



**FECHTER
& COMPANY**
Certified Public Accountants

Proposal to Provide Audit Services to



**CACHEVILLE COMMUNITY
SERVICE DISTRICT**



Madison Fire Protection District

Madison Community Services District

**Prepared by:
Scott A. German, CPA
Managing Shareholder**

January 9, 2026



Craig R. Fechter, CPA, MST
(1976 - 2022)

Proposal Requested by:

Board of Directors of each District listed below:

Cacheville Community Service District
Madison Community Service District
Knights Landing Community Service District
Madison Fire Protection District

Proposal Publish Date: December 10, 2025

Proposal Due Date: January 10, 2026

Fechter & Company Representative with contact information:

Name: Scott A German, CPA
Office phone: (916) 333-5360
Cellular phone: (916) 709-4755
Email: ScottG@FechterCPA.com
Website: www.FechterCPA.com

Description of Requested Services:

Proposal for Financial Statement Audit Services for biennial audit periods following yellow book standards

Period Covered:

Biennial Fiscal Year Audits as Follows:

Cacheville Community Service District: June 30, 2022; 2023 and June 20, 2024;2025

Madison Community Service District: June 2020/21 and June 30, 2022/23 and June 20, 2024/25

Knights Landing Community Service District: June 30, 2022; 2023 and June 20, 2024;2025

Madison Fire Protection District: June 30, 2022; 2023 and June 20, 2024;2025

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.

January 8, 2026

Mark Krummenacker – Districts' Accountant
Boards of Directors

Cacheville Community Service District

Madison Community Service District

Knights Landing Community Service District

Madison Fire Protection District

2826 Meadow Hawk Way

Antelope, California 95843

Email: mark.krummenacker@comcast.net

Fechter & Company, Certified Public Accountants, is pleased to present our proposal to provide financial statement audit services to the listed District (the Districts). We believe the following pages provide an accurate overview of our qualifications, competence, and capacity to perform the audit services requested within the time frame required by the District.

We believe the following proposal outlines our understanding of your needs and the environment in which you work and are therefore in a unique position to provide you with high quality, insightful audit services.

We are offering a 10% discount of we are awarded contracts for all four District's.

This proposal is an irrevocable offer valid for 90 days after the date of the proposal. I am authorized to represent and to obligate the firm contractually to the listed Districts. We are located at 3445 American River Drive, Suite A, Sacramento, California 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,



Scott A. German, CPA
Managing Shareholder



Craig R. Fechter, CPA, MST
(1976 - 2022)

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Firm Qualifications and Experience (Exhibit B)

Who we are

Fechter & Company, Certified Public Accountants is a professional corporation based in Sacramento, California. All resources dedicated to the audit and tax services will be based from this location.

Since April 2005, we have built a practice providing audit, tax, and business consulting to government agencies, non-profit organizations, and small businesses with annual budgets of less than \$25 million.

Personal Service

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

Efficient Processes

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

Experienced Auditors

From our staff of 8 CPA's and 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.

Quality Control Review

Our peer review, including a review of a specific governmental engagement, is included with this proposal. Fechter & Company has never failed a peer review and has fully implemented all required quality control procedures. Our next peer review is due in 2026.

Firm Qualifications and Experience

License to Practice in California and Firm Standing

- Since 2005, our firm has been licensed as a certified public accounting firm by the California State Board of Accountancy.
- All key professional staff are properly licensed in California.
- Our firm has had no disciplinary action taken or pending since its inception in 2005.
- We have no prior substandard audit work or unsatisfactory performance pending with the State Board of Accountancy or other related professional organizations.

Independence

- Our firm is independent of the District as defined by generally accepted auditing standards and the U.S. 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 that would compromise our independence.

Insurance

- We carry the requisite insurance coverage.
- A copy of our current Liability Insurance Certificate is included with this proposal.

Continuing Education

All of our staff are required to maintain their continuing education at levels necessary to provide services to governmental clients. We require a minimum of 40 hours of total education time each year, including 24 hours of government specific topics.

Firm Qualifications and Experience

Technology and Data Security

- Fechter & Company takes data security very seriously. To that end:
 - All laptop computers are secure with:
 - With passwords, changed frequently,
 - Advanced cyber security software.
 - All data is secured behind an advanced firewall
 - All staff take monthly training to keep them alert for phishing and other data security issue
- Our firm subscribes to Thomson Reuters research tools and other newsletters to help us proactively inform our clients about potential changes in accounting legislation and standards.

Remote Work Capabilities

We have the capability of performing your audit 100% remotely. However, we believe that there is often value in seeing our client's staff and facilities to place the numbers we audit in context.

Since 2018, our firm has been working to improve our ability to work on audits in a remote environment. Not only has this process been a benefit to our staff by providing them with more flexibility and work/life balance, it has allowed us to be more efficient in how we work with our clients.

- Our audit software, Engagement Manager, is securely accessed through services provided by Thomson Reuters. We have access to your audit file from wherever we are.
- Thomson Reuters GoFileRoom allows us to securely accept files from clients through the ClientFlow portal, place documents directly in our audit file and provide access to documents to all that need them.
- Emphasis on Data Security. All of the systems are protected by strong enforced passwords which follow federal security standards. This is supported by the following security systems:
- Strong Password manager: All staff are required to use our password manager for all Firm and Client passwords.
 - Our password manager allows for random passwords up to 100 characters in length protected in a "vault" that locks each individual entry with a 256-bit encryption key supported by multifactor

Firm Qualifications and Experience

authentication procedures.

- Passwords are changed routinely and changes are monitored by management.
- Phishing security prevention and training. All staff are required to take monthly micro-trainings on phishing and other security risks.

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.

Statement on Outsourcing

Many accounting firms, faced with the current CPA shortage, are outsourcing work to overseas locations.

We believe California based government agencies and non-profits should work with California professionals. As a result, ***WE DO NOT OUTSOURCE WORK TO FOREIGN COUNTRIES.***



Engagement Staffing (Exhibit B)

Engagement Partner

Mr. Scott German, CPA will lead the audit. Mr. Michael Fink, CPA and Ms. Joanne Berry, CPA will provide alternate primary partner and independent review of the files to assure the highest quality product.

Engagement Manager

Mr. Joshua Jackson, CPA will be the in-charge accountant with new staff as needed.

We recognize the District's need for staff consistency. You will work with the same principals and whenever possible the same staff each year.

Relevant Experience and References (Exhibit F)

Similar Engagements with Local Governments

This is a representative list of California governmental agencies our firm has served over the last three (3) years. Contacts and email addresses will promptly be provided upon request.

Approximately 65% of our audit clients are governmental entities.

Carpinteria-Summerland Fire Protection District
Carpinteria Sanitary District
Ojai Sanitary District
Montecito Fire Protection District
Clarksburg Fire Protection District
El Dorado LAFCO
Placer County Resource Conservation District
Rio Alto Water District
Rural North Vacaville Water District
Alpine Fire Protection District
East Contra Costa Irrigation District
East Side Mosquito Abatement District
South Lake County Fire Protection District
Sylvan Cemetery District
Bayshore Sanitary District
District of Loomis
Turlock Mosquito Abatement District
Fair Oaks Cemetery District
Davis Public Cemetery

Relevant Experience and References

References from Similar Type Agencies

Ojai Valley Sanitary District Ojai, California	Castroville Community Services District Castroville, California
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Contact information:

Alison Young, Assistant General Manager
 1072 Tico Road
 Ojai, California 93023
 (805) 646-5548
 Alison.young@ojaisan.org

Scope of audit work:

Annual audit of the financial statements.

Hours Annually: 150

Partner: Scott German, CPA

Fiscal Years Completed:

2019-2025

Contact information:

Lidia Santos, Office Manager
 1149 Geil Street
 Castroville, CA 95012
 (866) 803-2456

Scope of audit work:

Annual audit of the financial statements.

Hours Annually: 110

Partner: Michael Fink, CPA

Fiscal Years Completed:

2019-2025

Montecito Fire Protection District
 Santa Barbara, California

Contact information:

Araceli Nahas, District Accountant
 595 San Ysidro Road,
 Santa Barbara, CA 93108
 805-969-3598

Scope of audit work:

Annual audit of the financial statements.

Hours Annually: 110

Partner: Scott German, CPA; Joanne Berry, CPA

Fiscal Years Completed:

2013-2025

Fees and Expenses (Exhibit E)

Standard Hourly Billing Rates for Professional Personnel

	Professional Fees Per Hour	
	Standard	Quoted
Partner	\$ 325	\$ 220
Manager	\$ 275	\$ 140
Professional Staff	\$ 175	\$ 60
Clerical/Support Staff	\$ 75	\$ -

Total All-Inclusive Maximum Price Proposed Fee Schedules:

Cacheville Community Services District

	Hours	Hourly Rate	2022-23	2024-25	2026-27
Base audit fees:					
Partner	13	\$ 220	\$ 2,860	\$ 3,060	\$ 3,274
Manager	38	\$ 140	5,320	5,692	6,091
Professional Staff	30	\$ 60	1,800	1,926	2,061
Clerical/Support Staff	6	\$ -	-	-	-
Total base audit fees	<u>87</u>		\$ 9,980	\$ 10,679	\$ 11,426
Onboarding fee			3,000	-	-
Net professional Fees			\$ 12,980	\$ 10,679	\$ 11,426
Plus allowance for out-of-pocket expenses (Note 2)			500	500	500
Total all-inclusive maximum price fee yellow book			\$ 13,480	\$ 11,179	\$ 11,926
Reduction to GAAS audit standards (Note 1)			<u>(1,500)</u>	<u>(1,500)</u>	<u>(1,500)</u>
Total all-inclusive maximum price fee GAAS			\$ 11,980	\$ 9,679	\$ 10,426

Omits pennies so some rounding errors are present.

Note 1 - The RFP requested a report on internal control which requires yellow book levels of procedures. This discount is offered should the District opt for GAAS audit standards to be applied as was done on the prior year audit.

Note 2 - Expenses are invoiced as incurred at actual amounts, this is our best estimate of what we expect to incur at the time of proposal. Expenses will be invoiced at actual up to this amount.

Madison Community Service District

	Hours	Hourly Rate	2020-21	2022-23	2024-25
Base audit fees:					
Partner	13	\$ 220	\$ 2,860	\$ 3,003	\$ 3,213
Manager	42	\$ 140	5,880	6,174	6,606
Professional Staff	40	\$ 60	2,400	2,520	2,696
Clerical/Support Staff	6	\$ -	-	-	-
Total base audit fees	<u>101</u>		<u>\$ 11,140</u>	<u>\$ 11,697</u>	<u>\$ 12,516</u>
Onboarding fee			3,000	-	-
Net professional Fees			<u>\$ 14,140</u>	<u>\$ 11,697</u>	<u>\$ 12,516</u>
Plus allowance for out-of-pocket expenses (Note 1)			500	500	500
Total all-inclusive maximum price fee			<u>\$ 14,640</u>	<u>\$ 12,197</u>	<u>\$ 13,016</u>

Omits pennies so some rounding errors are present.

Note 1 - Expenses are invoiced as incurred at actual amounts, this is our best estimate of what we expect to incur at the time of proposal. Expenses will be invoiced at actual up to this amount.

Knights Landing Community Service District

	Hours	Hourly Rate	2021-22	2023-24	2025-26
Base audit fees:					
Partner	13	\$ 220	\$ 2,860	\$ 3,060	\$ 3,274
Manager	40	\$ 140	5,600	5,992	6,411
Professional Staff	35	\$ 60	2,100	2,247	2,404
Clerical/Support Staff	6	\$ -	-	-	-
Total base audit fees	<u>94</u>		<u>\$ 10,560</u>	<u>\$ 11,299</u>	<u>\$ 12,090</u>
Onboarding fee			3,000	-	-
Net professional Fees			<u>\$ 13,560</u>	<u>\$ 11,299</u>	<u>\$ 12,090</u>
Plus allowance for out-of-pocket expenses (Note 1)			500	500	500
Total all-inclusive maximum price fee			<u>\$ 14,060</u>	<u>\$ 11,799</u>	<u>\$ 12,590</u>

Omits pennies so some rounding errors are present.

Note 1 - Expenses are invoiced as incurred at actual amounts, this is our best estimate of what we expect to incur at the time of proposal. Expenses will be invoiced at actual up to this amount.

Madison Fire Protection District

	Hours	Hourly Rate	2022-23	2024-25	2025-26
Base audit fees:					
Partner	13	\$ 220	\$ 2,860	\$ 3,060	\$ 3,274
Manager	38	\$ 140	5,320	5,692	6,091
Professional Staff	35	\$ 60	2,100	2,247	2,404
Clerical/Support Staff	6	\$ -	-	-	-
Total base audit fees	<u>92</u>		<u>\$ 10,280</u>	<u>\$ 11,000</u>	<u>\$ 11,770</u>
Onboarding fee			3,000	-	-
Net professional Fees			<u>\$ 13,280</u>	<u>\$ 11,000</u>	<u>\$ 11,770</u>
Plus allowance for out-of-pocket expenses (Note 1)			500	500	500
Total all-inclusive maximum price fee			<u>\$ 13,780</u>	<u>\$ 11,500</u>	<u>\$ 12,270</u>

Omits pennies so some rounding errors are present.

Note 1 - Expenses are invoiced as incurred at actual amounts, this is our best estimate of what we expect to incur at the time of proposal.
 Expenses will be invoiced at actual up to this amount.

The above fees anticipate that the Districts' books and records will be audit ready on scheduled dates. Should there be additional unanticipated work to be completed, rescheduling as a result of your staff's time, or other situations that require additional time on our part, will result in additional fees.

You will be notified of any change in fees prior to us performing additional work.

Audit Process Overview (Exhibit C)

The following provides an overview of our audit process. It is imperative for you to understand that each client and each fiscal year presents the possibility for unique situations and challenges. Our planning procedures are geared to making sure we identify risks to be addressed at the beginning of the engagement.

Requirements Requested in the Proposal

The District is requesting that the auditor express an opinion on Cacheville Community Service District's presentation of its financial statements in accordance with accounting principles generally accepted in the United States of America using Generally Accepted Audit Standards. ***The District is requesting the auditor to follow Yellow Book audit standards.***

The engagement will be divided into the following segments:

The engagement will be divided into the following segments:

- Phase 0: Client Acceptance and Onboarding
- Phase 1: Audit Planning
- Phase 2: Evaluation and Testing of Internal Controls and Compliance
- Phase 3: Fieldwork/Substantive Testing
- Phase 4: Reporting/Wrap-up

Phase 0: Client Acceptance and Onboarding

Based on the representations your agency has provided us through the RFP process, we have prepared this proposal for your review and approval. Should we be the successful proposer, we will then begin our onboarding process. The onboarding process includes the follows procedures:

- Obtain permission to contact your prior auditors.
- Obtain confirmation from the prior auditor of the reason for them being replaced, disagreements between them and management and if there are any issues they are aware of that would preclude us from accepting you as a client.

Audit Process Overview

- Issue our engagement letter summarizing the terms of the audit as outlined in this proposal.
- We will also request various workpapers from the prior auditor to facilitate the continuity of presentation. Normally we request:
 - Grouped trial balance
 - Recorded adjustments
 - Fixed Asset and Debt roll forwards
 - Prior year internal financial statements, general ledger and trial balance.
- Begin the process to set up the audit file, import the prior year numbers and reconcile to the issued financial statements.

Phase 1: Audit Planning

Planning includes obtaining an understanding of the entity and its environment, including its internal controls, making an initial assessment of audit risks, new situations, determining materiality and developing the overall extent of our procedures and the timing of the engagement work.

Audit planning typically consists of the following procedures performed by the engagement team:

- Update our understanding of the District's current situation
- Planning meetings with District personnel
- Review new accounting pronouncements
- Review new or updated District policies and procedures
- Identify federal and state awards
- Review minutes of District's Board
- Develop preliminary risk assessments and audit plan
- Communicate audit request list and timeline to the District

Audit Process Overview

Laws, Regulations and Contracts

An integral task during our planning of the District's audit, we will determine the extent of testing for various laws and regulations. Determination of which areas to test are based on review of enabling legislation at the District, County and State level and review of any federal and state grants for appropriate compliance requirements. We will also consult with District management and staff to identify any contracts or agreements that are in place that may have a significant impact on the financial statements and adjust our audit plan accordingly.

Risk Assessment

During the audit planning phase, the audit team develops an audit plan utilizing a risk-based audit approach. Starting with a detailed review of the potential risk of material misstatement, we customize audit programs targeting areas of higher risk.

During this planning phase, we will work management and staff at the District to identify areas of higher risk, as well as other areas that they may want us to focus on during our audit.

Required Client Participation

Based on the requirements of our audit plan, we will also provide the District with a list of schedules, reconciliations and documents to be compiled by the District's staff that we will require to be ready **before** we will start final audit procedures. Any delay in receipt of this information will delay the audit completion.

Communication with Board and Management Personnel

In addition to meeting with management and staff, we will **communicate directly** with the District's Board members to explain our respective responsibilities, identifies risks and request members notify us of any concerns or additional areas of audit emphasis they may want us to pursue.

Audit Process Overview

Phase 2: Evaluation and Testing of Internal Controls and Compliance

Phase 2 typically consists of 1-2 days to evaluate and tests of internal controls, commonly referred to as interim audit testing. This phase is typically performed by the audit manager and seniors as well as one to two staff members onsite. Following completion of this phase, we will make any final adjustments to the audit process based on the work completed.

Procedures normally consists of the following:

- Reviewing and evaluating the District's internal control structure
 - Review policies and procedures
 - Conduct interviews with various staff members
 - Review the District's Information Technology environment
- Meet with members of the District Board and staff individually to discuss audit risks
 - Identify key controls in significant transaction classes
 - Review adopted budgets and budget amendments
 - Perform walkthroughs and tests of controls
 - Purchasing and disbursement procedures
 - Revenue collection and reconciliation with the County
 - Payroll and pension

Internal Controls

Effective internal controls are vital to the District's operating environment to ensure compliance with both financial and nonfinancial objectives. Our evaluation of internal controls includes reviewing adopted policies as well as formal and informal communications with various District employees. These discussions allow the audit team to evaluate any deviations in practices from policy. As part of the evaluation process, we will make both formal and informal recommendations for improvements based on any weaknesses that are identified.

The audit planning phase includes evaluating significant transaction classes, identifying what could go wrong, and key controls in place to address these identified risks. Our internal control testing includes testing that these key controls are operating effectively to either prevent or detect any of the identified risks. The internal control testing also includes tracing the individual transaction through the District's systems to ensure the proper reporting objectives are met.

Audit Process Overview

Our controls evaluation and testing include obtaining an understanding of the computer software used by the District and tracing sample selections through the system to determine the desired control outcomes are being achieved. We may request read-only audit access to the District's Financial Management Software to verify the accuracy of postings to the system for our testing selections. Additionally, we will employ the system throughout the audit to query data and run reports for analysis. As our audit technology progresses, we will begin to leverage the benefits of Artificial Intelligence tools to help us analyze more transactions for potential errors and fraud in the time we have available, thus providing you with higher quality audit results without increases in fees.

After controls have been documented, evaluated and tested, we will finalize the District's audit plan. Audit programs will be tailored to fit the specifics of the District's accounting processes and systems. The Firm's workpaper management software allows for real-time updates and customization of audit programs as additional risks are identified during the audit process.

Other phase 2 considerations

Sampling

Fechter & Company has developed sample sizes and sampling techniques under the guidelines of generally accepted auditing standards, as well as governmental auditing standards. Random statistical samples are generally used for control testing. Additionally, more targeted, stratified sampling techniques are used in selection of purchasing transactions to ensure all levels of the District's purchasing policy requirements are tested.

Sampling for Compliance Testing

Similar to our sampling techniques for general audit procedures, sampling will also be used for testing compliance, including single audit testing when necessary. Fechter & Company follows audit guidance for sampling, including sample size determination, appropriate sample population and attributes to be tested. To provide for an efficient single audit process, dual-purpose tests of controls and compliance are often used in single audit testing to limit the volume of documents that the District must provide to the auditors for review.

Audit Process Overview

Phase 3: Fieldwork/Substantive Testing

Substantive testing is performed by all members of the engagement team with direct manager involvement followed by partner review.

Below is a summary of various substantive testing procedures that may be used:

- Detailed testing of transactions and balances
- External confirmations of account balances
- Sampling of significant account activity
 - Capital asset additions and deletions
 - Accounts payable payments near year end
 - Manual journal entries
 - Revenues and receipts near year end
 - Disbursements and expense testing
- Review and testing of bank reconciliations
- Verify compliance with relevant California Statutes
- Verify compliance with debt covenants
- Review fund balance and net position for proper classification
- Verify inventory of vaults
- Compare activity to the County reports
- Perform detailed analytical procedures
- Detailed testing of grants, including single audit testing, when necessary

To provide an efficient and effective audit for the District, our substantive audit procedures will focus on areas of higher risk, be based on internal control testing, and preliminary testing in Phases 1 and 2.

The engagement partner and manager perform workpaper reviews during fieldwork to ensure all questions and documentation are completed prior to the end of substantive testing. Our goal is to complete substantive testing with as few open items as possible when we complete fieldwork.

Our firm structure allows for the majority of audit work to be completed by staff with managers and partners involved in all aspects of the District's audit process.

Audit Process Overview

Other phase 3 considerations

Type and extent of analytical procedures

Analytical procedures allow us to consider the context of the numbers and how they related to other audit areas. 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 to make sure the financial statements “make sense”.

Phase 4: Reporting

Reporting is typically performed by the engagement partner and manager.

Below are the various reporting procedures completed:

- Draft financial statements and footnote disclosures
- Draft audit and compliance reports
- Complete Internal Independent Quality Review
- Present management letter to management, including exit conference
- Present final annual report to District Board

Report preparation also includes the completion of a disclosure checklist to ensure all required financial disclosures are complete and meet governmental accounting standards. Our independent quality review is done to provide a detailed, technical review of all reporting requirements.

During the reporting process, we will develop our management letter. Our process to produce a meaningful management letter is to review the District’s processes and internal controls to identify any compliance violations to include in the letter. Additionally, our staff will work with management to identify any areas of weakness or ways to improve the District’s internal control structure. These comments are discussed with management prior to finalizing the letter.

Audit Process Overview

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 Director's presentation

We will deliver our report in person or via video conference systems, to the Board of Directors. We will also attend a board meeting as requested 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.

Identification of potential problems

While we do not anticipate problems, we know that changes in circumstances occur. We believe it is imperative that we anticipate any major audit problems that will cause delays in issuance of the audit report and plan for them. We will commit to issuing our final reports in a timely and efficient manner, provided we can successfully navigate potential difficulties summarized below:

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.

Audit Process Overview

Steps to address anticipated issues

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

- Proactively inform you of major GASB standard changes that will take place in future years.
- We attempt to tackle confirmations as early as we can in the audit process. Confirmations are an integral part of every audit and must be pro-actively managed. We attempt to start this process early on and then we automatically follow up with each confirmation source every couple of weeks. If we do not hear back from a source after a couple of attempts, we will follow up with you or plan for the performance of alternative procedures which may result in additional fees.
- We understand that nearly every audit results in a set of open items. We also understand that client staff are busy with their important day-to-day jobs. We attempt to follow up on open items regularly to make sure requests are fulfilled and work to alleviate any unnecessary requests.
- If we encounter serious delays in prior years, we will follow up with District staff well before an audit is scheduled to assure we are able to assist where necessary to assure proper closing of the books.

Proposed Schedule

While the final schedule will be worked out with you and your staff each year, we anticipate the following to be representative of our proposed schedule:

Phase 0	February 2026, following award
Phase 1	February -March 2026
Phase 2	March-April 2026
Phase 3	April 2026
Phase 4	April – May 2026

Certificates of Insurance-Samples (Exhibit H)

Current certificates will be provided upon request

ACORD CERTIFICATE OF LIABILITY INSURANCE DATE (MM/DD/YYYY) 02/04/2025

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: James Rauch
PHONE: 800-652-1772 FAX: 800-227-2090
EMAIL: inquiry@camico.com

INSURED: CAMICO Mutual Insurance Company NAIC # 36340

INSURER A: CAMICO Mutual Insurance Company
INSURER B:
INSURER C:
INSURER D:
INSURER E:

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.

TYPE	TYPE OF INSURANCE	ACORD FORM	POLICY NUMBER	POLICY EFF. DATE (MM/DD/YYYY)	POLICY EXP. DATE (MM/DD/YYYY)	LIMITS	LIMITS	
							EACH OCCURRENCE	AGGREGATE
A	COMMERCIAL GENERAL LIABILITY	101	CAL113917	12/31/2024	12/31/2025	EACH OCCURRENCE	\$	1,000,000
	CLAIMS-MADE					\$	300,000	
	PREMISES-USE OCCURRENCE					\$	1,000,000	
B	PERSONAL & AUTO INJURY	102	CAL113917	12/31/2024	12/31/2025	PERSONAL & AUTO INJURY	\$	1,000,000
	GENERAL AGGREGATE					\$	2,000,000	
	PRODUCTS-COMP/OP AGG					\$	2,000,000	
C	UMBRELLA LIAB	103	CAL113917	12/31/2024	12/31/2025	EACH OCCURRENCE	\$	Included
	EXCESS LIAB					\$		
	AGGREGATE					\$		
D	WORKERS COMPENSATION AND EMPLOYERS LIABILITY	104	CAL113917	12/31/2024	12/31/2025	E.L. EACH ACCIDENT	\$	1,000,000
	E.L. DISEASE-SEA EMPLOYEES					\$	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)
Should any of the above described policies be cancelled before the expiration date thereof, CAMICO will mail 30 days written notice to the certificate holder.

CERTIFICATE HOLDER: Fechter & Company, CPAs, 3445 American River Drive, Suite A, Sacramento, CA 95864

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: [Signature]

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ACORD CERTIFICATE OF LIABILITY INSURANCE FECHT-1 OP ID: RA DATE (MM/DD/YYYY) 08/06/2024

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: Anthony R. Telford
PHONE: 916-436-2600 FAX: 916-436-2610
EMAIL: info@travlers.com

INSURED: Travlers Property Casualty, 25474
INSURER A: Employers Preferred Ins Co, 10346

INSURER B:
INSURER C:
INSURER D:
INSURER E:

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.

TYPE	TYPE OF INSURANCE	ACORD FORM	POLICY NUMBER	POLICY EFF. DATE (MM/DD/YYYY)	POLICY EXP. DATE (MM/DD/YYYY)	LIMITS	LIMITS	
							EACH OCCURRENCE	AGGREGATE
A	COMMERCIAL GENERAL LIABILITY	101	880-SY55074-24-42	07/06/2024	07/06/2025	EACH OCCURRENCE	\$	1,000,000
	CLAIMS-MADE					\$	300,000	
	PREMISES-USE OCCURRENCE					\$	1,000,000	
B	PERSONAL & AUTO INJURY	102	880-SY55074-24-42	07/06/2024	07/06/2025	PERSONAL & AUTO INJURY	\$	1,000,000
	GENERAL AGGREGATE					\$	2,000,000	
	PRODUCTS-COMP/OP AGG					\$	2,000,000	
C	UMBRELLA LIAB	103	880-SY55074-24-42	07/06/2024	07/06/2025	EACH OCCURRENCE	\$	Included
	EXCESS LIAB					\$		
	AGGREGATE					\$		
D	WORKERS COMPENSATION AND EMPLOYERS LIABILITY	104	EIG530210801	07/06/2024	07/06/2025	E.L. EACH ACCIDENT	\$	1,000,000
	E.L. DISEASE-SEA EMPLOYEES					\$	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: For Verification Purposes Only

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: [Signature]

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Peer Review Results (Exhibit D)

Following the death of our Founder, the Firm experienced various difficulties in completing our 2023 Peer Review. The Firm has implemented a new quality control system as a result of our 2023 Peer Review.



Report on the Firm's System of Quality Control

To Fechter & Company, CPAs
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 Fechter & Company, CPAs, (the firm) in effect for the year ended March 31, 2023. 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/pressroom. The summary also includes an explanation of how engagements identified as not performed or reported on 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 and complying with a system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with the requirements of 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 on in conformity with the requirements of the applicable 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 and compliance with the firm's system of quality control based on our review.

Required Selection and Considerations

Engagements selected for review included audits performed under *Government Auditing Standards*, and 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.

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Deficiencies Identified in the Firm's System of Quality Control

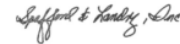
We noted the following deficiencies during our review:

Although the firm's quality control document properly identifies the requirement for monitoring, the firm was not aware of guidance requiring the performance of monitoring on an annual basis. If the firm's monitoring had been performed on an annual basis, the deficiencies noted below may have been discovered and corrected.

The firm's quality control policies and procedures address engagement performance and documentation procedures using a third-party practice aid. While the firm has reliable third-party practice aids, they did not use them effectively. This contributed to governmental and not-for-profit audit engagements, including audits performed under *Government Auditing Standards* and compliance audits under the Single Audit Act, did not conform to professional standards in all material respects in the areas of independence, risk assessment, analytical review, documentation of certain audit procedures performed and for a compliance audit under the Single Audit Act, documentation of testing specific to a compliance audit, including fraud considerations. For several review engagements, documentation of expectations as it relates to analytical review was missing and one review engagement did not properly document management inquiries. This resulted in these engagements not being performed in accordance with professional standards.

Opinion

In our opinion, except for the deficiencies previously described the system of quality control for the accounting and auditing practice of Fechter & Company, CPAs in effect for the year ended March 31, 2023, 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, CPAs, has received a peer review rating of *pass with deficiencies*.



October 26, 2023

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Sample Engagement Letter (Exhibit G)

Each period we will issue an engagement letter outlining the terms of our audit for that fiscal period in the following form and content subject to new conditions as they come into effect.

DATE

Board of Directors and General Manager
SPECIAL District
STREET
CITY, STATE, ZIP

We are pleased to confirm our understanding of the services we are to provide SPECIAL District for the years ended June 30, 20X0 and June 30, 20X1.

Audit Scope and Objectives

We will audit the financial statements of the business-type activities and the disclosures, which collectively comprise the basic financial statements of SPECIAL DISTRICT (The District) as of and for the years ended June 30, 20X0 and June 30, 20X1. Accounting standards generally accepted in the United States of America (GAAP) provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the District's RSI in accordance with auditing standards generally accepted in the United States of America (GAAS). These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient appropriate evidence to express an opinion or provide any assurance. The following RSI is required by GAAP and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis.
- 2) OTHER AS NEEDED

We have also been engaged to report on supplementary information other than RSI that accompanies the District's financial statements. We will subject the following supplementary information to the auditing procedures applied in our 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole, in a separate written report accompanying our auditor's report on the financial statements.

- 1) Budgetary Comparison Schedule.
- 2) Comparative Schedules of Operating Expenses by Department
- 3) Schedule of Changes in Restricted and District Reserved Net Position

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an auditor's report that includes our opinions about whether your financial statements are fairly presented, in all material respects, in conformity with GAAP, and report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements. The objectives also include reporting on:

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Auditor's Responsibilities for the Audit of the Financial Statements and Single Audit

We will conduct our audit in accordance with GAAS; the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with GAAS and Government Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will

plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of waste and abuse is subjective, Government Auditing Standards do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

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

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement.

We have identified the following significant risks of material misstatement as part of our audit planning:

- Pension related disclosures – The District is subject to the reporting requirements of GASB 68, Accounting And Financial Reporting For Pensions—An Amendment Of GASB Statement No. 27. These calculations are highly complex and therefore we consider this a high-risk area for audit purposes.
- Interest receivable cutoff – Our previous audit engagements have each resulted in material adjustments being recorded as a result of interest income not being reported in the correct fiscal year.
- Expense cutoff – Our previous audit engagements have each resulted in material adjustments being recorded as a result of expenses not being reported in the correct fiscal year.
- Depreciation Expense – The District records the cost of assets in the correct accounts and we generally do not have any material adjustments to record as a result of miss recording the cost of purchased and constructed assets., however, the District does not maintain a fixed asset list as an internal document from which to calculate and record depreciation expense. This increases the risk that some asset disposals will not be captured on the fixed asset list and related accounts.

We may, from time to time and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

Our audit of financial statements does not relieve you of your responsibilities.

Audit Procedures—Internal Control

We will obtain an understanding of the government and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to Government Auditing Standards.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

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

Audit Procedures—Compliance

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

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with federal statutes, regulations, and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the OMB Compliance Supplement for the types of compliance requirements that could have a direct and material effect on each of the District's major programs. For federal programs that are included in the Compliance Supplement, our compliance and internal control procedures will relate to the compliance requirements that the Compliance Supplement identifies as being subject to audit. The purpose of these procedures will be to express an opinion on the District's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Other Services

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

You agree to assume all management responsibilities for the financial statements, schedule of expenditures of federal awards, and related notes, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements, the schedule of expenditures of federal awards, and related notes and that you have reviewed and approved the financial statements, the schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Responsibilities of Management for the Financial Statements

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for (1) designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including internal controls over federal awards, and for evaluating and

monitoring ongoing activities to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with accounting principles generally accepted in the United States of America; and for compliance with applicable laws and regulations (including federal statutes), rules, and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

You are also responsible for making drafts of financial statements, schedule of expenditures of federal awards, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance; (3) additional information that we may request for the purpose of the audit; and (4) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and related matters.

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

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan.

You are responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is stated fairly in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles (GAAP). You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Electronic Communication, Client Portal Agreement and File Exchange Processes

In connection with this engagement, we may communicate with you or others via email transmission. As emails can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that email communication from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure of emails transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no

liability for any loss or damage to any person or entity resulting from the use of email transmissions, including any consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure or communication of confidential or proprietary information.

As part of our commitment to protecting your sensitive information, Fechter & Company works with Thomson Reuters to provide secure, encrypted, file transfer portals (Firm's Client Portal). All documents you prepare for our use in completing the services outlined in this engagement letter (Word, Excel and PDF files) should be transmitted to Fechter & Company through this portal system and all sensitive files will be transmitted through this system. In addition, we will publish all issued financial statements to this portal area for your use as long as you remain a client with Fechter & Company or as required by the terms of our engagement letters.

By using any features of the Firm's Client Portal, the District consents to the following terms and conditions and acknowledges that the Firm is relying on your consent in allowing you to use the Firm's Client Portal. Your continued use of the Firm's Client Portal after the posting of any amended terms and conditions shall constitute your agreement to be bound by any such changes. The Firm may modify, suspend, discontinue, or restrict the use of any portion of the Firm's Client Portal, including the availability of any portion of the content at any time, without notice or liability.

The Firm will use its best reasonable efforts to provide availability of the Client Portal Service 24X7. The Firm shall not be responsible for any error, omission, interruption, deletion, defect, delay in operation or transmission, communications line failure, theft or destruction, or unauthorized access to the Client Portal. The Firm is not responsible for any problems or technical malfunctions of any telephone or fibre network or lines, computer online systems, servers or providers, computer equipment, software, failure of any email to be received by the Firm on account of technical problems or traffic congestion on the Internet or any website, or any combination thereof, including any injury or damage to the District's computers or peripherals related to downloading any materials from the Client Portal.

Documents are encrypted before being passed over the Internet and while being stored on the Portal and a username and password are required to access files. In addition, documents added to the Portal are scanned for viruses before being uploaded. All files are maintained behind firewalls to protect against outside intruders. *The Firm will use its best efforts to make the Client Portal secure from unauthorized access. However, the District recognizes that no completely secure system for electronic data transfer has yet been devised.*

Logon Accounts and Their Security.

- a. The Firm will set up individual logon accounts for those of the District's employees who need access to the Client Portal. Each account will have access only to those document areas requested by Client. (The Firm strongly recommends that Client establish a policy that logon information not be shared with others.) In order to maintain security, the District agrees to designate a single individual as the authorized person to contact the Firm to request employee logons. The initial designee is listed below. Your username will be your email address, all passwords will be established by the user at the time of initial logon.
- b. You acknowledge that the use of username and password is an adequate form of security. You are solely responsible for (1) authorizing, monitoring, controlling access to, and maintaining the strict confidentiality of your username and password; (2) not allowing

another person to use your username or password; (3) any charges or damages that may be incurred as a result of your neglect to maintain the strict confidentiality of your username and password; and (4) promptly informing the Firm in writing of any need to deactivate a username due to security concerns or otherwise. The Firm is not liable for any harm related to the misuse or theft of usernames or passwords, disclosure of usernames or passwords, or your authorization to allow another person or entity to access and use the Firm's Client Portal using your username or password. You shall immediately notify the Firm of any unauthorized use of your username or password and any breach of confidentiality. Until the Firm receives this notification from you, you will be held liable for any harm ensuing from the use of your username on the Firm's Client Portal.

Termination of Logon Account. The District agrees to notify the Firm via email at support@fechtercpa.com in writing when an individual logon account is to be terminated. The Firm will make every effort to confirm and terminate access within 3 business days. However, the District cannot be assured that access has been terminated until the requester receives an email confirmation of termination.

No Unlawful or Prohibited Use. As a condition of your use of the Client Portal website, you warrant to the Firm that you or your approved users will not use the Firm's Client Portal website for any purpose that is unlawful or prohibited by these terms, conditions, and notices. You may not use the Firm's Client Portal website in any manner that could damage, disable, overburden, or impair the Firm's website or interfere with any other party's use of the Client Portal website. You may not obtain or attempt to obtain any materials or information through any means not intentionally made available or provided for through the Client Portal website.

Information Disclosure. The Firm reserves the right at all times to disclose any information as necessary to satisfy any applicable law, regulation, legal process, or governmental request, or to edit, refuse to post, or to remove any information or materials, in whole or in part, in the Firm's sole discretion.

Client's Responsibility. You must at your own cost (a) provide for your own access to the Internet and pay any services fees, connection charges, and online services usage associated with such access and (b) provide all equipment necessary for you to make such connection to the Client Portal, including a computer and modem.

Dispute Resolution. The parties agree that any dispute between the District and the Firm relating to this Agreement, or the breach of it, shall, if negotiations and other discussions fail, be first submitted to mediation in accordance with the applicable rules for resolving professional accounting and related services disputes of the America Arbitration Association. If the parties are unable to resolve the dispute through mediation within 60 days from the date notice is first given from one party to the other as to the existence of such a dispute and the demand to mediate, then they may proceed to resolve the matter by arbitration if this agreement provides that the particular dispute is subject to arbitration, or by whatever other lawful means are available to them if this agreement does not provide for arbitration of the particular dispute. Costs of any mediation proceeding shall be shared equally by all parties.

WARRANTIES. THE FIRM MAKES NO WARRANTY, EXPRESS OR IMPLIED, REGARDING THE EFFICACY OF THE SECURITY OF THE CLIENT PORTAL. THE CONTENT AND SERVICES ARE PROVIDED ON AN “AS IS” BASIS AND THE FIRM SPECIFICALLY DISCLAIMS ANY EXPRESS OR IMPLIED WARRANTIES, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE, WARRANTIES OF MERCHANTABILITY, OR WARRANTIES AGAINST INFRINGEMENT. THE FIRM, ITS AFFILIATES, EMPLOYEES, AND AGENTS SHALL NOT BE LIABLE FOR ANY DAMAGES OR LOSSES, INCLUDING, WITHOUT LIMITATION, INDIRECT, CONSEQUENTIAL, SPECIAL, INCIDENTAL, OR PUNITIVE DAMAGES, RESULTING FROM OR CAUSED BY THE PORTAL, ITS CONTENT, OR SECURITY SERVICES PROVIDED HEREIN. THE FIRM DOES NOT WARRANT THAT THE CLIENT PORTAL’S FUNCTIONS WILL BE UNINTERRUPTED OR ERROR-FREE, THAT DEFECTS WILL BE CORRECTED, OR THAT THE FIRM’S CLIENT PORTAL OR THE SERVER THAT MAKES IT AVAILABLE ARE FREE OF VIRUSES OR OTHER HARMFUL COMPONENTS.

IF YOU ARE DISSATISFIED WITH ANY PORTION OF THE PORTAL, INFORMATION, DOCUMENTS, OR COMMUNICATIONS ON THE PORTAL, OR WITH ANY OF THESE TERMS AND CONDITIONS OF USE, YOUR SOLE AND EXCLUSIVE REMEDY IS TO CEASE USING THE PORTAL AND THE INFORMATION, DOCUMENTS, OR COMMUNICATIONS YOU OBTAINED FROM THE PORTAL.

Term and Termination. This Agreement and the services contemplated by it may be terminated by either the Firm or Client with or without cause and with or without notice at any time. The Firm may at any time terminate in whole or in part the Firm’s Client Portal without notice or liability.

Authorized person to contact the Firm to request employee logon User IDs:

Name: NAME

Title: TITLE

Email: EMAIL

Should you desire to use alternate methods of transmission for sensitive documents and chose not to use the Firm’s Client Portal System, you may opt out.

Other Services

We will assist in preparing the financial statements based on information provided by the District and OTHER SERVICES AS REQUESTED. These nonaudit services do not constitute an audit under Government Auditing Standards and such services will not be conducted in accordance with Government Auditing Standards. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statements, schedule of expenditures of federal awards, and related notes services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

You agree to assume all management responsibilities for the financial statements, schedule of

expenditures of federal awards, and related notes, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements, the schedule of expenditures of federal awards, and related notes and that you have reviewed and approved the financial statements, the schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to Board of Directors of the District; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Fechter and Company, Certified Public Accountants or their assigns and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the California State Controller’s Office or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Fechter and Company, Certified Public Accountant’s personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the California State Controller’s Office. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit during MONTH AND YEAR and to issue our reports no later than SPECIFIC DATE. Scott German, CPA is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fees for the financial statement audit will be AS OUTLINED IN THE FEE SECTION OF OUR PROPOSAL. Based on our preliminary discussions, we believe there to be only one major program as in prior years. Direct expenses for travel and printing are not expected to exceed \$XXXX and will be billed at actual amounts as incurred. Our invoices will be presented for payment as follows:

Due with the engagement letter	\$ X,XXX
Due upon completion of fieldwork	X,XXX
Due upon presentation of the final report	<u>X,XXX</u>
Total fees	\$ X,XXX

Actual direct expenses will be billed as incurred, we estimate total expenses will be approximately \$XX.

In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. If we are engaged to perform additional services for the District, the services will be billed at the following hourly rates:

	Professional Fees Per Hour	
	Standard	Quoted
Partner	\$ 325	\$ 220
Manager	\$ 275	\$ 140
Professional Staff	\$ 175	\$ 60
Clerical/Support Staff	\$ 75	\$ -

Reporting

We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the Board of Directors of the District. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor’s report, or if necessary, withdraw from this engagement. We cannot provide assurance that unmodified opinions will be expressed. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

The Government Auditing Standards report on internal control over financial reporting and on compliance and other matters will state that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity’s internal control and compliance. The Uniform Guidance report on internal control over compliance will state that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

We maintain a license with California State Board of Accountancy and will inform you in writing of any changes in the status in our license.

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

Very truly yours,

Fechter & Company
Certified Public Accountants

RESPONSE:

This letter correctly sets forth the understanding of the SPECIAL DISTRICT.

Management signature:

Governance signature:

Title: _____

Title: _____

Date: _____

Date: _____