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*Los Angeles Gateway Region
Integrated Regional Water Management Joint
Powers Authority*

AGENDA

***Regular Meeting of the Board of Directors
Thursday, July 13, 2017 at 12:00 p.m.
Progress Park Plaza, 15500 Downey Avenue, Paramount, CA***

- 1. Roll Call**
- 2. Determination of a Quorum**
- 3. Additions to Agenda (Govt. Code Sec. 54954.2(b))**
- 4. Oral Communications to the Board**
This is an opportunity for members of the public to address the Board on any item under the jurisdiction of the agency. Depending upon the subject matter, the Board may be unable to respond until the item can be posted on the agenda at a future meeting in accordance with provisions of the Brown Act.
- 5. Consent Calendar: (Acted as one item unless withdrawn by request)**
 - a. Minutes of the Board Meeting of June 8, 2017 (Enclosure)
 - b. Approve the Warrant Register for July 2017(Enclosure)
- 6. Discussion/Action Regarding Appointment of Members to On-Call Consultant Ad-Hoc Committee (Enclosure)**
- 7. Discussion/Action Regarding Selection of Firm to Conduct GWMA's FY 2016/17 Audit (Enclosure)**
- 8. Gateway Region Watershed Management Groups Oral Updates**
 - a. Lower Los Angeles River Upper Reach 2 Watershed Group
 - b. Lower Los Angeles River Watershed Group
 - c. Los Cerritos Channel Watershed Group
 - d. Lower San Gabriel River Watershed Group

Christopher Cash (Paramount), Board Chair • Adriana Figueroa (Norwalk), Vice-Chair • Hannah Shin-Heydorn (Signal Hill), Secretary/Treasurer
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9. Executive Officer's Oral Report

10. Directors' Oral Comments/Reports

11. Adjournment

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AGENDA ITEM NO. 5A

**MINUTES OF THE GATEWAY WATER MANAGEMENT AUTHORITY
LOS ANGELES GATEWAY REGION
INTEGRATED REGIONAL WATER MANAGEMENT JOINT POWERS AUTHORITY
BOARD
AT PARAMOUNT, CALIFORNIA
THURSDAY, JUNE 8, 2017**

A regular meeting of the Board of Directors of the Gateway Water Management Authority was held on Thursday, June 8, 2017 at 12:00 p.m. at the Progress Park Plaza, 15500 Downey Avenue, Paramount, CA 90723.

Chair Christopher Cash called the meeting to order at 12:08 p.m. Roll was called by Ms. Weiss and a quorum of the Board was declared.

BOARD MEMBERS PRESENT:

Okina Dor	Artesia
Audra McDonald (alternate)	Avalon
Chau Vu	Bell Gardens
Len Gorecki	Bellflower
Mike O'Grady (alternate)	Cerritos
Mohammad Mostahkami	Downey
Christina Dixon (alternate)	Huntington Park
Marlin Munoz (alternate)	La Mirada
Lisa Rapp	Lakewood
Eric Leung (alternate)	Long Beach Water Dept.
Sam Kouri (alternate)	Montebello
Adriana Figueroa	Norwalk
Christopher Cash	Paramount
Frank Beach (alternate)	Santa Fe Springs
Claudia Arellano (alternate)	Vernon
Esther Rojas	Water Replenishment District of Southern California

STAFF AND GUESTS ON SIGN-IN SHEET:

Grace Kast	Executive Officer
Toni Penn	Admin/Accounting Manager
Bibi Weiss	Office Assistant
Bill Minasian	Downey Resident
Leticia Vasquez	Central Basin
Greg Ripperger	Civiltec Engineering

ITEM 3 - ADDITIONS TO THE AGENDA

None.

ITEM 4 – ORAL COMMUNICATIONS TO THE BOARD

None.

ITEM 5 – CONSENT CALENDAR

Director Mostahkami motioned to approve the consent calendar as presented. The motion was seconded by Director O’Grady and was approved by the following voice vote:

AYES: VU, O’GRADY, MOSTAHKAMI, DIXON, MUNOZ, RAPP, KOURI, CASH, BEACH, ARELLANO, ROJAS

NOES: NONE

ABSTAIN: DOR, MCDONALD, GORECKI, LEUNG, FIGUEROA (MINUTES ONLY)

ITEM 6 – APPROVAL OF JPA MEMBER REDUCED DUES APPLICATION FOR FY2017/18

Ms. Kast reported that the new policy for Membership Reduced Dues had been adopted on January 2017, and applications were sent out to all Members.

Ms. Kast stated that GWMA previously had 5 memberships with reduced dues, which were as follows: Artesia (\$5,000); Bell (\$7,500); Cudahy (\$5,000); Hawaiian Gardens (\$5,000); and Maywood (\$4,000). She indicated that GWMA received a total of 4 reduced dues applications from the cities of Artesia, Bell, Cudahy and Maywood and provided the following details:

Artesia – submitted request for reduced dues for FY 2017/18;

Submitted Required Documentation: YES

Eligibility: YES

(\$9,405,520 (average revenue) divided by 16,522 (census population) = \$569 value per capita)

Current Dues: \$5,000

Recommended Dues: \$5,500

Bell – submitted request for reduced dues for FY 2017/18;

Submitted Required Documentation: YES

Eligibility: YES

(\$17,102,926 (average revenue) divided by 35,477 (census population) = \$482 value per capita)

Current Dues: \$7,500

Recommended Dues: \$7,500 (no change – already at 50% of regular dues)

Cudahy – submitted application for reduced dues for FY 2017/18;

Submitted Required Documentation: YES

Eligibility: YES

(\$6,928,513 (average revenue) divided by 23,805 (census population) = \$291 value per capita)

Current Dues: \$5,000

Recommended Dues: \$5,500

Maywood – submitted application for reduced dues for FY 2017/18;

Submitted Required Documentation: YES

Eligibility: YES

(\$7,454,131 (average revenue) divided by 27395 (census population) = \$272 value per capita)

Current Dues: \$4,000

Recommended Dues: \$4,500

After discussion, it was determined that GWMA had sufficient funds to carry reduced dues memberships.

Ms. Kast recommended that the Board approve the reduced dues memberships for FY 2017/18 for the Cities of Artesia, Bell, Cudahy and Maywood as presented. She stated that these amounts would be granted for one year to each city and would be re-considered for the next fiscal year.

Director Mostahkami motioned to approve reduced dues memberships for FY 2017/18 for the Cities of Artesia, Bell, Cudahy and Maywood. The motion was seconded by Director Rapp and was approved by the following voice vote:

AYES: DOR, MCDONALD, VU, GORECKI, O'GRADY, MOSTAHKAMI, DIXON, MUNOZ, RAPP, LEUNG, KOURI, FIGUEROA, CASH, BEACH, ARELLANO, ROJAS

NOES: NONE

ABSTAIN: NONE

ITEM 7 – GWMA FY 2017/18 BUDGET

Adopt the GWMA FY 2017/18 Budget as Presented

Ms. Kast presented the GWMA proposed budget for FY 2017/18, which reflected actual costs and projections through the end of the fiscal year. She stated that staff anticipated an ending fund balance of \$605,167 for FY 2016/17.

Ms. Kast reported that it was the recommendation of GWMA's Accounting Consultant and staff that the Budget's Ending Fund Balance include a reserve amount equal to at least six (6) months of GWMA's Operating Expenses to ensure that sufficient funding was available unforeseen expenses. Therefore, Ms. Kast stated that \$200,000 from the Ending Fund Balance would be reserved for this purpose and that any expenditure not specifically identified in the budget must be pre-approved in accordance with all GWMA adopted policies.

After further discussion with the GWMA Board Members, Director Mostahkami motioned to adopt the GWMA FY 2017/18 Budget as presented and requested that staff develop a policy for Board approval regarding reserves and ending fund balance. The motion was seconded by Director Figueroa and was approved by the following voice vote:

AYES: DOR, MCDONALD, VU, GORECKI, O'GRADY, MOSTAHKAMI, DIXON, MUNOZ, RAPP, LEUNG, KOURI, FIGUEROA, CASH, BEACH, ARELLANO, ROJAS

NOES: NONE

ABSTAIN: NONE

Approve the Annual Membership Appropriation of \$15,000 (Except for Board Approved Reduced Dues)

Ms. Kast reported that GWMA's administrative budget was supported by membership dues. As in past years, Ms. Kast recommended that the annual membership dues of \$15,000 be approved.

Director Vu motioned to approve the Annual Membership Appropriation of \$15,000 (Except for Board Approved Reduced Dues). The motion was seconded by Director Rojas and was approved by the following voice vote:

AYES: DOR, MCDONALD, VU, GORECKI, O'GRADY, MOSTAHKAMI, DIXON, MUNOZ, RAPP, LEUNG, KOURI, FIGUEROA, CASH, BEACH, ARELLANO, ROJAS

NOES: NONE

ABSTAIN: NONE

Adopt Member and Non-Member Administrative Fees for MOUs at 3% and 5%

Ms. Kast stated that per board policy, an annual percentage must be set for all MOUs to cover GWMA administrative and legal costs. To date, Ms. Kast reported that GWMA members have been charged 3% and non-members have been charged 5%. Ms. Kast recommended that GWMA maintain the same percentages in the coming year.

Director Rapp motioned to approve and adopt GMWA Member and Non-Member Administrative Fees for MOUs at 3% and 5%, respectively. The motion was seconded by Director Figueroa and was approved by the following voice vote:

AYES: DOR, MCDONALD, VU, GORECKI, O'GRADY, MOSTAHKAMI, DIXON, MUNOZ, RAPP, LEUNG, KOURI, FIGUEROA, CASH, BEACH, ARELLANO, ROJAS

NOES: NONE

ABSTAIN: NONE

ITEM 8 – GATEWAY REGION WATERSHED MANAGEMENT GROUPS ORAL UPDATES

Lower Los Angeles River Upper Reach 2 Watershed Group

Director Vu reported that the watershed group was working on the agreement and annual reports.

Lower Los Angeles River Watershed Group

None.

Los Cerritos Channel Watershed Group

Director Rapp reported that the watershed group had appointed Konya Vivanti as its new Chair and Bernardo Iniguez as its new Co-Chair.

Director Rapp also gave an update on all projects.

Lower San Gabriel River Watershed Group

Director Figueroa reported that the watershed group would be meeting next week.

Ms. Kast reported that the GWMA had asked all 4 Watershed Groups to submit their top 3 projects to GMWA staff. She stated that the COG/GWMA were working together to evaluate any potential for submitting jointly on a Grant.

ITEM 12 – EXECUTIVE OFFICER’S REPORT

Ms. Kast reported that all GMWA Board Member’s and Alternates terms would expire on September 30, 2017. She also stated that GWMA’s new terms of office for Board Members and Alternates would commence on October 1, 2017.

She further indicated to the Board that GWMA staff would be sending out notices to all, (including a Template Resolution and Template Agenda Submittal) soliciting new appointments in early July, to give everyone enough time to get it on their respective Council/Board agendas.

ITEM 13 – DIRECTORS’ COMMENTS/REPORT

Director Mostahkami requested an update from the County regarding the Resiliency Plan and associated funding at an upcoming meeting.

The meeting was adjourned at 12:39 PM.

Hannah Shin-Heydorn, Secretary/Treasurer

Date

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July 13, 2017

SECTION NO. 5(b) Warrant Register Dated July 2017

SUMMARY:

The Warrant Register is a listing of general checks issued since the last warrant register. Warrants will be signed by 2 of the 3 Board Officers and released by Toni Penn, serving as the Administrative/Accounting Manager of the Gateway Water Management Authority, upon Board Approval.

DISCUSSION:

The Warrant Register for expenditures dated July 2017 in the amount of \$515,500.40 is submitted for approval. Invoices and supporting documentation are available for review at the office of the GWMA.

FISCAL IMPACT:

The Warrant Registers totals \$515,500.40. Funds to cover payment are available in the Gateway Authority budget.

RECOMMENDATION:

Approve the Warrant Register for July as presented.

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AGENDA ITEM NO. 5b

WARRANT REGISTER Disbursement Journal July-17

Invoice Date	Vendor	Invoice Number	Description	Amount
6/22/2017	Anchor QEA	52509	Harbor Toxics TMDL Monitoring for May	\$ 7,977.69
7/1/2017	City of Paramount	3657	Rent - July 2017	\$ 339.22
6/9/2017	Excel Paving Company	LID-02	Construction of Prop 84 Grant Project	\$ 206,895.75
6/21/2017	GEI Consultants	3022235	Watersmart Grant Administrative Services	\$ 387.00
6/30/2017	GK Consulting	17-7-DACIP-GWMA	GLAC DAC Chair Activities for June 2017	\$ 2,957.50
06/30/17	GK Consulting	17-7-GWMA	Professional and Accounting Services	\$ 18,672.50
06/19/17	Joe A Gonsalves & Son	155771	Legislative Advocacy Services for July	\$ 2,083.00
06/05/17	John L Hunter & Associates	GAHT0417	Upstream Harbor Toxic for April	\$ 776.25
06/13/17	John L Hunter & Associates	GAHT0517	Upstream Harbor Toxic for May	\$ 5,624.00
06/05/17	John L Hunter & Associates	GANPLA0417	LLAR WMP Development for April	\$ 20,152.28
06/14/17	John L Hunter & Associates	GANPLA0517	LLAR WMP Development for May	\$ 85,577.02
06/05/17	John L Hunter & Associates	GANPSG0417	LSGR WMP Development for April	\$ 17,177.62
06/13/17	John L Hunter & Associates	GANPSG0517	LSGR WMP Development for May	\$ 62,838.92
06/12/17	Richard Watson & Associates, Inc.	17-192-003-003	LCC Watershed Monitoring Program for April	\$ 10,701.15
06/13/17	Richard Watson & Associates, Inc.	17-192-003-004	LCC Watershed Monitoring Program for May	\$ 60,402.07
06/14/17	Richard Watson & Associates, Inc.	17-192-003-005	LCC Watershed Monitoring Program for February	\$ 7,825.97
06/30/17	Richards Watson Gershon	212537	Legal Services - General	\$ 1,727.07
06/30/17	Richards Watson Gershon	212538	Legal Services - Project Specific	\$ 155.00
06/08/17	Rodger's Catering	27008	Meeting Expense	\$ 430.39
05/31/17	Vicenti, Lloyd & Stutzman, CPAs	17542	Accounting/Auditing Services for May	\$ 2,800.00
				<u>\$ 515,500.40</u>

Reviewed and Approved by:


Hannah Shin-Heydorn, GWMA Secretary/Treasurer

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SECTION 6: Discussion/Action Regarding Appointment of Members to On-Call Consultant Ad-Hoc Committee

BACKGROUND/SUMMARY:

At the April 13th Board Meeting, Ms. Kast announced that GWMA would be sending out a Request for Qualifications “RFQ” to update GWMA’s On-Call List of Consultants.

Working with Directors Beach and Mostahkami staff has finalized the RFQ for On-Call Consultants. Further, staff solicited names of consultants from GWMA Board Members and Alternates to add them to the list of consultant solicitations.

The anticipated schedule is as follows:

Date for Issuance of the RFQ for On-Call Consultants is July 17, 2017.

The deadline for Submittal of the SOQs is August 21, 2017.

The Review/Evaluation of the SOQs is September 1-15, and if needed interviews will be September 15-30.

Staff anticipates bringing the SOQs and recommendations for On-Call Consultants to the GWMA Board for Approval at its regular Board Meeting on October 12, 2017.

SUMMARY:

In order to recommend consultants for the On-Call Consultant List, an Ad Hoc Committee is needed to participate and review the SOQs. Anticipated activities include reviewing SOQs received, ranking and categorizing consultants and their services, interviewing if the Committee wishes to do so, and making final recommendations to the Board in October 2017.

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RECOMMENDATION:

The Chair to appoint interested Board Members to the On-Call Consultant Ad Hoc Committee.

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July 13, 2017

SECTION NO. 7 Discussion/Action Regarding Selection of Firm to Conduct GWMA's FY 2016/17 Audit

SUMMARY:

At GWMA's Board Meeting on April 13, 2017, the Board authorized the release of a Request for Proposal (RFP) for professional services to audit GWMA's annual financial statements for the fiscal year ending June 30, 2017 and to also conduct a Single Audit.

On April 21, 2017, an RFP for professional auditing services was issued with a due date of May 31, 2017. With the assistance of GWMA's Accounting Consultant, a list of ten audit firms that provide auditing services to the Special District industry was compiled.

Initially, one proposal by the firm Fedak & Brown LLP, was received in response to the RFP without Single Audit costs. After offering additional clarification that the FY 2016/17 audit will be the first year a single audit is required, Fedak & Brown LLP, sent a revised proposal to include the Single Audit. All firms that were sent an RFP but did not respond were contacted and all but one firm indicated that due to current client commitments, they were unable to propose. The firm of James Marta & Company, indicated they had not submitted because they compared GWMA's previous audit expenditures which they had thought included a Single Audit but did not, to their expected proposal which would include a single audit. After offering clarification, they submitted a proposal which is included herein.

GWMA Staff and Accounting Consultant conducted telephone interviews with both firms, Fedak & Brown, LLP and James Marta & Company. The first was held on June 13, 2017 and the second was held on June 14, 2017.

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SUMMARY:

GWMA's Accounting Consultant provided a written recommendation to the Board based on a thorough review of the proposals, independent research, and phone interviews (attached). Thereafter, GWMA's Executive Committee reviewed the two proposals (attached) along with the Accounting Consultant's memorandum and recommendation on June 29, 2017 and offered a unanimous recommendation to select Fedak and Brown, LLP.

RECOMMENDATION:

It is the recommendation of GWMA's Executive Committee, Accounting Consultant and staff to enter into an agreement with the firm Fedak & Brown LLP, to conduct GWMA's FY 2016/17 Audit and Single Audit, as presented.

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June 21, 2017

Auditor Recommendation for Gateway Water Management Authority:

Summary of Events:

- A request for proposal (RFP) for professional auditing services was issued on April 21, 2017 with a due date of May 31, 2017
- A list of approximately ten audit firms that provide auditing services to the Special District Industry was compiled
- Approximately 13 questions were received from interested firms to provide additional clarification to the RFP; responses to these questions were shared with all firms that received the RFP
- Initially, one proposal was received in response to the RFP
- Additionally clarification was sent to all firms that received the RFP that the June 30, 2017 audit will be the first year a single audit is required – as a result of this clarification, the firm that initially submitted a proposal sent a revised proposal to include the single audit and a second firm submitted their proposal
- All firms that were sent an RFP but did not respond were contacted; those firms indicated that due to their current client commitments they were unable to add an additional audit engagement that fell within the September to November timeframe
- Telephone interviews were held with both firms that submitted a proposal on June 13 and June 14, 2017

Qualifications of firms submitting a proposal:

- Both firms are qualified to provide professional audit services under AICPA Audit Standards, Government Audit Standards and the requirements of Uniform Guidance (Single Audit)
- Both firms were responsive to the RFP and included the audit of the financial statements – including footnotes and supplementary information, preparation of the State Controller's Office (SCO) Financial Report and audit procedures required by the Uniform Guidance
- Fedak and Brown LLP received a peer review rating of *pass* in their most recent peer review cycle
- James Marta & Company LLP was monitored by the California Society of CPA's (CSCPA) related to corrective actions needed regarding ERISA audit engagements during their most recent peer review cycle. The firm no longer performs ERISA engagements and, as a result, is no longer monitored by the CSCPA
- All individuals listed as a CPA in the respective proposals were verified on the California Board of Accountancy website as being in good standing

- Jessie Deol, Manager with James Marta & Company is certified by the AICPA as *Single Audit Advanced*
 - One small discrepancy in the proposal from James Marta & Company LLP is that the Senior, Christina Escamilla is shown on page 10 of the proposal as a CPA. According to her resume on page 14 of the proposal, she has passed all parts of the exam, but is not yet a CPA. The California Board of Accountancy does not show her as a CPA
- Both firms stated that are able and willing to meet the timelines requested to complete the audit engagement

Recommendation to contract with an external audit firm

- Based on the items noted above and the results of the telephone interview, the recommendation to enter into an agreement with Fedak & Brown LLP is based on:
 - Commitment to on-going communication throughout the audit cycle, including offering advice and sharing best practices of similar organizations
 - Meeting with staff and those charged with governance both in person and over the phone
 - Ability to decipher between issues that are significant or material and appropriately handle those issues by communicating with management, determining the next steps and/or communicating with those in a governance role
 - Ability to interact primarily in person due to their location; James Marta & Company LLP will conduct the majority of their work remotely
- A final factor in making the recommendation is based on the all-inclusive costs for the audit of the financial statements, preparation of the SCO report and the Single Audit, including on-going communication:
 - Fedak & Brown LLP total cost is \$12,160
 - James Marta & Company LLP cost is \$16,100

Respectfully submitted,



Renee S. Graves CPA, CGFM
CliftonLarsonAllen LLP
Principal, State and Local Governments

Technical Proposal for Professional Auditing Services



Gateway Water Management Authority

Prepared by:

Fedak & Brown LLP

Certified Public Accountants
Cypress, California & Riverside, California
(657) 214-2307 (951) 977-9888



Contact Person:

Christopher J. Brown, CPA, CGMA, Partner
chris@fedakbrownllp.com

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- 6. Our Specific Approach to your Audit**
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Fedak & Brown LLP
Certified Public Accountants

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

Riverside Office:
4204 Riverwalk Pkwy. Ste. 390
Riverside, California 92505
(951) 977-9888

May 17, 2017

Ms. Toni Penn, Admin/Accounting Manager
Gateway Water Management Authority
16401 Paramount Boulevard
Paramount, California 90723

Re: Request for Proposal for Professional Auditing Services

Dear Ms. Penn

We appreciate the opportunity to submit our proposal to provide professional auditing services for the Gateway Water Management Authority (Authority) for the fiscal year ending June 30, 2017 and for the optional fiscal years ending June 30, 2018 through June 30, 2021.

In response to your inquiry of Fedak & Brown LLP (Firm), we have prepared a proposal that reflects our understanding of the Authority's audit service requirements and that demonstrates our capability and commitment to serve. Our intention is to establish that our Firm is the preferred professional services firm for the Authority.

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

Organized to Serve

Our service approach ensures that the Authority will receive the highest quality, personalized service when and where you need it. By tailoring our approach, we guarantee that the Authority will receive timely and attentive service that forms the hallmark of our approach to serving clients. **Our governmental audit and consulting practice accounts for approximately 85% of our Firm's annual services.** Therefore, we have made a substantial commitment and investment to serve our governmental clients.

Ms. Toni Penn, Admin/Accounting Manager
Gateway Water Management Authority
May 17, 2017
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. **Simply put, the Authority will become one of our most important clients, and accordingly, will receive the priority service the Authority requires.**

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 Authority. 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 Authority's, we are confident that our Firm knows how to address the unique needs of the Authority.

Our staff members assigned to the Authority 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 Authority. 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 have assisted many of our clients in the completion of their Comprehensive Annual Financial Report (CAFR) and submit it to the Government Finance Officers Association (GFOA) and California Society of Municipal Finance Officers (CSMFO) for the Annual Awards programs.

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

Our proposal represents our irrevocable offer for a period of 90 days from the date of this letter to provide audit services to the Authority for the fiscal year ending June 30, 2017 and for the optional fiscal years ending June 30, 2018 through June 30, 2021. You may contact Christopher J. Brown or Charles Z. Fedak if you have any questions or need additional information. Chris and Chuck will be your primary contacts during the proposal evaluation period. They may be reached at (951) 977-9888 or (657) 214-2307, or by e-mail at Chris@fedakbrownllp.com or Chuck@fedakbrownllp.com, respectively.

We look forward to hearing from you soon.

Cordially,

Fedak & Brown LLP

FEDAK & BROWN LLP
CERTIFIED PUBLIC ACCOUNTANTS

Executive Summary – Audit Engagements

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 (2011 Revision) 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 Authority;**
- 2. Preparation of Management Reports for the Authority;**
- 3. Preparation of the State Controller’s Report (Financial Transaction Report); and**
- 4. Provide guidance and technical assistance to the Authority in implementing Governmental Accounting Standards issued, including Annual Accounting Update Session (as required)**

Previous Audits Engagements

The Government Auditing Standards (2011 Revision) Chapter 5, *Standards for Attestation Engagements*, Section 5.06 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 (2011 Revision), Chapter 5, *Standards for Attestation Engagements*, Section 5.20 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. 68 and 71 for Districts and Agencies throughout the State of California. Our client service approach includes review and assistance with current and pending GASB pronouncements.

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 Authority, 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 (2011 Revision)*, 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 Authority 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 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 Amendments of 1996 and Title 2 U.S. *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 Authority.
- F. Fedak & Brown LLP affirms that it will staff the audit of the Authority 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 Authority.
- 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 Agency 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 Authority or their designee access to pertinent Authority 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 Authority.



Signature of Authorized Official: _____

Name: _____ Christopher J. Brown, CPA, CGMA _____

Title: _____ Partner _____

Firm: _____ Fedak & Brown LLP _____

Date: _____ May 17, 2017 _____

Firm Qualifications and Experience

Identification of Proposer and Geographic Location to the Authority

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. Our main office has been located in Cypress, California, since 1981. In 2012, our firm opened a second office in Riverside, California.

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

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 Authority'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.

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 Authority's operating environment.

Experience and Technical Competence

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

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
Rosamond Community Services District
Stallion Springs Community Services District*

Los Angeles County

*Castaic Lake Water Agency
Crescenta Valley Water District
La Puente Valley County Water 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

*Baumont-Cherry Valley Water District
Cabazon Water District
Coachella Valley Mosquito and Vector Control
Idyllwild Fire Protection District
Jurupa Community Services District
Lake Elsinore & San Jacinto Watersheds Auth
Lake Hemet Municipal Water District
Northwest Mosquito and Vector Control
Santa Ana Watershed Project Authority
Western Municipal Water District
Western Riverside County Regional Wastewater*

Santa Barbara County

*Goleta Water District
Montecito Water District
Santa Maria Public Airport Authority
Santa Ynez 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
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
Pomona Valley Protective Agency
San Bernardino Valley Water Conservation District
Victor Valley Wastewater Reclamation Authority
Victor Valley Water District
Victorville Water District
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

*Oxnard Harbor District
Pleasant Valley Recreation and Park District
Saticoy Sanitary District
Triunfo Sanitation District
Ventura County Regional Energy Alliance
Ventura County Resource Conservation District
Ventura Regional Sanitation District*

Northern California/ Bay Area

*Avila Beach Community Services District
Butte County Mosquito and Vector Control District
North Coast County Water District
North Marin Water District
Novato Sanitary District
Oakdale Irrigation District
Purissima Hills Water District
San Lorenzo Valley Water District
Santa Clara County Open Space Authority
Saratoga Cemetery District
Scotts Valley Water District
Soquel Creek Water District
Westborough Water District*

Firm Qualifications and Experience, continued

Quality Control

The Board of Directors of the Authority 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 Cromborough Drive

Windsor, CO 80550

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

System Review Report

March 8, 2016

To the Partners

Fedak & Brown LLP (fka Charles Z. Fedak & Co.)

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 (fka Charles Z. Fedak & Co.) (the firm) in effect for the year ended September 30, 2015. 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. As a part of my peer review, I considered reviews by regulatory entities, if applicable, in determining the nature and extent of my procedures. 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. 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. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards*.

In my opinion, the system of quality control for the accounting and auditing practice of Fedak & Brown LLP (fka Charles Z. Fedak & Co.) in effect for the year ended September 30, 2015, 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 (fka Charles Z. Fedak & Co.) 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 manager and a governmental audit supervisor assigned to the Authority'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 Authority. 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 supervisor is responsible for coordinating the audit test work, which includes the on-site supervision of staff, and preparation of the audit report.

Once audit test work is completed, the supervisor will work with the staff to complete the reports for the Authority for all recipients. The supervisor 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 be sure that all facts have been evaluated to minimize utilizing your staff's time for audit assistance purposes.

Partner Participation

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

Partner, Supervisory, Staff Qualifications, and Experience

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 since 2002</p> <ul style="list-style-type: none">➤ Chairman, Compensation Committee – MOH; 2002 – 2006➤ Chairman, Audit Committee – MOH; 2004 – Present <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>

Partner, Supervisory, Staff Qualifications, and Experience

CHRISTOPHER J. BROWN, CPA, CGMA ENGAGEMENT PARTNER

Education:	Bachelor of Arts - Business Administration: Finance – California State University, San Bernardino 1995 Accountancy – California State University, San Bernardino 1999
License:	Certified Public Accountant – 2002
Continuing Education	Total hours were over 120 hours in last three years of which 24 were in governmental accounting and auditing subjects. Mr. Brown has the Governmental Auditing Standards requirement for governmental CPE.
Memberships	California Society of Certified Public Accountants American Institute of Certified Public Accountants Government Finance Officers Association California Society of Municipal Finance Officers Association
Experience	<p>Christopher J. Brown is a CPA in the State of California and has over seventeen years of experience in public accounting and auditing governmental entities having worked at a national firm. Mr. Brown holds a Bachelor's Degree from California State University, San Bernardino. He has extensive experience in the areas of governmental financial and compliance reporting.</p> <p>Mr. Brown's public accounting experience includes tenure with CPA firm RSM. He is also involved in auditing of governmental and non-profit entities as well as medium to large manufacturing, construction and service oriented corporations. Has thorough knowledge in Generally Accepted Accounting Principles, Governmental Accounting, and Auditing Standards as well as the Single Audit Act.</p> <p>Mr. Brown has provided significant audit and accounting services to various governmental entities. In these accounting engagements, he has been involved in the strategic planning processes, design and implementation of policies and procedures. He has also been involved in the implementation of performance management budgeting and planning processes.</p> <p>He is currently involved on the following major governmental engagements:</p> <ul style="list-style-type: none">➤ Castaic Lake Water Agency➤ Mojave Water Agency➤ Monte Vista Water District➤ Crescenta Valley Water District➤ Hi-Desert Water District➤ Joshua Basin Water District➤ Victor Valley Wastewater Reclamation Authority➤ Santa Maria Public Airport District➤ Phelan Pinon Hills Community Services District➤ Purissima Hills Water District➤ Scotts Valley Water District➤ Solano Irrigation District

Partner, Supervisory, Staff Qualifications, and Experience

JONATHAN P. ABADESCO, CPA AUDIT MANAGER

Education:	Bachelor of Science in Accountancy – Miriam College Foundation, Inc., Philippines 1999
License:	Certified Public Accountant – 2012
Continuing Education	Total hours were 186 hours in last three years of which 62 were in governmental accounting and auditing subjects. Mr. Abadesco has the Governmental Auditing Standards requirement for governmental CPE.
Memberships	California Society of Certified Public Accountants American Institute of Certified Public Accountants
Experience	<p>Jonathan P. Abadesco is a CPA in the State of California and has over twelve years of experience in public accounting and auditing governmental entities having worked at a national firm. He has served as CFO/Controller for a not-for-profit organization.</p> <p>Mr. Abadesco's public accounting experience includes tenure with CPA Firm, Ernst & Young and PricewaterhouseCoopers. He is involved in performing financial, compliance and performance audits of governmental and non-profit entities, as well as medium to large global organizations. Has thorough knowledge in Generally Accepted Accounting Principles, Governmental Accounting, and Auditing Standards as well as the Single Audit Act.</p> <p>While working with his previous CPA firm, Mr. Abadesco was instrumental in preparing the agreed upon procedures that was utilized by the U.S. Department of Energy. Also, Mr. Abadesco has provided significant audit, accounting and consulting services to various governmental entities engaged in transportation including Los Angeles County Metropolitan Transportation Authority, Metro Gold Line Foothill Extension Construction Authority, Los Angeles Department of Transportation and Metropolitan Atlanta Rapid Transportation Authority.</p> <p>He is currently involved on the following governmental special districts engagements:</p> <ul style="list-style-type: none">➤ Castaic Lake Water Agency➤ Victor Valley Wastewater Reclamation Authority➤ Hi-Desert Water District➤ Scotts Valley Water District➤ Soquel Creek Water District➤ San Lorenzo Valley Water District➤ Monte Vista Water District➤ Lake Hemet Municipal Water District➤ Joshua Basin Water District➤ Oakdale Irrigation District

Partner, Supervisory, Staff Qualifications, and Experience

ANDY BECK, CPA AUDIT MANAGER/SUPERVISOR

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 American Institute of Certified Public Accountants
Experience	<p>Over eleven years of experience in public accounting and auditing governmental entities, not-for-profit organizations, and employee benefit plans. Mr. Beck is involved in 40%-45% of the Special District clients served by our Firm.</p> <p>Mr. Beck has provided significant audit, accounting and consulting services to various governmental entities. In these attest engagements, he has been involved in the strategic planning processes, design and implementation of policies and procedures.</p> <p>He has been involved on the following governmental special districts engagements:</p> <ul style="list-style-type: none">➤ Santa Clarita Valley Water District➤ Southern California Coastal Water Research Project➤ Scotts Valley Water District➤ Soquel Creek Water District➤ San Lorenzo Valley Water District➤ Buena Park Library District➤ Victor Valley Wastewater Reclamation Authority➤ Santa Maria Public Airport District

Partner, Supervisory, Staff Qualifications, and Experience

JEFF PALMER AUDIT SUPERVISOR

Education:	Bachelor of Science – Business Administration: Accountancy & Finance – California State University, Long Beach 2005
License:	In Process
Continuing Education	Total hours were 74 hours in last three years of which 56 were in governmental accounting and auditing subjects. Mr. Palmer meets the Governmental Auditing Standards requirement for governmental CPE.
Memberships	California Society of Certified Public Accountants American Institute of Certified Public Accountants
Experience	Over eleven years of experience in public accounting and auditing of governmental, private, and non-profit entities. Relevant governmental experience includes: cities, special districts, airports, transportation agencies, and public financing authorities. He has extensive experience in conducting financial audits under GAO Yellow Book standards and compliance audits in accordance with OMB Circular A-133. He has assisted clients in publishing their Comprehensive Annual Financial Reports in compliance with GASB Statement No. 34.

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

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

- Castaic Lake Water Agency
- Mojave Water Agency
- Crescenta Valley Water District
- Monte Vista Water District
- Indian Wells Valley Water District
- North Marin Water District
- Purissima Hills Water District
- Westborough Water District
- Victor Valley Wastewater Reclamation Authority
- Santa Maria Public Airport District
- Phelan Pinon Hills Community Services District

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.

Our Firm is fully computerized in-house and utilizes portable computers on all audit engagements. We utilize CCH ProSystems fx Engagement ® Audit Software.

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 Authority 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 Authority's Board of Directors and management to discuss the scope and timing of the audit test work, the availability of the Authority'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 Authority's internal control structure and communication of recommendations to the Authority's management team concerning Authority policies and procedures.
- Tests of controls of audit areas to determine the effectiveness of the Authority's internal control structure. Sample size is based on AICPA audit guide using stratified scope and random selection methodology.
- 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 Authority with suggestions regarding the closing of the Authority's books after year end. Our assistance and communication in the closing of the Authority's books is expected to minimize the number of audit adjustments required after the close of Authority's books.

After we obtain an understanding of the Authority'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 Authority's books and preparation of final trial balances and audit supporting schedule by Authority 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 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 proper 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 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 Authority'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 Authority's management team to review our audit findings. We will communicate all deficiencies in controls which may assist the Authority 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 Authority.

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 Authority. 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 Authority'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 Authority's management, and the Board of Directors, to be a minimum service provided by our Firm and would be pleased to schedule a mutually convenient time for such a presentation at the conclusion of the engagement or any time during the progression of the audit.

Other Assistance

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

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

Our Specific Approach to your Audit, continued

Timing of Our Procedures

We understand that the Authority 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 Authority 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 Authority's schedule requirements, interim fieldwork will begin in April through June of each year (the Authority's preference of dates), concluding no later than July 31st (TBD) of each year. Final fieldwork will begin between August through October of each year (the Authority's preference of dates), concluding no later than October 31st of each year.

Delivery of the final reports to the Authority will be no later than the regular scheduled December Board meeting of each fiscal year or earlier per the Authority's requirements.

In the table that follows, we provide a summary of our planned activities and their timing:

Timing	Activity
Between April through June (TBD)	Conduct audit entrance conference. Commence interim audit fieldwork; Conduct interviews with key Finance personnel. Complete controls test work. Communication with Authority's management about fieldwork status and any potential findings or issues. Send final fieldwork requirements by June 30 th .
Between August to October (TBD)	Conduct final audit fieldwork.
By October 31 st (TBD)	Conduct exit conference with the Authority management to discuss relevant findings and proposed audit adjustments. Provide the draft audit reports and draft management letters (if appropriate) to Authority's management prior to final report.
By the regularly scheduled December Board meeting (TBD)	Deliver the Final Reports to the Authority and then present the Financials to the Board.

TBD – To Be Determined with the client, if necessary

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.

Client References

References

Presented below are five 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. Mr. Carlos Corrales, Controller
Castaic Lake Water Agency
Upper Santa Clara Valley Joint Powers Authority
27234 Bouquet Canyon Road
Santa Clarita, CA 91350 | Wholesale & Retail Water Agency
Joint Powers Authority
Annual Audit - CAFR
661.297.1600 x 237 |
| 2. Mr. Ray Harton, Finance Manager
Monte Vista Water District
10575 Central Avenue
Montclair, CA 91763 | Retail Water District
Annual Audit – CAFR
909.624.0035 x 110 |
| 3. Ms. Kathy Cortner, CFO
Mojave Water Agency
13846 Conference Center Drive
Apple Valley, CA 92307 | Wholesale & Retail Water
Annual Audit - CAFR
760.946.7054 |
| 4. Ms. Debbie Ellis, Assistant City Auditor
Los Cerritos Wetlands Authority
333 West Ocean Boulevard, 8 th Floor
Long Beach, CA 90802 | Joint Powers Authority
Annual Audit
626.815.1019 |
| 5. Mr. Joe Joswiak, CFO
Chino Basin Watermaster
9641 San Bernardino Road
Rancho Cucamonga, CA 91730 | Groundwater Basin Management
Annual Audit
909.484.3888 |

Cost Proposal for Professional Auditing Services



Gateway Water Management Authority

Prepared by:

Fedak & Brown LLP

Certified Public Accountants
Riverside, California & Cypress, California
(951) 977-9888 (657) 214-2307



Contact Person:

Christopher J. Brown, CPA, CGMA, Partner
chris@fedakbrownllp.com



Fedak & Brown LLP
Certified Public Accountants

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

Riverside Office:
4204 Riverwalk Pkwy. Ste. 390
Riverside, California 92505
(951) 977-9888

May 17, 2017

Ms. Toni Penn, Admin/Accounting Manager
Gateway Water Management Authority
16401 Paramount Boulevard
Paramount, California 90723

Re: Request for Proposal for Professional Auditing Services

Dear Ms. Penn:

Based on our understanding of the Gateway Water Management Authority (Authority) requirements, our fee for audit services at our discounted rates for the fiscal year ending June 30, 2017 will be **\$6,830**. This fee is based on our understanding of the Authority's audit requirements.

Assuming there is no substantial change in the Authority's activities and operations, our fee for audit services for the optional fiscal years ending June 30, 2018 through 2021 will be **\$6,970**, **\$7,110**, **\$7,250**, and **\$7,390**, respectively.

Our estimate for out-of-pocket expenses is a separate estimate and may not be utilized in total to the amount estimated. Again, these fees are based on the estimated costs to complete the audit. The components of this audit services fee proposal and out-of-pocket costs for the fiscal year ending June 30, 2017, and optional fiscal years ending June 30, 2018 through 2021, are itemized in the attached Exhibits.

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

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

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

Christopher J. Brown, CPA CGMA

May 17, 2017

Date

Exhibit I – Proposed Hours and Our Fees

Proposed Hours and Our Fees

We anticipate that, for the fiscal year ending June 30, 2017, and optional fiscal years 2018 through 2021, the audit of the Authority will require approximately 70 audit hours. These hours, by major area, are summarized as follows:

Breakout of Audit Hours					
Audit Steps	Partner	Manager	Supervisor	Staff	Total
Planning	2	2	2	4	10
Controls Testwork	2	2	6	10	20
Substantive Testwork	2	4	6	16	28
Reporting	2	4	4	2	12
	8	12	18	32	70

As shown above, we expect approximately 29% of engagement hours to come from the Partners and Managers assigned to the engagements.

Working on the premise that we will be provided with all the documents listed per our audit requirements (will be provided prior to commencement of fieldwork), we expect to perform the audit of the Authority at fees as stated in the attached Schedule of Professional Fees on Page 3 for the fiscal year ending June 30, 2017, and optional fiscal years 2018 through 2021, 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 Authority'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 Authority, we expect to perform the services enumerated above at our standard hourly rates. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to the audit.

In accordance with your request for proposal and the Office of Management and Budget Circular A-128, we will maintain our work papers for a minimum of seven years and make them available to the Authority, state agencies, the General Accounting Office, and other parties upon the direction of the Authority. We have provided a breakdown of our current hourly rates, which would apply to this engagement on the attached Schedule of Professional Fees by Hours on Pages 4 through 6 of this cost proposal.

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

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

Exhibit II – Schedule of Professional Fees

Gateway Water Management Authority						
Engagement Fees By Fiscal Year	Audit Service Fees*	Not-to-Exceed Estimate of Out of Pocket Costs**	Total Audit Fee	State Controller's Report	Single Audit	Total Engagement
Fiscal Year 2017	\$ 6,830	250	7,080	600	4,480	12,160
Optional Years						
Fiscal Year 2018	\$ 6,970	250	7,220	610	4,576	12,406
Fiscal Year 2019	\$ 7,110	250	7,360	620	4,672	12,652
Fiscal Year 2020	\$ 7,250	250	7,500	630	4,768	12,898
Fiscal Year 2021	\$ 7,390	250	7,640	640	4,864	13,144

* Professional audit services fees – labor only.

** Estimate of out-of-pocket costs consist of: travel, mileage, postage and printing costs. Out-of-pocket costs may not be fully utilized.

Exhibit III – Schedule of Professional Fees by Hours

Gateway Water Management Authority Fiscal Year 2017			
Breakdown of Fees by Hours			
Fiscal Year 2017 Audit of:	Hours	Hourly Rates	Total
Authority's Basic Financial Statements			
Partner - Engagement & Technical	8	\$ 140	\$ 1,120
Manager	12	120	1,440
Supervisor	18	95	1,710
Staff	32	80	2,560
Total Financial Statement Audit for 2017	70		6,830
Out-of-Pocket Expenses (Travel, Postage & Printing Costs)			250
Total Maximum for 2017			7,080
Additional Items Asked to be Priced by the Authority			
Preparation of the Authority's Annual State Controller's Report	5	120	600
Total Maximum with Additional Items for 2017	75		7,680
Other Items Asked to be Priced by the Authority			
Single Audit of Federal Awards			
Partner - Engagement & Technical	4	140	560
Manager	4	120	480
Supervisor	16	95	1,520
Staff	24	80	1,920
	48		4,480
Total Maximum with Additional and Other Items for 2017	123		\$ 12,160
Gateway Water Management Authority OPTIONAL YEAR 1 - Fiscal Year 2018			
Breakdown of Fees by Hours			
Fiscal Year 2018 Audit of:	Hours	Hourly Rates	Total
Authority's Basic Financial Statements			
Partner - Engagement & Technical	8	\$ 142	\$ 1,136
Manager	12	122	1,464
Supervisor	18	97	1,746
Staff	32	82	2,624
Total Financial Statement Audit for 2018	70		6,970
Out-of-Pocket Expenses (Travel, Postage & Printing Costs)			250
Total Maximum for 2018			7,220
Additional Items Asked to be Priced by the Authority			
Preparation of the Authority's Annual State Controller's Report	5	122	610
Total Maximum with Additional Items for 2018	75		7,830
Other Items Asked to be Priced by the Authority			
Single Audit of Federal Awards			
Partner - Engagement & Technical	4	142	568
Manager	4	122	488
Supervisor	16	97	1,552
Staff	24	82	1,968
	48		4,576
Total Maximum with Additional and Other Items for 2018	123		\$ 12,406

Exhibit III – Schedule of Professional Fees by Hours

Gateway Water Management Authority OPTIONAL YEAR 2 - Fiscal Year 2019

Breakdown of Fees by Hours

	<u>Hours</u>	<u>Hourly Rates</u>	<u>Total</u>
Fiscal Year 2019 Audit of:			
Authority's Basic Financial Statements			
Partner - Engagement & Technical	8	\$ 144	\$ 1,152
Manager	12	124	1,488
Supervisor	18	99	1,782
Staff	32	84	2,688
Total Financial Statement Audit for 2019	70		7,110
Out-of-Pocket Expenses (Travel, Postage & Printing Costs)			250
Total Maximum for 2019			7,360
Additional Items Asked to be Priced by the Authority			
Preparation of the Authority's Annual State Controller's Report	5	124	620
Total Maximum with Additional Items for 2019	75		7,980
Other Items Asked to be Priced by the Authority			
Single Audit of Federal Awards			
Partner - Engagement & Technical	4	144	576
Manager	4	124	496
Supervisor	16	99	1,584
Staff	24	84	2,016
Total Maximum with Additional and Other Items for 2019	123	\$	12,652

Gateway Water Management Authority OPTIONAL YEAR 3 - Fiscal Year 2020

Breakdown of Fees by Hours

	<u>Hours</u>	<u>Hourly Rates</u>	<u>Total</u>
Fiscal Year 2020 Audit of:			
Authority's Basic Financial Statements			
Partner - Engagement & Technical	8	\$ 146	\$ 1,168
Manager	12	126	1,512
Supervisor	18	101	1,818
Staff	32	86	2,752
Total Financial Statement Audit for 2020	70		7,250
Out-of-Pocket Expenses (Travel, Postage & Printing Costs)			250
Total Maximum for 2020			7,500
Additional Items Asked to be Priced by the Authority			
Preparation of the Authority's Annual State Controller's Report	5	126	630
Total Maximum with Additional Items for 2020	75		8,130
Other Items Asked to be Priced by the Authority			
Single Audit of Federal Awards			
Partner - Engagement & Technical	4	146	584
Manager	4	126	504
Supervisor	16	101	1,616
Staff	24	86	2,064
Total Maximum with Additional and Other Items for 2020	123	\$	12,898

Exhibit III – Schedule of Professional Fees by Hours

Gateway Water Management Authority OPTIONAL YEAR 4 - Fiscal Year 2021			
Breakdown of Fees by Hours			
	Hours	Hourly Rates	Total
Fiscal Year 2021 Audit of:			
Authority's Basic Financial Statements			
Partner - Engagement & Technical	8	\$ 148	\$ 1,184
Manager	12	128	1,536
Supervisor	18	103	1,854
Staff	32	88	2,816
Total Financial Statement Audit for 2021	70		7,390
Out-of-Pocket Expenses (Travel, Postage & Printing Costs)			250
Total Maximum for 2021			7,640
Additional Items Asked to be Priced by the Authority			
Preparation of the Authority's Annual State Controller's Report	5	128	640
Total Maximum with Additional Items for 2021	75		8,280
Other Items Asked to be Priced by the Authority			
Single Audit of Federal Awards			
Partner - Engagement & Technical	4	148	592
Manager	4	128	512
Supervisor	16	103	1,648
Staff	24	88	2,112
Total Maximum with Additional and Other Items for 2021	123		\$ 13,144



JAMES MARTA & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

**Los Angeles Gateway Region
Integrated Regional Water Management
Joint Powers Authority
(Gateway Water Management Authority)**

Proposal for Audit Services

**For the Year Ending
June 30, 2017**

CONTACT:

**DAVID BECKER, CPA
PARTNER**

**701 HOWE AVENUE, E3
SACRAMENTO, CA 95825**

**(916) 993-9494
(916) 993-9489 FAX
DBecker@JPMCPA.COM**

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APPENDIX A

Peer Review Report



James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Tax and Consulting

June 9, 2017

Toni Penn
Gateway Water Management Authority
16401 Paramount Blvd.
Paramount, California 90723

We are pleased to respond to your request to provide a proposal for audit services of Gateway Water Management Authority for the fiscal year ending June 30, 2017. We propose to audit the financial statements of the Authority in accordance with generally accepted auditing standards; *Government Auditing Standards*; the State Controller's *Minimum Audit Requirements for California Special Districts*; and applicable laws and regulations. In addition, we will also perform single audit procedures in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance) (formerly OMB Circular A-133).

We have been providing audit and consulting services to joint powers authorities and special districts including water and other utility providers since 1988. We have performed over 300 public agency, water district and proprietary fund audits and issued 20 CAFRS in the last five years. An extensive background and commitment to the industry allows us to bring to you an audit which goes beyond the minimum statutory requirements. Our depth of experience in this industry means that we bring creative and practical solutions to assist you in meeting the challenges that you face in your day-to-day operations and recommendations that are tailored to your unique needs. We provide hands-on service not only just identifying issues but also in actively assisting you in resolving them. We are committed to assisting the Gateway Water Management Authority with any accounting related questions throughout the year. A quick telephone call or email to our office is all that's needed to receive a timely response, at **no additional cost to you**. We consider this year-round availability, an important part of our relationship with you.

The following additional services are included at no charge:

- Evaluation and consulting for closing entries
- Assistance in the preparation of a Comprehensive Annual Financial Report
- Assistance in the implementation of new accounting standards
- Assistance with new federal or state compliance standards
- Year-round availability for consultation on accounting and audit topics

Please be assured that if we are accepted for this engagement, we will commit the resources necessary for the successful and timely completion of the work. The proposal is a firm offer for ninety (90) days from the due date of the proposal. Please do not hesitate to contact me or James Marta, Partner (jmarta@jpmcpa.com), if we can provide any additional information.

Sincerely,

David Becker, CPA
Partner
dbecker@jpmcpa.com
(916) 993-9494 ext 20



EXECUTIVE SUMMARY

As a full service audit, accounting, tax and management consulting firm, we pride ourselves in our ability to serve the diverse needs of Joint Powers Authorities, California Special Districts and other governmental agencies in a rapidly changing environment. We feel our firm is uniquely qualified for the following reasons:

- Ø Over **30 years of experience auditing and accounting** for California Special Districts, Joint Powers Authorities and other governmental agencies.
- Ø Experience in auditing federal programs in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance) (formerly **OMB Circular A-133**).
- Ø Extensive experience in preparing the **Comprehensive Annual Financial Report** in accordance with GFOA standards.
- Ø Experience preparing, reviewing and submitting the Annual Report of Financial Transactions required by the State Controller's Office.
- Ø Experience with **Revenue Bond, General Obligation Bond and Certificates of Participation** issues, refinancing and arbitrage calculations.
- Ø Experience with a variety of accounting software packages.
- Ø Experience in implementing new GASB standards.
- Ø **All staff** in the firm are trained, experienced and qualified to audit governmental agencies, with a thorough understanding of all GASB pronouncements.,
- Ø Experience providing training to Joint Powers Authorities and California Special Districts on Compliance, Internal Controls, Fraud Prevention and Detection, Accounting, Auditing and Board Governance Responsibility and Accountability.
- Ø Member and presenter for California Association of Joint Powers Authorities and California Special Districts Association at conferences and other workshops throughout the year.
- Ø **Resource on GASB implementation.**
- Ø **Year-round resource to you at no additional cost.**

PROPOSAL REQUIREMENTS

1. Legal name of Consultant, address, telephone number and fax number
James Marta & Company LLP
701 Howe Avenue, Suite E3
Sacramento, California 95825
Phone: (916) 993-9494 Fax: (916) 993-9489
2. Consultant's Tax Identification Number
27-1682261
3. Identification of the Project Partner and Manager assigned to this project
David Becker – Partner
Jesse Deol – Manager
See resumes in Section 3 – Audit Team
4. Name, address, telephone number and e-mail address of the person to whom correspondence should be directed.
David Becker – Partner (dbecker@jpmcpa.com)
See address and telephone number in number 1 above.
5. List of sub-consultants, if any, who will be a part of the project team, including their specific areas of responsibilities.
No sub-consultants will be used on this engagement.
6. References that the Gateway Water Management Authority may contact concerning your performance on similar projects. Description of the project team's past record of performance on similar projects for which the Consultant has provided services.
For list of similar engagements and references, see Section 1 – Profile of James Marta & Company LLP – References.

The project team has always been successful in completing similar projects in the timelines established by the client.
7. General information concerning the Consultant's ability to perform work of this nature.
James Marta & Company LLP has been performing audits of joint power's authorities and other governmental agencies since 1988. Over 75% of our work is audits of joint powers authorities and other governmental agencies. In addition, we currently provide CFO, controller and financial management services to 12 joint powers authorities.
8. Consultant's current rate schedule with effective dates.
For current rates by classification, see Section 4 – Audit Fees.
9. Proposal Fee
For details regarding our audit hours and fees, see Section 4 – Audit Fees.
10. Project Schedule
See Section 2 – Audit Methodology.

PROFILE OF JAMES MARTA & COMPANY LLP



We are a resource to you, answering the questions and meeting the needs of your people. We assist in developing practical solutions by understanding the roles of business, management, technology, accounting, and finance to help meet your needs. We can make a difference.

OUR ADVANTAGE

We specialize in providing high-quality, value-added audit, accounting and consulting services to joint powers authorities, special districts and other government agencies. We are large enough to serve and small enough to provide caring attention.

< COMMITMENT TO GOVERNMENT AGENCIES

We are committed to serving Joint Powers Authorities and California Special Districts through our direct involvement in the California Association of Joint Powers Authorities (CAJPA) and California Special Districts Association (CSDA). Mr. Becker is on the Education and Expert Feedback Team. He also teaches classes for the California Special District's Leadership Academy. Mr. Marta is the accreditation manager for CAJPA. Mr. Marta and Mr. Becker also present topics at the annual CAJPA and CSDA conferences and other seminars and workshops throughout the year. We have also written various articles on finance and governance related issues for CAJPA, CSDA and other government related agencies.

Over the past 30 years, we have worked with over three hundred joint powers authorities and special districts in California, Oregon, Washington and Alaska, providing audit, accounting, consulting, and tax services.

We are the leader in Joint Powers Authorities and California Special Districts for many reasons:

- Ü Over 60 annual audits for joint powers authorities and special districts.
- Ü CFO, Controller and financial accounting services for 12 joint powers authorities.
- Ü Experience with complex investment instruments including derivative valuation.
- Ü Developed and taught courses for [CAJPA and CSDA](#), including "Financial Management for Special Districts".
- Ü Current committee member for [CAJPA's Finance and Technology Committee](#) and [CSDA's Education and Expert Feedback Team](#).
- Ü Assisted CAJPA in developing accreditation standards and CSDA in developing [special district reserve guidelines](#).
- Ü [Presented courses](#) for CAJPA and CSDA and have written various [articles](#) for industry publications.
- Ü For joint powers authorities and special districts in pursuit of the highest excellence, our firm has assisted clients in the Government Finance Officer Association's (GFOA) [Certificate of Excellence in Financial Reporting](#).
- Ü [All firm staff](#) are trained and experienced in auditing joint powers authorities and special districts.
- Ü [Our experience and understanding of a variety of joint powers authorities and special districts allows us to be a year-round resource to you.](#)



OUR SERVICES

We are a regional firm with an office located in Sacramento that is comprised of two partners, two managers, two supervisors, five seniors and five professional staff. While we are a full-service firm offering assurance, accounting, tax, financial advisory and consulting services, joint powers authorities and special district audits continue to be the dominant aspect of our practice. **All our personnel are trained and experienced in auditing government agencies.** The professionals on our team combine the competence with judgment, maturity, and creativity – all prerequisites for a quality audit.

In addition to these services, we also offer the following:

- | | |
|--------------------------------------|--|
| Ü CAFR Compliance | Ü Fraud Risk Assessment |
| Ü Federal Compliance Audits | Ü Internal Control Design and Assessment |
| Ü Budget Analysis | Ü Self-Insurance Program Analysis |
| Ü Specialized Compliance Reviews | Ü Customized Seminars |
| Ü Temporary Controllershship | Ü Performance Audits |
| Ü Cash Forecasting | Ü Strategic Planning |
| Ü Compiled Financial Statements | Ü Year-End Closing Assistance |
| Ü Lease/Purchase Calculations | Ü Bond Defeasance Feasibility |
| Ü Accounting Policies and Procedures | Ü Arbitrage Calculations |
| Ü Litigation Support Services | Ü GASB Implementation |
| Ü Fraud Investigation | Ü Pension and OPEB Liability Calculation |

PROFESSIONAL INTEGRITY

Integrity is at the very core of our practice. By consistently performing our duties with the highest sense of integrity and within the framework of applicable professional standards as well as our firm's code of conduct, we can provide tough and relevant advice for you while maintaining our independence. This serves to uphold the public's trust on our profession.

PEER REVIEW

We are committed to the highest standards in performing quality audits. We are proud to be one of the firms nationwide that volunteered for membership in the American Institute of Certified Public Accountants (AICPA) Peer Review Program in which an independent review of our accounting and auditing practice is performed by our peers every three years. The peer review program offers clients tangible, objective information about the quality controls of a CPA firm and, thus, about the quality of the documents prepared by that firm. Our peer review was recently completed which resulted in an unmodified report which indicates that our firm measures up to the accounting profession's high standard of quality and professionalism. A copy of the peer review report is presented in Appendix A for your review

EXPERIENCE

We have extensive experience in accounting and auditing of joint powers authorities and special districts. We also have assisted in the preparation of numerous **Comprehensive Annual Financial Reports**.

Special District Experience (Partial List)

Mid-Peninsula Water District
 Northstar Community Services District
 Truckee Tahoe Airport District
 California Pollution Control Financing Authority
 Municipal Pooling Authority
 California Mental Health Services Authority
 California Sanitation Risk Management
 Auburn Area Recreation and Park District
 Special Districts Association of Oregon
 Monterey Peninsula Airport District
 Sacramento Metropolitan Air Quality District
 California Housing Authority Risk
 Management Agency
 Bay Area Housing Authority Risk
 Management Agency
 California Transit Insurance Pool
 Golden State Risk Management Authority
 Local & Regional Government Services Authority
 First 5 Colusa County
 SAWCX II
 Parks and Recreation Authority Employee
 Sacramento LAFCO

McKinney Water District
 Southgate Recreation & Park District
 Livermore Area Recreation & Park
 California Enterprise Development Auth.
 Public Entity Risk Management Authority
 Association of Oregon Counties Trust
 Special District Risk Management Authority
 San Mateo County Schools Insurance Group
 CSAC - Excess Insurance Authority
 Contra Costa Schools Insurance Group
 Sacramento Municipal Utility District
 Alaska Municipal League JIA
 City County Insurance Services
 California Association for Park and
 Recreation Insurance
 California Transit Financing Corporation
 Sacramento Transportation Authority
 California Housing Workers'
 Compensation Authority
 California Special Districts Association
 Association of Oregon Cities
 North Coast SIG/SMIG



REFERENCES

We work hard to earn the trust of our clients and strive to develop a partnership with our clients. Please call our references to find out what difference we can make for our clients. If you speak to our references we are confident you will understand how we are different and can be a valuable part of your team and that we truly enjoy working in this industry and being a resource to our clients.

ORGANIZATION	CONTACT	TYPE OF WORK# OF YEARS
Mid-Peninsula Water District 3 Dairy Lane, Belmont, CA 94002	Tammy Rudock General Manager (650) 591-8941 tammyr@midpeninsulawater.org	Audit 2012 to present
Northstar Community Services District 908 Northstar Drive Truckee, CA 96161	Mike Staudenmayer General Manager (530) 562-0747 mikes@northstarcsd.org	Audit 2010 to present
Sacramento Municipal Utility District 6201 S Street Sacramento, CA 95817	Sandra Moorman Director, Accounting & Controller (916) 732-6957 Sandra.moorman@smud.org	Audit for 5 Utility JPAs 2010 to present
Sacramento Metropolitan Air Quality Management District 777 12th Street, 3rd Floor Sacramento, CA 95814	Emily Goldhahn, CPA, CGMA Controller (916) 874-4823 egoldhahn@airquality.org	Single Audit / CAFR 2006 to present
Multnomah County Drainage District 1880 NE Elrod Drive Portland, OR 97211	Reed Wagner Executive Director (503) 281-5675 rwagner@mcdd.org	Audit 2015 to present

If needed, we can provide you with additional references.

INSURANCE

We will maintain the minimum insurance during the entire term of the engagement, if selected.

CONFLICT OF INTEREST

We have no conflict of interest with regard to any other work to be performed for Gateway Water Management Authority.

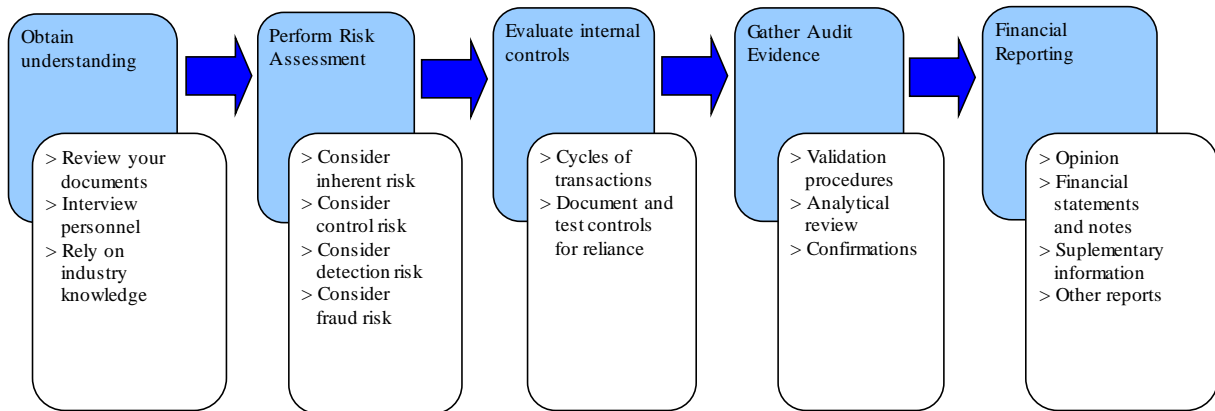


AUDIT METHODOLOGY



Our firm's commitment to excellence has always motivated us to continuously assess the integrity of our audit process and ensure that they are responsive to the changing environment and comply with evolving standards.

Steps in the Audit Cycle



AUDIT APPROACH

Our audit approach has a strong emphasis on early planning and is designed to gain a thorough understanding of your organization and the environment in which it operates, including internal control. We work with management to identify these risks and perform a high quality detailed review of financial operations. With the knowledge of how your organization functions combined with our expertise in the industry, we can tailor our approach by focusing our audit testing to the areas of highest risk. This advance planning typically results in an effective, cost efficient and timely audit which will ultimately benefit you. Our approach involves:

- < *Risk assessment.* We identify and assess the risk of material misstatements at different levels through interviews with management, analytical procedures, observations, and inspection. Based on our assessment, we will plan and perform procedures that are responsive to risks identified. This will cover the following areas:
 - Ü Financial reporting framework
 - Ü Business and industry
 - Ü Accounting policies and practices
 - Ü Financial performance
 - Ü Internal controls
- < *Process of Review.* Our process includes a corresponding review of all work performed, management letters, and reports to assure that all appropriate professional and technical standards are maintained. With this process, we also assess new standards and their potential impact on the audit process and its resulting report.
- < *Use of various audit tools.* We use audit software programs designed to work on a paperless environment and simplify the routine aspects of audit work. In addition, we use computer assisted auditing techniques which gives us the ability to analyze large amounts of data and efficiently select risky items.

- < **Open communication.** Throughout the audit, we provide explanations regarding the procedures that we do so you're not left in the dark. More importantly, we make every attempt to keep the audit liaison informed and apprised of our findings and the status of our work from the preliminary audit work through the delivery of the report and other required audit communications. When you receive your draft report, there shouldn't be any surprises. An audit **status report** is provided with our audit which highlights the following:

- Ø Summary of the audit report
- Ø Financial position and results of operations
- Ø Current issues and significant Trends

AUDIT SCOPE

We will audit the financial statements of the District for the year ending June 30, 2017. Our audit will be in accordance with generally accepted auditing standards; US Accounting Office's *Government Auditing Standards*; the State Controller's *Minimum Audit Requirements for California Special Districts*; and applicable laws and regulations. We will issue a SAS 115 letter on internal control over financial reporting and compliance. A management letter will be also be prepared, if necessary.

AUDIT PROCESS

Once appointed the auditor of your organization, we will promptly agree on the dates of the interim and year-end fieldwork and the corresponding deliverables and answer questions concerning your industry, your organization's business activities, operations and accounting, and the preparation of the financial statements. The following are the key phases (segments) of our audit process:

Work Plan					
Number	Task	2017			
		July	Aug	Sept	Oct
1	Discussions with management and Board on accounting and reporting issues - ongoing and available throughout the year				
2	Meeting with management and discussions with Board to review audit risks and discuss scope of engagement.				
3	Prepare list of items needed for audit.				
4	Audit planning and risk assessment.				
5	Perform Internal control testing, preliminary risk assessment and compliance.				
6	Provide audit status report to management.				
7	Management provides final trial balance and supporting schedules				
8	Perform year-end audit fieldwork, including substantive and analytical procedures.				
9	Provide draft reports for discussion with management and finance committee				
10	Internal quality control review				
11	Issue Final Report				

PHASE I - AUDIT PLANNING		
<u>SPECIFIC PROCEDURES</u>	<u>Staff</u>	<u>Month Complete</u>
Introduction of Staff <ul style="list-style-type: none"> • Meet with representatives to discuss: <ul style="list-style-type: none"> ▪ Approach to the audit ▪ Client assistance checklist ▪ Timelines 	Partner Manager Senior	June/July
Review of Prior Year's Audit Work <ul style="list-style-type: none"> • Review of prior year's work papers (this step is coordinated with the prior year's auditors). 	Partner Manager	June/July
Risk Assessment Procedures <ul style="list-style-type: none"> • Obtain an understanding of the external and internal factors affecting the organization. • Review and evaluate the design of internal controls including district policy and procedure manuals. • Review of the significant transaction cycles • Assess the risk of material misstatements 	Partner Manager Senior	June/July
Audit Planning <ul style="list-style-type: none"> • Develop the individual plan for the audit (based on the internal control review, risks identified, and our understanding of the client and the industry). • Establish materiality • Perform preliminary analytical procedures • Plan audit procedures in response to assessed risks 	Partner Manager Senior	June/July

PHASE II – CONTROL TESTING		
<u>SPECIFIC PROCEDURES</u>		
Internal Control and Compliance Testing <ul style="list-style-type: none"> • Identify all transaction cycles and compliance requirements • Gain an understanding and document transaction cycles • Select samples of transactions from each significant cycle • Tests performed on specific transactions 	Partner Manager Senior Staff	August
Organization <ul style="list-style-type: none"> • Review organizational documents • Review board minutes • Review grants, if applicable • Review significant contracts 	Partner Manager Senior	August
Status Report <ul style="list-style-type: none"> • Identify and describe items noted during interim audit work • Meet with management to discuss status and results of interim work • Discuss timing of year-end field work 	Partner Manager	August

PHASE III – SUBSTANTIVE FIELD WORK		
<u>SPECIFIC PROCEDURES</u>		
<ul style="list-style-type: none"> • Obtain trial balance and enter them into financial statement program • Prepare initial financial statement draft 	Senior Staff	Aug/Sept
Substantive Testing and Analytical Procedures		
<ul style="list-style-type: none"> • Perform analytical procedures as necessary • Verify account balances for the relevant financial statement assertions • Review accounting and reporting for outstanding debt • Perform substantive testing • Evaluation of evidence obtained 	Partner Manager Senior Staff	Aug/Sept
Operations		
<ul style="list-style-type: none"> • Evaluate opportunities for improvements 	Partner	Aug/Sept
Audit Report including Single Audit, if applicable		
<ul style="list-style-type: none"> • Review financial report based on audit work and evidence obtained • Prepare communication letters • Prepare single audit report, if necessary 	Partner Manager	September
Exit Conference		
<ul style="list-style-type: none"> • Meet with management/finance committee to discuss results of audit • Review draft audit report 	Partner Manager	October
Final Audit Report		
<ul style="list-style-type: none"> • Issue report 	Partner	October

Making the audit as easy as possible. We will make every effort to use schedules and analyses already prepared for internal purposes to eliminate unnecessary duplication of effort between our staff and yours. Because we are experienced in working with organizations like yours, we have prepared customized forms and procedural checklists to streamline our process. You will receive, in advance, a listing of the items we will need from you such as:

- U Completion of transaction testing schedules (supplied by the auditor).
- U Completion of questionnaires (provided to you in electronic form)
- U Completion of various account schedules and analyses
- U Preparing bank statement reconciliations and confirmation letters
- U Providing other information to be used in the notes to the financial statements

The completion of these schedules by management before the start of the actual fieldwork will produce a smoother engagement, with fewer interruptions to you. This will benefit you by keeping your audit costs down and ensuring the performance of a timely audit.

PAPERLESS FIRM – Paperless Audit

Our firm is completely paperless. In addition to being good for the environment, it creates efficiencies on both ends of the audit. We provide you with access to a secure portal to upload all the documents we need for the audit. Access and communication are immediate, which creates a seamless audit process that keeps resources free for your day to day operation.

STATISTICAL SAMPLING

Statistical sampling will be used to determine sample sizes during test of controls. Sample sizes will vary based on the assessed risk within the organization; however the following general guidelines are used:

- Ü For very significant control risk and higher inherent risk that the minimum sample size is 60 samples.
- Ü For very significant control risk and limited inherent risk that the minimum sample size is 40 samples.
- Ü For moderately significant control risk and higher inherent risk that the minimum sample size is 25 samples.
- Ü For moderately significant control risk and limited inherent risk that the minimum sample size is 25 samples.

ANALYTICAL PROCEDURES

Analytical procedures will be used extensively in conjunction with substantive tests of details for the financial audit. Analytical procedures will also be used for compliance testing where applicable.

BENEFITS OF OUR PROCESS

Ultimately, an audit should not be just checking if the numbers agree to some backup documentation. One of our goals is to help you and your community better understand your business. We bring our considerable special district experience into the process to broaden the support of the Authority's operations.

< *We have extensive experience with joint powers authorities and special districts in California. We are able to assist you with:*

- Ü Funding issues
- Ü Internal controls
- Ü Long term planning issues
- Ü CAFR Compliance
- Ü Fund accounting
- Ü Risk financing issues

*Our goal is to help
you **better**
understand and
control your
organization.*

AUDIT TEAM



The quality of our audit work depends on our ability to assemble an effective team with the right combination of technical skills and self-insurance experience. We invest in our professional staff by providing them with the best training and tools to achieve excellence in every engagement and assure compliance with professional standards.

Our approach involves a high-level of participation from the firm's principals. From the outset, our principals are involved in the engagement planning and audit fieldwork all through the completion of the audit. Our experienced team will always be available to address issues and concerns you may have relating to your audit. This increased level of involvement results in a superior level of audit quality.

Each of our staff is experienced in auditing Joint Powers Authorities and California Special Districts and governmental agencies and undergoes a rigorous professional development program designed to ensure that each member of the audit team can carry out his or her responsibilities according the exacting standards set by our profession. **We also have specific expertise in testing and reporting under the Uniform Guidance rules.**

In every audit engagement, we ensure that the principal, supervisor, and the senior will always be the same. Any changes to the assigned staff will depend on our scheduling availability but will be of equally qualified personnel.

Your audit team will be comprised of the following individuals:

David Becker, CPA	Lead Partner
James P. Marta CPA, ARPM	Technical Review Partner
Jesse Deol, CPA	Manager
Christine Escamilla, CPA	Senior

Resumes for each member of your audit team are included for your review.



*Our experienced team **will always be available to address issues and concerns** you may have relating to your audit.*



James P. Marta CPA, CGMA, ARPM

Engagement Partner

Education

Portland State University
B.S., Accounting & B.S. Finance-Law

Insurance Institute of America
Associate in Risk Pool Management

Certifications

CPA, CGMA, ARPM

Select Clients Served

JPA's and Risk Cooperatives

Accounting/Finance/Consulting

Northern California Cities Self-Insurance Fund
San Mateo County Schools Insurance Group
Schools Excess Liability Fund
Schools Insurance Authority
Washington Schools Risk Management Authority
Independent Cities Risk Management Authority
Beverage Distributors of California
Credit Union Self Insurance Group
Credit Union Health Benefits of America
Plastics Manufactures Self Insurance Program
Preferred Auto Dealers Self Insurance Program
Western Independent Banks Self Insurance Program
State of Colorado Risk Management Department
California Self Insurance Guarantee Association
North Dakota Workforce Safety & Insurance
Alpha Fund
Washington State Risk Manager

Audit

City County Insurance Services Trust
Alaska Municipal Pool JIA
California Joint Powers Insurance Authority
North Bay Schools Insurance Authority
Statewide Educational Wrap Up Program
CSAC - Excess Insurance Authority
Central Valley Schools JPA
North Valley Schools Insurance Group
Santa Cruz -San Benito SIG
California Joint Powers Insurance Authority
SIGNAL I, SIGNAL II
Bay Area Schools Insurance Cooperative
Golden State Risk Management Authority
Bay Area Housing Authority Risk Management Group
Schools Self Insurance of Contra Costa County
Santa Cruz County Schools Health Insurance Group
South Bay Area Schools Insurance Authority
West San Gabriel Workers' Compensation JPA
West San Gabriel Liability/Property JPA
Southwest Washington Unemployment Compensation Pool
Southwest Washington Risk Management Insurance Cooperative
Municipal Pooling Authority
Special Districts of Oregon
North Coast Schools Insurance Group
OABA Property and Casualty Coverage for Education Trust
Contra Costa and Solana Counties School Districts Self Insurance Authority

Overview

James has over 29 years of experience in auditing, consulting, and accounting for Joint Powers Authorities, special districts, local government agencies & non-profits. Prior to opening James Marta & Company, he spent 1 year with Moss Adams and 10 years with Gilbert Accountancy Corp. where he was a partner.

Partner with mid-sized CPA firm specializing in government and non-profit audits. Primary focus has been on special districts and Joint Powers Authority audits, consulting and accounting.

Organizational wide audits and specialized compliance reviews for special districts and state departments.

Member of Governor's team to improve the efficiency of government for the California Department of Motor Vehicles and the State Assembly.

Consultant to governments, non-profits and small business in the areas of accounting system design and needs analysis, implementation of accounting and internal control recommendations, budget forecasts and projections, client training seminars, federal and state compliance, and development of interim reporting formats.

Role and Responsibilities

- Overall responsibility for the audit and all services.
- Communicates with executive management and members of the Board regarding planning, fieldwork, and reporting of the audit.
- Technical resource; available throughout the year for issues, questions, and additional services.

Teaching & Industry Leadership

James is a regular speaker at the CAJPA annual and Spring Technical Conference and risk financing, accounting, management and technical topics. He has worked with the GASB on standards related to risk pools and addresses industry technical issues.

- Board Fiscal Oversight, Risk Financing – CSDA / CAJPA
- Accreditation Manager for CAJPA
- Single Audit Act – California State Auditors
- Self-Insurance Issues – CAJPA/CSDA
- Fraud Prevention and Detection - CASBO
- Management and Finance – Insurance Education Association
- Author of the IEA Pool Manager Course
- Taught the IEA ARM Risk Management and Risk Financing courses.

Professional Affiliations

- American Institute of Certified Public Accountants (AICPA)
- California Society of Certified Public Accountants (CSCPA)
- California Association of Joint Power Authorities (CAJPA)
- California Special Districts Association (CSDA)





David T. Becker, CPA

Engagement Partner

Education

California State University, Sacramento
B.S. Accounting

Insurance Institute of America

Certifications

CPA

Select Clients Served

Local Education Agencies

Benicia Unified School District
Brentwood Unified School District
Colusa Unified School District
Colusa County Office of Education
Contra Costa Community College District
Eureka City Unified School District
Humboldt County Office of Education

Joint Powers Agencies

CSAC - Excess Insurance Authority
California Sanitation Risk Management Authority
Special Districts Risk Management Authority
North Valley Schools Insurance Group
Santa Cruz –San Benito SIG
California Enterprise Development Authority
California Joint Powers Insurance Authority
California Transit Systems JPA
Contra Costa County Schools Insurance Group
Central Region School Insurance Group
City County Insurance Services Trust Pool
Non Profits United
North Coast Schools Insurance Group
Public Entity Risk Management Authority
San Mateo County Schools Insurance Group

Trusts

Elk Grove Benefit Employee Retirement Trust
City County Insurance Services Trust
State Associate of County Retirement Systems
Property + Casualty Coverage for Education Trust
CCCCD Futuris Public Entity Investment Trust

Special Districts

California Enterprise Development Authority
Sacramento Metropolitan Air Quality Management District
Truckee Tahoe Airport District
Mid-Peninsula Water District
McKinney Water District
Southgate Recreation & Park District
Truckee-Donner Recreation & Park District
Livermore Area Recreation & Park District
Lathrop-Manteca Fire Protection District
Northstar Community Services District
Local & Regional Government Services Authority

Overview

David has over 30 years of experience in auditing, consulting, and accounting for Joint Powers Authorities, special districts, local government agencies & non-profits. Prior to joining James Marta & Company LLP he spent 13 years as a partner with Perry-Smith LLP.

Partner with mid-sized CPA firm specializing in government and non-profit audits. Primary focus has been on special districts and Joint Powers Authority audits, consulting and accounting.

Organization-wide audits and specialized compliance reviews for special districts and other government agencies.

Member of CAJPA's finance and technology committee and CSDA's expert feedback team.

Consultant to governments, non-profits and small business in the areas of accounting system design and needs analysis, implementation of accounting and internal control recommendations, budget forecasts and projections, client training seminars, federal and state compliance, and development of internal reporting.

Continuing Professional Education

Total CPE hours were 264 in the last three calendar years (2016, 2015, and 2014) of which 198 were in governmental accounting and auditing subjects, including Single Audits and Federal Compliance. David met the Government Auditing Standard requirement for governmental CPE.

Role and Responsibilities

- Overall responsibility for the audit and all services.
- Communicates with executive management and members of the Board regarding planning, fieldwork, and reporting of the audit.
- Available throughout the year for issues, questions, and additional services.

Teaching & Industry Leadership

- Internal Controls and Emerging Technology – CAJPA
- Board's Role in Finance and Fiscal Accountability - California Special Districts Association
- Other Post-Employment Benefits – California Association of School Business Officials
- Management and Finance – Insurance Education Association
- Fraud and Fraud Prevention—California Special Districts Association.

Professional Affiliations

- American Institute of Certified Public Accountants (AICPA)
- California Society of Certified Public Accountants (CSCPA)
- California Association of Joint Power Authorities (CAJPA)
- California Special Districts Association (CSDA)
- California Association of School Business Officials (CASBO)
- California Society of Association Executives (CalSAE)



Jesse Deol, CPA

Engagement Manager

Education

California State University, Sacramento
B.S. Accounting

Certifications

CPA
Intermediate Single Audit Certificate

Select Clients Served

Joint Powers Agencies

Non Profits United
North Coast Schools Insurance Group
North Coast Schools Medical Insurance Group
West San Gabriel Workers' Compensation JPA
West San Gabriel Liability/Property JPA

School Districts

Acalanes Union High School District
Auburn Union School District
Benicia Unified School District
Butte County Office of Education
Brentwood Unified School District
Colusa Unified School District
Colusa County Office of Education
Elk Grove Unified School District
Esparto Unified School District
Eureka City Unified School District
Fairfield Suisun Unified School District
Fresno Unified School District
Gilroy Unified School District
Humboldt County Office of Education
John Muir Charter School
Kirkwood Elementary School District
Marysville Joint Unified School District
Maxwell Unified School District
Natomas Unified School District
Nevada County Superintendent of Schools
Northern Humboldt Union High School District
Oroville City Elementary School District
Pierce Joint Unified School District
Placer County Office of Education
Placer Union High School District
Roseville Joint Union High School District
Rocklin Academy Family of Schools
Sacramento City Unified School District
Sacramento County Office of Education
San Mateo Union High School District
Sierra Community College District
Vacaville Unified School District
Washington Unified School District
Winters Joint Unified School District
Williams Unified School District
Woodland Joint Unified School District

Special Districts

Sacramento Metropolitan Air Quality Management District
Southgate Recreation & Park District
Truckee Donner Recreation & Park District

Trusts

Investment Trust of California (CalTRUST)

Overview

Jesse has over 9 years of experience in auditing, consulting, and accounting for Joint Powers Authorities, special districts, employee benefit plans, local government agencies & non-profits. Prior to joining James Marta & Company, he spent 5 years with Crowe-Horwath where he was a senior.

Manager with mid-sized CPA firm specializing in local government agencies and special district audits. Primary focus has been on school districts, special districts and Joint Powers Authority audits.

Some tasks include compiling data to prepare and review financial statements; reviewing of work papers and supporting schedules; performing test of details and analytical reviews; auditing all areas of section work; preparing closing and adjusting entries; and performing Single Audits using the Uniform Guidance (formerly OMB Circular A-133).

He works closely with the partners to ensure the firm policies, procedures and documentation meet professional standards.

Consultant to governments and special districts in the areas of implementation of accounting and internal control recommendations, client training seminars, federal and state compliance.

Teaching & Industry Leadership

- Single Audit training per the Uniform Guidance (internal)
- State Compliance training for LEAs (internal)
- Seminars for Associated Student Body for various school districts
- Seminars for updates to State Compliance requirements for LEAs for various COEs and School Districts

Role and Responsibilities

- Responsible for assisting the Engagement Partner in performing the audit risk assessment and design of the audit, planning, controlling, reviewing and evaluating fieldwork
- Reviews financial statements to ensure conformance with Generally Accepted Accounting Principles in the United States of America and Government Finance Officers' Association requirements
- Consults with audit team on issues and progress of fieldwork
- Communicates with executive management and members of the Board regarding planning, fieldwork, and reporting of the audit.
- Manages the day-to-day execution of the audit activities and directs task accomplishments, monitors progress, and ensures schedule compliance
- Available throughout the year for issues, questions, and additional services

Continuing Professional Education

Total CPE hours were 148 in the last three calendar years (2015, 2014, and 2013) of which 115 were in governmental accounting and auditing subjects. Jesse met the *Government Auditing Standard* requirement for governmental CPE.



Christine Escamilla

Senior	Overview	Role and Responsibilities
<p>Education California State University, San Marcos B.S. Business Administration; Option: Accountancy</p> <p>Select Clients Served</p> <p>Joint Powers Agencies Bay Area Schools Insurance Cooperative Burlington National Insurance Company California Health Advocates California Housing Workers' Compensation Authority City County Insurance Services Coalition of California Welfare Rights Organizations, Inc. Contra Costa County Schools Insurance Group Credit Union Self Insurance Group Finish Line Self Insurance Group Independent Cities Risk Management Authority Local and Regional Government Service Authority Municipal Pool Authority Non Profits United Northern California Cities Self Insurance Fund</p> <p>School Districts Ackerman Elementary School District Benicia Unified School District Brentwood Unified School District Colusa Unified School District Maria Montessori Charter Academy Pacific Charter Institute Pierce Joint Unified School District Sacramento County Office of Education Thermalito Unified School District Vacaville Unified School District Winters Joint Unified School District Williams Unified School District</p> <p>Nonprofits Davis Summer House Mental Health America of California Shelter Inc. Summer House Inc. Yolo Hospice</p> <p>Special Districts Livermore Area Recreation & Park District Northstar Community Services District Sacramento Metropolitan Air Quality Management District Southgate Recreation & Park District Truckee Donner Recreation & Park District</p>	<p>Overview</p> <ul style="list-style-type: none"> Christine has 4 years of experience in auditing and accounting for Joint Powers Authorities, special districts, employee benefit plans, local government agencies, non-profits, corporations, partnerships, and sole proprietors. Christine has also been preparing taxes for 4 years for individuals, partnerships, corporations, s-corporations, fiduciary, and exempt organizations. Prior to joining James Marta & Company, she spent almost 3 years with the California State Board of Equalization as a Tax Auditor. Before the Board of Equalization, Christine worked as a tax preparer for a sole proprietor in San Diego. Staff with mid-sized CPA firm, specializing in value-added audit, accounting and consulting for local government agencies and nonprofits. Primary focus has been on audits – including single audits, full-cycle accounting for nonprofit insurance cooperatives, and attestation work for government agencies. Tasks include (but are not limited to): preparing and reconciling data for audited financial statements; reviewing of work papers and supporting schedules; performing test of details and analytical reviews; auditing all areas of section work; preparing closing and adjusting entries; and performing compliance testing. Works closely with the partners to ensure the firm policies, procedures and documentation meet professional standards. 	<p>Role and Responsibilities</p> <ul style="list-style-type: none"> Responsible for supporting the supervisor and engagement partner during audit planning, risk assessment and management. Performs audit fieldwork, including testing of internal controls and compliance. Prepares financial statements in conformance with Generally Accepted Accounting Principles in the United States of America and Government Finance Officers Association requirements. Conducts monthly accounting duties for 3 separate JPAs. Performs bank reconciliation, investment reconciliation, claims reconciliation, monthly and quarterly amortizations and fund allocations, and prepares monthly and quarterly reports. Prepares and reviews tax returns for multiple types of clients and industries. Available throughout the year for issues, questions, and additional services. <p>Continuing Professional Education</p> <ul style="list-style-type: none"> Total CPE hours were 64 in the last calendar year of which 50 were in accounting and auditing subjects and 14 were in other areas. Met the Government Auditing Standard requirement for governmental CPE. Passed all sections of the CPA exam and is awaiting final certification.



AUDIT FEES



Below is a summary of our proposed fees:

Classification	Total Hours	Hourly Rate	Total
Partner	30	\$ 250	\$ 7,500
Manager	24	160	3,840
Senior	40	135	5,400
Staff	40	110	4,400
Professional discount			(5,040)
Totals	134		\$ 16,100

The fees quoted include all travel expenses. We will also prepare and submit Form SF-SAC to the Federal Audit Clearinghouse.

The fees quoted are based upon several assumptions about the adequacy of the accounting records, the degree of assistance to be provided by your personnel, and current auditing and accounting standards. Our fees do not include any accounting services such as closing year-end accounts or account reconciliation. If, at any time during our engagement, extraordinary matters come to our attention (i.e. changes in your operations, material weakness in your internal controls) that requires an extension of our services, we will consult with you concerning additional work to be done by you or an adjustment to our fees. We will submit monthly progress billings during the audit process.

In the event that the GASB, FASB, AICPA, GAO, or the State issues additional standards or audit procedures that require additional work during the audit period, we will discuss these requirements with you before proceeding further. Before starting the additional work, we will prepare an estimate of the time necessary, as well as the fee for performing the additional work. Our fee for addressing the additional requirements will be our standard hourly rates for each person involved in the additional work.



Our efficiency allows us to provide a low-cost alternative for our high quality, value-added service.

APPENDIX A

PEER REVIEW REPORT



November 29, 2016

To the Peer Review Committee of the California Society of Certified Public Accountants
1800 Gateway Dr., Ste 200
San Mateo, CA 94404

Dear Committee Members:

This letter is written to assist James Marta & Company, LLP in complying with certain actions the firm voluntarily agreed to take in connection with the Committee's consideration of acceptance of its peer review report for the year ended May 31, 2015, and response thereto.

The Peer Review Committee of the California Society of Certified Public Accountants accepted the firm's 2015 peer review documents with the understanding that the firm agreed to permit an outside party, acceptable to the Committee chair, to review the report, financial statements, and working papers of an ERISA audit engagement issued subsequent to the firm's peer review, and communicate to the Committee in writing on the results of that review by November 30, 2016.

I performed the following procedures —

- a. Reviewed a copy of the firm's 2015 peer review report, the firm's letter of response, and the acceptance letter describing the required corrective actions.
- b. Reviewed the report, financial statements, and working papers for an ERISA audit engagement issued subsequent to the peer review to determine whether the engagement was performed in accordance with professional standards in all material respects. I documented my review using the AICPA "Employee Benefit Plan Engagement Checklist."
- c. Discussed with the firm the review results and the corrective action plan, and evaluated the feasibility of the firm achieving its plan.

While performing the above procedures, I noted that while the firm had used some practice aides specific to an employee benefit plan, they were not specific to a Health & Welfare plan. As a result, I noted several minor disclosure, reporting, and documentation deficiencies including the following: The report was for a defined contribution plan when the plan was a defined benefit plan, thus it did not refer to "financial status", there were incomplete disclosures in the area of party-in-interest transactions, and the workpapers did not include a list of participating employers. I suggested that the firm take continuing professional education in Health & Welfare plans. The firm represented that it is no longer performing this engagement or any other ERISA engagements.

To the Peer Review Committee of the California
Society of Certified Public Accountants
November 29, 2016

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Because only minor matters were found on the engagement I reviewed and the firm is no longer performing ERISA engagements, I believe no further monitoring of the firm by the Peer Review Committee of the California Society of Certified Public Accountants is necessary at this time.

This letter is intended solely for the information and use of the Peer Review Committee of the California Society of Certified Public Accountants and the owner of James Marta & Company LLP, and is not intended as a substitute or replacement for the peer review documents issued on the firm's 2015 peer review.

Sincerely,

A handwritten signature in blue ink that reads 'Debbie M. Ask'.

Debbie M. Ask, CPA
Director

DMA:asd

cc: James Marta & Company, LLP