consistency

The firm is committed to maintaining staff continuity throughout audit engagements. While we cannot guarantee that our staff members will stay with the firm, we encourage loyalty by paying competitive wages, offering opportunities for promotion, using state-of-the-art equipment, and providing excellent working conditions. We also offer benefits including retirement plans, medical plans, profit-sharing programs, and continuing education. The firm is an equal opportunity employer and complies with all federal and state hiring requirements. The firm also supports affirmative action philosophies and works hard to provide opportunities for self-enhancement to members of disadvantaged groups.


We guarantee that the partners assigned to this audit will be involved throughout the entire engagement term, and that assigned staff members will return to the District in future years if they are still with the firm. One of our primary audit concerns is staff continuity, and our hands-on partner involvement ensures that qualified and experienced professionals will perform audits efficiently and effectively every year of the engagement.

Practice to Practice in California

The firm and all key professional staff are licensed by the State of California to practice as Certified Public Accountants, and meet the Continuing Professional Education requirements under U.S. GAO’s Government Auditing Standards to perform the proposed audits.

California State Board of Accountancy Number - PAR7299

Federal Identification Number - 27-0761374



STATE OF CALIFORNIA
dca
DEPARTMENT OF CONSUMER AFFAIRS

CERTIFIED PUBLIC ACCOUNTANT PARTNERSHIP

REGISTRATION PAR 7299
RECEIPT NO. 92532022

CALIFORNIA BOARD OF ACCOUNTANCY
2450 VENTURE OAKS WAY, SUITE 300
SACRAMENTO, CA 95833
TELEPHONE: (916) 263-3680
FACSIMILE: (916) 263-3672

VALID UNTIL OCTOBER 31, 2021

HARSHWAL & COMPANY LLP
16870 W BERNARDO DRIVE
STE 250
SAN DIEGO CA 92127

In accordance with the provisions of Chapter 1, Division 3 of the Business and Professions Code, the firm named hereon is duly registered and entitled to practice as a Partnership.

09/10/19
09/10/19

----- POST IN PUBLIC VIEW -----

WABPAR 04/12/17

Independence

We are independent of the San Lorenzo Valley Water District as defined by generally accepted auditing standards issued by the *U.S. General Accounting Office’s Government Auditing Standards*. Before accepting any new engagement, we conduct a thorough check to ensure that there are no conflicts of interest or independence issues. This procedure is in compliance with the independence requirements of all regulatory agencies and, specifically, in compliance with the Standard for Audit of Governmental Organizations, Programs, and Activity Functions, as published by the U.S. General Accounting Office (GAO).

If selected as your audit firm, we will maintain and monitor our independence as well as reassess our independence with respect to your organization on an annual basis. We will continue to evaluate our independence as your external auditors and will give the District written notice of any professional relationships involving the District, if entered into, during the period of the audit contract.

Equal Opportunity Employer

Harshwal & Company, LLP is an equal employment opportunity employer and is in compliance with the Civil Rights Act of 1964, the State Fair Employment Practice Act, and all applicable federal and state laws and regulations relating to equality. We prohibit discrimination of qualified persons based on race, religion, color, sex, age, national origin, disability, sexual orientation, military status, or any other characteristic protected by applicable federal, state, or local law.

Disciplinary Action or Pending Litigation

Harshwal & Company, LLP's emphasis on quality has provided the firm with an excellent track record regarding claims related to professional services. Harshwal & Company, LLP has an impressive history, free of litigation, penalties and debt, and we have no sanctions or restrictions imposed by professional organizations, regulatory authorities or other government institutions. Harshwal & Company, LLP has never been debarred, suspended or otherwise excluded from or ineligible for participation in federal assistance programs or from receiving federal contracts, subcontracts or financial or non-financial assistance or benefits, under Executive Order 12549, "Debarment and Suspension" (24 CRT 85.35) or other federal laws, statutes, codes, ordinances, regulations or rules, at any time during the term of the agreement.

Firm's Most Recent External Quality Control

Harshwal & Company, LLP is a member of the Governmental Audit Quality Center (GAQC) and Employee Benefit Plan Audit Quality Center (EBPAQC) of the American Institute of Certified Public Accountants (the AICPA) and the Center for Audit Quality, an affiliate of the AICPA. A key requirement for membership in these groups is to have our systems of quality control reviewed by another CPA firm once every three years. Our most recent peer review was completed in 2017, and we received a passing peer review rating.

Insurance Requirements

We will maintain such insurance coverage during the period of the engagement. Harshwal & Company, LLP maintains the following insurance:

1. Commercial general liability and property damage for \$2,000,000 per occurrence. The carrier is Hartford.
2. Workers' compensation (statutory amounts and limits) insurance carrier is Hartford. The per claim/aggregate limit of the liability is \$1,000,000.
3. Professional liability for \$2,000,000 per claim. The carrier is Great Divide Insurance Company.
4. Automobile liability for \$2,000,000. The carrier is Hartford.

SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENTAL ENTITIES

Harshwal & Company, LLP has performed numerous audits of governmental organizations, including several special districts, cities, counties, etc., that are subject to financial and compliance audits. The following is a list of our clients:

Special Districts

- Ambrose Recreation and Park District
- Rodeo-Hercules Fire District
- Coast side Fire Protection District
- Humboldt Bay Harbor, Recreation and Conservation District
- Burbank Sanitary District
- Goshen Community Services District
- San Miguel Community Services District
- Yolo Local Agency Formation Commission
- Fort Dick Fire Protection District
- Cupertino Sanitary District
- Alameda County Fire Department
- Border Coast Regional Airport Authority
- SCC Center Fire Protection District
- Del Norte Solid Waste Management Authority
- East Palo Alto Sanitary District
- El Rancho Simi Cemetery District
- South Santa Clara Co. Fire District
- Saratoga Fire Protection District
- Menlo Park Fire Protection District
- Lions Gate Community Service District
- Los Medanos Community Health Care District
- Alameda County Law Library
- Oakland-Alameda County Coliseum Authority
- Los Altos Hills County Fire District
- Santa Clara County Sanitation District 2-3
- Solano County Local Transportation Fund
- Alameda County Community Development Department
- Alameda County Housing and Community Development

State and Local Governments

- Town of Apple Valley
- County of Del Norte
- City of Sanger
- City of Oakland
- City of East Palo Alto
- City of Crescent City
- City of Vallejo
- County of Santa Clara
- City of San Mateo
- Cibola County
- Sierra County
- First 5 Alameda County
- First 5 Marin Children & Families Commission
- First 5 Monterey County
- First 5 Santa Cruz County
- First 5 San Bernardino
- First 5 Inyo County
- Town of Edgewood
- Town of Springer
- Town of Mesilla
- Town of Cochiti Lake

Counties

Contra Costa County

- Public Works Department
- Emergency Medical Services

Santa Clara County

- Single Audit (Sub Contractor)
- County of Santa Clara JTPA Program
- Mental Health Short Doyle Program
- Sheriff's Department – Inmate Welfare Fund

County of Alameda

- Community Based Organization Audits
- Alameda County Housing and Community Development Agency - Housing and Community Development and Lead Poisoning Prevention
- Alameda County Public Works Department
- Alameda County Housing and Community Development - Bond Audit
- Alameda County Social Services - Food Stamp
- Oakland-Alameda County Coliseum Authority
- Alameda County Congestion Management Agency
- Alameda County Health Care Services Agency
- Alameda County Auditor-Controller's Agency
- City of Oakland, Office of Public Works
- Alameda County Fire Department
- Alameda County Transportation Authority

County of San Mateo

- JTPA Program
- Menlo Park Fire Protection District
- Department of Community Services

Santa Cruz County

- Single Audit
- Mental Health - Short Doyle Program

Solano County

- City of Vallejo (Sub Contractor)
- Local Transportation Fund
- Mental Health - Short Doyle Program

Del Norte County

- Del Norte County
- Del Norte County Solid Waste Management Authority

Other Counties

- Short Doyle Program - City and County of San Francisco
- Mental Health - Short Doyle Program - County of Yolo
- Mental Health - Short Doyle Program - County of Monterey
- Single Audit (Sub Contractor) - Sonoma County
- Mental Health - Short Doyle Program - County of Tulare

Housing Entities

- Housing Authority of the City of Benicia
- Housing Authority of the County of San Mateo
- Housing Authority of the City of Port Hueneme
- Eastern Regional Housing Authority
- White Mountain Apache Housing Authority
- Pueblo of San Felipe Housing Authority
- Santa Clara Pueblo Housing Authority
- Housing Authority of the City of Richmond
- Housing Authority of the County of Alameda
- Housing Authority of the County of Butte
- Hopi Tribal Housing Authority
- Rincon Band Housing Department
- Wagon Mound Housing Authority
- Sisseton Wahpeton Housing Authority

Educational Entities

- Conejo Valley Unified School District
- La Honda-Pescadero Unified School District
- Sacramento Valley Charter School
- EL Segundo Unified School District
- Richland School District
- Belmont-Redwood Shores School District
- Ravenswood City School District
- Jefferson Union High School District
- San Bruno Park School District
- Napa Valley Unified School District
- Fairfield-Suisun Unified School District
- Benicia Unified School District
- San Mateo - Foster City School District
- Brisbane School District
- Jefferson School District
- Pacifica School District

Non Profit Organizations

- Mission Neighborhood Center, Inc.
- North East Medical Services
- San Diego Civic Youth Ballet
- California Hispanic Chambers of Commerce
- Native American Health Center, Inc.
- Transcendance Youth Arts Project
- New Bridge Foundation
- San Diego Organizing Project
- Northern California Community Housing Service, Inc.
- Manzanita Charter School
- Over 60/CEI, Inc.
- Family Paths, Inc.
- San Francisco Community Clinic Consortium
- Preserving Alameda County Housing, Inc.
- Downtown Action Team
- Lincoln Child Center
- Santa Cruz County Parents Association
- South County Community Health Center, Inc.
- Community Clinic Consortium
- AIDS Project of the East Bay
- Alameda County Mental Health Association, Inc.
- A Betterway, Inc.
- Adelante, Inc.
- African American Aids Support Services Institute
- Alcohol Policy Network (formerly Community Recovery Services)
- American Lung Association in California
- American Red Cross (Solano County)
- Art, Research Curriculum & Associates
- Asian Pacific Islander Legal Outreach
- RFHC Bay Pulgas Landowner, Inc.
- PICO National Network
- PICO Action Fund
- Family Service of San Leandro
- Institute for Molecular Medicine
- Key Educational Group
- Oakland Community Organizations, Inc.
- Indian Health Center of Santa Clara Valley
- Association of Asian Pacific Community and Health Organization
- Bay Area Center for Law and The Deaf
- Bay Area Community Services
- Bay Area Lupus Foundation
- Bay Area Young Positives
- California Anchor Residence Group Home
- California Coalition Against Sexual Assault
- California Communications Access Foundation
- California Housing Partnership Corporation
- California Interscholastic Federation
- California Rural Legal Assistance
- California Wilderness Coalition
- Friendship House Association of American Indians, Inc.
- Jobs for Homeless Consortium, Inc.
- Jubilee West, Inc.
- La Familia Family Services of Alameda County
- Lao Family Community Development, Inc.
- Legal Aid Society of Alameda County
- Legal Center for Elderly and Disabled

REFERENCES

We encourage you to contact these references to inquire about the quality of our services, their overall satisfaction, the effectiveness of our auditing and accounting approach, the expertise of our professionals, and the timeliness and overall value of our services. We would be happy to provide additional references upon request, if you would like.

1. Ambrose Recreation and Park District

- **Scope of Work:** Financial Statement audit and CAFR prepared in conformance with GAAP requirements.
- **Date of Services:** Fiscal years ended June 30, 2017 to present
- **Principal Contact:** Jessica Hernandez, Senior Accountant
Phone Number: (925) 458-1601
E-Mail: jhernandez@ambroserec.org

2. Burbank Sanitary District

- **Scope of Work:** Audit and preparation of the Basic Financial Statements and CAFR presentation.
- **Date of Services:** Fiscal years ended June 30, 2015 to present
- **Principal Contact:** Lorie Yako, Accounting Specialist
Phone Number: (408) 477-7319
E-Mail: lyako@markthomas.com

3. Rodeo Hercules Fire Protection District

- **Scope of Work:** Audit and preparation of the Basic Financial Statements and CAFR presentation.
- **Date of Services:** Fiscal years ended June 30, 2017 to present
- **Principal Contact:** Getachew Demeku-Ousman
Phone Number: (510) 799-4561
E-Mail: cgdemeku@gmail.com

4. Coast Side Fire Protection District

- **Scope of Work:** Financial Statement audit and CAFR prepared in conformance with GAAP requirements.
- **Date of Services:** Fiscal years ended June 30, 2017 to present
- **Principal Contact:**
Contact Person: Ginny Petras, Administrative Officer
Phone Number: (650) 726-5213
E-Mail: Ginny.Petras@fire.ca.gov

STAFF'S QUALIFICATION

The expertise and experience of Harshwal & Company, LLP's principals and personnel are at the core of the firm's excellence in performing audits of special districts. Harshwal & Company, LLP has extensive experience providing exceptional client service and high-quality audit services through comprehensive knowledge and understanding of governmental auditing standards.

Staff Continuity over the Term of the Agreement:

We focus on our team members as well as our clients. Our turnover is significantly lower than other national and regional service firms. This staff continuity enables us to develop and maintain an in-depth understanding of your operations, management style and operating practices, which ultimately allows us to offer you experienced resources, value-added services, industry specialization, and overall better personal service. This commitment to people also resides at our executive level where you will find a refreshingly greater hands-on approach compared to other service providers. Our culture stresses the importance of executive presence throughout projects and engagements.

Proposed Audit Team

Name of Team Member	Role	Experience
Sanwar Harshwal, CPA, CIA, CISA, CFE	Managing Partner	37+ Years
Adi Harshwal	Partner	11+ Years
Samson Reda, CPA	Partner	5+ Years
Mariam Tall	Audit Manager	7+ Years
Albert Hwu, CPA	Senior Auditor	8+ Years
Garima Pathak	Operations Manager	5+ Years
Jitesh Bhakta	Staff Auditor	3+ Years

Almost all of our assigned key personnel are licensed to practice as a Certified Public Accountant. In addition to the key personnel listed, additional staff will be assigned from our pool of highly qualified professionals.

We assure you regarding the quality of staff over the term of the engagement. We will not replace audit personnel except with prior written permission of the District. In case we change, we will provide replacements having better qualifications and experience.

We assure the District if we are selected as your auditors, we will not delegate or subcontract our responsibility without written consent of the District.

Overall Supervision to be Exercised

The audit will be managed by our firm's Managing Partner, Mr. Sanwar Harshwal, CPA, who has extensive experience in performing audits of special districts. Mr. Harshwal has been in charge of various large audit engagements, governmental funded programs, and community-based organizations receiving federal and state funds.

Audit Team Responsibilities

<u>Name/Position</u>	<u>Responsibility</u>
Sanwar Harshwal, CPA Managing Partner	Sanwar Harshwal will be the managing partner in charge of administration, reviews, planning of the audit, approval of the audit scope and work, and review of work and liaison with the District. He is responsible for conducting the fieldwork, coordination of the audit plan, and ensuring that the plan formulated has been effectively followed and managed. He will coordinate with the manager and supervisor for proper fieldwork progress. He will also manage and organize the audit team's effort and ensure the various audit components are performed efficiently. He also has the responsibility for meeting with the District's management to keep them informed regarding the progress of the audit. The responsibility also extends to ensure smooth interaction of the firm with the District. He has final authority in the conduct of the engagement, and assumes full responsibility for the work performed.
Adi Harshwal Partner	Adi Harshwal will work with the auditor in charge of the fieldwork, perform audit test work assigned, ensure compliance standards, document test work and ensure that the activities align with the agreed timeframe and budget.
Samson Reda, CPA Senior Auditor	Samson Reda, is the senior auditor in charge of the fieldwork, and will be responsible for preparation and maintenance of various work-papers required for audit report preparation.
Mariem Tall Audit Manager	Mariem Tall is in charge of planning the audit, review of the audit work, and guidance of the audit. She is responsible for conducting the fieldwork in conjunction with the lead auditor, to ensure coordination of the audit plan, providing instruction and coordination to senior and staff auditors on District systems, on site reviews, and assistance in the preparation of the report.
Albert Hwu, CPA Senior Auditor	Albert Hwu is a senior auditor in the firm's audit group providing auditing services to governmental organizations. Mr. Hwu will serve as the on-site lead auditor and will be in the field on a daily basis. He will assist in directing the staff and specialize in the timely completion of the audit.
Garima Pathak Operations Manager	Garima Pathak will provide District staff with updates to summarize our progress against the project timeline, and update the status of upcoming deliverables. She will also document discussions leading to important policy decisions and/or the choice of critical assumptions used in constructing the analysis and report.
Jitesh Bhakta Staff Auditor	Jitesh Bhakta, under the supervision of the auditor in charge of the fieldwork, will be responsible for preparation and maintenance of various work-papers required for audit report preparation.

Audit Team Resumes

SANWAR HARSHWAL, CPA, CFE, CISA **Managing Partner**

Sanwar Harshwal is the Managing Partner of Harshwal & Company, LLP. He is a globetrotter and a trained technical speaker on auditing and global accounting standards, IT and internal controls, on fraud prevention, and on examinations and internal audits. With over 37+ years of experience with governmental auditing engagements, Mr. Harshwal is also a leading expert on emerging accounting challenges for special districts. Mr. Harshwal has attended AICPA seminars on GASB's New Financial Reporting Model and Financial Statements of Special Districts.

During the last 5 years, Mr. Harshwal has provided over 400 hours of training to several professionals on GASB, GAS, Uniform Guidance, FASB, SAAS, GAGAS, pension plan audits, COSO, COBIT, internal audits, fraud prevention and examination and tribal governmental governance issues. In addition to having significant experience in audits, strategic assessments of accounting functions, and internal control structures, Mr. Harshwal has extensive experience in evaluating complex accounting and finance issues. He has proficient knowledge of using CaseWare, CaseView, CaseWare IDEA software and other automated tools.

Education:

- B.S. Business Accounting and Bachelor of Law

Certification

- Certified Public Accountant - State of California (CPA)
- Certified Public Accountant - State of New Mexico (CPA)
- Certified Public Accountant - State of Arizona (CPA)
- Certified Public Accountant - State of Washington (CPA)
- Chartered Accountant - The Institute of Chartered Accountants of India
- Certified Information System Auditor (CISA)
- Certified Fraud Examiner (CFE)
- ORACLE Financial Consultant (Oracle Business Suite)
- Chartered Global Management Accountant (CGMA)
- Certified Risk Management Assurance (CRMA)
- Certified Construction Auditor (CCA)

Professional Membership

- Member of AICPA
- Member of California CPA Society of Certified Public Accountants
- Member of Information Systems Audit and Control Association, USA
- Member of Association of Certified Fraud Examiners, USA
- Member of Institute of Certified Internal Auditors
- Member of National Association of Construction Auditors
- Member of NM CPA Society

ADI HARSHWAL

Partner

Adi Harshwal is a partner at Harshwal & Company, LLP and has been working as an accounting, auditing and finance professional for more than 11+ years, and has diverse industry experience in conducting, supervising and completing audit engagements. He handles accounting and finance functions efficiently by demonstrating excellent management skills to complete assigned tasks on time. Adi has significant experience in providing accounting services and strategic assessments of accounting functions, and internal control structures and is also experienced in performing audits in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirement of Title 2 U.S. Code of Federal Regulations part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the Uniform Guidance).

Education

- B.S. Economics

SAMSON REDA, CPA

Partner

Samson Reda is a partner at Harshwal & Company and has five year of experience in auditing and providing accounting services to special districts, state and local governments, tribes and tribal governments, school districts, housing authorities, and not-for-profit organizations.

He is an expert in data analysis and reconciliation and his experience includes auditing, the recording and analysis of account transactions; establishing accounting records; reconciliation of cash balances; implementation of accounting controls; and statistical reports. He also conducts sampling, testing and is well experienced in performing audits in accordance with attestation standards established by the AICPA. He has proficient knowledge of using CaseWare, CaseView, CaseWare IDEA and other automated tools. He will assist in directing the staff and specialize in the timely completion of the audit.

Education:

- BA in Accounting

Certification:

- Certified Public Accountant - State of Virginia (CPA)

MARIEM TALL

Audit Manager

Mariem Tall is an audit manager and has been employed with Harshwal & Company for seven years. She has been engaged in numerous audits and accounting engagements of special districts, state and local governments, tribes and tribal governments, school districts, housing authorities, and not-for-profit organizations. She provides support to the senior auditor and staff during the period of the engagement activity and performs detailed audit procedures on financial statement account balances. She prepares and adjusts work papers from the client's trial balance, executes day-to-day activities of audit engagements for multiple clients, and interacts with client personnel when needed.

Technical Proposal to Provide Professional Audit Services

She performs audit testing activities; documents processes and findings; verifies assets and liabilities in accordance with audit programs; follows documentation standards; and prepares clear, concise, and orderly working papers. She has proficient knowledge of using CaseWare, CaseView, CaseWare IDEA Software and other automated tools.

Education:

- Bachelors of Science in Accounting

ALBERT HWU, CPA Senior Auditor

Albert Hwu is a senior auditor and has been employed with Harshwal & Company for eight years. He has been engaged with several audits and accounting engagements of special districts, state and local governments, tribes and tribal governments, school districts, housing authorities, and not-for-profit organizations.

Mr. Hwu is proficient in the operating nuances of accounting and auditing packages and demonstrates up-to-date knowledge of auditing and accounting pronouncements. Albert has worked on financial and compliance engagements under the Single Audit Act of 1984 and OMB Circular (Uniform Guidance). He performs audit testing activities; documents processes and findings; verifies assets and liabilities in accordance with audit programs; follows documentation standards; and prepares clear, concise, and orderly working papers. He has proficient knowledge of using CaseWare, CaseView, CaseWare IDEA software and other automated tools.

Education

- Bachelors of Science in Accounting

Certification

- Certified Public Accountant- State of Washington (CPA)

Professional Membership

- Member of AICPA

GARIMA PATHAK, CA Operations Manager

Garima Pathak is our operations manager and has been employed with Harshwal & Company, LLP for five years. She has been engaged in numerous audits of special districts, state and local governments, tribes and tribal governments, school districts, housing authorities, and not-for-profit organizations. Garima has 4 years of experience working with all types of exempt organizations including 501(c) (3), 501(c) (4), 501(c) (6), and 501(c) (7).

Garima has provided tax compliance services to clients in the retail, real estate, and not-for-profit industries. She concentrates on real estate clients, focusing on low-income housing, including both for profit and not-for-profit entities. Garima has a passion for her not-for-profit clients and the industry at large, providing them with hands-on tax compliance services including Form 990 filings.

Technical Proposal to Provide Professional Audit Services

She has proficient knowledge of using CaseWare, CaseView, CaseWare IDEA Software and other automated tools.

Education:

- Bachelor's in Commerce

Certification:

- Chartered Accountancy of Institute of Chartered Accountants of India

JITESH BHAKTA

Staff Auditor

Jitesh Bhakta is a staff auditor and he has been employed with Harshwal & Company, LLP for three years. He has been engaged in numerous audits and accounting engagements of special districts, state and local governments, tribes and tribal governments, school districts, housing authorities, and not-for-profit organizations. He is an expert in data analysis and reconciliation and his experience includes auditing, the recording and analysis of account transactions; establishing accounting records; reconciliation of cash balances; implementation of accounting controls; and statistical reports. He also conducts sampling, testing and is well experienced in performing audits in accordance with attestation standards established by the AICPA. He has proficient knowledge of using CaseWare, CaseView, CaseWare IDEA and other automated tools. He will assist in directing the staff and specialize in the timely completion of the audits.

Education:

- AIU equivalent of MBA in Arts

Continuing Professional Education

The following table details CPE hours for each key member of the proposed audit team:

Audit Team Member	Governmental CPE	Non-Governmental CPE
Sanwar Harshwal, CPA, CIA, CISA, CFE	140	124
Adi Harshwal	71	55
Samson Reda, CPA	60	56
Mariem Tall	113	67
Albert Hwu, CPA	108	55
Garima Pathak	65	57
Jitesh Bhakta	58	28

Staffing Changes

Managing partners, audit managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted or are reassigned to another office. Other audit personnel may be changed at the discretion of the proposer provided that replacements have substantially the same or better qualifications or experience. Harshwal & Company, LLP understands that the District retains the right to approve or reject replacements.

WORK TASKS AND PRODUCTS

Scope of the Work to be Performed: At Harshwal & Company, LLP, our professionals have extensive experience performing audits of special districts. Our team has a broad understanding of the standards and requirements necessary to conduct an audit of the financial statements of the District. We understand that you require us to perform an audit of the financial statements of the District for the fiscal years ending June 30, 2021 and June 30, 2023 with an option to extend for two (2) additional years. We will adhere to the requirements of the RFP and will be performing the following tasks (including, but not limited to):

Audit will be performed in accordance with the California State Controller's minimum audit requirements for special district, Generally Accepted Accounting Principles (GAAP), and Standards and Governmental Accounting Standards Board (GASB) guidelines.

Express an opinion on the fair presentation of District's general purpose financial statements in conformity with generally accepted governmental accounting principles.

Pre-audit conference.

Conduct a pre-audit conference to provide a clear understanding of any conditions to be met by District staff and our responsibilities, so that the audit can be conducted on a timely basis and concluded in accordance with predetermined schedules.

Financial Statements

The primary financial statements will be a Comprehensive Annual Financial Report (CAFR). This includes comparative balance sheets on the combined and individual funds at the end of the current and preceding year, with supporting notes and schedules that provide details of or explain changes in account balances; comparative statements of income and expense for the current and preceding year with supporting notes and schedules that provide details of income statement accounts; statement of retained earnings explaining changes in the unappropriated retained earnings account from the beginning to the end of the current year; and reconciliation of net income.

Annual Report of Financial Transactions of Special District

Prepare the annual report to the State Controller pursuant to Government Code Section 53891(a). This report will be completed and to be filed with the State Controller within seven (7) months of year-end (June 30). Submit to the District a copy of the annual report prior to transmittal to the State Controller.

Opinion Letter

Provide an opinion letter no later than October 31 of each respective year, attesting to the fair presentation of the financial statements in conformity with generally accepted governmental accounting principles.

Management Letter

We will evaluate the District's accounting system, internal control structure, methods of processing data and maintaining financial records. This evaluation will be comprehensive enough in scope to provide for an appropriate report thereon to the District. Prepare a separate management letter on the internal control structure based upon our understanding of the control structure and assessment of control risk. This report will be submitted to District and will outline the auditor observations and recommendations for enhancement, and include any reportable conditions found during the audit.

Single Audit

Perform Single Audit, if required in accordance to OMB Circular A-128, "Audits of State and Local Governments". We will prepare any supplemental schedules and/or reports as may be required for "Single Audit" purposes and supply additional certification required by the cognizant Federal agency.

Finance Committee

Prepare a draft of the initial comprehensive financial report to the finance committee for review and comments before November 30 of each respective year prior to finalizing the audit.

Board of Directors Meeting

Present, in person or remotely, a summary of the final comprehensive financial report at a Board of Directors Meeting, date to be mutually agreed upon.

Exit Conference

Conduct an "exit" conference with District Staff. The "exit" conference will disclose any facts or situations that we feel have, or have had, a bearing on our work or report.

Final Audit Report

Submit two (2) copies of the opinion letter and final comprehensive financial report to the District. Two (2) copies of the final management letter will be submitted to the District.

Understanding of the Project to be Performed:

The two most critical components of the audit are (1) to have continuity and consistency in the auditors involved and (2) have the entire audit team from partners to staff, understand and be aware of the technical requirements for the engagement. Therefore, careful audit planning is emphasized along with written instructions and a comprehensive workshop is carried out for the staff engaged. We have ascertained that this effort not only serves to state the line of organization and responsibility from the commencement but also serves to discuss the areas of concern and applicable audit techniques to be adopted in the examinations proposed to be conducted. Our plan will involve a comprehensive entrance meeting with the District's audit committee and management.

During this phase, we hope to establish the timetable for examination and identify dates for future meetings to report upon our progress of the examination. Shortly thereafter, the partners and an audit manager will meet with the District's Manager and Finance Director to be able to obtain a more detailed outline of the District's financial systems and processes. This will help us to determine the extent and concentration of our audit effort, obtain knowledge and an understanding of the legal and reporting requirements by obtaining pertinent statutes, regulations, charter provisions, bond coverage and other requirements. The meeting will serve as a guideline to prepare and outline our audit-planning memorandum and the audit plan. Upon completion of the audit plan, we will meet with the District officials to go over our plan. During the meeting, we hope to share our understanding of the audit approach and fine-tune the dates of commencement, the assistance available to us, the assistance the District may need from us, and the introduction of the audit team seniors to the District officials. In the next step, a conference will be initiated by the audit team to be assigned. The conference will serve as a platform to share our audit plan and programs, discuss areas of concern, identify audit teams and dates, and address any and all pertinent questions from our staff.

SPECIFIC AUDIT APPROACH

Our audit process begins with the assignment of staff to the engagement. Our engagement team has the expertise to provide a level of service desired and deserved by your organization. Our engagements are supervised by the engagement partner and an audit manager. As high-level involvement is vital to a quality audit, the partner and manager's time will account for approximately 30% of the total hours spent on the engagement. Our team's approach is to be efficient yet non-intrusive. We believe on-going communication throughout the entire audit will ensure that all aspects of the audit are thoroughly addressed. We encourage regular communications throughout the year, not just during fieldwork. As such, we do not anticipate any potential audit problems to arise during our engagement.

Audit Planning — Interim Phase

Our audit planning process includes a risk assessment of the District and review of the control environment. We begin with a pre-planning meeting to ensure that management's expectations and our expectations are communicated prior to commencing the audit. We will confirm our understanding of the engagement deadlines and ensure these are met in a timely manner. In addition, we will provide a list and samples of schedules specifically tailored to the San Lorenzo Valley Water District to aid the District's staff in preparing schedules and providing audit documentation.

Risk Assessment — Interim Phase

As part of our extensive planning phase, the engagement team will discuss with management issues surrounding the applicable industry, the District's internal and external environment, significant events, as well as economic, political, and social factors to determine and document areas of risk. Once areas of risk have been identified, the next process will be to review the control environment.

Control Environment — Interim Phase

We will document and test the following control processes to evaluate their effectiveness in preparing reliable financial statements:

- Disbursements
- Cash receipts
- Payroll
- Financial reporting
- Journal entry process
- Federal and state programs
- IT and general computer controls

Based on our understanding of the District's risks and control environment, we will design our substantive procedures and communicate our audit approach to management. As part of our review and documentation of the control environment, we may have recommendations for enhancing controls and/or efficiencies. These recommendations will be discussed with management prior to any comments included in a formal management letter.

Laws and Regulations

We will review the laws and regulations covering District's grants and major programs as part of any Single Audit testing, if applicable. Based upon our inquiries with District staff and review of any District's municipal code, etc., we will determine the relevant laws and regulations that will be subject to additional test work.

Substantive Procedures — Year End Phase

Substantive audit procedures are designed based on our risk assessment process. Complex and high-risk accounts will be identified early in the audit process and these accounts will be assigned to the manager and/or partner for actual testing. Our substantive audit procedures will include the following:

- Tests of account details — Detail transaction testing to source documentation
- Analytical procedures — Ratio analysis, variance analysis, trend analysis
- Use of data analysis software — Review of large volumes of data to detect anomalies
- Unpredictability tests — Varying timing and extent of tests
- Review of management's estimates — To determine reasonableness
- Review of subsequent events and contingencies — For proper adjustment and footnote disclosure

Preparation of Audit Report and Review — Year-end Phase and Wrap-up Phase

Audit work papers are reviewed throughout the audit by an audit manager and engagement partner. Before we leave your offices, the file will be substantially reviewed and any issues will be discussed and resolved. The financial statements are prepared by the audit manager. All reports are reviewed by the engagement partner and concurring partner. Upon approval, we will issue drafts of all reports based on the District's predetermined schedule as indicated in the Request for Proposal. This will allow adequate time for review and distribution of reports.

Drawing Audit Samples (for tests of compliance)

Auditor judgment will be used in selecting our audit samples for tests of compliance work. The majority of the testing of compliance will be centered around the single audit testing of the direct and material elements for the major programs.

Audit Sizes and Statistical Sampling Techniques

Audit sampling provides the auditor an appropriate basis on which to conclude on an audit area by examining evidence from a sample of a population. We utilize both statistical and non-statistical-sampling techniques as described in the AICPA's Audit Sampling Guide, depending on the type of testing being performed. Internal control, substantive, and compliance testing samples are generally selected using non-statistical techniques. Sample sizes are determined by risk assessment and nature of the population. We may use statistical sampling to assist with forensic testing in areas, which have a higher risk of misstatement due to fraud.

Technological Advantages

We utilize the latest technology, including virtual servers, smart devices, and online libraries to provide us with the most up-to-date information to better serve our clients. Our online client portal *Suralink* gives us the capability of sending and receiving information to and from our clients faster and more securely. As portals are encrypted and use password protection to ensure that data can only be viewed by the appropriate client, we are dedicated to protecting the District's confidential information. Furthermore, we streamline our audit process and organize support documents through use of the paperless audit program - CaseWare Working Papers.

By effectively reviewing large volumes of data through these programs, we are able to develop a better understanding and gain a broader view of the San Lorenzo Valley Water District. These technologies enable us to increase both the scope of our engagement and the reliability of our audit opinion more efficiently, as a larger amount of information can be processed, analyzed, and interpreted in a shorter time frame.

Working Paper Retention

We will retain audit working papers for a minimum of seven (7) years unless we are notified in writing by the District of the need to change the retention period. In addition, we will respond to reasonable inquiries of the District and successor auditors, and allow the District and successor auditors to review working papers relating to matters of continuing accounting significance.

Management Letter

Communication with management is crucial since it is essential to hear your concerns and comprehend the financial records to have a complete and thorough understanding of business operations. Management confirmation is required on all information contained within the financial statements to ensure that they are true and accurate and that all information has been properly disclosed. We will review all significant audit findings with the District as the work proceeds and once on completion of our audit procedures. It is standard practice for our firm to produce a management letter in conjunction with each engagement. The audit process provides an opportunity to assess performance and trends, to identify opportunities to improve internal controls and/or accounting efficiency and to spot emerging needs or opportunities. By reporting these conditions and opening them up for discussion, the management letter can play an important role in maintaining the future financial health of the organization. Should we become aware of any irregularities, illegal acts or indications of illegal acts, we will make an immediate verbal and written report of such findings to the District's Council. The report will be discussed with the members responsible for the financial statements before submitting it to the Board Members.

Audit Timeline

Harshwal & Company, LLP is prepared to meet the deadlines outlined in your RFP.

Milestones	Timeframes
Audit Planning	August 09, 2021
Interim audit fieldwork	August 20, 2021 or before
Final audit fieldwork and audit work to be completed	September 15, 2021 or before
Draft audit reports and management letters for review	October 21, 2021 or before
Final audit reports and management letters	November 18, 2021 or before

- *This timeline is dependent on the availability of your personnel and is subject to the anticipated closing dates of your accounting records.*
- *A similar schedule will be developed for audits of subsequent fiscal years.*



*Cost Proposal to Provide Professional Audit Services
For Fiscal Years ending June 30, 2021 through June 30, 2023
with an Option to Extend for Two (2) Additional Years*

Submitted by:



7677 Oakport Street, Suite 460

Oakland, CA 94621

Phone: (510) 452-5051 Fax: (510) 452-3432

January 08, 2021

Contact Person

Managing Partner: Sanwar Harshwal, CPA

Cell Phone: (858) 784-1622

Federal Employer ID Number: 27-0741376

Email - sanwar@harshwal.com Website: www.harshwal.com

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January 08, 2021

San Lorenzo Valley Water District
ATTN: Stephanie Hill, Director of Finance & Business Services
13060 Hwy 9
Boulder Creek, CA 95006

Dear Stephanie Hill and Evaluation Committee Members,

The partners and staff at Harshwal & Company, LLP are pleased to present our cost proposal to provide audit services. Our firm has experienced continuous growth and success as we meet and exceed client expectations. Our overall goal is to provide responsive, innovative services of the highest quality to our clients. We understand that the San Lorenzo Valley Water District (referred to later in this proposal as the "District") requires a timely audit service; we are committed to meeting all terms, conditions and requirements addressed in this request for proposal. With our experience and knowledge, we fully understand the requirements and your expectations for the services to be provided.

We strive to provide exceptional staff, quality, and value at the lowest possible fees consistent with the expectations of the District. Our rates are competitive, even with our depth of experience and commitment to quality. *The all-inclusive fee for the entire scope of services will be \$17,700.00. The fee bifurcation has been provided on the "fee estimate" section.*

Our Managing Partner, Mr. Sanwar Harshwal, is authorized to represent the firm and he is the authorized person to contractually obligate the firm, to negotiate the contract on behalf of the firm and to be contacted for clarification questions regarding the RFP. He can be reached at 16870 W. Bernardo Drive, Suite 250, San Diego CA 92127; Phone No. (858) 784-1622, Fax No. (858) 964-3754 or via an email at sanwar@harshwal.com.

Harshwal & Company, LLP is a small business enterprise that is SBA 8(a) certified, GSA vendor and a 100% minority owned CPA firm.

We thank you for your consideration and hope that you will provide us with the opportunity to serve your esteemed organization with our services.

Sincerely,

Harshwal & Company, LLP
Certified Public Accountants



Sanwar Harshwal, CPA, CIA, CISA, CFE
Managing Partner

FEE ESTIMATE

Total All-Inclusive Maximum Price

Our fees are generally lower than other competing firms since we keep our overhead low; we follow a scientific audit approach and we make extensive use of emerging technologies that allow us to conduct audits efficiently. Our policy is to provide you exceptional service that meets and exceeds professional auditing standards at a competitive cost.

Summarized below are the professional fees for the District's audit services for the FY 2021-2023:

Audit Area - Description	FY 2021	FY 2022	FY 2023
Financial Statement Audit of the District.....	14,190.00	14,757.00	15,347.00
Single Audit - up to 1 Major Program.....	3,000.00	3,120.00	3,244.00
Financial Transaction Report.....	510.00	510.00	510.00
<i>Total Fees</i>	\$17,700.00	\$18,387.00	\$19,101.00

➤ *The financial statement audit includes state controller annual report submission.*

Fees for the Two (2) additional years are:

FY 2023 (Optional)	FY 2024 (Optional)
\$ 19,865.00	\$ 20,660.00

- *Since we are a local firm, operating from Oakland, CA there will be no out-of-pocket expenses.*
- *Fees related to single audit are based on one (1) major program per fiscal year. The fee to audit additional major programs will be \$3,000 each.*

Schedule of Hourly Rates:

Our estimated hours:			
Description - Team Composition	Est. Hours	Hourly Rates	Fees
Partner	10	\$290	\$ 2,900.00
Manager	20	175	3,500.00
Senior Auditors	40	120	4,800.00
Staff Auditors	65	95	6,175.00
Clerical	5	65	325.00
<i>Total</i>	140		\$17,700.00

Summarized below are the professional fees for the SMGWA's audit services for the FY 2021-2023:

Audit Area - Description	FY 2021	FY 2022	FY 2023
Financial Statement Audit of the SMGWA with FTR.....	6,995.00	7,274.00	7,565.00
Total Fees	\$ 6,995.00	\$ 7,274.00	\$ 7,565.00

Schedule of Hourly Rates:

Our estimated hours:			
Description - Team Composition	Est. Hours	Hourly Rates	Fees
Partner	4	\$290	\$ 1,160.00
Manager	8	175	1,400.00
Senior Auditors	15	120	1,800.00
Staff Auditors	25	95	2,375.00
Clerical	4	65	260.00
Total	56		\$ 6,995.00

Fees for the Two (2) additional years are:

FY 2023 (Optional)	FY 2024 (Optional)
\$ 7,867.00	\$ 8,182.00

Rates for Additional Professional Services

Below are the Firm's standard hourly billing rates, delineated by staffing levels:

Auditor's Standard Hourly Billing Rates	
Managing Partner	\$ 290.00
Manager	\$ 175.00
Senior Auditor	\$ 120.00
Staff Auditor	\$ 95.00
Clerical	\$ 65.00

Any supplemental reports, audits, or agreed-upon procedures not covered by this proposal may be added in a written agreement prior to commencing audit work. The Firm and the San Lorenzo Valley Water District will discuss and approve the scope and associated costs of these tasks. Any additional work will be performed at the above quoted hourly rates.

Cost Proposal to Provide Professional Audit Services

Inherent in our service is the on-going support, education, and advice to our clients. The comprehensive service includes:

- Email updates on all new and pertinent developments.
- A careful review of the effects of these new developments (if any), on your particular circumstances. If necessary, we will advise you on any changes needed in accounting procedures.
- We will meet with the Finance Department head at the beginning of the audit to advise on matters of particular interest. We will provide "best practices" for effective daily operations that will also provide information necessary for the financial statements.
- Throughout the audit, we will advise your accounting personnel on best practices for maximum efficiency in each major operational area.

We have provided you a fee estimate based on the following assumptions:

- That the accounting records will be in balance and supported by appropriate documentation;
- That the District's staff will provide the supporting schedules for all asset and liability accounts;
- That the District's staff will provide general assistance, such as locating documents, typing confirmation requests, and coordinating meetings.

"Keeping in touch with" is the hallmark of our service. You will receive phone calls, emails and information through the Harshwal & Company, LLP portal on a consistent and regular basis.