



PALMDALE WATER DISTRICT

A CENTURY OF SERVICE

December 8, 2021

BOARD OF DIRECTORS

AMBERROSE MERINO

Division 1

DON WILSON

Division 2

GLORIA DIZMANG

Division 3

KATHY MAC LAREN-GOMEZ

Division 4

VINCENT DINO

Division 5

AGENDA FOR REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT TO BE HELD AT 2029 EAST AVENUE Q, PALMDALE OR VIA TELECONFERENCE

FOR THE PUBLIC: VIA TELECONFERENCE ONLY

DIAL-IN NUMBER: 571-748-4021 ATTENDEE PIN: 207-281-347#

Submit Public Comments at: <https://www.gomeet.com/207-281-347>

MONDAY, DECEMBER 13, 2021

6:00 p.m.

DENNIS D. LaMOREAUX

General Manager

ALESHIRE & WYNDER LLP

Attorneys

NOTES: To comply with the Americans with Disabilities Act, to participate in any Board meeting please contact Dawn Deans at 661-947-4111 x1003 at least 48 hours prior to a Board meeting to inform us of your needs and to determine if accommodation is feasible.

Additionally, an interpreter will be made available to assist the public in making **comments** under Agenda Item No. 4 and any action items where public input is offered during the meeting if requested at least 48 hours before the meeting. Please call Dawn Deans at 661-947-4111 x1003 with your request. (PWD Rules and Regulations Section 4.03.1 (c))

Adicionalmente, un intérprete estará disponible para ayudar al público a hacer **comentarios** bajo la sección No. 4 en la agenda y cualquier elemento de acción donde se ofrece comentarios al público durante la reunión, siempre y cuando se solicite con 48 horas de anticipación de la junta directiva. Por favor de llamar Dawn Deans al 661-947-4111 x1003 con su solicitud. (PWD reglas y reglamentos sección 4.03.1 (c))

Agenda item materials, as well as materials related to agenda items submitted after distribution of the agenda packets, are available for public review at the District's office located at 2029 East Avenue Q, Palmdale (Government Code Section 54957.5). Please call Dawn Deans at 661-947-4111 x1003 for public review of materials.

PUBLIC COMMENT GUIDELINES: The prescribed time limit per speaker is three-minutes. Please refrain from public displays or outbursts such as unsolicited applause, comments, or cheering. Any disruptive activities that substantially interfere with the ability of the District to carry out its meeting will not be permitted, and offenders will be requested to leave the meeting. (PWD Rules and Regulations, Appendix DD, Sec. IV.A.)

Each item on the agenda shall be deemed to include any appropriate motion, resolution, or ordinance to take action on any item.

- 1) Pledge of Allegiance/Moment of Silence.
- 2) Roll Call.
- 3) Adoption of Agenda.



- 4) Public comments for non-agenda items.
- 5) Presentations:
 - 5.1) None at this time.
- 6) Action Items - Consent Calendar (The public shall have an opportunity to comment on any action item on the Consent Calendar as the Consent Calendar is considered collectively by the Board of Directors prior to action being taken.)
 - 6.1) Approval of minutes of Regular Board Meeting held November 22, 2021.
 - 6.2) Payment of bills for December 13, 2021.
 - 6.3) Approval of reappointment of Zakeya Anson to Palmdale Recycled Water Authority Board. (No Budget Impact – General Manager LaMoreaux)
 - 6.4) Approval of Resolution No. 21-26 being a Resolution of the Board of Directors of the Palmdale Water District Establishing its Investment Policy. (No Budget Impact – Finance Manager Hoffmeyer/Financial Advisor Egan/Finance Committee)
 - 6.5) Approval of Resolution No. 21-27 being a Resolution of the Board of Directors of the Palmdale Water District Proclaiming a Local Emergency Persists, Ratifying the Proclamation of a State of Emergency by the Governor Issued March 4, 2020, and Re-Authorizing Remote Teleconference Meetings of the Legislative Bodies of the Palmdale Water District for the Period Beginning January 1, 2022 and Ending January 30, 2022 Pursuant to Brown Act Provisions. (No Budget Impact – Assistant General Manager Ly)
- 7) Action Items - Action Calendar (The public shall have an opportunity to comment on any action item as each item is considered by the Board of Directors prior to action being taken.)
 - 7.1) Consideration and possible action on proposal received from Nigro & Nigro for auditing services for years 2021, 2022, and 2023. (\$58,000.00 – Budgeted – Budget Item No. 1-02-4150-000 – Finance Manager Hoffmeyer/Finance Committee)
 - 7.2) Consideration and possible action on authorization for staff to enter into a contract with Cedro Construction, Inc. for the Water Main Replacement Project in 10th Street East and Avenue P. (\$434,289.00 – Budgeted under W.O. No. 19-601 – Engineering Manager Rogers)
 - 7.3) Consideration and possible action on authorization for staff to enter into a contract with Cedro Construction, Inc. for the 45th Street Altitude Valve Replacement Project at the District's 45th Street Reservoir Site. (\$368,125.00 – Budgeted under W.O. No. 18-606 – Engineering Manager Rogers)
 - 7.4) Consideration and possible action on authorization of the following conferences, seminars, and training sessions for Board and staff attendance within budget amounts previously approved in the 2021 Budget:
 - a) None at this time.

8) Information Items:

8.1) Reports of Directors:

a) Standing Committees; Organization Appointments; Agency Liaisons:

- 1) Finance Committee – November 23. (Director Wilson/President Dizmang)
- 2) Antelope Valley East Kern Water Agency-AVEK – November 30. (Director Dino/Director Mac Laren-Gomez, Alternate)
- 3) Palmdale Fin & Feather Club – December 6. (President Dizmang/Director Wilson, Alternate)
- 4) Environmental Restoration Advisory Board-ERAB – December 8. (Director Wilson/Director Dino, Alternate)

b) General Meetings Reports of Directors.

8.2) Report of General Manager.

8.3) Report of General Counsel.

9) Board members' requests for future agenda items.

10) Adjournment.



DENNIS D. LaMOREAUX,
General Manager

DDL/dd

**PALMDALE WATER DISTRICT
BOARD MEMORANDUM**

DATE: December 6, 2021 **December 13, 2021**
TO: BOARD OF DIRECTORS **Board Meeting**
FROM: Mr. Dennis D. LaMoreaux, General Manager
RE: ***AGENDA ITEM NO. 6.3 – APPROVAL OF REAPPOINTMENT OF
ZKEYA ANSON TO PALMDALE RECYCLED WATER AUTHORITY
BOARD. (NO BUDGET IMPACT – GENERAL MANAGER
LaMOREAUX)***

Recommendation:

Staff recommends the Board reappoint Zakeya Anson to the Palmdale Recycled Water Authority Board as the fifth Board member.

Background:

The Palmdale Recycled Water Authority was formed by the Palmdale Water District and the City of Palmdale via the "Joint Exercise of Powers Agreement Creating the Palmdale Recycled Water Authority" in September, 2012. That Agreement provides for the joint appointment by those two entities of a fifth Director in addition to two Directors from each of their respective Boards. All Authority Directors are appointed to serve one-year terms that may be renewed annually.

Zakeya Anson has served as the fifth Director of the Palmdale Recycled Water Authority since 2020.

Strategic Plan Initiative:

This work is part of Strategic Initiative No. 5 – Regional Leadership.

Budget:

This item will not affect the budget.

Supporting Documents:

None.

**PALMDALE WATER DISTRICT
BOARD MEMORANDUM**

DATE: December 6, 2021 **December 13, 2021**
TO: BOARD OF DIRECTORS **Board Meeting**
FROM: Mr. Dennis Hoffmeyer, Finance Manager
FROM: Mr. Dennis D. LaMoreaux, General Manager
RE: ***AGENDA ITEM NO. 6.4 – CONSIDERATION AND POSSIBLE ACTION ON APPROVAL OF RESOLUTION NO. 21-26 BEING A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT ESTABLISHING ITS INVESTMENT POLICY. (NO BUDGET IMPACT – FINANCE MANAGER HOFFMEYER/FINANCIAL ADVISOR EGAN/FINANCE COMMITTEE)***

Recommendation:

Staff and the Finance Committee recommend approval of Resolution No. 21-26 Establishing the Palmdale Water District's Investment Policy.

Alternative Options:

There is no alternative option.

Impact of Taking No Action:

The District will not have a current Investment Policy in effect.

Background:

It is required by law for the District to adopt an annual Investment Policy. The Policy is to invest funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all statutes governing the investment of District funds with the primary objectives of the investment activities being safety, liquidity, and return on investments.

Strategic Plan Initiative/Mission Statement:

This item is under Strategic Initiative No. 4 – Financial Health and Stability.
This item directly relates to the District's Mission Statement.

Budget:

There is no budget impact from this item.

Supporting Documents:

- Resolution No. 21-26 – A Resolution of the Board of Directors of the Palmdale Water District Establishing its Investment Policy

RESOLUTION NO. 21-26

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT ESTABLISHING ITS INVESTMENT POLICY

1.0 POLICY

WHEREAS; the Legislature of the State of California has declared that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern; and

WHEREAS; the legislative body of a local agency may invest monies not required for the immediate necessities of the local agency in accordance with the provisions of California Government Code Sections 5922 and 53601 et seq.; and

WHEREAS; the Deputy Treasurer of the Palmdale Water District ("District") shall annually prepare and submit a statement of investment policy and such policy, and any changes thereto, and report same to the Finance Committee, and it shall be considered by the Board of Directors at a public meeting;

NOW THEREFORE; it shall be the policy of the District to invest funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all statutes governing the investment of District funds.

2.0 SCOPE

This investment policy applies to all investment activities and financial assets of the District. These funds are accounted for in the annual district audit.

3.0 PRUDENCE

The standard of prudence to be used by investment officers shall be the "prudent investor" standard, pursuant to California Government Code 53600.3, and shall be applied in the context of managing an overall portfolio. Persons authorized to make investment decisions on behalf of local agencies investing public funds are trustees and therefore fiduciaries subject to the prudent investor standard. Investments shall be made with judgment and care, under circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the District, which persons of prudence, discretion and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4.0 OBJECTIVES

When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objectives, in priority order, of the investment activities shall be:

1. Safety: Safety of principal is the foremost objective of the investment program. Investments of the District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the District will diversify its investments by investing funds among a variety of securities with independent returns.

2. Liquidity: The investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements which might be reasonably anticipated.

3. Return on Investments: The investment portfolio shall be designed with the objective of attaining a acceptable rate of return throughout budgetary and economic cycles, taking into account the District's investment risk constraints and the cash flow characteristics of the portfolio.

5.0 DELEGATION OF AUTHORITY

Pursuant to California Government Code 53607, the authority to invest public funds of the District is expressly delegated to the Board of Directors of the District (the "Board"). The Board re-delegates the investment function to the Board President or Vice President. The Board President or Vice President, with the concurrence of the Board Finance Committee, designate the District's Financial Advisor as the Deputy Treasurer who shall have the authority to act on behalf of the District and shall assume full responsibility for those transactions until the delegation is revoked or expires. The Board President or Vice President shall delegate the day-to-day operations of investing to the Deputy Treasurer, but not the responsibility for the overall investment program. All transactions will be reviewed by the Finance Committee on a monthly basis to assure compliance with this Investment Policy.

6.0 ETHICS AND CONFLICTS OF INTEREST

The Board, officers and employees of the District involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or which could impair their ability to make impartial investment decisions.

7.0 AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Deputy Treasurer will maintain a list of financial institutions, selected on the basis of credit worthiness, financial strength, experience and minimal capitalization, authorized to provide investment services to the District. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment and financial advisory services in the State of California. No public deposit shall be made except in a qualified public depository as established by state laws.

For brokers/dealers of government securities and other investments, the District shall select only broker/dealers who are licensed and in good standing with the California Department of Business Oversight, the Securities and Exchange Commission, the Financial Industry Regulatory Authority or other applicable self-regulatory organizations.

Before engaging in investment transactions with a broker/dealer, the Deputy Treasurer shall have received from said firm a signed Certification Form. This form shall attest that the individual responsible for the District's account with that firm has reviewed the District's Investment Policy and that the firm understands this policy and intends to present investment recommendations and transactions to the District that are appropriate under the terms and conditions of this Investment Policy. A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the District invests.

Further, all financial institutions and broker/dealers who desire to conduct investment transactions with the District must supply the Deputy Treasurer with a Certification Form and other documents as the Deputy Treasurer may reasonably deem necessary to make a determination that such financial institution or broker/dealer is reputable and trustworthy.

8.0 AUTHORIZED AND SUITABLE INVESTMENTS

The District is empowered by California Government Code 53601 et seq. to invest in the following:

- a. Bonds issued by the District.
- b. United States Treasury Bills, Notes and Bonds.
- c. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by, or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
- d. Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), or by a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 60% of the District's money which may be invested pursuant to this policy.
- e. Monies held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.

- f. Bonds, notes, warrants or other evidence of debt issued by a local agency within the State of California, including pooled investment accounts sponsored by the State of California, County Treasurers, other local agencies or Joint Powers Agencies.

Such investments shall be limited to securities that at the time of the investment have a term remaining to maturity of five years or less, or as provided above.

The District shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, interest-only strips derived from mortgage pools or any investment that may result in a zero interest accrual if held to maturity.

9.0 COLLATERALIZATION

All certificates of deposit must be collateralized by United States Treasury Obligations. Collateral must be held by a third party trustee and valued on a monthly basis. The percentage of collateralizations on repurchase and reverse agreements will adhere to the amount required under California Government Code 53601(j)(2).

10.0 SAFEKEEPING AND CUSTODY

All security transactions entered into by the District shall be conducted on delivery-versus-payment (DVP) basis. All securities purchased or acquired shall be delivered to the District by book entry, physical delivery or by third party custodial agreement evidence by safekeeping receipts.

11.0 DIVERSIFICATION

The District will diversify its investments by security type and institution. Assets shall be diversified to mitigate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities.

Diversification strategies shall be reviewed and revised periodically. In establishing specific diversification strategies, the following general policies and constraints shall apply:

- a. Portfolio maturity dates shall be matched versus liabilities to avoid undue concentration in a specific maturity sector.
- b. Maturities selected shall provide for stability of income and liquidity.
- c. Disbursement and payroll dates shall be covered through maturities of investments, marketable United States Treasury bills or other cash equivalent instruments such as money market mutual funds.

12.0 REPORTING

The Deputy Treasurer, after review by the Finance Committee, shall submit to each member of the Board an investment report at least quarterly. Pursuant to California Government Code 53646, the report shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed for District by third party contracted managers. The report will also include the source of the portfolio valuation. For funds which are placed in LAIF, FDIC-insured accounts and/or in a county investment pool, the foregoing report elements may be replaced by copies of the latest statements from such institutions. The report must also include a certification that (1) all investment actions executed since the last report have been made in full compliance with the Investment Policy, and (2) the District will meet its expenditure obligations for the next six months. The Deputy Treasurer shall maintain a complete and timely record of all investment transactions.

13.0 INVESTMENT POLICY ADOPTION

This Investment Policy shall be adopted by resolution of the District. Moreover, the Policy shall be reviewed on an annual basis, and modifications must be approved by the Board.

PASSED, APPROVED, AND ADOPTED at a Regular Meeting of the Board of Directors of Palmdale Water District held on _____. Resolution No. 21-26 was adopted by the following vote:

AYES:

NOES:

ABSTAIN:

President, Board of Directors
Palmdale Water District

ATTEST:

Secretary of the Board of Directors

APPROVED AS TO FORM:

Aleshire & Wynder, General Counsel

STATE OF CALIFORNIA)
)
COUNTY OF LOS ANGELES) ss.

I, Kathy Mac Laren-Gomez, Secretary of the Palmdale Water District, DO HEREBY CERTIFY that the foregoing is a full, true and correct copy of Resolution No. 21-26 of the Board of Directors of Palmdale Water District adopted at a Regular Meeting held on _____ and that the same has not been amended or repealed.

Secretary, Board of Directors
Palmdale Water District

DATED: _____

(S E A L)



UBS Financial Services Inc.
515 S. Flower St Suite 50
Los Angeles, CA 90071
Tel: 213-253-5235
Email: ruby.mardueno@ubs.com

<http://www.ubs.com/team/giordano>


Finance Committee
Palmdale Water District
2029 East Ave Q
Palmdale, CA 93550

November 16, 2021

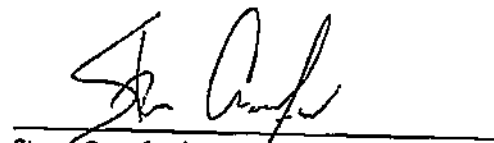
Dear Sirs:

This letter certifies that I have read and understand the Palmdale Water District Investment Policy. I will present investment recommendations and transactions that are appropriate under its terms and conditions.

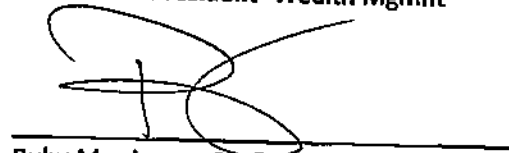
Sincerely,



James Giordano, CFP®, CRPS®
Senior Vice President- Wealth Mgmnt



Steve Crawford, CRPS®
First Vice President - Wealth Mgmnt



Ruby Mardueno, CFP®
Team Administrator

**PALMDALE WATER DISTRICT
BOARD MEMORANDUM**

DATE: December 6, 2021 **December 13, 2021**
TO: BOARD OF DIRECTORS **Board Meeting**
FROM: Mr. Adam Ly, Assistant General Manager
VIA: Mr. Dennis D. LaMoreaux, General Manager
RE: ***AGENDA ITEM NO. 6.5 – CONSIDERATION AND POSSIBLE ACTION ON RESOLUTION NO. 21-27 BEING A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT PROCLAIMING A LOCAL EMERGENCY PERSISTS, RATIFYING THE PROCLAMATION OF A STATE OF EMERGENCY BY THE GOVERNOR ISSUED MARCH 4, 2020, AND RE-AUTHORIZING REMOTE TELECONFERENCE MEETINGS OF THE LEGISLATIVE BODIES OF THE PALMDALE WATER DISTRICT FOR THE PERIOD BEGINNING JANUARY 1, 2022 AND ENDING JANUARY 30, 2022 PURSUANT TO BROWN ACT PROVISIONS. (NO BUDGET IMPACT – ASSISTANT GENERAL MANAGER LY)***

Recommendation:

Staff recommends the Board approve Resolution No. 21-27 being a Resolution of the Board of Directors of the Palmdale Water District Proclaiming a Local Emergency Persists, Ratifying the Proclamation of a State of Emergency by the Governor Issued March 4, 2020, and Re-Authorizing Remote Teleconference Meetings of the Legislative Bodies of the Palmdale Water District for the Period Beginning January 1, 2022 and Ending January 30, 2022 Pursuant to Brown Act Provisions.

Alternative Options:

The Board can choose not to approve Resolution No. 21-27.

Impact of Taking No Action:

Teleconference options for the District's publicly noticed meetings will end.

Background:

With the issuance of the Governor's State of Emergency Executive Order due to the COVID-19 pandemic, the Brown Act was modified regarding agenda postings, Board member attendance from remote locations via teleconference, public attendance, and participation at publicly noticed meetings via teleconference. These modifications were rescinded by the Governor effective September 30, 2021; however, agencies and special districts have the option to continue remote teleconferencing options under the provisions of newly enacted AB 361. AB 361 provides agencies the ability to meet remotely during proclaimed state emergencies under modified Brown Act requirements beyond September 30, 2021.

BOARD OF DIRECTORS
PALMDALE WATER DISTRICT

VIA: Mr. Dennis D. LaMoreaux, General Manager

December 13, 2021

The criteria to rely on the provisions of AB 361 are as follows:

- 1) The local agency is holding a meeting during a proclaimed state of emergency, and state or local officials have imposed or recommended measures to promote social distancing; or
- 2) The local agency is holding a meeting during a proclaimed state of emergency for the purpose of determining, by majority vote, whether as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees; or
- 3) The local agency is holding a meeting during a proclaimed state of emergency and has determined, by majority vote, that, as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.

Resolution No. 21-27 addresses these criteria and will remain in effect for a period of 30 days. If the District wishes to continue meeting under modified Brown Act requirements under AB 361 after 30 days, Resolution No. 21-27 must be renewed.

Strategic Plan Initiative/Mission Statement:

This item is under Strategic Initiative No. 5 – Regional Leadership.

This item directly relates to the District’s Mission Statement.

Budget:

There is no budget impact.

Supporting Documents:

- Resolution No. 21-27 being a Resolution of the Board of Directors of the Palmdale Water District Proclaiming A Local Emergency Persists, Ratifying the Proclamation of a State of Emergency by the Governor Issued March 4, 2020, and Re-Authorizing Remote Teleconference Meetings of the Legislative Bodies of the Palmdale Water District for the Period Beginning January 1, 2022 and Ending January 30, 2022 Pursuant to Brown Act Provisions

RESOLUTION NO. 21-27

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT PROCLAIMING A LOCAL EMERGENCY PERSISTS, RATIFYING THE PROCLAMATION OF A STATE OF EMERGENCY BY THE GOVERNOR ISSUED MARCH 4, 2020, AND RE-AUTHORIZING REMOTE TELECONFERENCE MEETINGS OF THE LEGISLATIVE BODIES OF THE PALMDALE WATER DISTRICT FOR THE PERIOD BEGINNING JANUARY 1, 2022 AND ENDING JANUARY 30, 2022 PURSUANT TO BROWN ACT PROVISIONS.

WHEREAS, the Palmdale Water District is committed to preserving and nurturing public access and participation in meetings of the Board of Directors; and

WHEREAS, all meetings of Palmdale Water District's ("District") legislative bodies are open and public, as required by the Ralph M. Brown Act (Cal. Gov. Code 54950 – 54963), so that any member of the public may attend, participate, and watch the District's legislative bodies conduct their business; and

WHEREAS, the Brown Act, Government Code section 54953(e), makes provisions for remote teleconferencing participation in meetings by members of a legislative body, without compliance with the requirements of Government Code section 54953(b)(3), subject to the existence of certain conditions; and

WHEREAS, a required condition is that a state of emergency is declared by the Governor pursuant to Government Code section 8625, proclaiming the existence of conditions of disaster or of extreme peril to the safety of persons and property within the state caused by conditions as described in Government Code section 8558; and

WHEREAS, a proclamation is made when there is an actual incident, threat of disaster, or extreme peril to the safety of persons and property within the jurisdictions that are within the District's boundaries, caused by natural, technological, or human-caused disasters; and

WHEREAS, it is further required that state or local officials have imposed or recommended measures to promote social distancing, or, the legislative body meeting in person would present imminent risks to the health and safety of attendees; and

WHEREAS, such conditions now exist in the District, specifically, a State of Emergency has been proclaimed by the Governor of the State of California on March 4, 2020 in response to the global outbreak of the novel Coronavirus disease ("COVID-19"); and

WHEREAS, meeting in person would present an imminent risk to the health and safety of attendees due to the continued impact of the COVID-19 pandemic; and

WHEREAS, the Board of Directors does hereby find that a State of Emergency has been proclaimed as a result of the threat of COVID-19 and the contagious nature of COVID-19 have caused, and will continue to cause, conditions of peril to the safety of persons within the District that are likely to be beyond the control of services, personnel, equipment, and facilities of the District, and desires to proclaim a local emergency and ratify the proclamation of state of emergency by the Governor of the State of California; and

WHEREAS, as a consequence of the local emergency, the Board of Directors does hereby find that the legislative bodies of the Palmdale Water District shall conduct their meetings without compliance with paragraph (3) of subdivision (b) of Government Code section 54953, as authorized by subdivision (e) of section 54953, and that such legislative bodies shall comply with the requirements to provide the public with access to the meetings as prescribed in paragraph (2) of subdivision (e) of section 54953; and

WHEREAS, the Palmdale Water District offers the option of teleconferencing to ensure access for the public to attend meetings.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. Recitals. The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

Section 2. Proclamation of Local Emergency. The Board hereby proclaims that a local emergency now exists throughout the District, and meeting in person would present imminent risks to the health and safety of attendees due to the serious and contagious nature of COVID-19.

Section 3. Ratification of Governor's Proclamation of a State of Emergency. The Board hereby ratifies the Governor of the State of California's Proclamation of a State of Emergency, effective as of its issuance date of March 4, 2020.

Section 4. Remote Teleconference Meetings. The staff, General Manager, and legislative bodies of the Palmdale Water District are hereby authorized and directed to take all actions necessary to carry out the intent and purpose of this Resolution including conducting open and public meetings in accordance with Government Code section 54953(e) and other applicable provisions of the Brown Act.

Section 5. Effective Date of Resolution. This Resolution shall take effect on January 1, 2022 and shall be effective until the earlier of (i) January 30, 2022, which is 30 days from the adoption of this Resolution, or (ii) such time the Board of Directors adopts a subsequent resolution in accordance with Government Code section 54953(e)(3) to extend the time during which the legislative bodies of the Palmdale Water District may continue to teleconference without compliance with paragraph (3) of subdivision (b) of section 54953.

PASSED AND ADOPTED by the Board of Directors of the Palmdale Water District this 13th day of December, 2021, by the following vote:

AYES: President Dizmang, Directors Dino, Wilson, Mac Laren-Gomez, and Merino
NOES: None.
ABSENT: None.
ABSTAIN: None.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

APPROVED AS TO FORM:

Aleshire & Wynder, LLP, General Counsel

**PALMDALE WATER DISTRICT
BOARD MEMORANDUM**

DATE: December 6, 2021 **December 13, 2021**
TO: BOARD OF DIRECTORS **Board Meeting**
FROM: Dennis J. Hoffmeyer, Finance Manager/CFO
VIA: Mr. Dennis D. LaMoreaux, General Manager
RE: ***AGENDA ITEM NO. 7.1 – CONSIDERATION AND POSSIBLE ACTION ON PROPOSAL RECEIVED FROM NIGRO & NIGRO FOR AUDITING SERVICES FOR YEARS 2021, 2022, AND 2023. (\$58,000.00 – BUDGETED – BUDGET ITEM NO. 1-02-4150-000 – FINANCE MANAGER HOFFMEYER/FINANCE COMMITTEE)***

Recommendation:

Staff and the Finance Committee recommend approving the three (3) year proposal from Nigro & Nigro to perform the District's annual audit and lock in the annual costs for services for the 2021, 2022, and 2023 calendar years.

Alternative Options:

The alternative is to reject the current RFP proposals, utilize Nigro & Nigro for 2021 as an option year (5), and then go through another RFP process next year to select a replacement auditing firm excluding Nigro & Nigro from further consideration for one cycle (3 years).

Impact of Taking No Action:

The impact of taking no action is to wait until year end and receive an engagement letter from the current auditing firm.

Background:

The District has utilized the services of Nigro & Nigro for the past four years to perform the District's annual audit. CY 2018 was performed by Audit Partner Peter Glenn, CPA, and the other three by Audit Partner Paul Kaymark, CPA, whom has had a long-term working relationship with the District with several audit firms over the years. The current bid proposal shows Paul Kaymark as the audit partner, but he will yield to Peter Glenn, CPA or Jeff Nigro, CPA for the next three (3) year engagement.

Strategic Plan Element:

This work is part of Initiative No. 4, Financial Health and Stability.

Budget:

This will be under Budget Item number 1-02-4150-000, accounting services, for 2021, 2022, and 2023.

Supporting Documents:

- Proposals from Nigro & Nigro, Brown Armstrong, Badawi & Associates, and Fechter & Company (withdrawn).

**PROPOSAL FOR PROFESSIONAL AUDITING SERVICES
Palmdale Water District**

**For the Fiscal Years Ending
December 31, 2021 - 2023**

(with option for two additional years)



Respectfully Submitted by:

Paul J. Kaymark, CPA

Nigro & Nigro, PC

pkaymark@nncpas.com

Murrieta Office: 25220 Hancock Ave. #400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
Walnut Creek: 2121 N. California Blvd. #290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444

Let's Work Together!



*By applying our financial expertise,
we partner with our clients to build
valuable relationships that inspire success.*

TABLE OF CONTENTS

TECHNICAL PROPOSAL

Transmittal Letter	1
Statement of Independence	3
License to Practice in California	3
Firm Qualifications & Experience	
Experience	3
Range of Activities Performed	3
Size and Location of Offices	4
Size of Our Firm	4
Peer Review	5
Past Performance/Disciplinary Action	5
Partner, Supervisory, and Staff Qualifications & Experience	
Meet Your Audit Leadership Team	5
Staff Continuity	5
Resumés	6
Training & Resources	12
Prior Engagements with the District	13
Similar Engagements with Other Special District Water Districts	13
Specific Audit Approach	14
Segmentation of Engagement	15
Proposed Schedule/Level of Staff & Number of Hours Assigned to Each Segment	16
Use of Technology/Remote Proficiency	16
Sample Size and the Extent to Which Statistical Sampling is to be Used	16
Type and Extent of Analytical Procedures to be Used	16
Approach to be Taken to Gain & Document an Understanding of Internal Control Structure	17
Approach to be Taken in Determining Laws & Regulations That Will be Subject to Audit Test Work	17
Approach to be Taken in Drawing Audit Samples	17
Identification of Anticipated Potential Audit Problems	17
Additional Information	
Client Testimonial	18
Fraud Hotline	18
Additional Documents	
Peer Review Letter	

COST PROPOSAL

(provided separately in a sealed envelope)

Total All-Inclusive Maximum Price
Rates by Partner, Specialist, Supervisory, and Staff Level, Times Hours Anticipated for Each
Rates for Additional Professional Services

TECHNICAL PROPOSAL



September 29, 2021

Dennis Hoffmeyer
Finance Manager, CFO
Palmdale Water District
2029 East Avenue Q
Palmdale, CA 93550

Dear Mr. Hoffmeyer:

Thank you for the opportunity to submit this proposal to continue providing audit services for the Palmdale Water District. Our understanding of the work to be done is: the annual audit of the District's financial statements for the fiscal years ending December 31, 2021-23 with the option to extend two additional years. Based on our history with the District, I believe our firm would continue to be a great fit. Our staff works hard to help ensure our audits are completed with the highest level of service and meet all deadlines.

Although many people think that all water districts function in the same manner, we know that's not the case. The audit leadership team we've assigned to your district, including myself, will take the time to learn the intricacies of your organization. We find that by delving deep into our client's structure and operations we are able to make recommendations that are not only useful, but also practical to implement.

At Nigro & Nigro, PC, our greatest strengths correspond to your most critical needs; we possess the full spectrum of resources needed to most effectively help the District's management team and Board members meet their goals – all at a very competitive rate. We believe we are your best choice.

- **Credibility, Reputation, and Resources of a Large Firm** without sacrificing the small-firm touch. Our CPAs and consultants can help you analyze and address financial, operational, and regulatory issues so you can focus attention on serving your citizens. We were originally formed in 1999, and now perform annual audits for approximately 80+ public agencies annually.
- **State-Wide Reach with Local Presence.** At Nigro & Nigro, we have the benefit of having the resources of a state-wide firm while serving you from our Murrieta office. We also have an office in Walnut Creek for additional resources.
- **Efficiency.** Our use of portal software allows you to upload audit documentation at any time, which will minimize disruption to your staff and enable timely completion of all deliverables.

- **An Efficient and Effective Work Plan.** We currently serve over 80+ governmental entities state-wide, which enables our staff to understand the scope of the audit. We also understand the District's complexities, not just from a compliance standpoint but also from an operational point of view. We have developed an effective work plan that takes into consideration your needs for high quality audit services, as well as timely deliverables. As a result of our efficient work plan, we commit to meeting your deadlines to complete our auditing services within the time period you specify.
- **Thought Leadership.** Members of our firm have been actively involved as presenters in numerous industry conferences and programs, including the GFOA, CSDA, and CSMFO. We have incorporated our experience with these committees into our audit framework.
- **Engagement Team.** We know that quality people drive quality results, which is why our commitment to you starts with the engagement team members who are selected based on their experience, focus on serving local government agencies, and who are the best fit for you. Each of the District's engagement team members have completed and exceeded the mandatory requirement for continuing professional education hours as requested in the RFP. Paul Kaymark, Partner, will be the main contact for the District regarding this project.
- **A Focus on Providing Consistent, Dependable Service to Governmental Entities.** Nigro & Nigro is organized by industry, affording our clients with industry-specific expertise supplemented by valuable local service and insight. Therefore, the District will enjoy the service of members of our Governmental Audit Services Team who have experience with similar governmental entities and understand the issues and environment critical to you. You will not have to train our auditors.

You may have many options in selecting a professional audit firm. By choosing Nigro & Nigro, you will gain value-added accounting and operational insights. We are the right fit for the District, as we have the expertise and depth of resources within our firm to offer you exceptional service while maintaining a sincere and honest relationship. We understand the work, we are committed to meeting your deadlines, and we would like the opportunity to continue to be your auditors. We also commit to meeting or exceeding your expectations.

It is understood that the District reserves the right to reject this proposal and that this proposal is a firm and irrevocable offer for fiscal years 2021, 2022, and 2023.

Thank you once again for the opportunity to present our qualifications. If you have any questions about our offerings, please do not hesitate to contact me.

Sincerely,



Paul J. Kaymark, CPA
Audit Services Partner

STATEMENT OF INDEPENDENCE

Our standards require that we be without bias with respect to your operations. The Firm is independent of all entities listed in the RFP, as defined by auditing standards generally accepted in the United States of America and the U.S. General Accounting Office's "Governmental Auditing Standards". In addition, the Firm shall give the District written notice of any relevant professional relationships entered into during the period of this agreement.

The Firm has been the District's auditor from 2017-2020.

LICENSE TO PRACTICE IN CALIFORNIA

The Firm and its entire CPA staff hold licenses to practice in the State of California. The Firm's CPA's are all members in good standing with the California Society of CPA's and the AICPA. We will assign a California licensed CPA as the auditor in charge of the audit.

FIRM QUALIFICATIONS & EXPERIENCE

Experience

Nigro & Nigro team members are highly trained in governmental accounting and auditing, which sets us apart as being able to add value beyond the basic attest engagement. We are comfortable working with clients of various sizes. Within the past five years, we have worked with numerous governmental clients with revenues ranging from \$200,000 to over \$300 million.

Prior to any audit engagement, our engagement team leader will meet with the Board, Audit Committee and Management to gain a full understanding of the philosophy, objectives and policies for operating the organization, as well as to discuss significant business, regulatory and accounting matters that will affect the audit. At the conclusion of the audit, we will communicate the results of the audit with the Board, Audit Committee and Management.

Areas of specialization include:

- Audit and Review Services
- Government Auditing Standards & Single Audits
- Annual Report of Financial Transactions
- Agreed Upon Procedures Engagements
- Comprehensive Annual Financial Report (CAFR) development

Range of Activities Performed

- Audit services for more than 80 governmental agencies
 - Includes charter schools, school districts, county offices, and JPAs
- Financial and performance audits under Prop. 39 for school districts
- Consulting and other services for numerous other agencies and not-for-profits
- Tax services for individuals, corporations, and non-profit organizations

FIRM QUALIFICATIONS & EXPERIENCE (CONTINUED)

Size and Location of Offices

The firm was originally established in 1999. In 2013, we opened our second office in Northern California in order to better serve our growing client base of school districts in the San Francisco Bay Area. The Firm now has five partners and a professional staff of 18 accountants and expects to add more in the coming years as we continue to grow. We are a full service firm, providing audit and review, tax, consulting, and accounting services to local government, non-profit organizations, charter schools, commercial businesses and homeowners' associations. The office serves clients of all sizes and industries, however, we focus on government agencies, just like yours.

We are prepared to do what it takes to provide the extra level of service required to maintain a long-term business relationship.



MURRIETA OFFICE



WALNUT CREEK OFFICE

Size of Our Firm

Firm-wide, we have the following staffing for our governmental audit services:

Position	Number of Employees	Number of Licensed CPA's
Partner*	5	5
Senior Manager	1	1
Manager	2	-
Supervisor	1	1
Senior	4	-
Associates	6	1
Support Staff	3	-
Total	22	8

**Although the term "partner" is used throughout this proposal to avoid confusion, the firm is organized as a Professional Corporation, and the firm's owners are "shareholders."*

FIRM QUALIFICATIONS & EXPERIENCE (CONTINUED)

Peer Review

Our firm's most recently issued peer review report can be found under the "Additional Documents" section of the proposal. A firm can receive a "Fail", "Pass with Deficiencies", or a "Pass" rating. The firm's most recent peer review report rating was a Pass. This rating indicates that the firm's system of quality control has been suitably designed and complied with to provide the audit organization with reasonable assurance of performing and reporting in conformity with professional standards and applicable legal and regulatory requirements in all material respects. As required by our membership in the Government Audit Quality Center (GAQC), the peer review included a selection of a sample of governmental audit engagements.

Past Performance / Disciplinary Action

The Firm has not had any State desk reviews or field reviews of its audits in the last five years. We also have had no disciplinary action taken or pending against the Firm during the past five years with state regulatory bodies or professional organizations.

PARTNER, SUPERVISORY, AND STAFF QUALIFICATIONS & EXPERIENCE

Meet Your Audit Leadership Team

Listed on the following pages are the resumes of the management team that will be assigned to your audit. As mentioned previously, our staff members have considerable governmental audit experience. This gives us a pool to draw on in addition to the group listed.

Name	Role	Years of Experience in Audits
Paul J. Kaymark, CPA	Lead Partner	24
Peter Glenn, CPA	Review Partner	11
Jared Solmonsens, CPA	Audit Supervisor	2
Stacy Macias	Audit Senior	2
Anabel Cruz	Audit Associate	1

Staff Continuity

Effective service relies on a strong-working relationship between clients and our staff. For this reason, we do our best to ensure a consistent audit team is working on the engagement not only throughout the year, but in each subsequent year. This helps enable us to best respond to the specific needs of our clients, and will prevent your staff from feeling like they must "train" new auditors each year.

Our firm has been fortunate to experience less than typical turnover for a typical CPA firm. The average length of time a typical auditor has been employed by the firm is around four years. We find that our employees enjoy coming into work every day, which in turn provides a much better client experience.

Paul J. Kaymark, CPA

Lead Audit Partner

Paul joined the firm in 2019 and has more than 26 years of previous public accounting and auditing governmental entities experience. Paul is our choice for new governmental audit clients, having extensive experience in the areas of governmental entities. His main responsibilities include assistance in the preliminary planning of audit work, review of assistants' work, and performing audit procedures in more complex audit areas.

Audit Services:

Mr. Kaymark has been working on audit engagements of governmental agencies, not-for-profit organizations, as well as for-profit corporations and companies. His previous experience includes audit and consulting work for large and small businesses with a focus on client service. Paul strives to build strong relationships with his clients by assisting them with any emerging issues and being available as a resource.

Consulting Services:

Mr. Kaymark has experience in a variety of governmental issues, garnered from his auditing experience over the years. He regularly consults with clients in areas of:

Special District Accounting:

- Internal controls
- Financial reporting
- Annual report of financial transactions

Financial Reporting:

- Year-end closing procedures
- Cash flows
- Budget development and projections
- Multi-Year projections
- Pension and OPEB accounting

Some Agencies Served:

- Palmdale Water District
- Mojave Water Agency
- Western Municipal Water District
- El Toro Water District
- East Orange County Water District
- Trabuco Canyon Water District



**California Special
Districts Association**

Districts Stronger Together

CSDA Workshop Speaker



Education:

Bachelor of Science, Business
Administration, Accountancy
California State University, Long Beach
1994

Licenses and Certifications:

- Certified Public Accountant, California
- GFOA Certificate for Excellence in
Financial Reporting - Reviewer

Professional Affiliations:

- Government Finance Officers
Association (GFOA)
- California Society of Municipal Finance
Officers (CSMFO)
- California Special District Association
(CSDA)

Continuing Education:

Various municipal accounting courses
offered by the AICPA, CalCPA Education
Foundation including:

- Governmental and Nonprofit Annual
Update
- GASB Basic Financial Statements for
State and Local Governments
- Single Audits: Uniform Grant Guidance
(formerly OMB Circular A-133)
- Financial Accounting Standards Board
Annual Updates

Water and Wastewater Clients Audited and/or Consulted With Over My Career
--

Water and Wastewater	Water and Wastewater, continued
Metropolitan Water District of Southern California	Phelan Pinon Hills Community Services District
Los Angeles County Sanitation District	Pomona Valley Protective Agency
Long Beach Water Department	Purissima Hills Water District
Glendale Water and Power	Rincon del Diablo Water District
Colton Public Utilities	Rosamond Community Services District
Baldy Mesa Water District	Rossmoor Los Alamitos Area Sewer District
Bear Valley Community Services District	Sacramento Suburban Water District
Beaumont-Cherry Valley Water District	San Bernardino Valley Water Conservation District
Big Bear City Community Services District	San Gabriel Valley Municipal Water District
Cabazon Water District	San Lorenzo Valley Water District
California Domestic Water Company	Santa Ana Watershed Project Authority
Casitas Municipal Water District	Santa Margarita Water District
Castaic Lake Water Agency	Saticoy Sanitary District
Chino Basin Water Conservation District	Solano County Water Agency
Chino Basin Watermaster	Soquel Creek Water District
Coachella Valley Water District	Stallion Springs Community Services District
Diablo Water District	Summerland Sanitary District
East Orange County Water District	Trabuco Canyon Water District
El Toro Water District	Tres Pinos Water District
Farm Mutual Water Company	Triunfo Sanitation District
Golden Hills Community Services District	Twentynine Palms Water District
Goleta Water District	Vallecitos Water District
Hi-Desert Water District	Valley County Water District
Inverness Public Utilities District	Ventura Regional Sanitation District
Irvine Ranch Water District	Victor Valley Water District
Joshua Basin Water District	Victor Valley Wastewater Reclamation Authority
Jurupa Community Services District	Victorville Water District
Leucadia Wastewater District	Water Facilities Authority - Joint Power Agency
Mesa Consolidated Water District	Water Replenishment District
Mojave Water Agency	West County Agency
Monte Vista Water District	West County Wastewater District
Montecito Water District	West Valley Water District
North Coast County Water District	Westborough Water District
North Marin Water District	Western Municipal Water District
Novato Sanitary District	Western Riverside County Regional Wastewater
Palmdale Water District	Yorba Linda Water District

Peter Glenn, CPA

Review Partner

Peter joined the firm in 2011 after nearly three years of previous public accounting and auditing experience. Peter will work under the general direction of the partner. Peter is our choice for new governmental audit clients, having successfully worked on each of the Firm's clients since beginning with the Firm. His main responsibilities include assistance in the preliminary planning of audit work, review of assistants' work, and performing audit procedures in more complex audit areas.

Audit Services:

Peter Glenn began his auditing career with Nigro & Nigro in 2011, participating in audits of special districts, LEAs, other governmental audits, and agreed-upon procedure engagements. Prior to joining the firm, he worked for three years at another public accounting firm, developing his auditing skills. He has previously been the in-charge accountant for some of the firm's largest clients.

Consulting Services:

Mr. Glenn has experience in a variety of governmental accounting issues, derived from his auditing experience at the firm. He regularly consults with clients in areas of:

Special District Accounting:

- Internal controls
- Financial reporting & GASB 34
- Annual report of financial transactions

Financial Reporting:

- Uniform Guidance
- Performance Audits
- Year-end closing procedures
- Cash flows
- Budget development and projections
- Multi-Year projections

Other Agencies Served:

- Riverside County Open Space and Park District
- Cahuilla Band of Indians
- Central Basin Municipal Water District
- Murrieta Valley Cemetery District
- Elsinore Valley Cemetery District
- Alamo-Lafayette Cemetery District
- Bodega Bay Fire Protection District
- Los Angeles Harbor Cemetery District



Education:

Bachelor of Science, Business Administration, Accounting
California State University,
San Marcos, 2008, Magna Cum Laude

Licenses and Certifications:

- Certified Public Accountant, California

Continuing Education:

- CASBO Annual Conference
- SSC Finance & Management Conferences
- Government Accounting & Auditing Conference
- In-house training for audit staff (presenter)

Jared Solmonsén, CPA

Supervisor

Jared joined the firm in 2019 as a Staff Accountant. After completing his degree, Jared went to work for a midsize construction company where he worked as an estimator and project manager before transitioning into more of an accounting and finance role. It was working in this role that led him to the decision to pursue the goal of becoming a Certified Public Accountant. He continues to hone his skills and expand his knowledge as he branches out into different areas of accounting services and working with various governmental agencies and not-for-profit organizations. Jared will work under the general supervision of the partner and oversee staff as they work together through different audit areas.



Audit Services:

Jared began his career with Nigro & Nigro working on LEA audits before transitioning to focus on special districts and not-for-profit organizations. He focuses on a customer-oriented approach to auditing, striving to build strong relationships by working with clients to help them navigate the ever-changing world of accounting rules and standards.

Consulting Services:

Jared has experience with a variety of governmental and not-for-profit accounting issues, as well as other tax and audit concerns, derived from his audit and consulting experience at the firm. He regularly consults with clients in the areas of:

Special District Accounting:

- Internal control policies, procedures, and best practices
- Year-end closing procedures
- Capital asset and depreciation schedule

Financial Reporting:

- Federal and state compliance
- Single audits
- Revenue and expense tracking by program/grant
- Statement of functional expense
- Compiling financial statements
- Disclosure requirements

Other Agencies Served:

- Palmdale Water District
- Scotts Valley Water District
- Oxnard Harbor District
- Big Bear City Airport District
- Pauma Valley Community Services District
- North County Fire Protection District
- San Gabriel Valley Mosquito & Vector Control District
- Ventura County Resource Conservation District
- Tehachapi Valley Recreation & Park District
- Murrieta Valley Cemetery District

Education:

Bachelor of Science, Business Administration, Finance
California State University,
San Marcos, 2013

Licenses and Certifications:

- Certified Public Accountant, California

Continuing Education:

- AICPA webinars and CPE
- California Special Districts Association Conference
- Spidell Tax Seminar
- In-house training for audit staff (presenter)

Additional Areas:

- Tax preparation
- QuickBooks knowledge

Stacy Macias

Senior Accountant

Stacy joined the firm in 2018 as a staff accountant after completing her degree at California State University, Chico and has worked her way up to Senior Accountant. Stacy has worked in a variety of the firm's audit and tax departments. Stacy continues to expand her knowledge as she branches out into different areas of accounting services and working with varying governmental and not-for-profit clients. Stacy will work under the general direction of the partner and oversee staff as they work together through different audit areas.

Audit Services:

Stacy began her auditing career on audit engagements of local education agencies, charter schools, governmental agencies, and non-for-profit organizations. Stacy enjoys auditing governmental agencies and non-for-profit due to their varying structures and sizes. Stacy truly values customer service and building client relationships. Her friendly demeanor makes clients comfortable in reaching out to her during the audit process or throughout the year.

Consulting Services:

Stacy has experience in a variety of governmental and not-for-profit accounting, tax, and audit concerns, derived from her audit and consulting experience those industries. She regularly consults with clients in the areas of:

Financial Reporting:

- Year-end closing procedures
- Internal control policies and procedures and best practices
- Compiling Financial Statements
- Revenue and Expense tracking by program/grant
- Statement of Functional Expenses
- Capital assets and depreciation schedules
- Disclosure requirements
- Federal and State compliance

Additional Areas:

- Tax preparation
- QuickBooks knowledge

Other Agencies Served:

- Palmdale Water District
- Ventura County Conservation District
- Antelope Valley Resource Conservation District
- Rowland Water District
- North County Fire Protection District
- Bolinas Fire Protection District
- Bodega Bay Fire Protection District



Education:

Bachelor of Science, Business Administration, Accounting
California State University, Chico, 2018

Licenses and Certifications:

- CPA License Candidate (expected licensure in 2021)

Continuing Education:

- CalCPA Conferences for Governmental Accounting and Auditing and Not-for-profit Organizations
- Spidell Tax Seminar
- Western CPE Tax update webinars
- In-house training for audit staff (presenter)

Anabel Cruz

Audit Associate

Anabel began her career in public accounting in 2019 with Nigro & Nigro, PC. Previous to joining the firm, she worked as an Accountant at private sector companies. She has passed the CPA examination and is working towards meeting the requirements needed for licensure. Anabel's audit experience includes audits of governmental and not-for-profit organizations such as cemeteries, resource conservation districts, water Districts, fire Protection Districts and community Service Districts. Anabel values building quality relationships with clients while providing timely and reliable services. Anabel is working under the general direction of the Audit Supervisor.

Audit Services:

Anabel has experience with a variety of governmental and not-for-profit accounting issues derived from her audit and consulting experience at the firm. She regularly consults with clients in the areas of:

Consulting Services:

Anabel has experience in a variety of governmental and not-for-profit accounting and audit concerns, derived from her audit and consulting experience those industries. She regularly consults with clients in the areas of:

Financial Reporting:

- Year-end closing procedures
- Agreed upon procedures
- Internal control policies and procedures and best practices
- Capital assets and depreciation schedules

Other Agencies Served:

- Palmdale Water District
- North County Fire Protection District
- Ventura County Resource Conservation District
- County of San Bernardino ATC
- Winters Cemetery District



Education:

Bachelor of Science, Finance and Accountancy
California State University, Northridge,
2014

Licenses and Certifications:

- CPA License Candidate (expected licensure in 2021)

Continuing Education:

- Government Accounting & Auditing Conference
- Not-For-Profit Organizations Conference
- In-house training for audit staff

PARTNER, SUPERVISORY, AND STAFF QUALIFICATIONS & EXPERIENCE (CONTINUED)

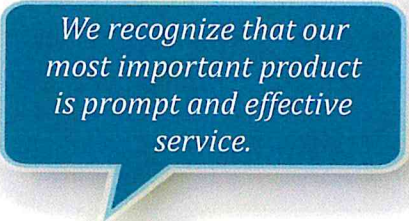
Training & Resources

The Firm is committed to a continuing professional education program, which emphasizes the areas of expertise of each member of our professional staff. The Firm is required to comply with the *Government Auditing Standards* for each professional practicing in the area of governmental accounting and auditing. We are committed to follow those standards, which result in quality audit services, including continuing education for all staff of 60-80 hours each year, specifically in school districts and governmental auditing. As required by *Government Auditing Standards*, all governmental audit staff receives the required continuing education in the area of governmental auditing and accounting. These policies are monitored internally, reviewed annually and certified periodically by independent peer review.

Library facilities are maintained which include current professional literature and specific information for the industries that we serve. The Firm library is also reviewed as part of the external quality review program. The Firm has in-house training programs specific to our school district clients. We also perform auditing and accounting updates for our clients that are organized by our staff. These practices ensure the quality of our staff over the term of the engagement.

Our staff participates in activities relating to government accounting and reporting issues through our membership and involvement with the following organizations:

- a. American Institute of CPA's Governmental Audit Quality Center
- b. California Society of CPAs
- c. Government Finance Officers Association (GFOA)
- d. California Special Districts Association (CSDA)
- e. Government Accounting Standards Board (GASB)
- f. Association of Certified Fraud Examiners (ACFE)



We recognize that our most important product is prompt and effective service.

Through our participation in these organizations and continuing education provided by them, the Firm continues to stay abreast of all current governmental accounting and reporting issues. Some of the professional education our audit team members have either presented at or attended in the last two years include:

- SSC Annual Finance and Management Conference
- SSC Governor's Budget Workshop
- CSDA Annual Conference
- CSMFO Conference
- GFOA Annual Conference
- Various other governmental workshops

We recognize that our most important product is prompt and effective service. We believe the District should work with its CPA firm throughout the entire year. We are available at any time throughout the year to provide any assistance you may need.

PRIOR ENGAGEMENTS WITH THE DISTRICT

Organization Name:	Palmdale Water District
Project(s):	Financial Statement Audits
Dates Audited:	December 31, 2017-2020
Total Hours:	175
Engagement Partner:	Paul J. Kaymark
Firm Office Location:	Murrieta, California
Contact Person:	Dennis Hoffmeyer, Finance Manager/CFO
Contact Phone Number:	(661) 456-1021

SIMILAR ENGAGEMENTS WITH OTHER WATER DISTRICTS

We currently conduct over 80+ government audits each year and have well rounded experience with local governmental agencies. We are excited for the opportunity to devote our attention to you and your specific needs. Below is a partial list of some similar governmental clients we have audited within the past three years.

Organization Name:	Scotts Valley Water District
Contact Person:	Piret Harmon, General Manager
Address:	2 Civic Center Drive Scotts Valley, CA 95066
Phone:	(831) 438-2363
Project(s):	CAFR - Financial Statement Audits
Date:	June 30, 2020
Total Hours:	210
Engagement Partner:	Paul J. Kaymark

Organization Name:	Rowland Water District
Contact Person:	Myra Malner, CPA, Director of Finance
Address:	3021 Fullerton Road Rowland Heights, CA 91748
Phone:	(562) 697-1726
Project(s):	Financial Statement Audits
Date:	June 30, 2020
Total Hours:	190
Engagement Partner:	Paul J. Kaymark

Organization Name:	Casitas Municipal Water District
Contact Person:	Denise Collin, CFO
Address:	1055 N. Ventura Ave. Oak View, CA 93022
Phone:	(914) 672-6849
Project(s):	CAFR - Financial Statement Audits
Date:	June 30, 2019
Total Hours:	220
Engagement Partner:	Paul J. Kaymark

Organization Name:	Oxnard Harbor District
Contact Person:	Austin Yang, Director of Finance
Address:	333 Ponomo Street Port Hueneme, CA 93041
Phone:	(805) 488-3677
Project(s):	CAFR - Financial Statement Audits
Date:	June 30, 2020
Total Hours:	180
Engagement Partner:	Paul J. Kaymark

SPECIFIC AUDIT APPROACH

We will audit the basic financial statements of the District for the fiscal year ended December 31, 2021 in accordance with the following standards:

- Auditing Standards Generally Accepted in the United States of America
- *Government Auditing Standards*, issued by the Comptroller General of the United States
- Minimum Audit Requirements and Reporting Guidelines for Special Districts

Our audit will be for the purpose of expressing an opinion on the basic financial statements, and will include such auditing procedures as considered necessary to accomplish this purpose. We will also provide an "in-relation-to" opinion on any other supplemental information and statistical schedules. We anticipate issuing the following reports:

- Independent Auditors' Report on the basic financial statements.
- Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

In addition, we will provide the District with a management letter that will give written appraisals of its accounting and related systems. This letter will identify any control deficiencies, significant control deficiencies or material weaknesses that are identified during the audit. We will work with management before audit fieldwork and during the course of the audit to assess internal controls and review mitigating controls in place in an effort to reduce the control deficiencies, significant control deficiencies and material weaknesses that need to be reported to management in writing, assuming there are mitigating controls in place. The letter will also offer recommendations for the elimination of weaknesses that we identify, and we will suggest any methods we discover to help improve efficiency and effectiveness.

We will schedule an appearance with the Board and the Audit Committee that allows an opportunity for us to present the audit and management letter. This is an excellent time for the District to resolve any questions it has regarding our audit or management letter. As mentioned earlier, the value in hiring our Firm comes from not only the audit, but from our experience and the education, we can provide. We hope that as questions or concerns arise throughout the year, the District staff will contact us and draw on our knowledge and experience.

Non-significant deficiencies discovered during the audit process shall be reported in a separate letter to management, the Board and the Audit Committee, which shall be referred to in the report(s) on internal controls. This separate letter also informs the Board and the Audit Committee of the following:

- 1) The auditor's responsibility under auditing standards generally accepted in the United States of America.
- 2) Significant accounting policies.
- 3) Management judgments and accounting estimates.
- 4) Significant audit adjustments.
- 5) Other information in documents containing audited financial statements.
- 6) Disagreements with management.
- 7) Management consultation with other accountants.
- 8) Major issues discussed with management prior to retention.
- 9) Difficulties encountered in performing the audit.

All working papers and reports will be retained at the Firm's expense for a minimum of seven (7) years, unless the Firm is notified in writing by the District of the need to extend the retention period.

SPECIFIC AUDIT APPROACH (CONTINUED)

Segmentation of Engagement

STEP 1: Planning

Our goal in preliminary fieldwork is to gain a thorough understanding of your internal controls, processes and procedures. Our goal is to accomplish as much interim fieldwork as possible so that our stay during final fieldwork is kept to a minimum. Our preliminary work focuses on planning and internal control documentation.

STEP 2: Interim Field Work

Internal Control Documentation

Our internal control documentation usually occurs during interim fieldwork. Our documentation process will be as follows:

- 1) Gather or update documentation for significant processes defined in our preliminary fieldwork.
- 2) Perform a "walk-through" of these significant processes.
- 3) Ask "what can go wrong" questions.
- 4) Identify controls in place. This will include both preventative and detective controls.
- 5) Evaluate the design of internal controls.
- 6) Decide whether to test and rely on controls.
- 7) Summarize preliminary fieldwork and submit management letter of all areas of concern.

STEP 3: Final Fieldwork

We assess risks, design procedures and obtain evidence to support financial statement amounts and disclosures during final fieldwork. Our Firm utilizes a methodology designed specifically for special districts. Our process emphasizes continuous communication with our staff.

Assess Risks and Design Procedures

As outlined in the risk based statements of audit standards (SAS 104 to 111), our Firm uses a risk-based approach to the audit. Our procedures to assess risks and design procedures are as follows:

- 1) Assess risk of material misstatement from errors or fraud based on internal controls combined with inherent risk of significant accounts.
- 2) Design procedures to test controls if considered necessary.
- 3) Design procedures to test details of account balances and classes of transactions based on risk.

Interim and Year End Testing

- 1) Perform tests of controls if considered necessary.
- 2) Perform tests of details of account balances and classes of transactions.
- 3) Evaluate quality and sufficiency of audit evidence.
- 4) Evaluate misstatements.

STEP 4: Audit Completion

Preparation of Audit Report and Management Letter

After reviewing the financial statements, notes and required supplementary schedules, we will agree the data to our working papers and provide a thorough review of all information by using written Firm standards and checklists. We will also review and incorporate any statistical data. This will verify appropriate presentation and disclosure. We will also at this time prepare our management letter that identifies financial trends and recommendations for improvement, reports required communications to the governing board, and discusses change in the environment in which the District operates.

SPECIFIC AUDIT APPROACH (CONTINUED)

Proposed Schedule/Level of Staff & Number of Hours Assigned to Each Segment

We will provide a detailed audit plan and prepare a list of schedules upon proposal acceptance. The following table summarizes our proposed segmentation of the engagement by date, segment, and level of staff:

Date/Segment	Total Hours			Total
	Partner/Manager	Supervisor	Staff/Admin	
January				
Preliminary planning and fieldwork	3	4	8	15
February/March				
Interim fieldwork	28	10	20	58
April				
Final fieldwork, report preparation, review, finalization, and presentation	40	26	30	96
Total hours	71	40	58	169

Use of Technology/Remote Proficiency

In order to facilitate the exchange of data between us and our clients in a secured manner throughout the course of the audit, we employ the use of an online secured portal. Our clients have appreciated this unique and forward-thinking platform which helps minimize duplicate requests and unnecessary email and phone exchanges to request and receive audit documentation. The software is very user-friendly and easy to understand. This also allows us to perform much of the audit remotely without being onsite to reduce our carbon footprint.

Sample Size and the Extent to Which Statistical Sampling is to be Used

We perform sampling techniques and determine sample size after assessing the risk associated with specific transaction classes. No single “cookie-cutter” approach will be followed in regards to sampling techniques, but the District can be assured that an appropriate sampling methodology will be utilized. We use the following methods of sampling during our audits: statistical, haphazard, and judgmental. For statistical sampling we use guidance provided by the AICPA and by federal guidelines in accordance with industry standards, which typically recommends sample sizes between 40 to 60 items.

Type and Extent of Analytical Procedures to be Used

We will perform analytical procedures throughout the course of our audit. Professional standards require that analytical procedures be performed in the planning and wrap-up stages of the audit. Analytical review will be used during our expenditure, revenue, budget information as well as many other areas.

These procedures typically entail a review of interim reports, budgets, and comparisons to prior year data. We also use financial statement amounts to calculate certain ratios to determine whether any unusual or unexpected relationships exist in the financial data.

These procedures are then followed by inquiry of key District personnel to corroborate the auditors' expectations based on the data.

SPECIFIC AUDIT APPROACH (CONTINUED)

Approach to be Taken to Gain and Document an Understanding of Internal Control Structure(s)

Our audit approach will entail interviews with key personnel in the District involved in the design and implementation of internal controls. In conjunction with the interviews, we will perform tests and observations of how well the controls function. Key areas of internal control generally include: cash receipting, accounts payable/purchasing, payroll/personnel, technology, facilities, and maintenance and operations.

Approach to be Taken in Determining Laws and Regulations That Will be Subject to Audit Test Work

We are required to obtain an understanding of the possible financial statement effect of laws and regulations that have a direct and material effect on the determination of financial statement amounts. The determination of laws and regulations is addressed in the planning stage through reading available grant documentation, inquiry of the client, a preliminary review of finance system accounts and search of the Board minutes. We also have working knowledge of the types of laws and regulations under which California special districts operate. We also obtain further information about federal laws and regulations through the Catalog of Federal Domestic Assistance (CFDA) and the Uniform Guidance.

Approach to be Taken in Drawing Audit Samples

Since each program or grant agreement is different, we use many different approaches to sampling in our tests of compliance. The size of the sample considers many factors; size and risk of the program, program maturity, complexity, level of oversight and prior audit findings. AICPA Guidelines generally recommend sample sizes of 25, 40, or 60 items when the population is greater than 250. Ultimately, our professional judgment determines that a representative number of transactions have been selected. You can be confident in our judgment because our peer reviews and an outside review by the U.S. Department of Education have all accepted our audit sampling techniques and procedures.

IDENTIFICATION OF POTENTIAL AUDIT PROBLEMS

At this time, we anticipate no audit problems. Should problems arise, the engagement partner will arrange a meeting with key staff and/or Board members to resolve the situation accordingly. We have a “no surprises” commitment to all of our clients. We strongly believe viewing the draft copy of an audit report is not the time when potential problems should be brought to management’s attention. We stress open lines of communication between the District and its auditors. We take a proactive stance on assisting our clients with the difficult treatment of accounting for certain non-routine transactions.

Should minor issues arise, we address the situations and bring it to the attention of the appropriate level of management. All issues are periodically discussed with management at exit conferences which are conducted at the conclusion of each segment of the audit. Our preliminary testing results are documented in writing with copies distributed to management outlining areas for improvement, potential non-compliance, and possible control weaknesses.

We encourage our clients to call or email us with any questions. We are known in the industry for providing clear and concise answers. An important aspect of this commitment is our typical response time of less than 24 hours.

ADDITIONAL INFORMATION

Testimonial

"Few people have the opportunity to work with someone who was a coach and a mentor-but I did when I worked with Paul. I had the pleasure working directly under Paul's supervision and I was particularly impressed by his ability to handle even the toughest clients - and effortlessly. That skill often takes years to develop, but it seemed to come perfectly natural to him. Paul was one of those rare partners who also naturally serve as an inspiring mentor for the whole staff and I was grateful to learn a lot from him."

*Deana Miller
Accounting Manager
PolyCera, Inc.*

Fraud Hotline



Throughout the audit process, we will make available our fraud hotline reporting service at no additional charge over the period of the contract to ensure the District has an effective anti-fraud program.



ADDITIONAL DOCUMENTS

Report on the Firm's System of Quality Control

To Nigro & Nigro, PC
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Nigro & Nigro, PC (the firm) in effect for the year ended August 31, 2020. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

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

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

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

Required Selections and Considerations

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

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

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Nigro & Nigro, PC in effect for the year ended August 31, 2020, 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*. Nigro & Nigro, PC has received a peer review rating of *pass*.



June 11, 2021

BROWN ARMSTRONG

Certified Public Accountants



PALMDALE WATER DISTRICT TECHNICAL PROPOSAL

PROFESSIONAL AUDIT SERVICES

For the Fiscal Years Ending December 31, 2021, 2022, and 2023

September 30, 2021

Eric H. Xin, CPA/Partner

4200 Truxtun Avenue, Suite 300 | Bakersfield, CA 93309

T: (661) 324-4971 | F: (661) 324-4997 | E: Exin@bacpas.com

TABLE OF CONTENTS

Palmdale Water District Table of Contents

	<u>Page</u>
Transmittal Letter	1
Technical Proposal	
1. Independence	2
2. License to Practice in California.....	2
3. Firm Qualifications and Experience	2
4. Partner, Supervisory and Staff Qualifications and Experience	3
5. Prior Engagements with the District	3
6. Similar Engagements with Other Special District Water Districts.....	4
7. Specific Audit Approach.....	4
8. Identification of Anticipated Audit Problems	8
9. Report Format	9
Appendices	
I. Resumes and Continuing Professional Education	15
II. External Quality Control Review Report.....	20
III. Summary of Recent Governmental Experience.....	22



Transmittal Letter
September 30, 2021

Dennis Hoffmeyer
Finance Manager/CFO
Palmdale Water District
2029 East Avenue Q
Palmdale, CA 93550

Dear Mr. Hoffmeyer:

Brown Armstrong Accountancy Corporation (Brown Armstrong) is pleased to submit this proposal to perform financial statement audits to Palmdale District (the District) for the fiscal years ending December 31, 2021, 2022 and 2023 with the option of extending for each of the two (2) subsequent years. We believe our proposal exceeds the requirements outlined in your request for proposal.

We have thoroughly read your request for proposal (RFP) and understand its requests. We feel that we are the best candidate to meet your needs as listed in the Scope of Work to be Performed section on the RFP. We are committed to performance and the efficient completion of this audit on or before the dates you desire. At Brown Armstrong, we understand that your timeframes must be met. As one of our key strengths, we develop an approach by which specific deliverables are achieved within set timeframes. We will work with you to develop a timeline that meets your specific requirements, meeting dates, field work dates, status reporting dates, and final report dates.

Known as one of the largest regional accounting firms in Central California, Brown Armstrong's mission is "to exceed expectations and provide opportunities." Our fifty-four (54) employees lead us in achieving this mission by working with our clients individually to overcome any challenges with a special combination of knowledge and experience in governmental audits. We have audited numerous agencies similar to yours for four decades. We are experts in governmental accounting and auditing and have assisted numerous clients in receiving the Certificate of Achievement for Excellence in Financial Reporting.

I will be the engagement partner and primary liaison responsible for all services provided to the District, and I am entitled to represent the firm, empowered to submit this bid, and authorized to negotiate and sign a contract with the District. I can be contacted at 4200 Truxtun Ave, Suite 300, Bakersfield, CA 93309, Tel (661) 324-4971, Fax (661) 324-4997, or by email at exin@bacpas.com.

I, the undersigned, certify that I am duly authorized to represent the above named firm and am empowered to submit this bid. In addition, I certify that I am authorized to contract with the District on behalf of the above named firm. Please contact me if I can clarify or expand on any item contained in this proposal. We are available for an oral presentation, if requested. This proposal is a firm and irrevocable offer for ninety (90) days.

Sincerely,

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

By: Eric H. Xin, CPA, MBA
Partner

TECHNICAL PROPOSAL

Palmdale Water District

1. Independence

Our firm, its shareholders and employees are independent of the District, as defined by auditing standards generally accepted in the United States of America, the State Controller's Minimum Audit Requirements for California Special Districts and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have had no professional relationships involving the District for the past five (5) years.

2. License to Practice in California

Our firm and all assigned key professional staff are properly licensed to practice in the State of California.

3. Firm Qualifications and Experience

Established in 1974, Brown Armstrong is one of the largest regional accounting firms serving California. We have built a full service accounting and consulting firm serving clients from San Diego to Humboldt County. The dimension that Brown Armstrong is able to offer the District is dedicated years in public accounting, which has enabled us to become a true advisor to your organization and an assistant to your financial success. Now, with fifty-four (54) highly skilled employees, Brown Armstrong continues its growth as a regional firm by offering auditing, tax, accounting, consulting, and assurance services to governmental entities, nonprofits, corporations, partnerships and individuals in California.

The firm now employs 54 people as follows:

Our Staff		Audit Staff	
Partners	9	Partners	8
Shareholders in Training	2	Shareholders in Training	1
Managers	6	Managers	5
Seniors	6	Seniors	6
Supervisors	2	Supervisors	1
Staff Accountants	14	Staff Accountants	13
Support Staff	15	Support Staff	2
Total	54	Total	36

We are not proposing as a joint venture or consortium.

Brown Armstrong is a full-service accounting firm. Our accountants have the expertise to provide audit, accounting, tax, and bookkeeping services. In addition to these services, the Firm's accountants and consultants practice in the areas of risk assessment and Sarbanes-Oxley solutions, state and local tax, estate planning/wealth transfer, and information technology. We also perform peer reviews for other accounting firms. Our main Bakersfield office performs all listed services whereas our Stockton and Fresno offices perform mainly audit engagements.

Our governmental audit staff is made up of thirty-six (36) professionals who are experts in their field. We have crafted expertise in auditing the public sector since the birth of the company. Through tireless planning, relationship building, and knowledge of the realm, we are dedicated to serving our clients and exceeding their needs and expectations.

All staff assigned to your engagement will be employed on a full-time basis from the Bakersfield and Fresno offices.

Peer Review Report

As part of our commitment to quality control, our firm is a member of the Center for Audit Quality (CAQ) of the American Institute of Certified Public Accountants (AICPA). We have completed several External Quality Control reviews under the AICPA's guidance, all of which included one or more governmental audits. Appendix II of this proposal contains a copy of our most recent report. As indicated in that report, our firm received a peer review rating of a "pass," which is the highest rating available.

TECHNICAL PROPOSAL

Palmdale Water District

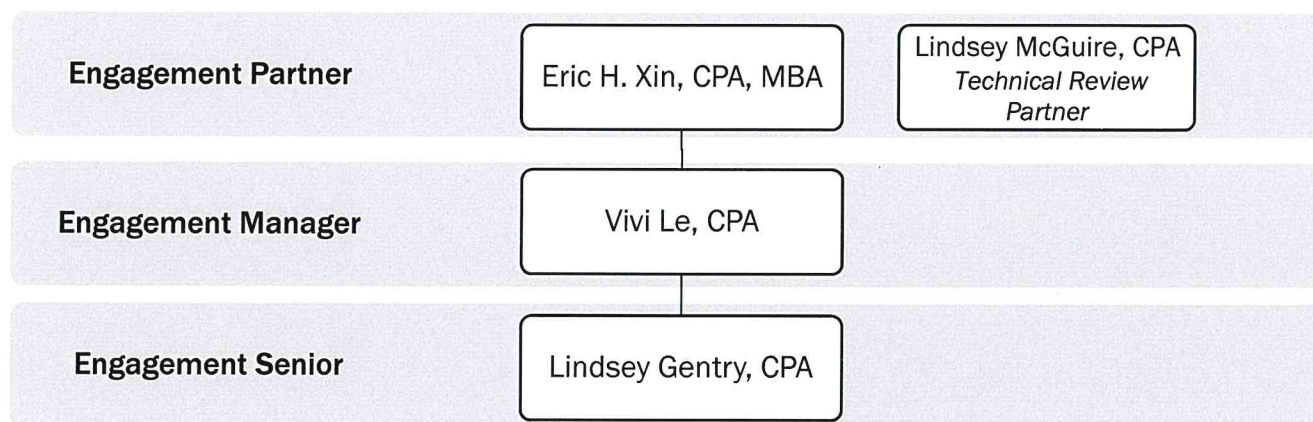
Desk or Field Reviews and Disciplinary Actions

In the normal course of business, our firm has been subjected to several field reviews during the past three years. Additionally, all of our reports are subjected to annual desk reviews by federal and state cognizant agencies. All of our reports for the past three years were accepted by these agencies. We have no disciplinary action taken or pending against the Firm during the past five years with state regulatory bodies or professional organizations.

4. Partner, Supervisory and Staff Qualifications and Experience

Eric Xin will be the Engagement Partner and primary liaison responsible for all services to the District and he is authorized to contractually bind the firm.

The members of the audit team assigned to your engagement are:



The District require auditors who can quickly identify and understand the pertinent issues and promptly provide assistance whenever and wherever needed. This cannot be accomplished without a comprehensive knowledge of operations. Brown Armstrong has assembled a key group of professionals that possess a firm grasp of the subject matter, as well as the experience, confidence, and friendliness you deserve. Our staff will be there when you need them, and they will be continually involved in the audit procedures. This will allow you to have access to decision makers and the resources you need at all times.

Resumes and continuing professional education of the proposed engagement team can be found at Appendix I.

Affirmative Action Policy

Brown Armstrong Accountancy Corporation is an Affirmative Action, Equal Opportunity institution and welcomes applications from diverse candidates and candidates who support diversity. The Firm promotes equal opportunity for all individuals without regard to age, color, disability, marital status, national origin, race, religion or creed, sex or gender, sexual orientation, or veteran status.

We want to provide the most stable, consistent staffing available during our partnership. Excessive personnel turnover can complicate engagements and decrease the efficiency of the audit due to "catch-up" time needed. The engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted, or are assigned to another office. We understand that the District staff retains the right to approve or reject replacements. We also understand that other audit personnel may be changed at our discretion, provided that replacements have substantially the same or better qualification or experience. If the District wishes to rotate staff members to enhance independence, we are willing to discuss those terms in the engagement.

5. Prior Engagements with the District

Brown Armstrong has had no prior engagements with the District.

TECHNICAL PROPOSAL

Palmdale Water District

6. Similar Engagements with Other Special District Water Districts

The following are engagements performed in the last five (5) years similar to that of the engagement described in the RFP and can be contacted as references.

Client	Hours	Contact Person	Scope of Work	Partner
South San Joaquin Irrigation District	250	Robin Giuntoli (209) 249-4610 rgiuntoli@ssjid.com	Financial Statement Audit Compliance Audit	Eric H. Xin Ashley L. Casey
Goleta Water District	220	Francis Chan (805) 865-5250 fchan@goletawater.com	Financial Statement Audit Compliance Audit	Neeraj Datta Thomas Young
Buena Vista Water Storage District	180	Marybeth Brooks (661) 324-1101 mbrooks@bvh20.com	Financial Statement Audit Compliance Audit	Eric H. Xin Lindsey McGuire
Olcese Water District	160	Blaine Hanson (661) 872-5050 bhanson@nfilc.net	Financial Statement Audit	Eric H. Xin

7. Specific Audit Approach

The audit shall be performed in accordance with auditing standards generally accepted as set forth by the American Institute of Certified Public Accountants; the standards applicable to financial audits contained in *Government Auditing Standards* 2018 Revision (Yellow Book), issued by the Comptroller General of the United States; the provisions of the Single Audit Act of 1984 as amended in 1996, if applicable; the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of State and Local Governments*, if applicable; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); minimum audit requirements and reporting guidelines for Special Districts pursuant to California Code of Regulations, State Controller, Subchapter 5, 1131.2, "Minimum Audit Requirements and Reporting Guidelines for Special Districts"; and Statements on Standards for Attestation Engagements and Reviews of Financial Statements as set forth by generally accepted Government Auditing Standards and the American Institute of Certified Public Accountants.

If conditions are discovered which lead to the belief that material errors, defalcations, or other irregularities may exist, or if any other circumstances are encountered that require extended services, we will promptly notify the District's Finance Committee.

a. Proposed Schedule

The following is a detailed audit schedule which includes a breakdown of each phase of the audit, staff levels, and hours projected for each phase. Our plan would be to obtain the trial balance one week prior to fieldwork and come onsite to complete fieldwork in one week due to our preparation prior.

TECHNICAL PROPOSAL

Palmdale Water District

Timing	Phase	Staff	Hours
December/January	Planning and Scope of Work	Partner	2
	<ul style="list-style-type: none"> Perform prior year audit workpaper review. Review and evaluate District's accounting and financial reporting. Prepare an overall memo of recommendations, potential issues, and suggestions for improvements. Entrance Conference with Management to discuss audit approach, timing, assistance and issues. Prepare overall memo confirming audit procedures, timing and assistance. Prepare detailed work plan and audit programs, audit budget and staffing schedule. Provide schedules to District Management. Coordinate and assist District staff in the preparation of all appropriate confirmation requests including: <ul style="list-style-type: none"> Bank Accounts Revenue from governmental agencies Attorney Letters Investment Accounts Bond and other debts Others, as required Obtain a trial balance for interim analytical procedures. 	Manager	2
		Senior	3
		Staff	8
		Clerical	3
January/February	Internal Control Evaluation and Audit Risk Assessment, Establishment of Audit Plan, and Field Work	Partner	6
	<ul style="list-style-type: none"> Obtain and document our understanding of the following key internal control systems through walkthroughs, interviews of staff, and reviews of supporting documentation: <ul style="list-style-type: none"> Budgeting Revenue, billing, accounts receivable and cash collections Purchasing, expenditures, accounts payable and cash disbursements capital assets and journal entry procedures Debt issuance Payroll Other significant internal control systems as necessary. Perform testing of the internal control system and evaluate the effectiveness of the District's systems. Select large dollar and random samples of transactions in key operating systems. (Sample size designed to meet assessed / required level of risk, but generally higher than in previous years.) Review supporting documentation of selected transactions, evaluate transactions, evaluate adequacy of support and approvals and conclude on degree of adherence to accuracy and compliance with the District's policies. Follow-up on all outstanding confirmations. Prepare to the District's Management a memo concerning management letter points and identify issues, if any. Review minutes of District Board meetings. Verify and validate account balances by including invoices, vouchers, resolutions, minutes, and other documentation, as required. Perform analytical review of revenues and expenditures. Determine reasons for material differences between budget and actual. Perform payroll testing from journals to W-2 amounts (cross fiscal year). Tie W-2's to other available information. Perform a search for unrecorded liabilities by reviewing disbursements subsequent to 12/31, testing terms of contractual obligations, and interviewing staff. Perform review of subsequent events by discussions with Management and review of all minutes of the District's Board and key committees. Validate all analytical procedures, assumptions and perform additional testing as necessary. Discuss any proposed adjustments. Hold exit conference with management. 	Manager	6
		Senior	12
		Staff	70
		Clerical	0

TECHNICAL PROPOSAL

Palmdale Water District

Timing	Phase	Staff	Hours
March/April	Completion of the Audit and Financial Reporting	Partner	12
	• Review draft financial statement disclosures and supporting documentation	Manager	7
	• Provide draft financial statements to the District for review and approval	Senior	10
	• Complete review of financial reporting package	Staff	12
	• Detailed Quality Control review by technical partner	Clerical	5
	• Issuance of required audit reports by May 31, 2022		
	• Exit Conference With Board of Directors		
	o Explain overall audit approach		
	o Discuss findings and recommendations		
	o Report opinions on financial statements and single audit, if required		
	o Address required communication topics		
		Total Hours	158

b. List of Statements and Schedules to be Provided by District

Item	Due Date
Entrance Conference with the Finance Manager/CFO	12/17/2021
AUDITOR to provide the District with detailed audit plan information request and confirmation templates	01/07/2022
The District to provide AUDITOR with all confirmations to be mailed	01/19/2022
The District to Provide Populations for sample selections	01/19/2022
AUDITOR to provide Sample Selections for Tests of Controls	01/21/2022
The District to Provide AUDITOR with YE trial balance (electronically in excel)	01/28/2022
Remaining items per Information Request Lists due	02/04/2022
Beginning of final fieldwork	02/07/2022
Expected completion date of final fieldwork and exit conference	02/16/2022
AUDITOR to provide the District with draft financial statements, grouping schedule and management letter findings, if any, for review and comment	02/25/2022
The District to provide MD&A for inclusion in the draft	03/04/2022
The District to provide AUDITOR with revisions/comments to the draft, and responses to the management letter findings and recommendations, if any.	03/11/2022
AUDITOR to provide revised financial statements	03/16/2022
The District to provide additional comments/revisions	03/18/2022
AUDITOR to provide FINAL DRAFT	03/28/2022
The District's LEGAL letter response due	03/28/2022
AUDITOR to provide the following reports and issue final audited financial statements:	04/08/2022
Independent Auditors Report	
SAS 114 Communication	
Independent Auditors Report on Compliance and Internal Controls	
Management letter	

c. Information Technology Assistance Request

Should it be necessary to perform portions of the audit remotely, we would request remote access/login information of the District's accounting system to perform remote testing.

TECHNICAL PROPOSAL

Palmdale Water District

Transmission of Workpapers

Confidentiality and security of all our clients' data is extremely important to us and is aided by our paperless auditing process. Our firm policy is that only the active client files should be synched to an employee's laptop when out in the field and client data is regularly cleared off the local drives after jobs are finished. In addition, our laptops have both hard drive encryption technology and tracking software to help us locate them in the case they are lost or stolen and to prevent easy access to the saved files.

Throughout the audit process we utilize Sharefile to safely transmit all working papers between Brown Armstrong and our clients. Sharefile ensures secure content collaboration, file sharing and synchronization.

d. Method of Providing the District with Important Accounting Changes

As the selected firm, we will keep the District informed of new state and national developments affecting Government finance and reporting, standards and trends including changes in federal/state grant program accounting, new GASBs and reporting requirements.

Each year Brown Armstrong organizes four days of CPE seminars in Bakersfield (two, two-day sessions covering 32 hours of CPE) for its professional staff and clients' personnel. One of the two-day CPE seminars is in the middle of January. It covers accounting and auditing updates relating to for-profit businesses (FASB, PCAOB, and SAS). Another two-day CPE seminar covering primarily governmental accounting and auditing updates (GASB, Yellowbook, Single Audit) is typically in May. The course material covers emerging issues, current pronouncements, auditing standards, risk alerts, information systems, reporting issues, and other topics of interest which concern auditing and accounting with an emphasis on governmental issues. Course materials are prepared by professional lecturers, our partners, managers, and seniors based on their own experience, research, and learning. Last year's attendance included Brown Armstrong professionals and nearly 60 clients and their accounting staff. All staff assigned to governmental entities meets the CPE requirements in accordance with *Government Auditing Standards*.

e. Statistical Sampling

Based on our preliminary assessment of the internal control structure and risk factors, we anticipate performing internal control testing in the following areas:

Review Area	Sample Size
Receipts and revenues	40-60
Disbursements and accounts payable	40-60
Payroll and related liabilities	40-60
Controls over requirements of federal and state grants, if required	40-60 (per major program)

Staff will perform internal control testing in January/February, with direct supervision by Ms. Le. Sample sizes will depend on the extent of reliance placed on the given sample and the volume of transactions involved. Statistical and random sampling will be used to ensure that all samples truly represent the population being tested. Findings will be discussed with management for accuracy and the process of recommendations immediately started.

Extent of Electronic Data Processing (EDP) Software in the Engagement

Each staff person has access to a personal computer, and has knowledge of CCH Pfx Engagement software we have purchased for auditing municipalities and report writing. We use this software in the beginning, inputting all prior year actual numbers, and the client current year budget, including amendments. We then input year-to-date numbers and run analytical work at the end of the audit comparing appropriation-expenditure numbers to prior year and budget amounts. All significant differences are investigated. Our software is capable of complete report writing, including combining statements and footnotes.

TECHNICAL PROPOSAL

Palmdale Water District

f. Type and Extent of Analytical Procedures

We will perform analytical procedures during all phases of our audit (audit planning, field work, and audit completion). We will build our expectations based on historical experience and known current year factors and will investigate significant departures at the financial statement level to decide if we can reach our comfort level for certain audit areas. We will also perform substantive analytical procedures, where we use analytical procedures as the principal substantive test of a significant financial statement assertion, based on the auditor's judgment and on the expected effectiveness and efficiency of available procedures.

g. Approach to be Taken to Understand Internal Control Structure

This is the cornerstone of the engagement. Internal accounting control generally comprises the plan of organization and procedures and records that are concerned with the safeguarding of assets and reliability of financial records. We use inquiry, both written and oral, to document our understanding of the District's internal control structure. We then test our understanding with compliance auditing, sometimes called tests of transactions. Based on our experience with special districts, we will focus our evaluation of the internal control system in the following areas:

- Controls over disbursements and purchasing,
- Controls over receipts and revenues,
- Controls over payroll, and
- Controls related to the administration of federal grant programs.

We will begin by preparing memoranda to fully describe all financial systems. The memoranda are prepared based on information obtained through our inquiry and observation of the District personnel, and from our review of the District's organizational charts, procedural manuals and programs, and documented financial and management information systems. We will then review the documents to isolate the significant strengths and weaknesses that would affect the extent of substantive audit procedures to be employed. Each strength is then tested and the results subjected to evaluation. These evaluations assist us in determining the amount of reliance we can place on those significant strengths we have identified.

h. Understanding Laws and Regulations of Audit Work

Our experience with various municipal audit clients, most with federal or state monies, has created a reservoir of knowledge of many laws and regulations. However, by inquiry and observation, we will determine all major programs participated in by the District. We then consult the actual law, the Federal Register, Catalogue of Federal programs, or the California State Controllers guide to State and Federal Compliance to obtain understanding of the requirements of the law. For major programs, we specifically test those requirements by inspection of documents.

i. Approach for Drawing Audit Samples for Compliance Tests

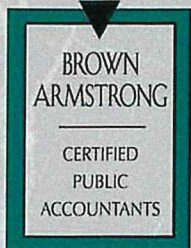
Compliance test samples will be drawn usually by statistical sampling techniques. The universe from which the sample is drawn begins at the beginning of the year under audit and ends with the end of that year. If a null is picked, it is replaced in draw sequence until sufficient live items comprise the planned sample size. We will request the District to provide us with all disbursements and payroll data files for the year in spreadsheet format from which to draw our samples.

8. Identification of Anticipated Potential Audit Problems

In the event problems are identified during the course of our audit procedures, we will resolve the problem as follows:

- Discussion amongst audit team at the time of identified potential audit problem for consultation and consensus amongst the team.
- Consultation and discussion with appropriate District personnel when identified to ensure all facts are known and agreed upon with the audit team.
- Consultation and discussion with liaison(s).
- Resolution with appropriate District personnel.
- If applicable, a management letter will be submitted documenting the criteria, condition, cause and effect of the issue, along with our recommendation and management's response and corrective action plan.

9. Report Format



BAKERSFIELD OFFICE
(MAIN OFFICE)
4200 TRUXTON AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE
10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

STOCKTON OFFICE
1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

REGISTERED with the Public Company
Accounting Oversight Board and
MEMBER of the American Institute of
Certified Public Accountants

BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
_____, Water District
_____, California

Report on the Financial Statements

We have audited the accompanying financial statements of the _____ Water District (the District) which comprise the Statement of Net Position as of December 31, 2021; the related Statements of Revenues, Expenses, and Changes in Net Position and Cash Flows for the year then ended; and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

TECHNICAL PROPOSAL

Palmdale Water District

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Statement of Revenues and Expenses – Budget and Actual, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Statement of Revenues and Expenses – Budget and Actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Revenues and Expenses – Budget and Actual is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

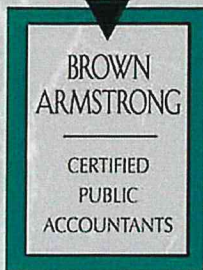
In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
_____, 2022

TECHNICAL PROPOSAL

Palmdale Water District



BAKERSFIELD OFFICE (MAIN OFFICE)

4200 TRUXTON AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE

10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

STOCKTON OFFICE

1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

REGISTERED with the Public Company
Accounting Oversight Board and
MEMBER of the American Institute of
Certified Public Accountants

BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
_____, Water District
_____, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the _____ Water District (the District), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon _____, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

TECHNICAL PROPOSAL

Palmdale Water District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

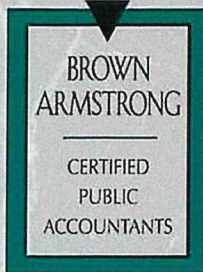
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
_____, 2022

TECHNICAL PROPOSAL

Palmdale Water District



BAKERSFIELD OFFICE (MAIN OFFICE)

4200 TRUXTON AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE

10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

STOCKTON OFFICE

1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

REGISTERED with the Public Company
Accounting Oversight Board and
MEMBER of the American Institute of
Certified Public Accountants

BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
_____, Water District
_____, California

Report on Compliance for Each Major Federal Program

We have audited the _____ District's (District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have direct and material effect on each of the District's major federal programs for the year ended December 31, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

TECHNICAL PROPOSAL

Palmdale Water District

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended December 31, 2021, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated _____, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
_____, 2022

APPENDICES

Palmdale Water District

Appendix I Resumes



ERIC XIN

ENGAGEMENT PARTNER, CPA,
MBA

EDUCATION

Nankai University, China, 1989
Bachelor of Science Degree in
Business

California State University,
Bakersfield, 1996
Master's Degree in Business
Administration

CONTACT

PHONE:
661-324-4971

WEBSITE:
www.bacpas.com

EMAIL:
exin@bacpas.com

BACKGROUND

Eric Xin, a partner at Brown Armstrong's Bakersfield office, will be the Engagement Partner for this engagement. He has over 25 years of experience in auditing governmental entities and brings expertise in many areas. His primary audit focus is in counties, cities, special districts, and school districts.

Not only does he have experience in the audit process, but he will be an integral member of the team when it comes to keeping standards up to date. He is a reviewer for the GFOA Certificate of Achievement Program and reviews the Governmental Accounting Standards Board (GASB) advisory committees' latest pronouncements.

EXPERIENCE

Cities

City of Bakersfield
City of Fresno
City of Delano
City of Tehachapi

City of Tulare
City of Santa Barbara
City of Visalia

Counties

County of Fresno
County of Kern
County of Merced
County of Riverside

County of Santa Barbara
County of San Joaquin
County of Stanislaus
County of Tulare

Nonprofits

Bakersfield D.A.R.E., Inc.
Cal State University Bakersfield Foundation
Community Action Partnership of San Luis Obispo
Christian Foundation of the West
Ebony Counseling Center
Economic Development Center – Fresno/Kings County
Kern County Probation Officer's Association
Missionary Church Western Region
Pacific Health Education Center

Special Districts

Buena Vista Water Storage District
California Valley Community Services District
First 5 Kern
First 5 Merced County
Olcese Water District
San Joaquin Area Flood Control Agency
San Joaquin Valley Air Pollution Control District
South San Joaquin Irrigation District

Transits

Antelope Valley Transit Authority
Central Contra Costa Transit Authority
Golden Empire Transit District
Kern Council of Governments
Riverside Transit Authority

ROLES AND RESPONSIBILITIES

- Overall responsibility for the audit and delivery of client service
- Approves the overall audit risk assessment and audit procedures
- Communicates with executive management, and members of the District, regarding audit planning, fieldwork and reporting
- Available throughout the year to ensure proactive issue identification and service delivery

APPENDICES

Palmdale Water District



LINDSEY MCGUIRE

TECHNICAL REVIEW PARTNER,
CPA

EDUCATION

Azusa Pacific University, 2006

Bachelors of Science Degree in
Accounting

CONTACT

PHONE:
661-324-4971

WEBSITE:
www.bacpas.com

EMAIL:
lmcguire@bacpas.com

BACKGROUND

Lindsey will be the Technical Review Partner for the engagement. She is a partner who has more than 10 years of governmental auditing experience and 17 years of auditing experience. She has been with the firm since August of 2012, joining the firm after 6 years at KPMG Orange County and 4 years of additional accounting and auditing experience before working at KPMG. Her primary business focus is governmental entities audit and accounting. Her audit specialties include counties, cities, special districts, and retirement systems. She also enjoys presenting classes at SACA and CALAPRS.

Lindsey has always ensured that we have the highest level of audit and consulting services for all of her clients. She is actively involved in a number of professional organizations such as the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants.

EXPERIENCE

Cities

City of Bakersfield
City of Fresno
City of Laguna Woods

City of Paso Robles
City of Tulare
City of St. Helena

Counties

County of Merced
County of Napa
County of Riverside
County of Santa Barbara

County of Santa Cruz
County of San Joaquin
County of Tulare

Non-Profits

Buck Owens Crystal Palace
Buck Owens Private Foundation

Retirements

Kern County Deferred Compensation Plans
San Joaquin County Employees' Retirement Association
San Luis Obispo County Pension Trust
Southwest Contractors, Inc. Profit Sharing Plan

Special Districts

Buena Vista Water Storage District
Henry Miller Water District
James Water Bank Authority
Kern Delta Water District
Kern County Housing Authority
Kern Fan Bank Authority
Minter Field Airport District
Napa County Special Districts

ROLES AND RESPONSIBILITIES

- Responsible for assisting the Engagement Partner in performing the audit risk assessment and design audit procedures
- Assists in audit documentation review in significant areas.
- Reviews financial statements to ensure they are in conformance with GAAP and GFOA requirements
- Advises the audit team regarding technical matters and provides concurring approval of financial statements and audit reports

APPENDICES

Palmdale Water District



VIVI LE

ENGAGEMENT MANAGER, CPA

EDUCATION

University of California, Santa Barbara
2013

Bachelor of Arts Degree in Economics and
Accounting

CONTACT

PHONE:
661-324-4971

WEBSITE:
www.bacpas.com

EMAIL:
vle@bacpas.com

BACKGROUND

Vivi is the engagement manager of the project and located in our Fresno office. She has more than 6 years of governmental auditing experience at Brown Armstrong. Her primary business focus is governmental entities audit and accounting. Her audit specialties include retirement systems, cities, and counties.

Vivi will be highly involved in the field work and a face to face presence for Brown Armstrong. She and the supervisor accountant will be easily accessible for the District at all times. Her ability to manage an audit has become invaluable for Brown Armstrong.

EXPERIENCE

Cities

City of Fresno
City of Lindsay

City of Modesto
City of Visalia

Counties

County of Fresno
County of Kings
County of Santa Barbara
County of Santa Cruz

County of San Luis Obispo
County of Stanislaus
County of Tulare

Nonprofits

Kings Economic Development Corporation
Holy Spirit Church – Fresno
Saint Mary's Church – Visalia
Infant Jesus of Prague – Tollhouse
St. Frances Cabrini Church – Woodlake
St. Rita's Church – Tulare
Community Action Partnership of San Luis Obispo

Special Districts

First 5 Merced
First 5 San Joaquin
First 5 Santa Barbara
Fresno Irrigation District

Fresno Metropolitan Flood Control
District
Napa Sanitation District
Olcese Water District

Retirements

City of Fresno Employees' Retirement System
City of Fresno Fire and Police Retirement System
Marin County Employees' Retirement Association
San Francisco Bay Area Rapid Transit Money Purchase Pension Plan
San Francisco Bay Area Rapid Transit Deferred Compensation Plan
Youth UpRising 401k

Transits

Fresno County Transportation Authority
Solano County Transit
Tulare County Association of Governments

ROLES AND RESPONSIBILITIES

- Reports to the Partners regarding audit and technical matters
- Assists in the coordination of planning, fieldwork, and reporting matters
- Reviews audit documentation for significant audit areas
- Is in constant communication with executive management and members of the District regarding audit planning, fieldwork, and reporting

APPENDICES

Palmdale Water District



LINDSEY GENTRY

ENGAGEMENT SENIOR, CPA

EDUCATION

California State University, Fullerton, 2018

Bachelor of Arts Degree in Business
Administration, Concentration in
Accounting

CONTACT

PHONE:
661-324-4971

WEBSITE:
www.bacpas.com

EMAIL:
lgentry@bacpas.com

BACKGROUND

Lindsey is an audit senior at our Bakersfield office with three (3) years of governmental auditing experience. She has shown excellent performance in leading fieldwork, compiling and preparing financial statements, performing tests and analytical reviews, as well as creating strong working relationships with clients. She has executed audits in the past with little issues and is great at maximizing efficiency while performing audit work.

EXPERIENCE

Counties

County of Merced
County of Napa

Retirements

Imperial County Employees' Retirement System
Merced County Employees Retirement Association
San Bernardino County Employees' Retirement Association
San Diego County Employees' Retirement Association
Stanislaus County Employees' Retirement Association
Sacramento County Employees' Retirement System

Special Districts

Carpinteria Valley Water District
Cawelo Water District
Goleta Water District
Kern Tulare Water District
Lake Isabella Community Services District
Mojave Air and Space Port
Pixley Public Utilities District
Port Hueneme Water Agency
Southwest Health Care District
Westside Mosquito & Vector Control District

Nonprofits

Community Action Partnership of San Luis Obispo
Community Action Partnership of Kern
National Test Pilot School
Rotary Club of Bakersfield
Stockdale Christian School

ROLES AND RESPONSIBILITIES

- Leading fieldwork audit team
- Reviews, analyzes, and documents client internal controls
- Completes complex audit procedures
- Researches and performs tests and analytical reviews on issues under direction of the Engagement Manager
- Reviews financial statements and workpapers before sending the drafts to Engagement Manager and Partners for further review

APPENDICES

Palmdale Water District

Continuing Professional Education

Eric Xin, CPA, MBA

Annual Conference of the State Association of County Auditors, 2021
2021 February GAAC Meeting, 2021
The Good (Ethical Leadership), the Bad (Fraud), and the Ugly (SSARS), 2021
GAAP - Update of Significant Accounting Topics, 2021
GAAP - Update of Significant Accounting Topics, 2021
2020/2021 Federal and California Tax Update - Part 2, 2021
2020/2021 Federal and California Tax Update - Part 1, 2021
Money Talks - Don't Let it Walk: Prevent and Detect Cash Fraud, 2020
GAA Committee Meeting October 2020, 2020
2020 Supplement and COVID-19 Single Audit Implications, 2020
2020 GAQC Annual Update Webcast, 2020
Annual Update: Top Governmental and Not-for-Profit Accounting and Auditing Issues Facing CPAs, 2020
Governmental Accounting and Auditing Update, 2020
Applying Key Provisions of Risk Assessment Standards to Improve Audit Effectiveness and Efficiency, 2020
Recent Changes to Key Topics in Accounting, Auditing, and Attest, 2020
Single Audit Lightning Round, 2019
GAA Committee Meeting October 2019
GASB Implementation Guides for Fiduciary Activities and Leases, 2019
The New Yellow Book: Government Auditing Standards, 2018 Revision, 2019
Governmental Accounting and Auditing Update, 2019
2019 GAQC Annual Update Webcast, 2019
2018/2019 Federal and California Tax Update - Part I & II, 2019
California Ethics and Fraud Case Studies, 2019
State Controllers Conference with County Auditors, 2018
Governmental Accounting and Auditing, 2018
Avoiding Problems in Conducting Single Audits, 2018
Governmental Accounting and Auditing Update, 2018
2018 GAQC Annual Webcast Update, 2018
State Association of County Auditors Conference, 2018
Accounting Industry Update, 2018
Ethical Responsibilities for CPAs, 2018
What Every CPA Should Know About Fraud, 2018

Lindsey McGuire, CPA

The Good (Ethical Leadership), the Bad (Fraud), and the Ugly (SSARS), 2021
GAAP - Update of Significant Accounting Topics, 2021
2020/2021 Federal and California Tax Update - Part 2, 2021
2020/2021 Federal and California Tax Update - Part 1, 2021
OMB Supplement Addendum and the Latest COVID-19 Single Audit Implications, 2020
2020 Supplement and COVID-19 Single Audit Implications, 2020
Annual Update: Top Governmental and Not-for-Profit Accounting and Auditing Issues Facing CPAs, 2020
Governmental Accounting and Auditing Update, 2020
Recent Changes to Key Topics in Accounting, Auditing, and Attest, 2020
Spidell's 2019/2020 Federal and California Tax Update, 2020
GASB Implementation Guides for Fiduciary Activities and Leases, 2019
The New Yellow Book: Government Auditing Standards, 2018 Revision, 2019
Governmental Accounting and Auditing Update, 2019
Annual Conference of the State Association of County Auditors, 2019
2018/2019 Federal and California Tax Update - Part I, 2019
2018/2019 Federal and California Tax Update - Part II, 2019
California Ethics and Fraud Case Studies, 2019
Joint Interest Accounting Stories from the Trenches, 2018
Avoiding Problems in Conducting Single Audits, 2018
Governmental Accounting and Auditing Update, 2018
State Association of County Auditors Conference, 2018
Risk Assessments, 2018 Accounting Industry Update, 2018
Ethical Responsibilities for CPAs, 2018

Vivi Le, CPA

2021 Com, 2021
2021 Compliance Supplement and Single Audit Update, 2021
Governmental and NP Accounting & Auditing, 2021
Real World Frauds Found in Governments, 2021
Governmental and Not-For-Profit Annual Update, 2021
Everyday Ethics: Doing Well by Doing Good, 2021
The Good (Ethical Leadership), the Bad (Fraud), and the Ugly (SSARS), 2021
GAAP - Update of Significant Accounting Topics, 2021
2020 Supplement and COVID-19 Single Audit Implications, 2020
AuditWatch Level 4.5 - Day 3: Beyond In-Charge - Taking the Next Step, 2020
AuditWatch Level 4.5 - Day 2: Beyond In-Charge - Taking the Next Step, 2020
AuditWatch Level 4.5 - Day 1: Beyond In-Charge - Taking the Next Step, 2020
Annual Update: Top Governmental and Not-for-Profit Accounting and Auditing Issues Facing CPAs, 2020
Governmental Accounting and Auditing Update, 2020
Applying Key Provisions of Risk Assessment Standards to Improve Audit Effectiveness and Efficiency, 2020
Recent Changes to Key Topics in Accounting, Auditing, and Attest, 2020
AuditWatch Level 4: Experienced In-Charge Training, 2019
The New Yellow Book: Government Auditing Standards, 2018 Revision, 2019
Governmental Accounting and Auditing Update, 2019
California Ethics and Fraud Case Studies, 2019
GAAP Update, 2019
Ethics in Accounting, 2018
Avoiding Problems in Conducting Single Audits, 2018
Governmental Accounting and Auditing Update, 2018
Accounting and Auditing Update Single Audit, 2018
Accounting Industry Update, 2018
Ethical Responsibilities for CPAs, 2018
What Every CPA Should Know About Fraud, 2018

Lindsey Gentry, CPA

AuditWatch Level 5: Beyond In-Charge - Taking the Next Step - Day 4, 2021
AuditWatch Level 5: Beyond In-Charge - Taking the Next Step - Day 3, 2021
AuditWatch Level 5: Beyond In-Charge - Taking the Next Step - Day 2, 2021
AuditWatch Level 5: Beyond In-Charge - Taking the Next Step - Day 1, 2021
Governmental and NP Accounting & Auditing, 2021
Real World Frauds Found in Governments, 2021
Governmental and Not-For-Profit Annual Update, 2021
The Good (Ethical Leadership), the Bad (Fraud), and the Ugly (SSARS), 2021
GAAP - Update of Significant Accounting Topics, 2021
The Mindful CPA, 2020
AuditWatch Level 4 - Day 3: Experienced In-Charge Training, 2020
AuditWatch Level 4 - Day 2: Experienced In-Charge Training, 2020
AuditWatch Level 4 - Day 1: Experienced In-Charge Training, 2020
Effective Leadership - Finding Common Ground Despite Differing Points of View, 2020
Annual Update: Top Governmental and Not-for-Profit Accounting and Auditing Issues Facing CPAs, 2020
Governmental Accounting and Auditing Update, 2020
Applying Key Provisions of Risk Assessment Standards to Improve Audit Effectiveness and Efficiency, 2020
Recent Changes to Key Topics in Accounting, Auditing, and Attest, 2020
The New Yellow Book: Government Auditing Standards, 2018 Revision, 2019
Governmental Accounting and Auditing Update, 2019
New Hire Training - Day 5, 2019
New Hire Training - Day 3, 2019
California Ethics and Fraud Case Studies, 2019
GAAP Update, 2019
Audit Planning Training, 2018
New Staff Audit Training, 2018
New Staff Audit Training, 2018

Appendix II

External Quality Control Review Report



9250 EAST COSTILLA AVENUE, SUITE 450
GREENWOOD VILLAGE, COLORADO 80112
303-792-3020 (o) | 303-792-5153 (f)
WWW.WCRCPA.COM

REPORT ON FIRM'S SYSTEM OF QUALITY CONTROL

June 27, 2019

To the Shareholders of
Brown Armstrong Accountancy Corporation
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Brown Armstrong Accountancy Corporation (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended October 31, 2018. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

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

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

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

RANDY WATSON | JEREMY RYAN | TROY COON | KELLY WATSON | JOHNNIE DOWNING

APPENDICES

Palmdale Water District

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act and audits of employee benefit plans.

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

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Brown Armstrong Accountancy Corporation applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended October 31, 2018, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Brown Armstrong Accountancy Corporation has received a peer review rating of *pass*.

Watson Coon Ryan, LLC

Watson Coon Ryan, LLC

APPENDICES

Palmdale Water District

Appendix III

Summary of Recent Governmental Experience

CITIES	RETIREMENT PLANS	SPECIAL DISTRICTS
City of Baldwin Park	Contra Costa County Employees' Retirement Association	Antelope Valley East Kern Water Agency
City of Bakersfield	Fresno City Employees' Retirement System	Bear Mountain Recreation and Park District
City of Burlingame	Fresno County Employees' Retirement Association	Buena Vista Water Storage District
City of Fresno	Imperial County Employees' Retirement System	California Valley Community Services District
City of Huron	Kern County Employees' Retirement Association	Carpinteria Valley Water District
City of Laguna Woods	Los Angeles Fire and Police Pension System	Cawelo Water District
City of Morro Bay	Los Angeles City Employees' Retirement System	East Bay Regional Park District
City of Paso Robles	Los Angeles County Employees' Retirement Association	Eastern Kern Air Pollution Control District
City of St. Helena	Marin County Employees' Retirement Association	Goleta Water District
City of Tulare	Merced County Employees' Retirement Association	Indian Wells Valley Groundwater Authority
City of Visalia	Sacramento County Employees' Retirement System	Kern Tulare Water District
	San Diego City Employees' Retirement System	Kern Water Bank Authority
	San Diego County Employees' Retirement Association	Lamont Public Utility District
	San Francisco Bay Area Rapid Transit District Money Purchase Plan and Deferred Compensation Plan	Lebec County Water District
	San Joaquin County Employees' Retirement Association	Mojave Public Utility District
	San Joaquin Regional Transit District Retirement Plans	North Kern Cemetery District
		North Coast Unified Air Quality Management District
		Riverside County Habitat Conservation Agency
		Pixley Public Utility District
		Port Hueneme Water Agency
		San Joaquin Area Flood Control Agency
		San Joaquin Valley Air Pollution Control District
		Shafter Recreation and Park District
		Sonoma County Public Safety Consortium
		South San Joaquin Irrigation District
		West Valley County Water District
		Westside Mosquito Abatement District
FIRST 5s	San Luis Obispo County Employees' Pension Trust	
First 5 Kern	San Mateo County Employees' Retirement Association	
First 5 Merced	Santa Barbara County Employees' Retirement System	
First 5 Monterey	Sonoma County Employees' Retirement Association	
First 5 Napa	Tulare County Employees' Retirement Association	
First 5 San Mateo	Ventura County Employees' Retirement Association	
First 5 Sonoma		
First 5 Ventura		
COUNTIES	NONPROFITS	HEALTHCARE
County of Fresno	Bakersfield ARC	Kern Health Systems
County of Kern	Community Action Partnership of Kern	Kern Medical
County of Merced	Community Action Partnership of San Luis Obispo	Liberty Health Advantage
County of Riverside	Community Action Partnership of Madera County	Heritage Provider Network
County of San Joaquin	Kern County Bar Association	Heritage California Medical Group
County of Santa Barbara	Kern County Library Foundation	Heritage New York Medical Group
County of Santa Cruz	Missionary Church Western Regional	Southwest Health Care District
County of Stanislaus	Tranquil Waters Guidance Center	Riverside County Health System - Medical Center
County of Tulare	Valley Consortium for Medical Education	San Joaquin County General Hospital
County of Napa	Women's Center - High Desert	
SCHOOLS DISTRICTS	TRANSIT DISTRICTS	
Richland School District	Anaheim Transportation Network	Riverside County Transportation Commission
	Antelope Valley Transit Authority	Riverside Transit Agency
	Central Contra Costa Transit Authority	San Joaquin Council of Governments
	Eastern Contra Costa Transit Authority	San Joaquin Regional Transit District
	Fresno County Transportation Authority	San Luis Obispo Council of Governments
	Gold Coast Transit District	Santa Barbara Metropolitan Transit District
	Golden Empire Transit District	Santa Cruz Metropolitan Transit District
	Kern Council of Governments	Solano County Transit
	Kings County Area Public Transit Agency	Stanislaus Council of Governments
	Marin County Transit District	Tulare County Association of Governments
	Napa Valley Transportation Authority	

Palmdale Water District

TECHNICAL PROPOSAL

For Professional Auditing Services for the Palmdale Water District

*For fiscal years ending December 31, 2021 through
2023, with the option of auditing its financial
statements for each of the two subsequent fiscal
years.*

September 30, 2021

Contact Person:

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



Palmdale Water District

Table of Contents

	<u>Page</u>
Letter of Transmittal.....	1
Firm Qualifications and Experience	3
Independence.....	3
Insurance.....	3
License to Practice in California	3
Firm Qualifications.....	3
Technical Approach.....	4
Firm Experience	5
Additional Activities	5
Client Training Seminar.....	6
GASB 68 Firm Developed Tools and Assistance.....	6
Quality Control Review.....	6
Federal or State Desk Reviews.....	9
Disciplinary Action	9
Litigations	9
Partner, Supervisory, and Staff Qualifications and Experiences	10
Similar Engagements with Other Governmental Entities	17
Understanding of Services to be Provided.....	21
Specific Audit Approach.....	22
Objectives of Our Services.....	22
Audit Approach.....	22
Technical Approach.....	23
Use of Technology in the Audit	25
Firm's Capability to Work Remotely.....	27
Audit Schedule	28
Discussion of Relevant Accounting Issues.....	31
Conclusion	32
Appendix A.....	33
References	33
Appendix B.....	34
Prepared by Client (PBC) List.	34
Appendix C.....	40
Copy of an Annual Financial Report	40



September 30, 2021

Mr. Dennis Hoffmeyer
Finance Manager/CFO
Palmdale Water District
2029 East Avenue Q
Palmdale, California 93550

Dear Mr. Hoffmeyer:

Badawi & Associates (B&A), Certified Public Accountants (the "Firm") is pleased to have the opportunity to respond to your request for a proposal to provide external audit services and to submit its qualifications to perform an independent audit of the financial statements of the Palmdale Water District (the "District") for the fiscal years ending December 31, 2021, through 2023, with the option of auditing its financial statements for each of the two subsequent fiscal years. The objective of our audits is to issue opinions regarding the fairness of presentation of the financial position of the District in accordance with generally accepted accounting principles. These audits are to be performed in accordance the standards set forth for financial audits in the Government Accountability Office's (GAO) Government Auditing Standards, with the *Minimum Audit Requirements and Reporting Guidelines for California Special Districts* as required by the State Controller's Office and with Generally Accepted auditing Standards (GAAS), as well as any other applicable federal, state, local or programmatic audit requirements.

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

- Single Audit (if required)
- GANN Limit Agreed-upon Procedures
- State Controller's Report

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

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

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

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

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

Mr. Dennis Hoffmeyer
Finance Manager/CFO
Palmdale Water District
Page 2

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

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

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

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

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

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

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

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

Sincerely,



Partner
Badawi & Associates
Certified Public Accountants

**Firm
Qualifications
and
Experience****Independence**

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

Insurance

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

License to Practice in California

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

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

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

Firm Qualifications

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

Located in Berkeley, CA, the Firm serves a variety of cities throughout California as well as conducting financial related services for numerous special districts and authorities. Names and phone numbers of several of our current and past clients and other references are provided for your inquiries. We encourage you to contact these individuals to obtain information on the quality of the audit and the ability of the audit staff.

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

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

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

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

Technical Approach

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

The audit approach will consist of four phases:

1. **Initial Planning Meeting:**

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

2. **Interim:**

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

3. **Year end:**

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

4. **Reporting:**

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

Firm Experience

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

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

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

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

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

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

Additional Activities

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

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

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

Client Training Seminar

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

GASB 68 Firm Developed Tools and Assistance

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

Quality Control Review

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



Report on the Firm's System of Quality Control

Badawi & Associates

Oakland, California;

and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Badawi & Associates (the firm) in effect for the year ended February 28, 2019. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

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

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

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

Required Selections and Considerations

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

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

CPAs ■ Advisors

4120 Concourse, Suite 100, Ontario, CA 91764
909.948.9990 / 800.644.0696 / FAX 909.948.9633
gyl@gylcpa.com
www.gylcpa.com



Peer Review Report
Page 2 of 2

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Badawi & Associates in effect for the year ended February 28, 2019, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Badawi & Associates has received a peer review rating of *pass*.

GYL LLP

Ontario, California
May 31, 2019

GVL

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

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

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

Federal or State Desk Reviews

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

Disciplinary Action

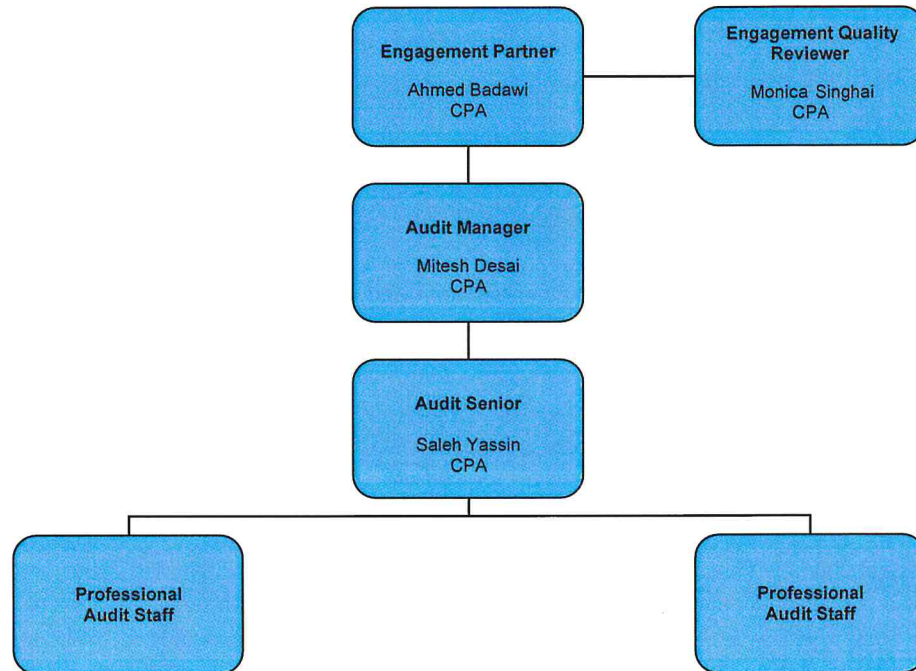
There has not been any state or federal disciplinary actions taken or pending against the Firm nor any findings to report.

Litigations

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

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

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



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

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

The third member of the Engagement Team will be Saleh Yassin, CPA. Mr. Yassin's background includes nine years of accounting and auditing experience. He has participated in the audits of numerous governmental entities and assisted in their efforts to publish their financial statements in compliance with various regulations, and is a volunteer member of the GFOA Special Review Committee. Mr. Yassin will be the Audit Senior of this engagement.

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

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

Professional Development:

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

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

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

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

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

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

The Team members will continue their professional development efforts.

Staff Retention and Continuity:

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

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

Resumes of each member of the Engagement Team follow.

Ahmed Badawi, Certified Public Accountant – Engagement PartnerLength of Career

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

Professional Experience

- Partial listing of clients served:

	Services Provided					
	Financial Audit	Single Audit	RDA Audit	PFA Audit	Water Enterprise	Other
Special Districts and Other:						
Alameda County Water District	X				X	X
Elk Grove Water District	X				X	
Marin Municipal Water District	X				X	X
Solano County Water Agency	X					
Castro Valley Sanitary District	X					
West County Wastewater District	X					X
Aptos/La Selva Fire Protection District	X					
Central County Fire District	X					
Coastside Fire Protection District	X					X
Cosumnes Community Services District	X					X
East Bay Regional Park District	X	X				X
Metropolitan Transportation Commission						X
Sanitary District No. 5	X					
South Bayside System Authority	X					X
Southern Marin Fire Protection District	X					
Stanislaus County Childcare	X					X
Cities:						
Antioch	X	X		X	X	X
Azusa	X	X		X	X	
Burlingame	X				X	X
Cotati	X				X	X
Folsom	X	X			X	X
Millbrae	X				X	X
Oakdale	X	X	X		X	X
Petaluma	X				X	X
Redwood City	X	X			X	X
San Bruno	X	X	X		X	X
San Luis Obispo	X				X	X
Sebastopol	X				X	X
Turlock	X	X	X	X	X	X
Yuba City	X	X			X	X
Counties:						
Santa Cruz County	X	X	X	X		X
Contra Costa County	X	X	X	X		X

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

Education

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

Professional Activities

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

Continuing Education

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

Mitesh Desai, Certified Public Accountant – Professional Audit Manager

Length of Career

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

Professional Experience

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

	Services Provided					
	Financial Audit	Single Audit	RDA Audit	PFA Audit	Water Enterprise	Other
Special Districts and Other:						
Alameda County Water District	X				X	X
Elk Grove Water District	X				X	
Marin Municipal Water District	X				X	X
Castro Valley Sanitary District	X					
West County Wastewater District	X					X
Coastside Fire Protection District	X					X
Cosumnes Community Services District	X					X
East Bay Regional Park District	X	X				X
Metropolitan Transportation Commission						X
Monterey Bay Unified Air Pollution Control District	X					
Sanitary District No. 5	X					
South Bayside System Authority	X					X
Stanislaus County Childcare	X					X
Cities:						
Antioch	X	X		X	X	X
Azusa	X	X		X	X	
Burlingame	X				X	X
Cotati	X				X	X
Folsom	X	X			X	X
Millbrae	X				X	X
Oakdale	X	X	X		X	X
Petaluma	X				X	X
Redwood City	X	X			X	X
San Bruno	X	X	X		X	X
San Luis Obispo	X				X	X
Sebastopol	X				X	X
Turlock	X	X	X	X	X	X
Yuba City	X	X			X	X
Counties:						
Santa Cruz County	X	X	X	X		X
Contra Costa County	X	X	X	X		X

Education

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

Professional Activities

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

Continuing Education

- Various municipal accounting courses offered by the California Society of CPAs and local universities including:
 - Governmental Financial Reporting Standards and Practices
 - Yellow Book: Government Auditing Standards
 - Municipal Accounting
 - Single Audit

Saleh Yassin, Certified Public Accountant – Professional Audit Senior

Length of Career

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

Professional Experience

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

	Financial Audit	SCO Report	Services Provided			
			Single Audit	PFA Audit	Water Enterprise	Other
Special Districts and Other:						
Solano County Water Agency	X					
Southern Marin Fire Protection District	X					
Central County Fire District	X					
Hayward Area Recreation and Park District	X	X	X			
Regional Government Services Authority	X					
San Mateo Mosquito District	X	X				
Sutter Animal Services Authority	X					
Sutter Butte Flood Control Agency	X					
Zayante Fire Protection District	X					
Housing Endowment and Regional Trsut	X					
Newark Betterment Corporation	X					
Cities:						
Albany	X					X
Antioch	X				X	X
Azusa	X				X	X
Berkeley	X					X
El Cerrito	X					
East Palo Alto	X					
Larkspur	X					X
Newark	X					X
Oakdale	X				X	X
Petaluma	X	X		X	X	
Pinole	X					X
San Luis Obispo	X				X	
San Mateo	X					
Sebastopol	X	X			X	
Solvang	X				X	
Vacaville	X	X	X		X	X
Yountville	X				X	
Yuba City	X				X	X

Education

- BA Degree in Accounting from University of Asmara, Eritrea

Professional Activities

- Member, American Institute of Certified Public Accountants
- Member of the Association of Chartered Certified Accountants
- Volunteer Member, GFOA Special Review Committee

Continuing Education

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

Monica Singhai, Certified Public Accountant – Engagement Quality Reviewer

Length of Career

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

Professional Experience

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

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

Education

- Bachelor of Science in Accounting from Jabalpur University, India

Professional Activities

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

Continuing Education

- Various local governments and not for profit accounting courses offered by the California Society of CPAs and AICPA including:
 - Governmental Financial Reporting Standards and Practices
 - Yellow Book: Government Auditing Standards
 - Single Audit
- Has met the current CPE educational requirements to perform audits on governmental agencies.

**Similar
Engagements
with Other
Governmental
Entities**

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

Special District	Client Since	Hours	Engagement Partner	Principal Contact	Annual Comprehensive Financial Report	GFOA Award	Single Audit	Enterprise Funds
Florin Resource Conservation District/ Elk Grove Water District	2015	350	Mitesh Desai	Mr. Patrick Lee Finance Manager / Treasurer (916)685-3556 plee@egwd.org	Yes	Yes		X
Hayward Area Recreation and Park District	2017	350	Ahmed Badawi	Ms. Janelle Cameron Administrative Services Director (510)881-6707 camj@haywardrec.org	No	N/A		
Amador County Transportation Commission	2019	260	Ahmed Badawi	Mr. John Gedney Executive Director (209)267-2282 john@actc-amador.org	No	N/A		
Solano County Water Agency	2020	243	Ahmed Badawi	Mr. Roland Sanford General Manager (707) 455-1103 rsanford@scwa2.com	No	N/A		
San Mateo Mosquito and Vector Control District	2018	228	Ahmed Badawi	Mr. Richard Arrow Finance Director (650)344-8592 rarrow@smcmvcd.org	Yes	Yes		
Monterey Bay Unified Air Pollution Control District	2016	200	Mitesh Desai	Ms. Rosa Rosales Administrative Services Manager (831)718-8019 rrosales@mbard.org	No	N/A		
Southern Marin Fire Protection District	2020	160	Ahmed Badawi	Ms. Alyssa Schiffmann Finance Manager (415)388-8182 aschiffmann@smfd.org	No	N/A		
Aptos La Selva Fire District	2016	150	Mitesh Desai	Ms. Nancy Dannhauser Finance Director nancyd@centralfpd.com (831)685-6690	No	N/A		
Central County Fire Department	2012	150	Mitesh Desai	Ms. Jan Cooke Finance Director (650)375-7408 jcooke@hillsborough.net	Yes	Yes		
Zayante Fire Protection District	2017	150	Mitesh Desai	Mr. John Stipes Fire Chief (831) 335-5100 chief2401@cwncast.net	No	N/A		
Santa Cruz Regional 9 - 1 - 1	2016	150	Mitesh Desai	Mr. Dennis Kidd General Manager (831)471-1038 dennis.kidd@scr911.org	No	N/A		
Resource Conservation District of Santa Cruz County	2017	150	Mitesh Desai	Ms. Sharon Corkrean Director of Finance scorkrean@rcdsantacruz.org	No	N/A	X	
Port of San Luis Harbor District	2017	150	Ahmed Badawi	Ms. Kristen Stout Business Manager (805)595-5413 kristens@portsanluis.com	Yes	Yes		X
Central Fire Protection District of Santa Cruz County	2018	150	Mitesh Desai	Mrs. Nancy Dannhauser Finance Director (831)479-6842 nancyd@centralfpd.com	No	N/A		

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

* Indicates cities with population over 50,000

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

	City	Client Since	Hours	Engagement Partner	Principal Contact	Annual Comprehensive Financial Report	GFOA Award	Single Audit	Water Fund	Sewer Fund	Enterprise Funds
**	Richmond	2020	3,160	Ahmed Badawi	Ms. Delmy Cuellar Finance Manager (510)620-6790 Delmy_Cuellar@ci.richmond.ca.us	X		X			X
**	Berkeley	2008	1,850	Mitesh Desai	Mr. Henry Oyekanmi Finance Director (510)981-7300 hoyekanmi@ci.berkeley.ca.us	X	X	X		X	X
*	Union City	2006	850	Mitesh Desai	Mr. Mark Evanoff Interim Finance Director (510)675-5345 MarkE@unioncity.org	X	X	X			X
**	Folsom	2019	807	Ahmed Badawi	Ms. Stacey Tamagni Finance Director (916)461-6712 stamagni@folsom.ca.us	X	X	X	X	X	X
*	Petaluma	2019	691	Ahmed Badawi	Ms. Corey Garberolo Finance Director (707)778-4357 cgarbero@cityofpetaluma.org	X	X		X	X	
	San Luis Obispo	2019	638	Ahmed Badawi	Ms. Brigitte Elke Finance Director (805)781-7125 belke@slocity.org	X	X		X	X	
*	Antioch	2005	586	Mitesh Desai	Ms. Dawn Merchant Finance Director (925)779-6135 dmerchant@ci.antioch.ca.us	X	X	X	X	X	X
	Lafayette	2020	586	Ahmed Badawi	Ms. Tracy Robinson Administrative Services Director (925)299-3227 trobinson@lovelafayette.org	X	X				X
	East Palo Alto	2014	560	Mitesh Desai	Mr. Tomohito Oku Finance Director (650)853-3122 toku@cityofepa.org	X	X	X	X		X
	El Cerrito	2018	547	Ahmed Badawi	Mr. Mark Rasiah Finance Director/City Treasurer (510)215-4312 mrasiah@ci.el-cerrito.ca.us	X	X	X			X

	City	Client Since	Hours	Engagement Partner	Principal Contact	Annual Comprehensive Financial Report	GFOA Award	Single Audit	Water Fund	Sewer Fund	Enterprise Funds
**	Dublin	2018	546	Ahmed Badawi	Ms. Lisa Hisatomi Director of Finance & Admin. Services (925)833-6640 Lisa.Hisatomi@dublin.ca.gov	X	X				
	Azusa	2017	540	Ahmed Badawi	Ms. Talika Johnson Administrative Services Director (626)812-5202 tjohnson@AzusaCa.Gov	X	X	X	X	X	X
	Millbrae	2015	524	Ahmed Badawi	Mr. Mike Sung Finance Director (650)259-2433 msung@ci.millbrae.ca.us	X			X	X	X
*	Yuba City	2017	450	Ahmed Badawi	Mr. Spencer Morrison Finance Director (530)822-4615 smorrison@yubacity.net	X	X	X	X	X	X
	Pinole	2018	419	Ahmed Badawi	Ms. Markisha Guillory Finance Director (510)724-9823 MGuillory@ci.pinole.ca.us	X				X	X
	Larkspur	2019	382	Ahmed Badawi	Ms. Cathy Orme Administrative Services Director (415) 927-5019 Finance@cityoflarkspur.org			X			X
	Los Gatos	2017	366	Ahmed Badawi	Mr. Stephen Conway Finance and Admin. Services Director (408)354-6828 sconway@losgatosca.gov	X	X				
	Lindsay	2017	366	Ahmed Badawi	Ms. Juana Espinoza Finance and Accounting Manager (559)562-7102 ext. 8025 jespinoza@lindsay.ca.us				X	X	X
	Waterford	2018	311	Ahmed Badawi	Mrs. Tina Envia Finance Manager (209)874-2328 Ext: 104 tenvia@cityofwaterford.org				X	X	X
	Solvang	2019	308	Ahmed Badawi	Ms. Xenia Bradford City Manager (805)688-5575 xeniab@cityofsolvang.com	X	X		X	X	
	Oakdale	2016	306	Ahmed Badawi	Mr. Albert Avila Finance Director (209)845-3584 aavila@ci.oakdale.ca.us			X	X	X	X

	City	Client Since	Hours	Engagement Partner	Principal Contact	Annual Comprehensive Financial Report	GFOA Award	Single Audit	Water Fund	Sewer Fund	Enterprise Funds
	Guadalupe	2017	303	Ahmed Badawi	Mrs. Carolyn Cooper Finance Director (805)356-3895 ccooper@ci.guadalupe.ca.us			X	X	X	X
	Sebastopol	2017	275	Mitesh Desai	Mrs. Ana Kwong Finance Director (707)824-4879 akwong@cityofsebastopol.org	X	X		X	X	X
	Cotati	2020	265	Ahmed Badawi	Ms. Angela Courter Director of Administrative Services 707-665-4236 acourter@cotaticity.org	X	X		X	X	X
	Crescent City	2014	227	Mitesh Desai	Ms. Linda Leaver Finance Director (707)464-7483 x224 lleaver@crescentcity.org			X	X	X	X
	Scotts Valley	2019	202	Ahmed Badawi	Ms. Casey Estorga Administrative Services Director (831) 440-5615 cestorga@scottsvally.org	X	X				X
	Calimesa	2013	193	Mitesh Desai	Ms. Bonnie Johnson Finance Director (909)795-9801 ext 231 bjohnson@cityofcalimesa.net						

Understanding of Services to be Provided

The District desires an audit of the financial records for the District and an expression of an opinion in accordance with generally accepted accounting principles on the fairness of presentation of financial statements for the fiscal years ending December 31, 2021 through 2023, with the option of auditing its financial statements for each of the two subsequent fiscal years.

The Firm will:

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

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

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

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

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

Specific Audit Approach

Objectives of Our Services

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

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

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

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

Audit Approach

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

The audit will be conducted in accordance with:

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

We will conduct the necessary audit steps to perform:

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

Technical Approach

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

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

1. Planning, Understanding and Communication:

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

2. In-Depth Review of Systems and Controls:

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

3. Risk-Based Customized Testing Program:

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

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

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

4. Expanded Interim Fieldwork:

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

5. Smooth Transition:

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

6. Sample Size and Sampling Techniques:

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

7. Automated Systems:

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

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

In addition, we will review controls over:

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

8. Analytical Procedures:

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

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

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

10. Report Format:

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

11. Work Plans:

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

12. Adjusting Journal Entries:

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

Use of Technology in the Audit

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

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

The Firm maintains a variety of specialized software packages during the audit that enable us to perform an efficient, thorough, and timely audit and keeping time demands on District staff to a minimum.

Trial Balance Management and Financial Statement Preparation

ProSystem Fx Engagement allows us to import and manage multiple years of trial balance data including budgetary information, create multiple account groupings, generate reports, post journal entries proposed during the audit (including GASB 34 conversion entries), and link information directly to the financial statements. This gives us the ability to:

- Generate immediate trend and other comparative analysis of trial balance and budget data prior to the start of the audit. This allows us to identify potential issues and make inquiries early in the audit
- Link the financial statements and footnotes prior to the start of the audit allowing us to have majority of the financial statements (including budgetary comparison schedules and other supplementary information) prepared at the time the trial balance is uploaded
- Audit adjustments or District adjustments provided during the audit are automatically reflected in the financial statements

Audit Request Management and Document Exchange

CCH Engagement Organizer ("Organizer") is a virtual "Prepared by Client (PBC) List" that streamlines the process of requesting, receiving, and keeping track of documents. The Organizer is an integrated cloud-based request list that helps to facilitate the engagement through more seamless collaboration between the Firm and our clients. By utilizing the Organizer, the District can do all of the following in one secure virtual environment:

- Attach files of any type to document requests
- Easily track the status of document requests that are either pending, completed by the District, accepted by us, or rejected by us
- Access templates and documents from us that require completion
- Have multiple District staff get involved and assist in the audit process
- Participate in a dialog with us for questions and notes

Especially with having to perform a large part of the audit remotely in 2020, and anticipated for the upcoming year, we have found that the use of the Organizer has helped our clients be always informed as to the status of their audit, and not be surprised with new requests or follow up on outstanding requests previously provided.

Computer Aided Audit Tools (CAATs)

The Firm's data analytics software enables our Engagement Team to perform more than 150 Computer Aided Audit Tools (or "CAATs"). CCH Teammate Analytics gives us the ability to perform advanced data analysis and increase efficiency. By utilizing this software, we can:

- Immediately visualize and analyze 100% of account populations with graphs, charts and statistics to identify anomalies
- Make fewer sample selections that are targeted to problematic areas
- Quickly analyze transactional data for:
 - Duplicate records
 - Missing transactions
 - Transaction sequence
 - Unusual items
- Compare excel worksheets for changes or differences
- Generate immediate testing samples
- Perform regression analysis
- Filter and extract data from District reports

Audit Planning, Risk Assessment, and Audit Programs

Our firm utilizes CCH Knowledge Coach, which is an expert system that adapts and customizes our audit approach specifically based on the District's structure, operating environment, specific transactions, and identified risks or matters to be addressed in the audit. The software is frequently updated for new industry trends and audit requirements. Included in the software is a continuous diagnosis of audit forms that identifies missing information, procedures, or any conflicts that need to be addressed prior to issuance of the audit report. We have found that this audit tool greatly benefits our audit clients in the following ways:

- Removal of standardized audit steps and procedures that do not add value to the audit
- Targeted audit procedures focusing on risks and accounts specific to the District's operations
- Audit is always performed in accordance with audit standards especially the risk assessment standards
- Maximizing audit efficiency having less District staff time dedicated to gathering information or responding to inquiries by focusing on material issues
- Automatic self-diagnostics ensure no audit steps are missed, guaranteeing a quality audit

Research Tools

We maintain multiple research software packages that are always kept up to date to ensure compliance with accounting and auditing standards, and are also a resources for us to provide guidance to our clients. In addition to accounting and audit literature, we have access to interactive disclosure checklists that include sample footnote disclosures and financial statements.

**Firm's
Capability
to Work
Remotely**

Due to the COVID-19 pandemic in 2020 and continuing in 2021, we have had to adapt to a new environment that had brought on challenges for both our clients and our firm, which we were able to overcome successfully and continue to discuss with our clients on improvements we can make for addressing any concerns. Remote auditing has not been new to our firm, as we had already implemented remote auditing procedures for a few of our distant clients. Below are the policies and methods we used to address limitations created by the pandemic, which we plan to continue to incorporate partially or completely in future contract periods, if these are preferred to the traditional audit process:

- Staff Interviews and Meetings are conducted via video conferencing software (either Zoom or other software used by the District).
- Earlier transmission of documents needed for the audit – We have always provided our request list for the audit timely, however we have found that additional time may be needed by District staff in gathering documents necessary for the audit; so we plan on providing the District with a complete list of documents for all phases of the audit no later than one month prior to the start of the interim fieldwork.
- More frequent and timelier communication – We have found that due to not having on-site presence, communication for the audit needs to be more intentional:
 - We request that certain documents that will be used to make samples (expenditure reports, census data, revenue detail, journal entry listings, other) be provided one week prior to our fieldwork start date. This allows more time for testing selections that we will need to be provided to us during our fieldwork time.
 - The CCH Organizer that we use for exchanging files described in detail on page 26, is updated frequently and displays the status of all requests during the audit. Documents will either be classified as pending, completed, accepted, or rejected.
 - As needed status meetings by video conference
 - Phone calls and/or emails can be made anytime to the audit team
 - After the end of interim and year end fieldwork, we will conduct an exit meeting to discuss the status of the audit, audit findings, new accounting pronouncements and any other topic significant to the audit to keep you informed as to what was accomplished and what are the pending matters.
- We understand that every agency operates differently and being flexible is important. With regard to reviewing documents for testing, we can review documents electronically if they can be scanned and uploaded, alternatively we can schedule a day visit to review them on-site provided there are mandates restricting a site visit and safety precautions are followed. If a site visit is needed, we would request documents be gathered for our review in advance to minimize our time needed to mitigate transmission risk.

If possible, we have found that being provided read-only access to the financial system and any other financial system used to store information relevant to the audit reducing District staff time needs, as the audit team is able to run reports and obtain information independently.

Audit Schedule	2022 Period	Audit Tasks
	January	- Planning and Administration
		<ul style="list-style-type: none"> ▶ Review and obtain copies of key work papers of prior audit firm ▶ Entrance conference with District Management to discuss audit approach, timing, assistance, and issues ▶ Review and evaluate the District's accounting and financial reporting. Prepare an overall memo of recommendations, potential issues, and suggestions for improvements ▶ Prepare overall memo to District confirming audit procedures, timing, and assistance ▶ Prepare detailed audit work plan and audit programs, audit budget and staffing schedule, and list of schedules to be prepared by District staff, and provide it to District Management ▶ Send the Organizer to the District that will include all request items considered to be necessary for the audit
	January	- Internal Control Evaluation
		<ul style="list-style-type: none"> ▶ Meeting with General Manager ▶ Attending Board of Director meetings. ▶ Meeting with off-site locations (if any) ▶ Meeting with key Finance Division personnel ▶ Obtain and document understanding of key internal control systems through walk-throughs, interviews of staff, and review of supporting documentation <ul style="list-style-type: none"> ○ General ledger system ○ Budgeting system ○ Revenue, accounts receivable, and cash collections ○ Purchasing, expenditures, accounts payable, and cash disbursements ○ Payroll ○ Federal Financial Assistance ○ Other systems ▶ Identify control risks ▶ Evaluate IT control environment ▶ Perform testing of the internal control system and evaluate the effectiveness of the District's systems. Select large dollar and random samples of transactions in key operating systems. Sample size to meet required level for determined degree of risk. Review supporting documentation of selected transactions, evaluate adequacy of support and approvals, and conclude on degree of adherence to accuracy and compliance with District policies ▶ Conduct fraud assessment procedures ▶ Assess degree of risk for material misstatement ▶ Provide to the District's management a memo concerning management letter points and identify issues, if any ▶ Interim exit conference with District Management

2022 Period	Audit Tasks
January	<p data-bbox="654 296 813 327">- Other Tasks</p> <ul style="list-style-type: none"> <li data-bbox="654 359 1390 390">▶ Review minutes of Board meetings and other key committees. <li data-bbox="654 390 1451 443">▶ Perform preliminary substantive procedures, which would include tests of: <ul style="list-style-type: none"> <li data-bbox="695 443 1109 474">○ Vendor and contractor payments <li data-bbox="695 474 922 506">○ Payroll expense <li data-bbox="695 506 878 537">○ Utility billing <li data-bbox="695 537 1040 569">○ Pension and OPEB testing <li data-bbox="695 569 1027 600">○ Capital asset acquisitions <li data-bbox="695 600 911 632">○ Journal entries <li data-bbox="695 632 1252 663">○ Retrospective review of accounting estimates <li data-bbox="654 663 1451 716">▶ Financial statement database management and other setup, in addition to drafting of all necessary report templates <li data-bbox="654 716 1451 768">▶ Coordinate with District staff and prepare of all appropriate confirmation requests including: <ul style="list-style-type: none"> <li data-bbox="695 768 911 800">○ Bank accounts <li data-bbox="695 800 1027 831">○ Investment pool accounts <li data-bbox="695 831 967 863">○ Accounts receivable <li data-bbox="695 863 902 894">○ Federal grants <li data-bbox="695 894 1170 926">○ Revenue from governmental agencies <li data-bbox="695 926 984 957">○ Bond and other debts <li data-bbox="695 957 886 989">○ Pension plan <li data-bbox="695 989 911 1020">○ Attorney letters <li data-bbox="695 1020 959 1052">○ Others, as required
March	<p data-bbox="654 1056 857 1087">- Final Field work</p> <ul style="list-style-type: none"> <li data-bbox="654 1119 1219 1150">▶ Entrance conference with District Management <li data-bbox="654 1150 1166 1182">▶ Follow-up on all outstanding confirmations <li data-bbox="654 1182 1451 1266">▶ Verify and validate account balances by reviewing supporting documentation including invoices, vouchers, board resolutions, minutes, and other documents, as required <li data-bbox="654 1266 1451 1329">▶ Perform analytical review of revenue and expenditures. Determine reason for material differences between budget and actual <li data-bbox="654 1329 1451 1413">▶ Perform a search for unrecorded liabilities by reviewing disbursements subsequent to December 31, testing terms of contractual obligations, and interviewing District staff <li data-bbox="654 1413 1451 1497">▶ Perform review of subsequent events by discussions with District Management and update all minutes of District Board and key committees <li data-bbox="654 1497 1162 1528">▶ Exit conference with District Management

2022 Period	Audit Tasks
March - April	- Audit Reports <ul style="list-style-type: none"> ▶ Complete preliminary drafts of financial statements ▶ Prepare other reports as required ▶ Provide drafts of reports to District Management for review ▶ Provide revised final drafts of all required reports to the District for approval
May	- Final Audit Reports, Financial Statements delivered
June	- State Controller's Report delivered and submitted.

Estimated Hours by Audit Phase

Position	Planning	Interim Fieldwork	Year End Fieldwork	Reporting	Total
Partner	3	8	5	1	17
Audit Manager	3	14	16	2	35
Audit Senior	7	24	26	3	60
Professional Audit Staff	-	46	42	5	93
Administrative Assistant	3	4	-	4	11
Total	16	96	89	15	216

Discussion of Relevant Accounting Issues

Identification of Anticipated Potential Audit Problems

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

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

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

2021

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

2022

- Statement 87 – Leases
- Statement 89 – Construction-period Interest
- Statement 92 – Omnibus (multiple effective date)
- Statement 93 – LIBOR Removal and Lease Modifications
- Statement 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

2023

- Statement 91 – Conduit Debt
- Statement 94 – Public-private Partnerships
- Statement 96 – Subscription-Based Information Technology Arrangements

Conclusion

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

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

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

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

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

Appendix A References

- 1) Florin Resource Conservation District/ Elk Grove Water District
 - Scope of Work: Comprehensive Annual Financial Report
 - Date of Service: Fiscal years ended June 30, 2015 - Present
 - Engagement Partner: Ahmed Badawi (2015 – 2019), Mitesh Desai (2020)
 - Address: 9257 Elk Grove Boulevard, Elk Grove, CA 95624
 - Principal Contact:
Mr. Patrick Lee
Finance Manager / Treasurer
(916) 685-3556
plee@egwd.org
- 2) Solano County Water Agency
 - Scope of Work: Comprehensive Annual Financial Report
 - Date of Service: Fiscal years ended June 30, 2020 - Present
 - Engagement Partner: Ahmed Badawi
 - Address: 810 Vaca Valley Parkway, Suite 203, Vacaville, CA 95688
 - Principal Contact:
Mr. Roland Sanford
General Manager
(707) 455-1103
rsanford@scwa2.com
- 3) Hayward Area Recreation and Park District
 - Scope of Work: Annual Financial Report, Measure F1
 - Date of Service: Fiscal years ended June 30, 2017 - Present
 - Engagement Partner: Ahmed Badawi
 - Address: 1099 E Street, Hayward, CA 94541
 - Principal Contact:
Ms. Janelle Cameron
Administrative Services Director
(510) 881-6707
camj@haywardrec.org
- 4) Port of San Luis Harbor District
 - Scope of Work: Comprehensive Annual Financial Report, SAS114.
 - Date of Service: Fiscal years ended June 30, 2017 - Present
 - Engagement Partner: Ahmed Badawi
 - Address: 3950 Avila Beach Drive, Avila Beach, CA 93424
 - Principal Contact:
Ms. Kristen Stout
Business Manager
(805) 595-5413
kristens@portsanluis.com
- 5) Southern Marin Fire Protection District
 - Scope of Work: Annual Financial Report, SAS114, SAS115
 - Date of Service: Fiscal years ended June 30, 2020 - Present
 - Engagement Partner: Ahmed Badawi
 - Address: 28 Libertyship Way, Suite 2800, Sausalito, CA 94965
 - Principal Contact:
Ms. Alyssa Schiffmann
Finance Manager
(415) 388-8182
aschiffmann@smfd.org

Appendix B Prepared by Client (PBC) List.

The following is a Sample Prepared by Client (PBC) List. The actual PBC List will be provided via the CCH Engagement Organizer.

Interim General

- Year-to-date Trial Balance (Balance Sheets & Revenues & Expenditure Reports) for all funds for most recently closed month with comparison to prior year
- Prior Year Trial Balance (Balance Sheets & Revenues & Expenditure Reports) for all funds
- Prior year confirmation letters and list of new bank accounts & list of new debt
- Internal policies/guidelines for closing and reporting
- Internal policies/guidelines for payroll check runs
- Internal policies/guidelines for cash receipts
- Internal policies/guidelines for account payable processes
- Year-to-date Journal entry report for manual journal entries
- Most recent budget-to-actual financial reports submitted to District Board or District Management
- Form 700s from the Board members & District Manager
- Conflict of interest codes
- List of new funds with description
- Annual Comprehensive Financial Report Fund Grouping, Account Grouping/Mapping Schedule, and Mapping of Program Revenues for Governmental Funds
- Memo summarizing the FY2021 status of PY findings (GAGAS and management comments) and processes/controls implemented to address items.
- Signed engagement letters for FY2021 audit
- Brief memo summarizing management's analysis of new accounting standards to be implemented in FY2021
- Copy of the District's organizational chart applicable to FY2021
- Any reports provided by Federal or State grantors or other regulators during FY2021 to date on reviews or audits that may impact the FY2021 audit.
- Detail of legal expenses for FY2021 (as of date)
- Auditor "read-only" access to the District's general ledger system to expedite control testing process. VPN access if possible.
- Prior year Report worksheet used for allocation of GASB 34 expense adjustments to expense programs/functions on Statement of Activities
- Copy of the internal timeline used to execute all tasks for closing and report preparation and indicating responsible District personnel.

Interim Budget

- Resolutions for adopting the 2021 budget
- Electronic report of FY2021 budget adjustments to-date (appropriation changes, object/line item transfers etc.)

Interim Cash

- Most recent bank reconciliation for all bank accounts
- List of all bank accounts (Bank Names, Bank Account Numbers and Authorized Signers)

Interim Investments

- Investment Report for the most recent month submitted to Board
- Annually adopted Investment Policy for FY2021
- Agreements with bank and custodians

Interim Loan/Note receivables

- List of new loans given out in FY2021
- Listing of loans outstanding (Most Recent)
- Loan agreements

Interim Capital Assets

- Most recent capital asset policy
- Detailed listing of assets additions, including CIPs.
- Detailed listing of assets deletions.
- Listing of active construction projects, and construction projects completed during FY2021
- Capital Asset Roll forward Schedule for FY2021 (as of date)

Interim Payroll

- List of locations and number of employees at each location
- Payroll Register for the most recent pay period
- Payroll calendar for FY2021
- System-generated report of District employee hires, terminations, promotions during FY2021 to date.
- Copies (PDF) of or access to MOU labor agreements, and other benefit agreements applicable to payroll periods covered in FY2021
- FY2021 941 Forms

Interim Long-Term Debt

- Official statements including debt service schedules for loans outstanding
- Capital lease agreement and payment schedules
- Listing and official statements for all new non-District obligations debts, if any
- Related Journal entries to recording of new debt
- Related Debt repayment schedules
- Related calculation of Deferred Gain (loss) on Refunding, Issuance Premium, Issuance Discount with supporting amortization schedule(s)
- Schedule of all operating and capital leases applicable to FY2021, with \$ amounts of payments to be made in FY2021

Interim Risk Management

- Agreements with Third Party Claim Administrators
- Data provided to the actuaries for determining the claim liabilities for FY2021
- Actuarial studies to be used for FY2021
- Detailed claim expenditure reports (General Liability and Workers Comp)
- Listing of attorneys utilized by the District during FY2021
- Memorandum of Coverage for policies in effect for FY2021

Interim Computer Controls

- Contingency plans for the IT department, if there is a new one
- Any new policies and procedures manual for the IT department

Interim Revenue

- Approved billing rates and Board Resolution
- Detailed tax revenue reports (sales taxes, property taxes, and etc.)
- Detailed grant revenue reports
- Listing of all sites where cash (and checks) is collected with approximate daily or annual \$ amount

Interim Expenditures

- Detailed expenditure report for all funds
- Single excel listing of all District active contracts during FY2021. Please ensure the report includes the following fields: contract number, date contract executed, contract amount, and amount spent in FY2021 (if possible)
- Listing of contract change orders executed during FY2021
- Listing of purchase card (i.e. p-card, CalCard, etc.) holders during FY2021 with Credit Limits and single purchase amounts (if applicable)
- District procurement policy(ies)
- Travel and credit card policy.

Interim GANN Limit

- Resolution to adopt the appropriation limit for FY2022
- The District's calculation of the appropriation limit for FY2022
- Letter from County for assessed valuation for non-residential new construction, if applicable
- FY2021 GANN Limit AUP report
- Resolution to adopt FY2022 appropriation limit

Interim OPEB

- Data provided to the actuaries for GASB 75 Valuation
- OPEB Actuarial Valuation for FY2021
- OPEB Trust statement as of valuation date and measurement date
- Plan agreements

Interim Pension

- CalPERS Appointment status change report
- List of new hires in FY2019
- Agreement with CalPERS

Interim Net Position

- GASB 54 Policies

State Controller's Report

- SCO Report letter for FY2021 (with login credentials)
- Account Mapping used to prepare FY2021 SCO Report
- Supporting documentation used to prepare the FY2021 SCO Report

Interim Single Audit (if required)

- Schedule of Expenditure of Federal Awards for FY2020 (if available)

Year End General

- Final Trial Balance as of 12/31/2021
- Revenue and expenditure report for FY2021 (budget and actual)
- Detailed by transaction revenue report for FY2021
- Detailed by transaction expenditure report for FY2021
- Annual Comprehensive Financial Report Fund rollup (updated for FYE 12/31/2021)
- Annual Comprehensive Financial Report Account rollup (i.e. account coding classifications) updated for FYE 12/31/2021
- Any monitoring/audit reports received during FY2021 (from other auditors or agencies)
- List of all manual journal entries posted to the General Ledger for FY2021 (in Excel format, listing JE numbers, date posted, account posted and the amounts)

Year End Cash & Investments

- Cash and investment summary by bank account
- Bank reconciliations as of 12/31/2021 for all bank accounts with support for reconciling items.
- Investment statements as of 12/31/2021
- Interest Income Fund Allocation Worksheet for FY2021
- Schedule of investments held with book values and fair value as of 12/31/2021 (GASB 31 Worksheet and Investment roll-forward worksheet) along with the credit rating for each investment.
- GASB 72 Levelling information

Year End Accounts Receivable

- Allowance for doubtful accounts calculations as of 12/31/2021 (if any for FY2021)
- A/R aging reports by account numbers/names for all billed receivables for each fund as of 12/31/2021 (if any)
- Listing of A/R accruals by account name for each fund (include nature of revenue and when received)
- Calculation of unbilled revenue accrual

Year End Interest Receivable

- Interest receivable listing with calculations as of 12/31/2021

Year End Taxes Receivable

- Listing of all Taxes Receivable by type of revenues for each fund (please indicate the date that the cash receipt was received for each tax receivable accrual)
- Tax remittance advices for FY2021 from the County

Year End Other Assets

- Listing of inventory as of 12/31/2021
- Listing of Prepaid Expenses as of 12/31/2021
- Support for Investment in Palmdale Recycled Water Authority

Year End Capital Assets

- Capital Assets Rollforward Schedule for FY2021 (by governmental and business-type activities)
- Capital Asset Detail Listings as of FY2021
- Depreciation expense by function for FY2021
- Roll forward schedule of Construction in Progress (CIP) from 1/1/2021 to 12/31/2021. Please include schedule showing CIP placed in service (transferred from CIP to asset accounts) during fiscal year
- Detail schedule of CIP Projects by Project number as of 12/31/2021 (accumulated costs by Project)

Year End Accounts Payable and Expenditures

- A/P Listing as of 12/31/2021 (by vendor)
- Check Register for all checks written on and after 1/1/2022 through current date (by fund).
- Listing of payments made by ACH/wire transfer on and after 1/1/2022
- Open encumbrance listing for each fund as of 12/31/2021

Year End Payroll

- District's calculation of accrued payroll as of 12/31/2021
- Payroll register for last pay period of FY2021

Year End Compensated Absences

- Compensated Absence Payable as of 12/31/2021 by employee
- Roll forward Schedule of Compensated Absences (i.e. list beginning balance as of 1/1/2021, additions, deletions, and ending balance as of 12/31/2021 (by governmental and business type activities)
- Schedule of short-term portion and long-term portion by governmental activities and business type activities (if any), and calculation of short term portion.
- For the governmental activities, provide a schedule which details compensated absences by fund and expenditure function. Please reflect prior year amounts by function to determine current year adjustment required in the government-wide statement of activities.

Year End Refundable Deposit Payable

- Detailed listing of all deposits payable for each fund as of 12/31/2021

Year End Claims Payable

- Memorandum of Coverage for general liability and workers compensation showing coverage and deductibles effective for FY2021

Year End Unearned Revenue

- Detailed listing by fund of unearned revenues with description for each

Year End Unavailable Revenue

- Detailed listing by fund of unavailable revenues with description for each

Year End Long term Debt

- Long-term debt roll forward schedule for FY2021
- Future debt repayment schedules for all debts as of 12/31/2021
- Any new capital lease agreements and payment schedules for FY2021
- District's calculation of accrued interest payable as of 12/31/2021
- Latest arbitrage report for each debt issue
- Journal entry recording new debt

Year End Pension

- MyCalPERS Billing and Payment Summary for FY2021
- GASB 68 Calculation and Journal Entries for FY2021

Year End OPEB

- Detailed expenditure report for actual OPEB contributions made for FYE 12/31/2021
- GASB 75 Actuarial Valuation
- Census data used by Actuary

Year End Fund Balances/Net Position

- GASB 54 roll forward schedule detailing listing of additions and deletions to fund balance classifications
- Any new agreements/resolutions/ordinances/laws supporting assignments/commitments/restrictions on fund balance
- Net Position worksheet, classifying reported fund balance to Net Assets/Net Position

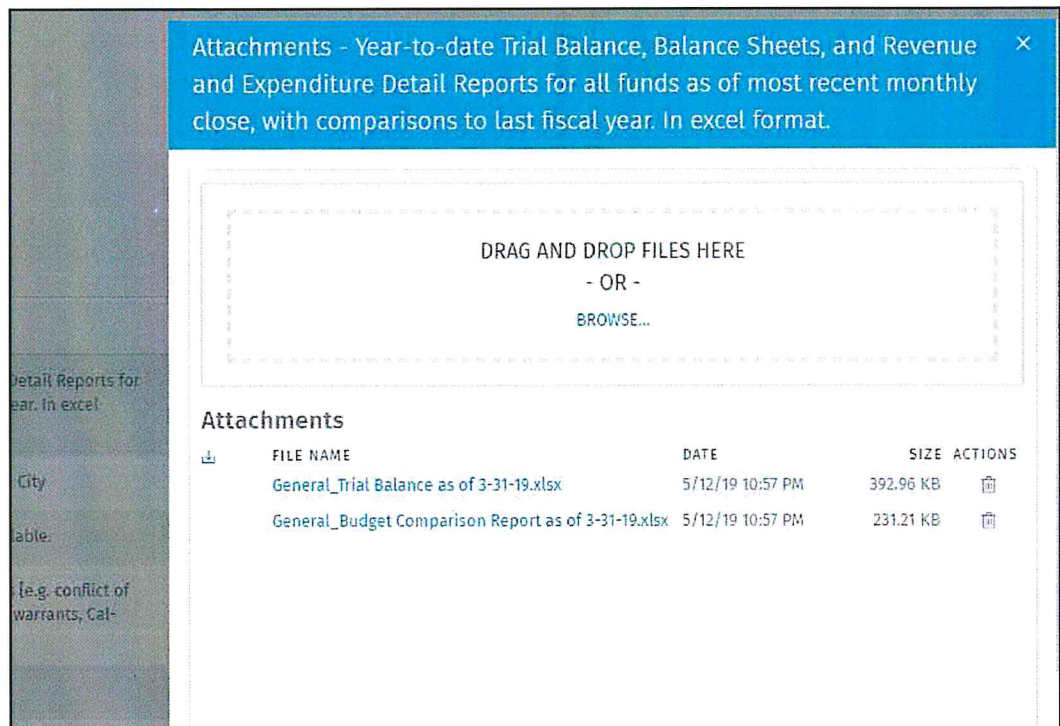
- Schedule of all expenditures of federal awards, state grants, and local grants for FY2021
- General ledger detail expenditure report for federal grants
- Copies of grant agreements and applicable amendments
- Copies of monitoring reports and resulting action plans
- Schedule of sub-recipients expenditures (if applicable)
- Copies of reimbursement requests submitted

Below is the PBC List as it appears in the Organizer:



BADAWI & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Requested documents can be easily uploaded as shown below. Both auditor and client receive automated notifications when changes in the Organizer are made.



Appendix C Copy of an Annual Financial Report

Please see the attached Annual Financial Report for a sample of our Firm format.



Fechter & Company
Certified Public Accountants

3445 American River Drive, Suite A
Sacramento, Ca 95864
(T) 916.333-5360 (F) 916.333-5370

cfechter@gmail.com
www.fechtercpa.com

Company Representative: Craig R. Fechter, CPA MST

Palmdale Water District

September 30, 2021

Proposal for Fiscal Auditing Services

For the Fiscal Years Ending
December 31, 2021, 2022 and 2023
with an option to extend for two (2)
additional years.

Statement of Confidentiality

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

Table of Contents

Letter of Transmittal.....	I-2
-----------------------------------	------------

Section I – Technical Proposal

Independence, License to Practice in California.....	3
Independence.....	3
License to Practice in California	3
Insurance, Continuing Education.....	3
Firm Qualification and Experience	3
Firm Introduction and Standing.....	3
Technology and Security, Other Affirmations.....	4
Engagement Partner and Staff for this Engagement.....	4
Partner, Supervisory and Staff Qualifications and Experience.....	5
Resumes for Key Management and Professional Personnel.....	5-8
Statement of Affirmative Action	8
Similar Engagements with Other Special District Water Districts.....	9
Prior Engagement to the District.....	9
List of Similar Engagements with Other Governmental Entities.....	9
Specific Audit Approach.....	10-12
Proposed Schedule for the 2021 Audit.....	10
Proposed Statements and Schedules, Information Technology Assistance, Accounting Changes	10
Summary of Proposed Schedule Phases.....	10
Detailed Approach to the Audit.....	10-12
Sample Size/Statistical Sampling	11
Analytical Procedures.....	11
Understanding the District's Internal Control Structure	11
Laws and Regulations	11
Drawing Audit Samples.....	11
Identification of Anticipated Potential Audit Problems	13

Section 2 – Cost Proposal

Proposed Schedule of Hourly Rates, Task Time Estimates and Total Charges	14-15
Attachments.....	16-19
A: List of Proposed Statements and Schedules	16-17
B: Quality Control Review.....	18
C: Certificate of Liability Coverage.....	19

September 30, 2021

Dennis J. Hoffmeyer
Finance Manager/CFO

Palmdale Water
District
2029 East Avenue Q
Palmdale, CA 93550

(661) 456-1021

[dhoffmeyer@palmdale
water.org](mailto:dhoffmeyer@palmdalewater.org)

Dear Mr. Hoffmeyer:

Fechter & Company, Certified Public Accountants, is pleased to present our proposal to provide audit services to the Palmdale Water District (the District). The Statement of Firm Qualifications and the credentials listed in the resumes of our team will demonstrate our qualifications, competence, and capacity to perform the audit services requested within the time frame required by the District.

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

The scope of services to our understanding is as follows:

1. Perform a financial audit in accordance with generally accepted standards in the United States of America and Government Auditing Standards 2018, issued by the Comptroller General.
2. Render an auditor's report on the basic financial statements.
3. Apply limited procedures to the management's Discussion and Analysis (MD&A) and Required Supplementary Information (RSI) in accordance with generally accepted auditing standards in the USA.
4. Perform a Single audit as requested in accordance with all compliance requirements as outlined by the Office of Management and Budget (OMB).
5. Issue a separate "management letter" as requested by the District.
6. Perform an agreed upon procedures to assist the District in determining compliance with certain rate coverage ratio covenants as noted in the Water Revenue Refunding Bond Agreement, Series 2013A, 2020A, and 2021A.
7. Prepare the Annual Financial Transactions Report and submit it to the State Controller's Office.

Reports to be Issued:

- I. A report on the Fair presentation of the financial statements in conformity with generally accepted accounting principles in the United States of America;

September 30, 2021

Dennis J. Hoffmeyer
Finance Manager/CFO

Palmdale Water
District
2029 East Avenue Q
Palmdale, CA 93550

(661) 456-1021

[dhoffmeyer@palmdale
water.org](mailto:dhoffmeyer@palmdalewater.org)

2. A report on internal control over financial reporting and on compliance and other matters based on the audit of the financial statements performed in accordance with *Government Auditing Standards*.
3. A separate management letter report that contains two communication letters per Statement on Auditing Standards (SAS).
4. A report on applying agreed upon procedures in determining the District's compliance with certain rate coverage ratio covenants as noted in the Water Revenue Refunding Bond Agreement.
5. Prepare the Annual Financial Transactions Report and submit it to the State Controller's Office.

We commit to completing your audit within the time frame required, which is specified in the Audit Timeline on page 12.

This proposal is an irrevocable offer for fiscal years 2021, 2022, and 2023, valid for 120 days after the date of the proposal. I am authorized to represent and to obligate the firm contractually to the District. I am located 3445 American River Drive, Suite A, Sacramento, CA 95864, and you can contact me by telephone at (916) 333-5360.

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

Very Truly Yours,



Craig R. Fechter, CPA, President

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

SECTION I – TECHNICAL PROPOSAL

Independence and Licensing – Firm Qualifications and Experience

INDEPENDENCE

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

LICENSE TO PRACTICE IN

- Since 2005, our firm has been licensed as a certified public accounting firm by the California State Board of Accountancy.
- All key professional staff are properly licensed in California.

INSURANCE

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

CONTINUING EDUCATION

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

FIRM INTRODUCTION

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

EXPERIENCED AUDITORS

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

STEADFAST TURNAROUND

Our staff turnover is very low. As a result, you will have the same staff from year to year, resulting in a more efficient and effective use of your staff. You receive a high level of personal service with easy access to professionals who can answer your questions and facilitate the audit process.

FIRM STANDING

Our firm has had no disciplinary action taken or pending since its inception in 2005.

We have no prior substandard audit work or unsatisfactory performance pending with the State board of Accountancy or other related professional organizations.

We received an unmodified opinion in our 2017 peer review which has been submitted to the state society of CPAs for approval.

Firm Qualifications and Experience, Continued

Firm's General Experience

TECHNOLOGY AND SECURITY

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

EFFICIENT PROCESSES & PERSONAL SERVICE

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

OTHER AFFIRMATIONS

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

ENGAGEMENT PARTNER AND STAFF FOR THIS ASSIGNMENT

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

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

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

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

Partner, Supervisory and Staff Qualifications and Experience



Craig Fechter, CPA

Classification: President

Years of Experience: 19

Master of Science in Taxation at Golden Gate University, 2012

BS in Business Administration, Accountancy at CSUS, 2001

RELEVANT EXPERIENCE - During college, Mr. Fechter worked for a local sole practitioner. Following graduation from Sacramento State in 2001, he gained valuable experience at two regional CPA firms. In 2005, he struck out on his own and Fechter & Company was born. Throughout his professional career, Mr. Fechter has performed financial statement audits of numerous counties, local government agencies, and non-profit agencies. In 2012, Mr. Fechter earned his Masters of Science in Taxation from Golden Gate University. Mr. Fechter oversees the Firms Tax and Audit practice, providing tax and business consulting to a wide range of professional corporations, not-for-profits, and small businesses.

PROFESSIONAL CERTIFICATIONS AND AFFILIATIONS - Certified Public Accountant, Member California Society of Certified Public Accountants, Member American Institute of Certified Public Accountants, Adjunct Professor of Accounting, University of California, Davis Extension, Executive Committee, Big Brothers Big Sisters of the Greater Sacramento Area, Facilities, Transportation & Finance Committee, San Juan Unified School District, Past Finance Committee Chair, San Juan Education Foundation.

CONTINUING PROFESSIONAL EDUCATION - Mr. Fechter takes annual courses on the Governmental Accounting & Audit Update. He has recently completed a course in the implementation of the new Auditing Standards (SAS 108-114). He also serves on the accounting advisory board for UC Davis Extension and teaches a course, which serves as a source of CPE for Mr. Fechter. Mr. Fechter is an accomplished public speaker and published author. He has taught CPE courses for the American Society of Women Accountants (Sacramento chapter). He is also the author of accounting-related articles published by Comstock's Magazine and The Nugget, the journal of the Sacramento District Dental Society.

FINANCIAL STATEMENT AUDITS: Participated as Engagement Partner - Callayomi County WD, Fox Canyon Groundwater Mgmt Agency, North Coast County WD, Rio Linda-Elverta CWD, Rural N Vacaville WD, Washington County WD. Participated as Lead Auditor - Marin County, MAAP, Inc., San Joaquin County, Stanislaus

Partner, Supervisory and Staff Qualifications and Experience, Continued



Scott German, CPA

Classification: Independent Reviewer

Years of Experience: 35

BS California State University,
Sacramento

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

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

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

VOLUNTEER - St Francis High School, Patron's of the Arts, Sacramento Theatre Company.

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

FINANCIAL STATEMENT AUDITS: *Fechter & Company* - E. Claire Raley Center for the Performing Arts, EMSTA College, Sylvan Cemetery District, Fair Oaks Cemetery District, Creative Solutions 4 Autism, North Coast County Water District, Sunrise Recreation & Park District, Olivehurst Public Utility District

FINANCIAL STATEMENT AUDITS: *With former firms* - California Dental Association, California Manufacturers Association, United Way Sacramento, Teichert Construction, American Red Cross, Sacramento, The Dentists Company, Insurance Services.

INDUSTRY EXPERIENCE - California Optometric Association as Director of Finance, PC Exploration, Inc. as Controller.

Partner, Supervisory and Staff Qualifications and Experience, Continued



Sandy Sup, CPA, MBA

Classification: Audit Manager

Years of Experience: 25

BS University of New Hampshire

MBA at CSUS

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

PROFESSIONAL ASSOCIATIONS - American Institute of Certified Public Accountants (AICPA), California Society of Certified Public Accountants (CalCPA), Government Finance Officers Association (GFOA)

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

FINANCIAL STATEMENT AUDITS: **With Fechter & Company** - Granada Community Services District, Rio Linda/Elverta Water District, East Stanislaus RCD, Thermalito Water and Sewer District, Sewage Commission Oroville Region, Banta-Carbona Irrigation District, East Stanislaus Resource Conservation District, Amador Air District, North Coast County Water District, Markleeville Public Utility District, Olivehurst Public Utility District, Nevada LAFCO.

Partner, Supervisory and Staff Qualifications and Experience, Continued - Affirmative Action and Prior Engagements with the District



Joanne Berry, CPA

Classification: Audit Manager

Years of Experience: 17

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

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

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

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

FINANCIAL STATEMENT AUDITS: **With Fechter & Company** - Olivehurst Public Utility District, Rio Linda/Elverta Community Water District, Progressive Employment Concepts, Bradshaw Christian School, California Society of Health-System Pharmacists, Community Living Options, Sacramento Ballet, International Christian Adoptions, Greater Yosemite Council – Boy Scouts of America

STATEMENT OF AFFIRMATIVE ACTION POLICY

It is Fechter & Company, CPAs' policy to provide equal opportunities of employment opportunities without regard to race, color, religion, sex, national origin, age, disability, marital status, veteran status, sexual orientation, genetic information or any other protected characteristic under law.

Similar Engagements with Other Special District Water Districts

PRIOR ENGAGEMENT TO THE DISTRICT

As previously stated on page 3, our firm has not yet had the opportunity to work with the Palmdale Water District and would look forward to future engagements.

SIMILAR ENGAGEMENTS WITH OTHER SPECIAL DISTRICT WATER DISTRICTS

OJAI VALLEY SANITARY DISTRICT, Ojai, CA

Contact information: Alison Young, Administrative Officer, 1072 Tico Road, Ojai, CA 93023, 805-646-5548
Alison.Young@ojaisan.org

Scope of audit work:

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

Hours Annually: 190

Partner: Craig R. Fechter

Fiscal Years 2019 - Present

NORTH COAST COUNTY WATER DISTRICT, Pacifica, CA

Contact information: Connie Hsu, Accountant, 2400 Francisco Blvd, Pacifica, CA 94044, 650-355-3462,
chsu@nccwd.com

Scope of audit work:

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

Hours Annually: 175

Partner: Craig R. Fechter

Fiscal Years 2016-present

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

Contact information: Deborah Denning, Bookkeeper, 730 L St., Rio Linda, CA 95673, 916-991-1000,
ddenning@rlcawd.com

Scope of audit work: CAFR Client

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

Hours Annually: 150

Partner: Craig R. Fechter

Fiscal Years 2015-present

THERMALITO WATER & SEWER DISTRICT, Oroville, CA

Contact information: Carolyn Padilla, Office Manager, 410 Grand Ave, Oroville, CA 95965, 530-533-0740,
cpadilla@twswd.info

Scope of audit work:

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

Hours Annually: 120

Partner: Craig R. Fechter

Fiscal Years 2016-2017

Specific Audit Approach

A list of proposed statements and schedules have been provided in the Appendix on pages 16-17. Information technology assistance requirements have been taken into account. Our updated software is reliably compatible with the District's book-keeping programs and our highly-trained staff will be able to assure a fluid transition. Assistance to connect to the internet will be appreciated.

Any important accounting changes and/or updates will be communicated efficiently and applied to the state of the audit as necessary.

We propose that the engagement be divided into the following segments:

PHASE I – Initial Planning and preparation, Preliminary analysis, report preparation, cash and other confirmation, Information gathering, Evaluating internal controls.

PHASE II – Fieldwork, Post-field-work activities (e.g., follow-up on pending items, collection of confirmation letters, etc.)

PHASE III – Report finalization and final analysis, Report delivery and Board of Directors presentation.

PHASE I - INITIAL PLANNING AND PREPARATION

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

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

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

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

PRELIMINARY ANALYSIS

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

REPORT PREPARATION

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

CASH AND OTHER CONFIRMATIONS

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

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

Specific Audit Approach, Continued

PHASE 1 - INITIAL PLANNING AND PREPARATION, CONTINUED

1. Sample sizes and statistical sampling techniques

Depending on the type of testing being performed, we utilize both statistical and non-statistical sampling techniques as described in the AICPA's Audit Sampling Guide. Internal control, substantive, and compliance testing samples are generally selected using nonstatistical techniques. During sample selection we consider three questions: (1) purpose of the test—attribute or balance testing, (2) susceptibility of the population or process to fraud or misstatement, and (3) size of transactions—small and numerous, or large and infrequent.

2. Testing revenues and disbursements

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

3. Type and extent of analytical procedures

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

4. Examining the District's internal control structure

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

5. Determining pertinent laws and regulations

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

6. Assessing risk

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

7. Samples for compliance testing

Compliance testing samples are generally selected using nonstatistical techniques. Sample sizes are determined by risk assessment and nature of the population. For the single audit compliance testing, we will follow the sampling techniques in accordance with those consistent with OMB's Uniform Guidance.

PHASE 2 - FIELDWORK

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

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

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

Specific Audit Approach, Continued

PHASE 2, CONTINUED - POST-FIELDWORK ACTIVITIES

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

PHASE 3 - REPORT FINALIZATION AND FINAL ANALYSIS

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

REPORT DELIVERY AND BOARD OF DIRECTORS

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

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

Phase	Audit Task	Tentative Timeline
I	Entrance conference: Scheduling with Finance Manager/CFO and key financial staff	January 2022
	Interim work: Prepared-by-Client list, Information from bankers, attorney's Prior year's statements	February 2022
	Detailed Audit Plan: Report preparation, Cash and other confirmations, Internal controls	February 2022
	Information gathering: Statistical sampling and testing, Revenues and disbursements, Internal controls, Laws and regulations, Risk assessment, Functionality testing Exit conference with the Finance Manager/CFO	TBD
II	Fieldwork (3-4 days): Cash deposits, Internal control of disbursements, Payroll, Revenues, Inventory control, Billing and collections, Unrecorded liabilities	March 2022
	Post-fieldwork activities: Third-party confirmations	March 2022
	Report finalization and final analysis	April 2022
	Final analysis	April 2021

Identification of Anticipated Potential Audit Problems

IDENTIFICATION OF POTENTIAL PROBLEMS

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

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

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

STEPS TO ADDRESS ANTICIPATED ISSUES

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

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

Attachment A:

List of Proposed Statements and Schedules

Palmdale Water District	
Prepared By Client List	
30-Sep-21	
Below is our list of items that we will need for our audit of the District. Please contact us if you have any questions regarding any of the items. Your cooperation in completing this checklist is greatly appreciated and will help to conclude the audit in a more timely manner. We may request additional items during the audit, if needed.	
Item	Description
1	Check register from January 1, 2021 through the present.
2	Please complete attached business background questionnaire.
3	Please update attached financial statement disclosure questionnaire, as needed.
4	Please update the attached internal control questionnaires for each class of transactions, as needed.
5	Please complete the enclosed bank confirmations for each outside cash/investment account, as well as, any debt the District held as of December 31, 2021. Please note that we use the same form for both cash accounts (Section 1) and debt (Section 2). Once you complete the bank confirmation, please return to us as we must control the mailing.
6	Please complete the attached attorney letter template for each attorney that the District used from January 1, 2021 through the present. Please print the letter on the District's letterhead, sign and date the letter, and return them to us so that we can mail them out.
7	Copies of minutes of board meetings after January 1, 2021 to the present.
8	Copies of any new debt agreements and related amortization schedules.
9	Schedule of FY 2021 fixed asset additions, deletions, and depreciation schedule.
10	Schedule of all CIP projects beginning with the 1/1/2021, the additions and deletions to CIP for FY 2021, and ending balance at 12/31/2021. Indicate those projects at 12/31/2021, that were completed and placed in service.
9	Trial Balance as of December 31, 2021 (in excel).
10	Detailed general ledger for the year ended December 31, 2021 (in excel).
11	List of all manual journal entries made throughout the year if not easily identifiable in the general ledger. We will test a sample of these entries during our fieldwork.
12	Check register from January 1, 2021 through fieldwork date or as close to it as possible.
13	Copies of all year-end bank statements and bank reconciliations.
14	Schedules of prepaid expenses at December 31, 2021.
15	Access to monthly credit card statements.
16	Provide detail schedule of inventory as of December 31, 2021.

Attachment A: Continued

List of Proposed Statements and Schedules

17	Accounts receivable aging schedule as of December 31, 2021. Also provide supporting documents for interest receivable (statement) and taxes receivable (assessment components) as of December 31, 2021, if applicable.
18	Schedule of deferred inflows for revenues not available to fund current obligations.
19	OPEB actuarial report and calculation of OPEB liability.
20	Detail listing of water and service charges. Please provide a reconciliation from these reports to the applicable revenue accounts in the GL as of December 31, 2021.
21	Copies of all pension related schedules and reports (i.e. CalPERS reports).
22	Copies of all grant agreements for grants received during 2021 fiscal year. We will also need contact information for all grants in order to confirm them, if any.
23	Detailed schedule of contract retentions as of December 31, 2021.
24	Schedule of year-end accounts payable as of December 31, 2021.
25	Schedule of salaries and wages payable as of December 31, 2021.
26	Schedule of compensated absences as of December 31, 2021.
27	Copy of latest board-approved rates-charged sheet for all charges for services.
28	Schedules of capital leases, along with related lease agreements and amortization schedules.
29	Organizational chart, if changed from prior year.
30	Copies of all significant contracts with outside parties (contracts where payments to a vendor will exceed \$50,000 in total for the fiscal year).
31	Copies of insurance policies.
32	Copies of payroll tax form 941's.
33	Access to payroll registers for the fiscal year.
34	Original and final budgets.
35	Copies of all operating lease agreements.
36	The amount of ongoing construction commitments at December 31, 2021, if any.

Attachment B: Quality Control Review

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

Contact information:

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

916-922-5109

Grant Bennett Associates

A PROFESSIONAL CORPORATION

Report on the Firm's System of Quality Control

September 27, 2018

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

We have reviewed the system of quality control for the accounting and auditing practice of Fechter & Company (the firm) in effect for the year ended March 31, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

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

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

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

Required Selections and Considerations

Engagements selected for review included an engagement performed under *Government Auditing Standards*, including a compliance audit under the Single Audit Act; and an audit of an employee benefit plan.

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

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Fechter & Company in effect for the year ended March 31, 2017, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Fechter & Company has received a peer review rating of *pass*.

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



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

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

Attachment C: Certificate of Liability Coverage



CERTIFICATE OF LIABILITY INSURANCE

FECHT-1

OP ID: RG

DATE (MM/DD/YYYY)
07/30/2021

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Coastal Valley Insurance Serv. Lic. OB84546 2440 Gold River Rd. Ste. 290 Gold River, CA 95670 Anthony R. Telford	CONTACT Anthony R. Telford PHONE (A/C, No, Ext): 916-436-2600 FAX (A/C, No): 916-436-2610 E-MAIL ADDRESS:
INSURED Fechter & Company Certified Public Accountants Craig Fechter 3445 American River Dr #A Sacramento, CA 95864	INSURER(S) AFFORDING COVERAGE INSURER A: Travelers Property Casualty INSURER B: Amco Insurance Company INSURER C: INSURER D: INSURER E: INSURER F:
	NAIC # 25674 19100

COVERAGES **CERTIFICATE NUMBER:** **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSQ	SUBR VYD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
B	X COMMERCIAL GENERAL LIABILITY CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER:	X		ACP7814583667	07/06/2021	07/06/2022	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 300,000 MED EXP (Any one person) \$ 1,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COMP/OP AGG \$ 2,000,000
B	AUTOMOBILE LIABILITY ANY AUTO OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS X HIRED AUTOS ONLY <input checked="" type="checkbox"/> NON-OWNED AUTOS ONLY			ACP780183667	07/06/2021	07/06/2022	COMBINED SINGLE LIMIT (Ea accident) \$ Included BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ UMBRELLA LIAB EXCESS LIAB <input type="checkbox"/> OCCUR CLAIMS-MADE DED RETENTION \$
A	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/ MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below		Y/N N/A	UB3J0730802142G	07/10/2021	07/10/2022	X PER STATUTE <input type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

30 days notice of cancellation.Cancellation exception: 10 days notice of cancellation for non payment of premiums.Certificate holder is listed as additional insured as respects to general liability.Job: Auditing Services on clients premises.

CERTIFICATE HOLDER

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

Anthony R. Telford

ACORD 25 (2016/03)

© 1988-2015 ACORD CORPORATION. All rights reserved.

The ACORD name and logo are registered marks of ACORD

**PALMDALE WATER DISTRICT
BOARD MEMORANDUM**

DATE: December 6, 2021 **December 13, 2021**
TO: BOARD OF DIRECTORS **Board Meeting**
FROM: Mr. Scott Rogers, Engineering Manager
VIA: Mr. Adam Ly, Assistant General Manager
Mr. Dennis D. LaMoreaux, General Manager
RE: ***AGENDA ITEM NO. 7.2 – CONSIDERATION AND POSSIBLE ACTION ON
AUTHORIZATION FOR STAFF TO ENTER INTO A CONTRACT WITH
CEDRO CONSTRUCTION, INC. FOR THE WATER MAIN REPLACEMENT
PROJECT IN 10TH STREET EAST AND AVENUE P. (\$434,289.00 –
BUDGETED UNDER W.O. NO. 19-601 – ENGINEERING MANAGER
ROGERS)***

Recommendation:

Staff recommends that the Board award a contract to Cedro Construction, Inc. from Chino Hills, California in the not-to-exceed amount of \$434,289.00 for the 10th Street East and Avenue P Water Main Replacement.

Alternative Options:

Reject all bids and rebid the project.

Impact of Taking No Action:

Water mains continue to age and deteriorate.

Background:

The water main replacement begins at 10th Street East and Avenue P from the intersection easterly to Well No. 15. The project consists of replacing approximately 420 linear feet of 14" double dipped and wrapped steel pipe, 160 linear feet of 12" double dipped and wrapped steel pipe, and all appurtenances. The existing water mains will be replaced with CMLC pipe to maintain material consistency. In addition to the water main replacement, staff designed the project for future main extensions on 10th Street East.

The total bid price in the bid proposal submitted by Cedro Construction, Inc. is \$434,289.00. A bidder's bond in the amount of 10 percent of the total bid price was submitted with the bid proposal. The surety company providing the bid bond is Old Republic Surety Company.

The criterion for responsibility pertains to whether the bidder is regularly engaged in this type of work and whether they can perform the work satisfactorily as promised. The contractor is required to provide payment and performance bonds to protect the District's interest.

BOARD OF DIRECTORS
PALMDALE WATER DISTRICT

VIA: Mr. Adam Ly, Assistant General Manager
Mr. Dennis D. LaMoreaux, General Manager

December 6, 2021

Cedro Construction, Inc., as the lowest responsive, responsible bidder, holds a valid worker's compensation insurance policy (Policy number: 9207992) with State Compensation Insurance Fund effective from April 1, 2020 to April 1, 2022.

The contractor's past performance record has been utilized to evaluate the general competency of the contractor for the performance of the work. To demonstrate the bidder's capability and experience of having completed similar projects successfully, the bid documents require that the contractor submit a list of all projects completed by the contractor during the last three years involving work of similar type and complexity and comparable value.

It is required that no less than 60 percent of the work be performed by the contractor's own forces without subcontracting. It appears that Cedro Construction, Inc. will perform 100 percent of the work and meets the limitations on the subcontracting work.

Responsiveness of the bid pertaining to compliance with the material terms of the bid documents has been reviewed and deemed acceptable.

Cedro Construction, Inc., as the lowest responsible bidder, has met the criterion of providing the lowest bid price of qualified firms at \$434,289.00. The lowest qualified bid price is \$34,661.00, or 7.67 percent, lower than the next lowest bidder.

Strategic Plan Initiative/Mission Statement:

This item is under Strategic Initiative No. 3 – Systems Efficiency.
This item directly relates to the District's Mission Statement.

Budget:

This item is budgeted and will be covered as part of Work Order No. 19-601.

Supporting Documents:

- Bid Results Summary
- Proposal Package from Lowest Responsible Bidder

19-601 Bid Results Summary

				Cedro Construction, Inc.		Toro Enterprises, Inc.		Christensen Brothers General Engineering	
Line Item	Description	Quantity	Unit of Measure	Unit Cost	Total	Unit Cost	Total	Unit Cost	Total
1	Mobilization, Demolition, and Site Restoration	1	LS	\$20,342.00	\$20,342.00	\$32,550.00	\$32,550.00	\$80,000.00	\$80,000.00
2	Construction Staking Survey	1	LS	\$19,549.00	\$19,549.00	\$8,640.00	\$8,640.00	\$12,000.00	\$12,000.00
3	Sheeting, Shoring, and Bracing for all work indicated	1	LS	\$9,297.00	\$9,297.00	\$5,500.00	\$5,500.00	\$25,000.00	\$25,000.00
4	Construct new 14" STL CMLC water pipeline including bedding, backfill, and appurtenances	420	LF	\$521.00	\$218,820.00	\$412.00	\$173,040.00	\$1,000.00	\$420,000.00
5	Construct new 12" STL CMLC water pipeline including bedding, backfill, and appurtenances	160	LF	\$782.00	\$125,120.00	\$825.00	\$132,000.00	\$1,600.00	\$256,000.00
6	Furnish and install 2" Air/Vacuum release assembly per PWD Std. W-16	2	EA	\$6,926.00	\$13,852.00	\$9,615.00	\$19,230.00	\$9,500.00	\$19,000.00
7	Furnish and install Bacteriological Test Station per PWD Std. W-17A	1	EA	\$6,609.00	\$6,609.00	\$7,215.00	\$7,215.00	\$7,500.00	\$7,500.00
8	Geotechnical Testing	1	LS	\$4,887.00	\$4,887.00	\$20,100.00	\$20,100.00	\$5,500.00	\$5,500.00
9	Base Paving and Finish Paving	1	LS	\$489.00	\$489.00	\$37,275.00	\$37,275.00	\$90,000.00	\$90,000.00
10	Traffic Control	1	LS	\$9,503.00	\$9,503.00	\$12,040.00	\$12,040.00	\$60,000.00	\$60,000.00
11	All other work indicated not included in items 1 through 10 above	1	LS	\$5,821.00	\$5,821.00	\$21,360.00	\$21,360.00	\$5,000.00	\$5,000.00
	Total				\$434,289.00		\$468,950.00		\$980,000.00

PROPOSAL

BIDDER'S DECLARATION SPECIFICATION NO. 19-601

Gentlepersons:

The undersigned hereby proposes to perform all work for which a contract may be awarded them and to furnish any and all plant, labor, services, material, tools, equipment, supplies, transportation, utilities, and all other items and facilities necessary therefor as provided in the Contract Documents, and to do everything required therein for the construction of the interior building improvements as specifically set forth in documents entitled **Specification No. 19-601** - _____ together with addenda thereto, all as set forth on the drawings and in the specifications and other Contract Documents (hereinafter the "Work"); and they further propose and agree that, if this Proposal is accepted, they will contract in the form and manner stipulated to perform all the Work called for by drawings, specifications, and other Contract Documents, and to complete all such Work in strict conformity therewith within the time limits set forth therein, and that they will accept as full payment therefor the prices set forth in the Bid Sheet(s) forming a part hereof.

(check one)

- ☐ Cash
- ☐ Cashier's check
- ☐ Certified check
- ☒ Bid Bond

properly made payable to Palmdale Water District, hereinafter designated as the Owner, for the sum of \$ 60,000.00 which amount is not less than ten percent (10%) of the total amount of this bid, is attached hereto and is given as a guarantee that the undersigned will execute the Agreement and furnish the required bonds and insurance if awarded the contract and, in case of failure to do so within the time provided, the

(check one)

- ☐ cash shall be retained as liquidated damages by the Owner
- ☐ proceeds of said check shall be retained as liquidated damages by the Owner
- ☒ Surety's liability to the Owner for the face amount of the Bond shall be considered as established.

It is understood and agreed that:

1. The undersigned has carefully examined all the Contract Documents, as defined in

the CONTRACT DOCUMENTS subsection of the Notice Inviting Bids, including, but not limited to, the bid quantities, any specifications regarding materials to be used, the contract provisions relating to payment for extra work and the procedures for seeking extensions of time.

2. The undersigned, by investigation at the site of the work, by review of any records available for inspection at the offices of utilities in the area affected by the Work, at any applicable public works departments, and otherwise, is satisfied as to the nature and location of the work and is fully informed as to all conditions and matters which can in any way affect the work or the cost thereof, including the location of all underground facilities in the area affected by the Work.

3. The undersigned fully understands the scope of the Work and has carefully checked all words and figures inserted in this Proposal and further understands that the Owner will in no way be responsible for any errors or omissions in the preparation of this Proposal.

4. The undersigned will execute the Agreement and furnish the required Performance and Payment Bonds and proof of insurance coverage within ten (10) days (not including Sundays and holidays) after Owner's notice of acceptance of this Proposal; and further, that, unless otherwise specified in the Special provisions, this Proposal may not be withdrawn for a period of forty-five (45) days after the date set for the opening thereof, notwithstanding the award of contract to another bidder. If the undersigned bidder withdraws this Proposal within said period, said bidder shall be liable under the provisions of the Bid Security, or said bidder and their surety shall be liable under the Bid Bond, as the case may be.

5. The undersigned hereby certifies that this Proposal is genuine and not sham or collusive or made in the interest or in behalf of any person not herein named, and the undersigned has not directly or indirectly induced or solicited any other bidder to put in a sham bid, or any other person, firm, or corporation to refrain from bidding; the undersigned has not in any manner sought by collusion to secure for themselves an advantage over any other bidder.

6. In conformance with current statutory requirement of the Labor Code of the State of California, the undersigned certifies as follows:

I am aware of the provisions of Section 3700 of the Labor Code which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this contract.

NOW, in compliance with the Notice Inviting Bids and all the provisions hereinbefore stipulated, the undersigned, with full cognizance thereof, hereby proposes to perform the

entire work for the prices set forth in the attached Bid Sheet(s) upon which award of contract will be made.

The undersigned bidder declares that the license held by them is theirs, is current and valid, and is in a classification appropriate to the work to be undertaken.

The undersigned declares under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed at Santa Paula, California.

Dated November 29 2021

Bidder: Cedro Construction

By: [Signature]

Title: Vice President

Bidder's post-office address:

120 E Santa Maria St.

Santa Paula Ca.93060

Telephone No.: 805-525-0599

Facsimile No.: 805-525-0509

Corporation organized under the laws
of the State of California

Contractor's License(s): 775943

Expiration Dates: 3/31/2021

Surety or sureties:

Old Republic Surety Comp[any]

14728 Pipeline Ave. Chino Hills, Ca 91709

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of VENTURA

Subscribed and sworn to (or affirmed) before me this 29 day

of November, 2021, by

Michael Verner, proved to me on the basis

of satisfactory evidence to be the person(s) who appeared before me.

Signature [Signature] (Seal)



CONTRACTORS ARE REQUIRED BY LAW TO BE LICENSED AND REGULATED BY THE CONTRACTORS' STATE LICENSE BOARD WHICH HAS JURISDICTION TO INVESTIGATE COMPLAINTS AGAINST CONTRACTORS IF A COMPLAINT IS FILED WITHIN THREE YEARS OF THE DATE OF THE ALLEGED VIOLATION. ANY QUESTIONS CONCERNING A CONTRACTOR MAY BE REFERRED TO THE REGISTRAR, CONTRACTORS' STATE LICENSE BOARD, P.O. BOX 26000, SACRAMENTO, CALIFORNIA 95826.

INFORMATION REQUIRED OF BIDDER

SITE INSPECTION REVIEW -- Describe when, by whom, and in what manner (a) the site for this proposed work was inspected on behalf of the bidder (NOTE: Failure to demonstrate diligent effort in ascertaining site conditions which may affect the Work will render this Proposal informal or nonresponsive and may result in its rejection):

Andy Cedro Performed an Inspection on
November 23, 2021

COMPARABLE PROJECT EXPERIENCE -- In accordance with the REGISTRATION OF CONTRACTORS subsection of the Instructions to Bidders, describe at least five (5) comparable projects completed by bidder within past thirty-six (36) month period, including dates completed, location of work, size of project in dollars, names, addresses, and phone numbers of persons in charge of project construction, and the name and address of the public agency or firm for whom the project was constructed (NOTE: Failure to include at least five (5) jobs similar in size and scope to that contemplated under the Contract Documents will render this Proposal informal or non-responsive and may result in its rejection):

Santa Clarita Valley Water Agency, West Ranch Water
Main Extension; 2,205,000⁰⁰; William Seitz, 949-300-9131
Completion 5-25-2021

City of Arcadia; Water Main Replacement Project, Tiffany Lee
626-626-2721 Completed October 2020; 589,624⁰⁰
Completed 11/05/21 963,000

City of Vernon; 50th Street Watermain, Mark Armentado 223-583-8811
Ex 300

City of Ventura, Well No 3, Ernie Ferra 805-677-3905
367,623.00 Completion December 2019

Montecito Water District, Hot Springs Rd, David Wong 805-969-2271
Completion 11-1-2021 1,053,000⁰⁰

CONTRACTOR'S LICENSING STATEMENT

The undersigned is licensed in accordance with the laws of the State of California providing for the registration of Contractors.

Contractor's License Number(s), Type(s) and Expiration Date(s): 775943

Expiration Date: 3/31/2022

Name of Individual Contractor (print or type): Cedro Construction Inc.

Signature of Owner: _____

Business Address: 14728 Pipeline Ave. Suite E , Chino Hills Ca. 91709

or

Name of Partnership or Firm: N/A

Business Address: _____

Signature, name, title and address of partners signing on behalf of the partnership:

Signed: _____ Name: _____

Title: _____ Address: _____

Signed: _____ Name: _____

Title: _____ Address: _____

Signed: _____ Name: _____

Title: _____ Address: _____

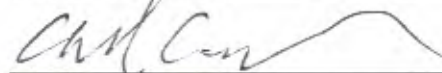
or

Name of Corporation: Cedro Construction Inc.

Business Address: 120 E. Santa Maria Street , Santa Paula Ca. 93060

Corporation organized under the laws of the State of California

SEAL



Andy Cedro

Signature of Secretary of Corporation

NOTE: CURRENT COPIES OF ALL APPLICABLE LICENSES MUST BE DOWNLOADED TO THE PROCUREMENT WEBSITE.

LIST OF SUBCONTRACTORS

The bidder is required to furnish the following information in accordance with the provisions of Sections 4100 to 4114, inclusive, of the Public Contract Code of the State of California.

Subcontractors must be listed if they will provide work, labor or service in an amount in excess of one-half (1/2) of one percent (1%) of the total bid.

THAT PORTION OF THE WORK TO BE PERFORMED BY SUBCONTRACTORS SHALL, IN THE AGGREGATE, NOT EXCEED 40% OF ALL WORK PERFORMED, BASED UPON THE TOTAL DOLLAR VALUE OF THE WORK.

[illegible]

MANDATORY FORM

(NOTE: THE FOLLOWING FORM SHALL BE USED WHERE THE BIDDER DESIRES TO FURNISH A BOND INSTEAD OF CHECK OR CASH.)

BID SECURITY FORM

BID BOND

KNOW ALL MEN BY THESE PRESENTS:

That we, Cedro Construction, Inc. as principal
and Old Republic Surety Company as
surety, are held and firmly bound unto Palmdale Water District (hereinafter "Owner,") in
the sum of \$ ^{Sixty Thousand and 00/100} Dollars (\$60,000.00), to be paid to the Owner, its successors, and assigns, for
which payment, well and truly to be made, we bind ourselves, our heirs, executors,
administrators, successors and assigns, jointly and severally, firmly by these presents.

THE CONDITION OF THIS OBLIGATION IS SUCH, that if the certain Proposal
of the above Principal for construction of the 10th Street East and Avenue P Water Main Replacement
as specifically set forth in documents entitled Specification No. 19-601

all in accordance with the Contract Documents, including specifications and drawings on
file at the offices of the Owner, is not withdrawn within the period of forty-five (45) days
after the date set for the opening of bids or as otherwise provided in the Special
Provisions, notwithstanding the award of the contract to another bidder, and that if said
Proposal is accepted by the Owner through action of its legally constituted contracting
authorities and if the above bound principal, its heirs, executors, administrators,
successors and assigns, shall duly enter into and execute a contract for such construction
and shall execute and deliver

MANDATORY FORM

the required Performance and Payment Bonds and proof of insurance coverage within ten (10) days (not including Sundays and holidays) after the date of notifications by and from said Owner, then this obligation shall become null and void, otherwise it shall be and remain in full force and effect.

IN WITNESS WHEREOF, we hereunto set our hands and seals this 29th day of November, 20 21

(SEAL)

Cedro Construction, Inc.
(Principal)

By 

(SEAL)

Old Republic Surety Company
(Surety)

By 

Randy Spohn, Attorney-in-Fact

NOTE:

- (1) This bid bond form is a **mandatory form**.
- (2) The bid bond form should specify an exact number of dollars which shall not be less than ten percent (10%) of the total amount of the bid.
- (3) The bid bond form must be acknowledged before notary publics, and a legally sufficient power of attorney must be attached to the bid bond to verify the authority of the party signing on behalf of the surety.



OLD REPUBLIC SURETY COMPANY

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS: That OLD REPUBLIC SURETY COMPANY, a Wisconsin stock insurance corporation, does make, constitute and appoint:

Randy Spohn, Matthew R. Dobyns, Ashley M. Spohn of Santa Ana, CA

its true and lawful Attorney(s)-in-Fact, with full power and authority for and on behalf of the company as surety, to execute and deliver and affix the seal of the company thereto (if a seal is required), bonds, undertakings, recognizances or other written obligations in the nature thereof, **(other than bail bonds, bank depository bonds, mortgage deficiency bonds, mortgage guaranty bonds, guarantees of installment paper and note guaranty bonds, self-insurance workers compensation bonds guaranteeing payment of benefits, or black lung bonds)**, as follows:

ALL WRITTEN INSTRUMENTS

and to bind OLD REPUBLIC SURETY COMPANY thereby, and all of the acts of said Attorneys-in-Fact, pursuant to these presents, are ratified and confirmed. This appointment is made under and by authority of the board of directors at a special meeting held on February 18, 1982.

This Power of Attorney is signed and sealed by facsimile under and by the authority of the following resolutions adopted by the board of directors of the OLD REPUBLIC SURETY COMPANY on February 18, 1982.

RESOLVED that, the president, any vice-president or assistant vice president, in conjunction with the secretary or any assistant secretary, may appoint attorneys-in-fact or agents with authority as defined or limited in the instrument evidencing the appointment in each case, for and on behalf of the company to execute and deliver and affix the seal of the company to bonds, undertakings, recognizances, and suretyship obligations of all kinds; and said officers may remove any such attorney-in-fact or agent and revoke any Power of Attorney previously granted to such person.

RESOLVED FURTHER, that any bond, undertaking, recognizance, or suretyship obligation shall be valid and binding upon the Company

- (i) when signed by the president, any vice president or assistant vice president, and attested and sealed (if a seal be required) by any secretary or assistant secretary; or
- (ii) when signed by the president, any vice president or assistant vice president, secretary or assistant secretary, and countersigned and sealed (if a seal be required) by a duly authorized attorney-in-fact or agent; or
- (iii) when duly executed and sealed (if a seal be required) by one or more attorneys-in-fact or agents pursuant to and within the limits of the authority evidenced by the Power of Attorney issued by the company to such person or persons.

RESOLVED FURTHER that the signature of any authorized officer and the seal of the company may be affixed by facsimile to any Power of Attorney or certification thereof authorizing the execution and delivery of any bond, undertaking, recognizance, or other suretyship obligations of the company; and such signature and seal when so used shall have the same force and effect as though manually affixed.

IN WITNESS WHEREOF, OLD REPUBLIC SURETY COMPANY has caused these presents to be signed by its proper officer, and its corporate seal to be affixed this 18th day of May, 2021.

Karen J. Haffner
Assistant Secretary



OLD REPUBLIC SURETY COMPANY

Alan Paylic
President

STATE OF WISCONSIN, COUNTY OF WAUKESHA - SS

On this 18th day of May, 2021, personally came before me, Alan Paylic and Karen J. Haffner, to me known to be the individuals and officers of the OLD REPUBLIC SURETY COMPANY who executed the above instrument, and they each acknowledged the execution of the same, and being by me duly sworn, did severally depose and say: that they are the said officers of the corporation aforesaid, and that the seal affixed to the above instrument is the seal of the corporation, and that said corporate seal and their signatures as such officers were duly affixed and subscribed to the said instrument by the authority of the board of directors of said corporation.



Kathryn R. Pearson
Notary Public

My Commission Expires: September 28, 2022

(Expiration of notary's commission does not invalidate this instrument)

CERTIFICATE

I, the undersigned, assistant secretary of the OLD REPUBLIC SURETY COMPANY, a Wisconsin corporation, CERTIFY that the foregoing and attached Power of Attorney remains in full force and has not been revoked; and furthermore, that the Resolutions of the board of directors set forth in the Power of Attorney, are now in force.

74 7097



Signed and sealed at the City of Brookfield, WI this 29th day of November, 2021

Karen J. Haffner
Assistant Secretary

ORSC 22262 (3-06)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of CALIFORNIA

County of ORANGE

On November 29th, 2021 before me, ERIKA G. MORGAN, NOTARY PUBLIC,

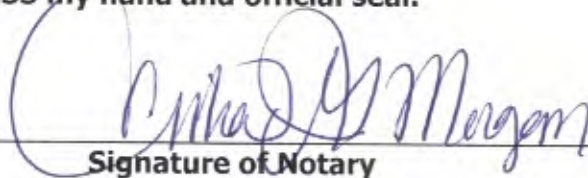
personally appeared RANDY SPOHN,

☒ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/~~she~~/they executed the same in his/~~her~~/their authorized capacity (ies), and that by his/~~her~~/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.


Signature of Notary

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

- ☐ INDIVIDUAL
☐ CORPORATE OFFICER

☐ PARTNER(S) ☐ LIMITED
☒ ATTORNEY-IN-FACT
☐ TRUSTEE(S)
☐ GUARDIAN/CONSERVATOR
☐ OTHER: _____

DESCRIPTION OF ATTACHED DOCUMENT

SIGNER IS REPRESENTING:
NAME OF PERSON(S) OR ENTITY(IES)

NON-COLLUSION AFFIDAVIT

STATE OF CALIFORNIA)
)SS
COUNTY OF Ventura)

Michael Verner, being first duly sworn, declares that he/she is
[NAME]
Vice President of of Cedro Cedro Construction, Inc
(SOLE OWNER, A PARTNER, PRESIDENT, SECRETARY, ETC.) (IDENTITY OF BIDDER)

the party submitting a bid for a contract covering Specification No. 19-601
Waterline Replacement
(DESCRIBE NATURE OF CONTRACT)

that such a bid is not made in the interest of or on behalf of any undisclosed person, partnership, company, association, organization, or corporation; that such bid is genuine and not collusive or sham; that said bidder has not directly or indirectly induced or solicited any other bidder to put in a false or sham bid, and has not directly or indirectly colluded, conspired, connived, or agreed with any bidder or anyone else to put in a sham bid, nor that anyone shall refrain from bidding; that said bidder has not in any manner, directly or indirectly, sought by agreement, communications or conference with anyone to fix the bid price of said bidder or any other bidder, nor to fix any overhead, profit, or cost element of such bid price, nor of that of any other bidder, nor to secure any advantage against the public body awarding the contract or anyone interested in the proposed contract; that all statements contained in such bid are true; and, further, that said bidder has not, directly or indirectly, submitted their bid price or any breakdown thereof, nor the contents thereof, nor divulged information or data relative thereto, nor paid and will not pay any fee in connection therewith to any corporation, partnership, company, association, organization, bid depository, nor to any member or agent thereof, nor to any other individual except to such person or persons as have a partnership or other financial interest with said bidder in their general business.

The provisions of this affidavit shall not be held as disqualifying a person, firm or corporation who has submitted a sub-proposal to one bidder from submitting separate sub-proposals or quoting prices for materials or work to other bidders.

Dated: 11/29/2021

Signed: [Signature]
Vice President
[TITLE]

Subscribed and sworn to before me this 29 day of November, 2021, by

Michael Verner, proved to me on the basis of satisfactory evidence to be the person who appeared before me.

[Signature]
Notary Public

SEAL



**PALMDALE WATER DISTRICT
BOARD MEMORANDUM**

DATE: December 6, 2021 **December 13, 2021**
TO: BOARD OF DIRECTORS **Board Meeting**
FROM: Mr. Scott Rogers, Engineering Manager
VIA: Mr. Adam Ly, Assistant General Manager
Mr. Dennis D. LaMoreaux, General Manager
RE: ***AGENDA ITEM NO. 7.3 – CONSIDERATION AND POSSIBLE ACTION ON
AUTHORIZATION FOR STAFF TO ENTER INTO A CONTRACT WITH
CEDRO CONSTRUCTION, INC. FOR THE 45TH STREET ALTITUDE VALVE
REPLACEMENT PROJECT AT THE DISTRICT’S 45TH STREET RESERVOIR
SITE. (\$368,125.00 – BUDGETED UNDER W.O. NO. 18-606 – ENGINEERING
MANAGER ROGERS)***

Recommendation:

Staff recommends that the Board award a contract to Cedro Construction, Inc. from Chino Hills, California in the not-to-exceed amount of \$368,125.00 for the replacement of the 45th Street Altitude Valve at the District’s 45th Street reservoir site.

Alternative Options:

Reject all bids and rebid the project.

Impact of Taking No Action:

The impact would be to continue to let the pre-purchased 24” altitude valve sit in the corporation yard.

Background:

Completion of this project would allow for replacement of an existing altitude valve at the 45th Street reservoir site. The District purchased a new 24” altitude valve to replace the existing 16” valve. Due to the size of the new altitude valve, the pre-cast vault will need to be replaced to ensure adequate spacing for any future maintenance. Since the vault will be larger, there will also be reorienting of the existing water mains from the reservoirs.

The total bid price in the bid proposal submitted by Cedro Construction is \$368,125.00. A bidder’s bond in the amount of 10 percent of the total bid price was submitted with the bid proposal. The surety company providing the bid bond is Old Republic Surety Company.

BOARD OF DIRECTORS
PALMDALE WATER DISTRICT

VIA: Mr. Adam Ly, Assistant General Manager
Mr. Dennis D. LaMoreaux, General Manager

December 6, 2021

The criterion for responsibility pertains to whether the bidder is regularly engaged in this type of work and whether they can perform the work satisfactorily as promised. The contractor is required to provide payment and performance bonds to protect the District's interest.

Cedro Construction, Inc., as the lowest responsive, responsible bidder, holds a valid worker's compensation insurance policy (Policy number: 9207992) with State Compensation Insurance Fund effective from April 1, 2020 to April 1, 2022.)

The contractor's past performance record has been utilized to evaluate the general competency of the contractor for the performance of the work. To demonstrate the bidder's capability and experience of having completed similar projects successfully, the bid documents require that the contractor submit a list of all projects completed by the contractor during the last three years involving work of similar type and complexity and comparable value.

It is required that no less than 60 percent of the work be performed by the contractor's own forces without subcontracting. It appears that Cedro Construction, Inc. will perform 100 percent of the work and meets the limitations on the subcontracting work.

Responsiveness of the bid pertaining to compliance with the material terms of the bid documents has been reviewed and deemed acceptable.

Cedro Construction, Inc., as the lowest responsible bidder, has met the criterion of providing the lowest bid price of qualified firms at \$368,125.00. The lowest qualified bid price is \$32,945.00, or 8.56 percent, lower than the next lowest bidder.

Strategic Plan Initiative/Mission Statement:

This item is under Strategic Initiative No. 3 – Systems Efficiency.
This item directly relates to the District's Mission Statement.

Budget:

This item is budgeted and will be covered as part of Work Order No. 18-606.

Supporting Documents:

- Bid Results Summary
- Proposal Package from Lowest Responsible Bidder

18-606 Bid Results Summary

				Cedro Construction, Inc.		Toro Enterprises		Christensen Brothers General Engineering	
Line Item	Description	Quantity	Unit of Measure	Unit Cost	Total	Unit Cost	Total	Unit Cost	Total
1	Mobilization, Demobilization, and Site Restoration	1	LS	\$20,492.00	\$20,492.00	\$31,900.00	\$31,900.00	\$60,000.00	\$60,000.00
2	Construction Staking Survey	1	LS	\$19,150.00	\$19,150.00	\$4,600.00	\$4,600.00	\$10,000.00	\$10,000.00
3	Sheeting, Shoring, and Bracing for all work indicated	1	LS	\$28,545.00	\$28,545.00	\$4,500.00	\$4,500.00	\$15,000.00	\$15,000.00
4	Construct new 20" CMLC water pipeline, including bedding, backfill, and appurtenances	28	LF	\$3,513.00	\$98,364.00	\$3,400.00	\$95,200.00	\$5,500.00	\$154,000.00
5	Construct new 24" CMLC water pipeline, including bedding, backfill, and appurtenances	8	LF	\$4,262.00	\$34,096.00	\$3,240.00	\$25,920.00	\$4,950.00	\$39,600.00
6	Furnish and Install Pre-Cast Vault per Plan	1	EA	\$136,845.00	\$136,845.00	\$175,250.00	\$175,250.00	\$150,000.00	\$150,000.00
7	Transport and Install 24-inch altitude valve	1	LS	\$14,960.00	\$14,960.00	\$21,600.00	\$21,600.00	\$10,000.00	\$10,000.00
8	All other work indicated not included in items 1 through 7 above	1	LS	\$15,673.00	\$15,673.00	\$42,100.00	\$42,100.00	\$15,000.00	\$15,000.00
	Total				\$368,125.00		\$401,070.00		\$453,600.00

PROPOSAL

BIDDER'S DECLARATION **SPECIFICATION NO. 14-606**

Gentlepersons:

The undersigned hereby proposes to perform all work for which a contract may be awarded them and to furnish any and all plant, labor, services, material, tools, equipment, supplies, transportation, utilities, and all other items and facilities necessary therefor as provided in the Contract Documents, and to do everything required therein for the construction of the interior building improvements as specifically set forth in documents entitled **Specification No. 18 - 606** together with addenda thereto, all as set forth on the drawings and in the specifications and other Contract Documents (hereinafter the "Work"); and they further propose and agree that, if this Proposal is accepted, they will contract in the form and manner stipulated to perform all the Work called for by drawings, specifications, and other Contract Documents, and to complete all such Work in strict conformity therewith within the time limits set forth therein, and that they will accept as full payment therefor the prices set forth in the Bid Sheet(s) forming a part hereof.

(check one)

- ☐ Cash
- ☐ Cashier's check
- ☐ Certified check
- ☒ Bid Bond

properly made payable to Palmdale Water District, hereinafter designated as the Owner, for the sum of \$ 60,000 which amount is not less than ten percent (10%) of the total amount of this bid, is attached hereto and is given as a guarantee that the undersigned will execute the Agreement and furnish the required bonds and insurance if awarded the contract and, in case of failure to do so within the time provided, the

(check one)

- ☐ cash shall be retained as liquidated damages by the Owner
- ☐ proceeds of said check shall be retained as liquidated damages by the Owner
- ☒ Surety's liability to the Owner for the face amount of the Bond shall be considered as established.

It is understood and agreed that:

1. The undersigned has carefully examined all the Contract Documents, as defined in

the CONTRACT DOCUMENTS subsection of the Notice Inviting Bids, including, but not limited to, the bid quantities, any specifications regarding materials to be used, the contract provisions relating to payment for extra work and the procedures for seeking extensions of time.

2. The undersigned, by investigation at the site of the work, by review of any records available for inspection at the offices of utilities in the area affected by the Work, at any applicable public works departments, and otherwise, is satisfied as to the nature and location of the work and is fully informed as to all conditions and matters which can in any way affect the work or the cost thereof, including the location of all underground facilities in the area affected by the Work.

3. The undersigned fully understands the scope of the Work and has carefully checked all words and figures inserted in this Proposal and further understands that the Owner will in no way be responsible for any errors or omissions in the preparation of this Proposal.

4. The undersigned will execute the Agreement and furnish the required Performance and Payment Bonds and proof of insurance coverage within ten (10) days (not including Sundays and holidays) after Owner's notice of acceptance of this Proposal; and further, that, unless otherwise specified in the Special provisions, this Proposal may not be withdrawn for a period of forty-five (45) days after the date set for the opening thereof, notwithstanding the award of contract to another bidder. If the undersigned bidder withdraws this Proposal within said period, said bidder shall be liable under the provisions of the Bid Security, or said bidder and their surety shall be liable under the Bid Bond, as the case may be.

5. The undersigned hereby certifies that this Proposal is genuine and not sham or collusive or made in the interest or in behalf of any person not herein named, and the undersigned has not directly or indirectly induced or solicited any other bidder to put in a sham bid, or any other person, firm, or corporation to refrain from bidding; the undersigned has not in any manner sought by collusion to secure for themselves an advantage over any other bidder.

6. In conformance with current statutory requirement of the Labor Code of the State of California, the undersigned certifies as follows:

I am aware of the provisions of Section 3700 of the Labor Code which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this contract.

NOW, in compliance with the Notice Inviting Bids and all the provisions hereinbefore stipulated, the undersigned, with full cognizance thereof, hereby proposes to perform the

entire work for the prices set forth in the attached Bid Sheet(s) upon which award of contract will be made.

The undersigned bidder declares that the license held by them is theirs, is current and valid, and is in a classification appropriate to the work to be undertaken.

The undersigned declares under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed at Santa Paula Ca, California.

Dated November 29 2021

Bidder: Cedro Construction Inc

By: [Signature]

Title: Vice President

Bidder's post-office address:

120 E. Santa Maria St

Santa Paula, Ca 93060

Telephone No.: 805-525-0599

Facsimile No.: 805-525-0509

Corporation organized under the laws of the State of California

Contractor's License(s): 775943

Expiration Dates: 3/31/2022

Surety or sureties:

Old Republic Surety Company

14728 Pipeline Ave, Chino Hills

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of VENTURA

Subscribed and sworn to (or affirmed) before me this 29 day of November, 2021, by Michael Verner

[Signature], proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me. Signature _____ (Seal)



CONTRACTORS ARE REQUIRED BY LAW TO BE LICENSED AND REGULATED BY THE CONTRACTORS' STATE LICENSE BOARD WHICH HAS JURISDICTION TO INVESTIGATE COMPLAINTS AGAINST CONTRACTORS IF A COMPLAINT IS FILED WITHIN THREE YEARS OF THE DATE OF THE ALLEGED VIOLATION. ANY QUESTIONS CONCERNING A CONTRACTOR MAY BE REFERRED TO THE REGISTRAR, CONTRACTORS' STATE LICENSE BOARD, P.O. BOX 26000, SACRAMENTO, CALIFORNIA 95826.

INFORMATION REQUIRED OF BIDDER

SITE INSPECTION REVIEW -- Describe when, by whom, and in what manner (a) the site for this proposed work was inspected on behalf of the bidder (NOTE: Failure to demonstrate diligent effort in ascertaining site conditions which may affect the Work will render this Proposal informal or nonresponsive and may result in its rejection):

Andy Cedro Proformed an Inspection of the Site for
Exsisting Site Conditions on November 26, 2021

COMPARABLE PROJECT EXPERIENCE -- In accordance with the REGISTRATION OF CONTRACTORS subsection of the Instructions to Bidders, describe at least five (5) comparable projects completed by bidder within past thirty-six (36) month period, including dates completed, location of work, size of project in dollars, names, addresses, and phone numbers of persons in charge of project construction, and the name and address of the public agency or firm for whom the project was constructed (NOTE: Failure to include at least five (5) jobs similar in size and scope to that contemplated under the Contract Documents will render this Proposal informal or non-responsive and may result in its rejection):

Santa Clarita Valley Water Agency, West Ranch Water Main Extension

William Seitz 949-300-9131 Completion 5/25/2021

City of Arcadia. Water Main Replacement Project No. 65720520

Tiffany Lee 626-626-2721 Completed October 2020

City of Vernon 50th Street Watermain Mark Aumentado

323-583-8811 Ex 309 Completion 11/05/2021

City of San Buenaventura- Well No.3\$367,523.00Ernie Ferrer -- Public Works Department- 805-677-3905 Completion December 2019

Montecito Water District - Hot Springs Road - David Wong 805-969-2271
Completion 11-1-2021 1,053,000*

CONTRACTOR'S LICENSING STATEMENT

The undersigned is licensed in accordance with the laws of the State of California providing for the registration of Contractors.

Contractor's License Number(s), Type(s) and Expiration Date(s): 775943

Expiration Date: 3/31/2022

Name of Individual Contractor (print or type): Cedro Construction Inc.

Signature of Owner: _____

Business Address: 14728 Pipeline Ave. Suite E , Chino Hills Ca. 91709

or

Name of Partnership or Firm: N/A

Business Address: _____

Signature, name, title and address of partners signing on behalf of the partnership:

Signed: _____ Name: _____

Title: _____ Address: _____

Signed: _____ Name: _____

Title: _____ Address: _____

Signed: _____ Name: _____

Title: _____ Address: _____

or

Name of Corporation: Cedro Construction Inc.

Business Address: 120 E. Santa Maria Street , Santa Paula Ca. 93060

Corporation organized under the laws of the State of California

SEAL



Signature of Secretary of Corporation

NOTE: CURRENT COPIES OF ALL APPLICABLE LICENSES MUST BE DOWNLOADED TO THE PROCUREMENT WEBSITE.

LIST OF SUBCONTRACTORS

The bidder is required to furnish the following information in accordance with the provisions of Sections 4100 to 4114, inclusive, of the Public Contract Code of the State of California.

Subcontractors must be listed if they will provide work, labor or service in an amount in excess of one-half (1/2) of one percent (1%) of the total bid.

THAT PORTION OF THE WORK TO BE PERFORMED BY SUBCONTRACTORS SHALL, IN THE AGGREGATE, NOT EXCEED 40% OF ALL WORK PERFORMED, BASED UPON THE TOTAL DOLLAR VALUE OF THE WORK.

[illegible]

MANDATORY FORM

(NOTE: THE FOLLOWING FORM SHALL BE USED WHERE THE BIDDER DESIRES TO FURNISH A BOND INSTEAD OF CHECK OR CASH.)

BID SECURITY FORM**BID BOND**

KNOW ALL MEN BY THESE PRESENTS:

That we, Cedro Construction, Inc. as principal
and Old Republic Surety Company as
surety, are held and firmly bound unto Palmdale Water District (hereinafter "Owner,") in
the sum of \$ Sixty Thousand and 00/100 Dollars (\$60,000.00), to be paid to the Owner, its successors, and assigns, for
which payment, well and truly to be made, we bind ourselves, our heirs, executors,
administrators, successors and assigns, jointly and severally, firmly by these presents.

THE CONDITION OF THIS OBLIGATION IS SUCH, that if the certain Proposal
of the above Principal for construction of the 45th Street Altitude Valve Replacement
as specifically set forth in documents entitled Specification No. 18-606

all in accordance with the Contract Documents, including specifications and drawings on
file at the offices of the Owner, is not withdrawn within the period of forty-five (45) days
after the date set for the opening of bids or as otherwise provided in the Special
Provisions, notwithstanding the award of the contract to another bidder, and that if said
Proposal is accepted by the Owner through action of its legally constituted contracting
authorities and if the above bound principal, its heirs, executors, administrators,
successors and assigns, shall duly enter into and execute a contract for such construction
and shall execute and deliver

MANDATORY FORM

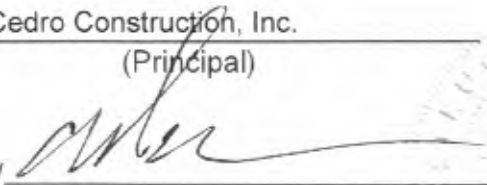
the required Performance and Payment Bonds and proof of insurance coverage within ten (10) days (not including Sundays and holidays) after the date of notifications by and from said Owner, then this obligation shall become null and void, otherwise it shall be and remain in full force and effect.

IN WITNESS WHEREOF, we hereunto set our hands and seals this 29th day of November, 20 21

(SEAL)

Cedro Construction, Inc.
(Principal)

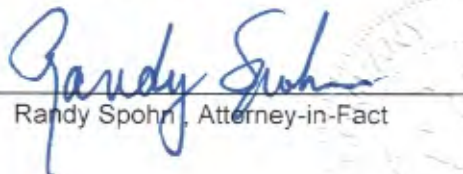
By



(SEAL)

Old Republic Surety Company
(Surety)

By


Randy Spohn, Attorney-in-Fact

NOTE:

- (1) This bid bond form is a **mandatory form**.
- (2) The bid bond form should specify an exact number of dollars which shall not be less than ten percent (10%) of the total amount of the bid.
- (3) The bid bond form must be acknowledged before notary publics, and a legally sufficient power of attorney must be attached to the bid bond to verify the authority of the party signing on behalf of the surety.



OLD REPUBLIC SURETY COMPANY

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS: That OLD REPUBLIC SURETY COMPANY, a Wisconsin stock insurance corporation, does make, constitute and appoint:

Randy Spohn, Matthew R. Dobyns, Ashley M. Spohn of Santa Ana, CA

its true and lawful Attorney(s)-in-Fact, with full power and authority for and on behalf of the company as surety, to execute and deliver and affix the seal of the company thereto (if a seal is required), bonds, undertakings, recognizances or other written obligations in the nature thereof, **(other than bail bonds, bank depository bonds, mortgage deficiency bonds, mortgage guaranty bonds, guarantees of installment paper and note guaranty bonds, self-insurance workers compensation bonds guaranteeing payment of benefits, or black lung bonds)**, as follows:

ALL WRITTEN INSTRUMENTS

and to bind OLD REPUBLIC SURETY COMPANY thereby, and all of the acts of said Attorneys-in-Fact, pursuant to these presents, are ratified and confirmed. This appointment is made under and by authority of the board of directors at a special meeting held on February 18, 1982.

This Power of Attorney is signed and sealed by facsimile under and by the authority of the following resolutions adopted by the board of directors of the OLD REPUBLIC SURETY COMPANY on February 18, 1982.

RESOLVED that, the president, any vice-president or assistant vice president, in conjunction with the secretary or any assistant secretary, may appoint attorneys-in-fact or agents with authority as defined or limited in the instrument evidencing the appointment in each case, for and on behalf of the company to execute and deliver and affix the seal of the company to bonds, undertakings, recognizances, and suretyship obligations of all kinds; and said officers may remove any such attorney-in-fact or agent and revoke any Power of Attorney previously granted to such person.

RESOLVED FURTHER, that any bond, undertaking, recognizance, or suretyship obligation shall be valid and binding upon the Company

- (i) when signed by the president, any vice president or assistant vice president, and attested and sealed (if a seal be required) by any secretary or assistant secretary; or
- (ii) when signed by the president, any vice president or assistant vice president, secretary or assistant secretary, and countersigned and sealed (if a seal be required) by a duly authorized attorney-in-fact or agent; or
- (iii) when duly executed and sealed (if a seal be required) by one or more attorneys-in-fact or agents pursuant to and within the limits of the authority evidenced by the Power of Attorney issued by the company to such person or persons.

RESOLVED FURTHER that the signature of any authorized officer and the seal of the company may be affixed by facsimile to any Power of Attorney or certification thereof authorizing the execution and delivery of any bond, undertaking, recognizance, or other suretyship obligations of the company; and such signature and seal when so used shall have the same force and effect as though manually affixed.

IN WITNESS WHEREOF, OLD REPUBLIC SURETY COMPANY has caused these presents to be signed by its proper officer, and its corporate seal to be affixed this 18th day of May, 2021

Karen J. Haffner
Assistant Secretary



OLD REPUBLIC SURETY COMPANY

Alan Pavlic
President

STATE OF WISCONSIN, COUNTY OF WAUKESHA - SS

On this 18th day of May, 2021, personally came before me, Alan Pavlic and Karen J. Haffner to me known to be the individuals and officers of the OLD REPUBLIC SURETY COMPANY who executed the above instrument, and they each acknowledged the execution of the same, and being by me duly sworn, did severally depose and say: that they are the said officers of the corporation aforesaid, and that the seal affixed to the above instrument is the seal of the corporation, and that said corporate seal and their signatures as such officers were duly affixed and subscribed to the said instrument by the authority of the board of directors of said corporation.



Kathryn R. Pearson
Notary Public

My Commission Expires: September 28, 2022

(Expiration of notary's commission does not invalidate this instrument)

CERTIFICATE

I, the undersigned, assistant secretary of the OLD REPUBLIC SURETY COMPANY, a Wisconsin corporation, CERTIFY that the foregoing and attached Power of Attorney remains in full force and has not been revoked; and furthermore, that the Resolutions of the board of directors set forth in the Power of Attorney, are now in force.

74 7097



Signed and sealed at the City of Brookfield, WI this 29th day of November, 2021

Karen J. Haffner
Assistant Secretary

GRSC 22262 (3-06)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of CALIFORNIA

County of ORANGE

On November 29th, 2021 before me, ERIKA G. MORGAN, NOTARY PUBLIC,

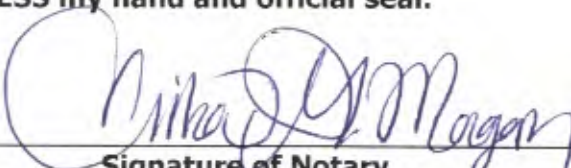
personally appeared RANDY SPOHN,

- ☒ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/~~she~~/they executed the same in his/~~her~~/their authorized capacity (ies), and that by his/~~her~~/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.




Signature of Notary

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER	DESCRIPTION OF ATTACHED DOCUMENT
<input type="checkbox"/> INDIVIDUAL	_____
<input type="checkbox"/> CORPORATE OFFICER	_____
<input type="checkbox"/> PARTNER(S)	_____
<input checked="" type="checkbox"/> ATTORNEY-IN-FACT	_____
<input type="checkbox"/> TRUSTEE(S)	_____
<input type="checkbox"/> GUARDIAN/CONSERVATOR	_____
<input type="checkbox"/> OTHER: _____	_____
SIGNER IS REPRESENTING:	_____
NAME OF PERSON(S) OR ENTITY(IES)	_____

NON-COLLUSION AFFIDAVIT

STATE OF CALIFORNIA)
COUNTY OF Ventura Co)SS

Michael Verner, being first duly sworn, declares that he/she is
[NAME]
Vice President of Cedra Construction Inc
(SOLE OWNER, A PARTNER, PRESIDENT, SECRETARY, ETC.) [IDENTITY OF BIDDER]

the party submitting a bid for a contract covering Specification No. 18-606
45th Street Attitude Valve Replacement
(DESCRIBE NATURE OF CONTRACT)

that such a bid is not made in the interest of or on behalf of any undisclosed person, partnership, company, association, organization, or corporation; that such bid is genuine and not collusive or sham; that said bidder has not directly or indirectly induced or solicited any other bidder to put in a false or sham bid, and has not directly or indirectly colluded, conspired, connived, or agreed with any bidder or anyone else to put in a sham bid, nor that anyone shall refrain from bidding; that said bidder has not in any manner, directly or indirectly, sought by agreement, communications or conference with anyone to fix the bid price of said bidder or any other bidder, nor to fix any overhead, profit, or cost element of such bid price, nor of that of any other bidder, nor to secure any advantage against the public body awarding the contract or anyone interested in the proposed contract; that all statements contained in such bid are true; and, further, that said bidder has not, directly or indirectly, submitted their bid price or any breakdown thereof, nor the contents thereof, nor divulged information or data relative thereto, nor paid and will not pay any fee in connection therewith to any corporation, partnership, company, association, organization, bid depository, nor to any member or agent thereof, nor to any other individual except to such person or persons as have a partnership or other financial interest with said bidder in their general business.

The provisions of this affidavit shall not be held as disqualifying a person, firm or corporation who has submitted a sub-proposal to one bidder from submitting separate sub-proposals or quoting prices for materials or work to other bidders.

Dated: 11-29-21

Signed: [Signature]
Vice President
[TITLE]

Subscribed and sworn to before me this 29 day of November, 20 21, by

Michael Verner, proved to me on the basis of satisfactory evidence to be the person who appeared before me.

[Signature]
Notary Public

SEAL



MINUTES OF MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE WATER DISTRICT, OCTOBER 19, 2021:

A meeting of the Finance Committee of the Palmdale Water District was held Tuesday, October 19, 2021, at 2029 East Avenue Q, Palmdale, CA 93550 and via teleconference. Chair Wilson called the meeting to order at 2:00 p.m.

1) Roll Call.

Attendance:

Committee:

Don Wilson, Chair

Gloria Dizmang, Committee Member

Others Present:

Dennis LaMoreaux, General Manager

Adam Ly, Assistant General Manager

Mike Williams, Finance Manager

Judy Shay, Public Affairs Director

Angelica Barragan-Garcia, Human Resources Dir.

Dennis Hoffmeyer, Finance Manager

Bob Egan, Financial Advisor

Dawn Deans, Executive Assistant

0 members of the public

2) Adoption of Agenda.

It was moved by Committee Member Dizmang, seconded by Chair Wilson, and unanimously carried by all members of the Committee present at the meeting on the following roll call vote to adopt the agenda, as written:

Chair Wilson – aye

Committee Member Dizmang – aye

3) Public Comments for Non-Agenda Items.

There were no public comments for non-agenda items.

4) Action Items: (The Public Shall Have an Opportunity to Comment on Any Action Item as Each Item is Considered by the Committee Prior to Action Being Taken.)

4.1) Consideration and Possible Action on Approval of Minutes of Meeting Held September 22, 2021.

It was moved by Committee Member Dizmang, seconded by Chair Wilson, and unanimously carried by all members of the Committee present at the meeting to

approve the minutes of the Finance Committee meeting held September 22, 2021, as written.

4.2) Discussion and Overview of Cash Flow Statement and Current Cash Balances as of September 2021. (Financial Advisor Egan)

Financial Advisor Egan provided an overview of the monthly Major Account Activity Report, Investment Funds Report, and Cash Flow Statement through September 2021 and through the quarter ending September 2021, including assessments, interest, and capital improvement fees received, bond debt payments, and the projected year-end balance.

4.3) Discussion and Overview of Financial Statements, Revenue, and Expense and Departmental Budget Reports for September 2021. (Finance Manager Williams)

Finance Manager Hoffmeyer reviewed in detail the balance sheet, profit and loss statement and trends, quarter to quarter comparisons, and revenue and expense analysis reports for the period ending September 2021 and stated that departments are operating at or below the targeted expenditure percentage of 75% followed by discussion of Palmdale Recycled Water Authority and CalPERS expenses.

4.4) Discussion and Overview of Committed Contracts Issued. (Finance Manager Williams)

Finance Manager Hoffmeyer provided an overview of the Contractual Commitments and Needs Report for new and replacement capital projects, consulting and engineering support projects, new and replacement equipment, water quality fee funded projects, committed and projected capital expenditures, and the payout summary for the 2018A Series and 2021A Series Water Revenue Bonds through September 2021.

4.5) Discussion and Overview of Draft 2022 Budget. (Finance Manager Williams/Accounting Supervisor Hoffmeyer)

Finance Manager Hoffmeyer provided an overview of the initial draft 2022 Budget, including projected water sales based on the 2019 Water Rate Study, projected

operating revenue and expenses, anticipated personnel expenses, and departmental expenses.

5) Reports.

5.1) Finance Manager Williams:

a) The Effect of COVID-19 Event.

Finance Manager Williams stated that due to COVID-19 events, as of September 30, 2021, there were 1,769 single family accounts with a balance of \$50 or more and over sixty days past due with a total past due amount of \$1,146,664 compared to 1,575 accounts at June 30, 2021 with an outstanding balance of \$919,061 and 1,274 accounts at September 30, 2020 with an outstanding balance of \$475,744 and that cash received for September 2021 was 5.48% higher than August 2021, 8.95% higher than July 2021, and 6.39% higher than September 2020.

b) Revenue Projections.

He then stated that 2021 revenue is ahead of projections by approximately \$705,000 as of September 30, 2021.

c) Payment Transactions by Type.

He then stated that the third quarter report shows a slight reduction in total payments of 4,200 compared to 2020 but a huge increase in electronic payments of approximately 9,000.

d) Accounts Receivable Aging Report.

He then stated that the Accounts Receivable Aging Report as of September 30, 2021 shows an increase of approximately \$695,000 compared to September 30, 2020 and an increase in 120+ delinquencies of \$373,000 compared to September 30, 2020.

e) Rate Assistance Program Status.

He then stated that as of September 30, 2021, there are 709 Rate Assistance Program participants with 359 seniors, 14 veterans, and 336 low income.

f) Billing and Collection Statistics.

He then stated that the billing collection cycle through August 2021 shows a slight increase in bills issued and a slight increase in notices mailed compared to August 2019 and 2020.

The effect of COVID-19 on the District's finances and funding for the Rate Assistance Program were then discussed after which Finance Manager Williams stated that the District has applied to the state for relief of past due water bills due to COVID-19 in the amount of \$757,000 for the period of March 2020 to June 15, 2021 and that funds are anticipated to be received in November 2021.

5.2) Financial Advisor Egan:

a) Debt Service Coverage Status.

Financial Advisor Egan stated that the Debt Service Coverage for October 2020 to September 2021 is 2.75.

6) Board Members' Requests for Future Agenda Items.

There were no requests for future agenda items.


7) Date of Next Committee Meeting.

It was determined that a special Finance Committee meeting will be held November 4, 2021 at 2:00 p.m. to review the 2022 Budget and that the regular Finance Committee meeting will be held November 23, 2021 at 2:00 p.m.

Finance Manager Hoffmeyer then provided an update on the recent Request for Proposals process for auditing services.

8) Adjournment.

There being no further business to come before the Finance Committee, the meeting was adjourned at 2:58 p.m.


Chair

MINUTES OF MEETING OF THE OUTREACH COMMITTEE OF THE PALMDALE WATER DISTRICT, OCTOBER 20, 2021:

A meeting of the Outreach Committee of the Palmdale Water District was held Wednesday, October 20, 2021, at 2029 East Avenue Q, Palmdale, CA 93550 and via teleconference. Chair Mac Laren-Gomez called the meeting to order at 4:00 p.m.

1) Roll Call.

Attendance:

Committee:

Kathy Mac Laren-Gomez, Chair

Don Wilson, Committee Member

Others Present:

Dennis LaMoreaux, General Manager

Adam Ly, Assistant General Manager

Judy Shay, Public Affairs Director

Dennis Hoffmeyer, Finance Manager

Dawn Deans, Executive Assistant

0 members of the public

2) Adoption of Agenda.

It was moved by Committee Member Wilson, seconded by Chair Mac Laren-Gomez, and unanimously carried by all members of the Committee present at the meeting to adopt the agenda, as written.

3) Public Comments for Non-Agenda Items.

There were no public comments for non-agenda items.

4) Action Items: (The Public Shall Have an Opportunity to Comment on Any Action Item as Each Item is Considered by the Committee Prior to Action Being Taken.)

4.1) Consideration and Possible Action on Approval of Minutes of Meeting Held September 15, 2021.

It was moved by Committee Member Wilson, seconded by Chair Mac Laren-Gomez, and unanimously carried by all members of the Committee present at the meeting to approve the minutes of the Outreach Committee meeting held September 15, 2021, as written.

4.2) Discussion of the District's Response to the Drought. (Public Affairs Director Shay/Resource and Analytics Director Thompson II)

Public Affairs Director Shay provided an overview of the District's response to the drought, including radio ads, Water Wednesdays on social media, banners throughout the community, and the Antelope Valley Water Conservation Roundtable is scheduled to meet next week to discuss if additional measures are needed.

General Manager LaMoreaux then informed the Committee that the District's request for water use reductions is voluntary and that Resource and Analytics Director Thompson II will update the Board on the District's current water status, potential course for 2022, and possible mandatory water conservation measures.

4.3) Discussion of 2021 Outreach Activities. (Public Affairs Director Shay)

a) Outreach Report.

Public Affairs Director Shay stated that a written Outreach Report of upcoming events and 2021 plans through October 13, 2021 was included with the agenda packets if there are any questions and that as updates, an additional press release was issued, additional articles were included in the A.V. Press and the ACWA News, the local chapter formation meeting for the CSDA was held, the virtual AVEDGE Forum was attended by staff, staff participated in a charity softball tournament, a Café Con Leche radio interview regarding the drought was held, updates for the new website continue, the District is receiving an award for its Let's Talk H2O series from the Public Relations Society of America (PRSA), there were 28 social media posts, and Public Affairs Specialist Gallego's last day with the District is October 21.

b) Upcoming Events/2021 Plans.

She then stated that the District is partnering with a local elementary school to promote Imagine a Day Without Water on October 21, November 4 is Salute to Youth through the local high school district, the District will provide promotional items to the A.V. Chamber of Commerce's Day of the Dead event, and December 9 is the District's Water Wise Workshop regarding Winterizing Your Home.

Chair Mac Laren-Gomez then stated that the Palmdale Sheriff's Boosters requested the District partner with their outreach efforts regarding safe driving and

preventing domestic violence incidents after which General Manager LaMoreaux stated that these items will be discussed with Palmdale Sheriff staff at the meeting scheduled for next week followed by discussion of the City's COVID-19 conference calls.

4.4) Discussion of Outreach for the District's Commercial Water Conservation Rebate Programs. (Public Affairs Director Shay/Resource and Analytics Director Thompson II)

Public Affairs Director Shay stated that the District's Water Use Efficiency team sent applications for the District's Commercial Water Conservation Rebate Programs to the City of Palmdale, Palmdale School District, the Antelope Valley Union High School District, Lockheed Martin, and other high water users and that a press release and social media posts will be made to inform the public about this rebate opportunity.

5) Reports.

5.1) Lobbying Activities. (Assistant General Manager Ly)

Assistant General Manager Ly stated that state funding for water bill arrearages covers through June 15, 2021 and that the Public Water Agencies Group's (PWAG) attorney sent letters on behalf of the PWAG group requesting support to change the June 15, 2021 date to December 31, 2021.

6) Board Members' Requests for Future Agenda Items.


There were no further requests for future agenda items.

7) Date of Next Committee Meeting.

It was stated that the next Outreach Committee meeting will be held November 17, 2021 at 4:00 p.m.

8) Adjournment.

There being no further business to come before the Outreach Committee, the meeting was adjourned at 4:22 p.m.


Chair

MINUTES OF SPECIAL MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE WATER DISTRICT, NOVEMBER 4, 2021:

A special meeting of the Finance Committee of the Palmdale Water District was held Thursday, November 4, 2021, at 2029 East Avenue Q, Palmdale, CA 93550 and via teleconference. Chair Wilson called the meeting to order at 2:00 p.m.

1) Roll Call.

Attendance:

Committee:

Don Wilson, Chair

Gloria Dizmang, Committee Member

Others Present:

Dennis LaMoreaux, General Manager

Dennis Hoffmeyer, Finance Manager

Bob Egan, Financial Advisor

Danielle Henry, Management Analyst

0 members of the public

2) Adoption of Agenda.

It was moved by Committee Member Dizmang, seconded by Chair Wilson, and unanimously carried by all members of the Committee present at the meeting to adopt the agenda, as written.

3) Public Comments for Non-Agenda Items.

There were no public comments for non-agenda items.

4) Action Items: (The Public Shall Have an Opportunity to Comment on Any Action Item as Each Item is Considered by the Committee Prior to Action Being Taken.)

4.1) Consideration and Possible Action on a Recommendation on the 2022 Budget. (Finance Manager Hoffmeyer)

Finance Manager Hoffmeyer provided a detailed overview of the 2022 Budget, including projected water sales based on the 2019 Water Rate Study, projected operating revenue and expenses, anticipated personnel expenses, departmental expenses, and projected year-end cash.

He then reviewed the parameters for consideration of a reduced water rate under Section 4 of Resolution No. 19-15 adopting the 2019 Water Rate Study and stated that a “yes” answer for any four of the six parameters allows for the consideration of a reduced

water rate adjustment provided the reduced water rate adjustment continues to satisfy the same “yes” parameters and that staff’s analysis of these parameters is as follows:

- a. Do the District’s projected reserves at the end of the year meet or exceed the target reserve level of \$16.4M as stated in the 2019 Water Rate Plan for the end of year?

Projected 2021 – No; Proposed 2022 – No

- b. Are projects funded at a level that is equal to the year’s depreciation while maintaining a minimum reserve level of \$10.0M as presented in the 2019 Water Rate Plan?

Projected 2021 – No; Proposed 2022 – No

- c. Has an annual Rate Stabilization Fund contribution been made that is equal to or greater than one percent (1%) of the prior year’s total revenue?

No – 1% would be \$275,532 for 2021.

- d. Is the projected Debt Coverage Ratio for the subject year and each of the remaining years adequate to meet current and proposed bond covenants?

Yes – Our current bond covenants are at 1.1x and we are presently at 2.75x.

- e. Has the District’s bond rating been re-evaluated to and maintained at AA or higher by either Standard & Poor’s or Fitch rating agencies?

No – Currently we are still below the AA requirement.

- f. Has the District’s outstanding debt been reduced as follows (all three must be met):

1. 2017 Capital Lease – In Entirety:

No, last payment will be made January 2022.

2. 2012 Private Placement – In Entirety:

No, last payment will be made in 2024.

3. Series 2013A Revenue Bond Issue:

No


After a brief discussion of water purchases, increased construction and supply costs, and unpaid water bills due to COVID-19, it was moved by Committee Member Dizmang, seconded by Chair Wilson, and unanimously carried by all members of the Committee present at the meeting that the Committee concurs with staff’s recommendation to approve the 2022 Budget and that this item be presented to the full Board for consideration at the November 8, 2021 Regular Board Meeting.

5) Board Members' Requests for Future Agenda Items.

There were no requests for future agenda items.

6) Adjournment.

There being no further business to come before the Finance Committee, the special meeting was adjourned at 2:34 p.m.



Chair