



6.a.
2/25/2021

TO: Local Agency Formation Commission

FROM: Gary Thompson, Executive Officer

SUBJECT: AGREEMENT WITH DAVIS FARR, LLP FOR AUDIT SERVICES

For the previous five years audit services agreement, inclusive of a one year extension, Riverside LAFCO had joined with four other Southern California LAFCOs: Imperial, Orange, Los Angeles and San Bernardino, in a group process for selecting auditing services. In 2016, the firm of Davis Farr, LLP was selected to provide audit services for each LAFCO. With the completion of the fiscal year ending June 30, 2020 audit, that agreement has now expired.

Earlier this year, all five of the same LAFCOs determined that a similar process should be utilized for the next round of audits as this process proved to be an efficient, cost effective, and cost savings process for each LAFCO. As such, Los Angeles LAFCO took the lead in developing and issuing a Request for Proposals (RFP) for the next four-year cycle, inclusive of an option on a one year extension. A total of seven proposals were received from qualified audit firms as follows:

Brown Armstrong
CliftonLarsonAllen, LLP
Davis Farr, LLP
Jacobson Jarvis & Co, LLP
Nigro & Nigro
The Pun Group
Vasquez & Company, LLC

The Executive Officers of each LAFCO reviewed the proposals and ranked them according to criteria jointly developed by the five LAFCOs. As a result, four firms were selected for interviews:

Brown Armstrong
Davis Farr, LLP
Nigro & Nigro
Vasquez & Company, LLC.

Interviews were conducted for each firm by all five Executive Officers jointly. Upon completion of the interviews, it was

unanimous among the Executive Officers that the previous audit firm, Davis Farr, LLP, should be retained to continue providing this service.

Davis Farr, LLP has provided excellent service to all five LAFCOs, has the inherent background knowledge of each LAFCO that will carry forward well into future audits, and was very reasonably priced as compared to the other firms. Staff has been satisfied with the work of Davis Farr, LLP. Specifically for Riverside LAFCO, they are very familiar with our systems, are well knowledgeable in our operations and unique agreements with the County for providing financial accounting and other services, and have been very easy to work with over the years.

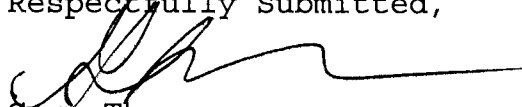
Maximum payments for annual audit services are not exceed \$7,600, \$7,750, \$7,900, and \$8,000 for fiscal years ending June 30, 2021, 2022, 2023 and 2024 respectfully, including all expenses. Additionally, and only if authorized by the Executive Officer, the maximum payment for the option for preparation of the Management Discussion and Analysis (MD&A) shall not exceed \$250, \$255, \$260, and \$265 for fiscal years ending June 30, 2021, 2022, 2023, and 2024 respectfully including all expenses. It is not anticipated that the MD&A options will be exercised as your Executive Officer writes the MD&A for each audit.

In order to comply with the requirements of Government Code Section 12410.6, the Managing Partner shall not be the same as the Managing Partner for the previous six fiscal years. Davis Farr, LLP has assigned a different individual for this duty and thus is in compliance with the statute.

Attached is the proposed agreement with Davis Farr, LLP and the Davis Farr, LLP proposal for service to all five LAFCOs. It is recommended that the Commission:

1. Approve the Agreement for Audit Services with Davis Farr, LLP.

Respectfully Submitted,



Gary Thompson
Executive Officer

Attachments:

- 1) Audit Services Agreement with Davis Farr, LLP
- 2) Davis Farr, LLP Proposal

**AUDIT SERVICES AGREEMENT
WITH DAVIS FARR, LLP**

1 **Professional Service Agreement between the Riverside Local**
2 **Agency Formation Commission and Davis Farr LLP for Auditing Services**

3
4 This Agreement, made and entered into this ____ day of _____, 2021__ by and between
5 Davis Farr LLP (herein referenced to as “CONTRACTOR”), and the Riverside Local Agency
6 Formation Commission, a commission created within the County of Riverside by the provisions of
7 the Cortese-Knox-Hertzberg Local Government Reorganization act of 2000, set forth in
8 Government Code section 56000 et seq. (herein referred to as “LAFCO”).

9 WHEREAS, Government Code Section 56375 authorized LAFCO to contract for
10 professional services with a person who is trained and experienced, and who is competent to perform
11 the services required so as to carry out and effect the functions of the commission; and

12 WHEREAS, CONTRACTOR has the expertise, special skills, knowledge and experience to
13 perform tasks set out herein; and

14 NOW THEREFORE, in consideration of the mutual covenants contained herein, the parties
15 hereto agree as follows:

16 **1. Description of Services**

17 **1.1** CONTRACTOR at the request of LAFCO shall provide financial auditing services
18 as outlined and specified in Exhibit A, consisting of five pages, attached hereto and
19 by this referenced incorporated herein. CONTRACTOR has previously provided
20 such services to LAFCO in recent years. Consistent with Government Code Section
21 12410.6, CONTRACTOR shall make certain and confirm to LAFCO that the lead
22 audit partner or coordinating audit partner having primary responsibility for the audit,
23 or the audit partner responsible for reviewing the audit, has not performed audit
24 services for LAFCO the prior six fiscal years.

25 **1.2** CONTRACTOR represents and maintains that it is skilled to perform all services;
26 duties and obligations required by this Agreement to fully and adequately complete
27 the project. CONTRACTOR shall perform the services and duties in conformance
28 to and consistent with the standards generally recognized as being employed by

1 professionals in the same discipline in the State of California. CONTRACTOR
2 further represents and warrants that it has all licenses, permits, qualifications and
3 approvals of whatever nature is legally required to practice its profession/service.
4 CONTRACTOR further represents that it shall keep all such licenses and approvals
5 in effect during the term of this Agreement. **Contractor is not to perform services
6 for LAFCO outside of this agreement.**

7 **2. Period of Performance**

8 **2.1** Unless terminated as specified in Section 8 TERMINATION, this Agreement shall
9 be effective upon execution and continue in effect through February 28, 2026 for the
10 purposes of auditing financial statements for fiscal years ending June 30, 2021, 2022,
11 2023, and 2024, respectively with the option to extend the contract for one additional
12 year. Extension of this agreement shall require mutual written consent by the
13 CONTRACTOR and LAFCO and shall be considered an amendment to this
14 Agreement to be processed in accordance with Section 10 ALTERATION.
15 CONTRACTOR, shall commence performance of requested services upon
16 notification and shall diligently perform such services.

17 **3. Compensation**

18 **3.1** LAFCO shall pay CONTRACTOR for services performed and expenses incurred in
19 accordance with the terms of Exhibit B consisting of one page attached hereto.
20 Maximum payments by LAFCO to CONTRACTOR shall not exceed \$7,600,
21 \$7,750, \$7,900, and \$8,000 for fiscal years ending June 30, 2021, 2022, 2023 and
22 2024 respectfully, including all expenses. Additionally, and only if authorized by the
23 Executive Officer, the maximum payment for the option for preparation of the
24 MD&A shall not exceed \$250, \$255, \$260, and \$265 for fiscal years ending June 30,
25 2021, 2022, 2023, and 2024 respectfully including all expenses. LAFCO is not
26 responsible for any fees or costs incurred above or beyond the contracted amount and
27 shall have no obligation to purchase any specified amount of service or products.

28 **3.2** Said compensation shall be paid in accordance with an invoice submitted to LAFCO

1 by CONTRACTOR within fifteen (15) days from the last day of each calendar
2 month, and LAFCO shall pay the invoice within thirty (30) working days from the
3 date of receipt of the invoice. Compensation is based upon completion of each
4 scheduled project as described in Exhibit A.

5 **3.3** It is mutually agreed and understood that the obligation of LAFCO is limited by and
6 contingent upon the availability of LAFCO funds for the reimbursement of
7 CONTRACTOR'S fees. In the event that such funds are not forthcoming for any
8 reason, LAFCO shall immediately notify CONTRACTOR in writing and this
9 Agreement shall be deemed terminated and have no further force and effect
10 immediately on receipt of LAFCO'S notification by CONTRACTOR. In the event
11 of such termination, CONTRACTOR shall be entitled to reimbursement of its costs
12 in accordance with Section 8 TERMINATION.

13 **4. Assignment**

14 CONTRACTOR shall not delegate or assign any interest in this Agreement, and shall not
15 transfer any interest in the same, whether by operation of law or otherwise, without the prior
16 written consent of LAFCO.

17 **5. Hold Harmless/Indemnification**

18 **5.1** CONTRACTOR shall indemnify and hold harmless LAFCO, its Commissioners,
19 employees, agents and representatives from any liability whatsoever, based on
20 asserted upon any services of CONTRACTOR, its officers, employees,
21 subcontractors, agents or representatives arising out of or in any way relating to this
22 Agreement, including but not limited to property damage, bodily injury, or death or
23 any other element of any kind or nature whatsoever and resulting from any reason
24 whatsoever arising from the performance of CONTRACTOR, its officers, agents,
25 employees, subcontractors, agents or representatives from this Agreement;
26 CONTRACTOR shall defend, at its sole expense, all costs and fees including but not
27 limited to attorney fees, cost of investigation, defense and settlements or awards all
28 Indemnitees in any claim or action based upon such alleged acts or omissions.

1 **5.2** With respect to any action or claim subject to indemnification herein by
2 CONTRACTOR, CONTRACTOR shall, at their sole cost, have the right to use
3 counsel of their own choice and shall have the right to adjust, settle, or compromise
4 any such action or claim without the prior consent of LAFCO; provided, however,
5 that any such adjustment, settlement or compromise in no manner whatsoever limits
6 or circumscribes CONTRACTOR’S indemnification to LAFCO or COUNTY as set
7 forth herein. CONTRACTOR’S obligation to defend, indemnify and hold harmless
8 LAFCO or COUNTY shall be subject to LAFCO or COUNTY having given
9 CONTRACTOR written notice within a reasonable period of time of the claim or
10 the commencement of the related action, as the case may be, and information and
11 reasonable assistance, at the CONTRACTOR’S expense, for the defense or
12 settlement thereof. CONTRACTOR’S obligation hereunder shall be satisfied when
13 CONTRACTOR has provided to LAFCO or COUNTY the appropriate form of
14 dismissal relieving LAFCO or COUNTY from any liability for the action or claim
15 involved. Section 5 shall survive the termination of this Agreement.

16 **5.3** The specified insurance limits required in the Agreement shall in no way limit or
17 circumscribe CONTRACTOR’S obligations to indemnify and hold harmless
18 LAFCO and COUNTY herein from third party claims.

19 **6. Waiver of Default**

20 Any waiver by LAFCO of any breach of any one or more of the terms of this Agreement s
21 hall not be construed to be a waiver of any subsequent or other breach of the same or of any
22 other term hereof. Failure on the part of LAFCO to require exact, full and complete
23 compliance with any terms of this agreement shall not be construed as in any manner
24 changing the terms hereof, or estopping LAFCO from enforcement hereof.

25 **7. Availability of Funding**

26 LAFCO’s obligation for payment of any contract beyond the current fiscal year end is
27 contingent upon the availability of funding from which payment can be made. No legal
28 liability on the part of LAFCO shall arise for payment beyond June 30 of the calendar year

1 unless funds are made available for such performance. If funds will not be available,
2 LAFCO shall provide notice to CONTRACTOR as soon as this fact is known.

3 **8. Termination**

4 **8.1** LAFCO may terminate this Agreement without cause upon 30 days written notice
5 served upon CONTRACTOR stating the extent and effective date of termination.

6 **8.2** LAFCO may, upon five (5) days written notice, terminate this Agreement for
7 CONTRACTOR'S default, if CONTRACTOR refuses or fails to comply with the
8 provisions of this Agreement or fails to make progress so as to endanger performance
9 and does not cure such failure within a reasonable period of time. In the event of
10 such termination, LAFCO may proceed with the work in any manner deemed proper
11 to LAFCO.

12 **8.3** After receipt of the Notice of Termination pursuant to paragraph 8.1 or 8.2 above,
13 CONTRACTOR shall:

14 a.) Stop all work under this Agreement on the date specified in the Notice of
15 Termination.

16 b.) Transfer to LAFCO and deliver in the manner, and to the extent, if any, as
17 directed by LAFCO, any equipment, information data or reports which, if the
18 Agreement had been completed, would have been required to be furnished to
19 LAFCO;

20 **8.4** After termination pursuant to paragraph 8.1 or 8.2 above, LAFCO shall make
21 payment for all services performed in accordance with this Agreement as of the date
22 of termination, a total amount which bears the same ratio to the total maximum fee
23 otherwise payable under this Agreement as the services actually bear to the total
24 services necessary for performance of this Agreement.

25 **8.5** Notwithstanding any of the provisions of this Agreement, CONTRACTOR'S rights
26 under this Agreement shall terminate (except for fees accrued prior to the date of
27 termination) upon dishonesty, or a willful or material breach of this Agreement by
28 CONTRACTOR; or in the event of CONTRACTOR'S unwillingness or inability for

1 any reason whatsoever to perform the duties hereunder. In such event,
2 CONTRACTOR shall not be entitled to any further compensation under this
3 Agreement.

4 **8.6** The rights and remedies of LAFCO provided in this section shall not be exclusive
5 and are in addition to any other rights and remedies provided by law or under this
6 Agreement.

7 **9. Disputes**

8 Except as otherwise provided in this Agreement, any dispute concerning a question of fact
9 arising under this Agreement which is not disposed of by agreement shall be decided by the
10 Executive Officer who shall furnish the decision in writing. The decision of the Executive
11 Officer shall be final and conclusive unless determined by a court of competent jurisdiction
12 to have been fraudulent or capricious, or arbitrary, or so grossly erroneous as necessarily to
13 imply bad faith. CONTRACTOR shall proceed diligently with the performance of the
14 Agreement pending the Executive Officer's decision.

15 **10. Alteration**

16 Modifications or changes to the scope of work or this Agreement may only be made by
17 written amendment to this Agreement signed by either the LAFCO Chair or the Executive
18 Officer and CONTRACTOR.

19 **11. Independent Contractor**

20 **11.1** CONTRACTOR is, for purposes arising out of this Agreement, an independent
21 contractor and shall not be deemed an employee of LAFCO. It is expressly
22 understood and agreed that CONTRACTOR shall in no event, as a result of this
23 Agreement, be entitled to any benefits to which LAFCO employees are entitled,
24 including but not limited to overtime, any retirement benefits, worker's compensation
25 benefits, and injury leave or other leave benefits. CONTRACTOR hereby holds
26 LAFCO harmless from any and all claims that may be made against LAFCO based
27 upon any contention by any third party that an employer-employee relationship exists
28 by reason of this agreement.

1 11.2 It is further understood and agreed by the parties hereto that CONTRACTOR in the
2 performance of its obligation hereunder is subject to the control or direction of
3 LAFCO merely as to the result to be accomplished by the services hereunder agreed
4 to be rendered and performed and not as to the means and methods for accomplishing
5 the results.

6 11.3 CONTRACTOR shall provide and maintain, throughout the term of this Agreement,
7 CONTRACTOR's own workplace, tools, equipment, and supplies necessary to
8 perform the duties set forth under this Agreement. Notwithstanding the foregoing,
9 LAFCO may, in its sole discretion, and with its prior written consent, provide access
10 to LAFCO facilities, offices, or meeting rooms during regular work hours for
11 meetings, conferences, or other work of CONTRACTOR.

12 11.4 CONTRACTOR has the right to perform services for other clients during the term
13 of this Agreement as long as such services are not in direct conflict with the services
14 provided to LAFCO.

15 12. **Subcontract for Work or Services**

16 No Agreement shall be made by CONTRACTOR with any party for furnishing any of the
17 work or services herein contained without the prior written approval of the Executive Officer
18 but this provision shall not require the approval of contracts of employment between
19 CONTRACTOR and personnel assigned for services thereunder, or for parties named in the
20 proposal and agreed to under any resulting contract.

21 13. **Interest of Contractor**

22 CONTRACTOR covenants that it presently has no interest, including but not limited to,
23 other projects, independent contracts, and shall not acquire any such interest, direct or
24 indirect, which would conflict in any manner or degree with the performance of services
25 required to be performed under this Agreement. CONTRACTOR further covenants that in
26 the performance of this Agreement, no person having any such interest shall be employed or
27 retained by it under this Agreement.

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1 **14. Conduct of Contractor**

2 **14.1** CONTRACTOR agrees to inform LAFCO of all CONTRACTOR'S and
3 subcontractors' interest, if any, which are or which CONTRACTOR believes to be
4 incompatible with any interest of LAFCO.

5 **14.2** CONTRACTOR and subcontractors shall not, under any circumstances, which might
6 reasonably be interpreted as an attempt to influence the recipient in the conduct of
7 its duties, accept any gratuity or special favor from individuals or organizations with
8 whom CONTRACTOR or subcontractors are doing business or proposing to do
9 business, in accomplishing the work under the Agreement.

10 **14.3** CONTRACTOR, subcontractors or employees thereof shall not offer gifts, gratuity,
11 favors and/or entertainment directly or indirectly to LAFCO employees.

12 **15. Disallowance**

13 In the event CONTRACTOR receives payment for services under this Agreement which is
14 later disallowed for nonconformance with the terms and conditions herein by LAFCO,
15 CONTRACTOR shall promptly refund the disallowed amount to LAFCO on request, or at
16 its option, LAFCO may offset the amount disallowed from any payment due to
17 CONTRACTOR under any agreement with LAFCO.

18 **16. Governing Law; Jurisdiction; Severability**

19 This Agreement and its construction and interpretation as to validity, performance and
20 breach shall be construed under the laws of the State of California. Any legal action related
21 to this Agreement shall be filed in the Superior Court of the State of California located in
22 Riverside, California. In the event any provision in this Agreement is held by a court of
23 competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions will
24 nevertheless continue in full force without being impaired or invalidated in any way.

25 **17. Insurance**

26 Without limiting or diminishing CONTRACTOR'S obligation to indemnify or hold LAFCO
27 and COUNTY harmless, CONTRACTOR shall procure and maintain or cause to be
28 maintained, at its sole cost and expense, the following insurance coverages during the term

1 of this Agreement.

2 **A. Workers' Compensation**

3 If CONTRACTOR has employees as defined by the State of California, CONTRACTOR
4 shall maintain statutory Workers' Compensation Insurance (Coverage A) as prescribed
5 by the laws of the State of California. Policy shall include Employers' Liability
6 (Coverage B) including Occupational Disease with limits not less than \$1,000,000 per
7 person per accident. The policy shall be endorsed to waive subrogation in favor of
8 LAFCO, and, if applicable, to provide a Borrowed Servant/Alternate Employer
9 Endorsement.

10 **B. Commercial General Liability**

11 Commercial General Liability insurance coverage, including but not limited to, premises
12 liability, contractual liability, products and completed operations liability, personal and
13 advertising injury covering claims which may arise from or out of CONTRACTOR'S
14 performance of its obligations hereunder. Policy shall name LAFCO and all its
15 commissioners, employees, agents or representatives as Additional Insureds. Policy's
16 limit of liability shall not be less than \$1,000,000 per occurrence combined single limit.
17 If such insurance contains a general aggregate limit, it shall apply separately to this
18 agreement or be no less than two (2) times the occurrence limit.

19 **C. Vehicle Liability**

20 If CONTRACTOR'S vehicle or mobile equipment are used in the performance of the
21 obligations under this Agreement, then CONTRACTOR shall maintain liability
22 insurance for all owned, non-owned or hired vehicles so used in an amount not less than
23 \$1,000,000 per occurrence combined single limit. If such insurance contains a general
24 aggregate limit, it shall apply separately to this agreement or be no less than two (2)
25 times the occurrence limit. Policy shall name LAFCO and all its commissioners,
26 employees, agents or representatives as Additional Insureds.

27 **D. Professional Liability Insurance**

28 CONTRACTOR shall maintain Professional Liability Insurance providing coverage for

1 CONTRACTOR'S performance of work included within this Agreement, with a limit of
2 liability of not less than \$1,000,000 per occurrence and \$2,000,000 annual aggregate. If
3 CONTRACTOR'S Professional Liability Insurance is written on a claims made basis
4 rather than an occurrence basis, such insurance shall continue through the term of this
5 Agreement and CONTRACTOR shall purchase at his sole expense either 1) an Extended
6 Reporting Endorsement (also known as Tail Coverage); or 2) Prior Dates Coverage from
7 new insurer with a retroactive date back to the date of, or prior to, the inception of this
8 Agreement; or 3) demonstrate through Certificates of Insurance that CONTRACTOR
9 has Maintained continuous coverage with the same or original insurer. Coverage
10 provided under items; 1), 2) or 3) will continue for a period of five (5) years beyond the
11 termination of this Agreement, if available.

12 **E. General Insurance Provisions – All Lines**

- 13 a) Any insurance carrier providing insurance coverage hereunder shall be admitted to
14 the State of California and have an A M BEST rating of not less than A: VIII (A:8)
15 unless such requirements are waived, in writing, by the LAFCO Risk Manager. If
16 the LAFCO'S Risk Manager waives a requirement for a particular insurer such
17 waiver is only valid for that specific insurer and only for one policy term.
- 18 b) CONTRACTOR'S insurance carrier(s) must declare its insurance deductibles or
19 self-insured retentions. If such deductibles or self-insured retentions exceed
20 \$500,000 per occurrence, such deductibles and/or retentions shall have the prior
21 written consent of the LAFCO Risk Manager before the commencement of
22 operations under this Agreement. Upon notification of deductibles or self-insured
23 retentions unacceptable to LAFCO, and at the election of the LAFCO Risk Manager,
24 CONTRACTOR'S carriers shall either; 1) reduce or eliminate such deductibles or
25 self-insured retentions with respect to this Agreement with LAFCO, or 2) procure a
26 bond which guarantees payment of losses and related investigations, claims
27 administration, and defense costs and expenses.
- 28 c) CONTRACTOR shall cause CONTRACTOR'S insurance carrier(s) to furnish

1 LAFCO with either 1) a properly executed original Certificate(s) of Insurance and
2 certified original copies of Endorsements effecting coverage as required herein, or
3 2) if requested to do so orally or in writing by the LAFCO Risk Manager, provide
4 original Certified copies of policies including all Endorsements and all attachments
5 thereto, showing such insurance is in full force and effect. Further, said Certificate(s)
6 and policies of insurance shall contain the covenant of the insurance carrier(s) that
7 thirty (30) days written notice shall be given to LAFCO prior to any material
8 modification, cancellation, expiration or reduction in coverage of such insurance. In
9 the event of a material modification, cancellation, expiration, or reduction in
10 coverage, this Agreement shall terminate forthwith, unless LAFCO receives, prior to
11 such effective date, another properly executed original Certificate of Insurance and
12 original copies of endorsements or certified original policies, including all
13 endorsements and attachments thereto evidencing coverage's set forth herein and the
14 insurance required herein is in full force and effect. ***CONTRACTOR shall not
15 commence operations until LAFCO has been furnished original Certificate(s) of
16 Insurance and certified original copies of endorsements or policies of insurance
17 including all endorsements and any and all other attachments as required in this
18 Section. An individual authorized by the insurance carrier to do so on its behalf
19 shall sign the original endorsements for each policy and the Certificate of
20 Insurance.***

- 21 d) It is understood and agreed to by the parties hereto and the insurance company(s),
22 that CONTRACTOR'S Certificate(s) of Insurance and policies shall so covenant and
23 shall be construed as primary insurance, and LAFCO'S insurance and/or deductibles
24 and/or self-insured retention's or self-insured programs shall not be construed as
25 contributory.
- 26 e) LAFCO'S Reserved Rights-Insurance. If, during the term of this Agreement or any
27 extension thereof, there is a material change in the scope of services; LAFCO
28 reserves the right to adjust the types of insurance required under this Agreement and

1 the monetary limits of liability for the insurance coverage's currently required herein,
2 if; in the LAFCO Risk Manager's reasonable judgment, the amount or type of
3 insurance carried by CONTRACTOR has become inadequate.

4 f) CONTRACTOR shall pass down the insurance obligations contained herein to all
5 tiers of subcontractors working under this Agreement.

6 g) The insurance requirements contained in this Agreement may be met with a
7 program(s) of self-insurance acceptable to LAFCO.

8 **18. Licensing and Permits**

9 **18.1** All offerors and contractors shall be licensed, if required, in accordance with the laws
10 of this State and any offeror or contractor not so licensed is subject to the penalties
11 imposed by such laws.

12 **18.2** CONTRACTOR further warrants that it has all necessary permits, approvals,
13 certificates, waivers and exemptions necessary for the provision of services
14 hereunder and required by the laws and regulations of the United States, State of
15 California, the County of Riverside and all other appropriate governmental agencies,
16 and shall maintain these throughout the term of this agreement.

17 **19. Contractor's Responsibility**

18 **19.1** It is understood that CONTRACTOR has the skills, experience and knowledge
19 necessary to perform the services agreed to be performed under this Agreement, and
20 that LAFCO relies upon CONTRACTOR'S representations about its skills,
21 experience and knowledge to perform CONTRACTOR'S services in a competent
22 manner. Acceptance by LAFCO of the services to be performed under this
23 Agreement does not operate as a release of said CONTRACTOR from responsibility
24 for the work performed.

25 **19.2** It is further understood and agreed that CONTRACTOR is apprised of the scope of
26 the work to be performed under this Agreement and CONTRACTOR agrees that said
27 work can and shall be performed in a fully competent manner.

28 //

1 **20. Conflict of Interest**

2 CONTRACTOR shall have no interest, and shall not acquire any interest, direct or indirect,
3 which will conflict in any manner or degree with the performance of services required under
4 this Agreement.

5 **21. Non-Discrimination**

6 CONTRACTOR shall not discriminate in the provision of, services, allocation of benefits,
7 accommodation in facilities, or employment of personnel on the basis of ethnic group
8 identification, race, religious creed, color, national origin, ancestry, physical handicap,
9 medical condition, marital status or sex in the performance of this Agreement, and, to the
10 extent they shall be found to be applicable hereto, shall comply with the provisions of the
11 California Fair Employment Practices Act (commencing with Section 1410 of the Labor
12 Code) , the Federal Civil Rights Act of 1964 (P.L. 88-352), and the Americans with
13 Disabilities Act of 1990 (42 U.S.C. . S1210 et seq,) and all other applicable laws and
14 regulations.

15 **22. Assurances**

16 CONTRACTOR will comply with LAFCO policies and procedures where applicable. In
17 the event that the policies and procedures promulgated by LAFCO are more restrictive, but
18 not in conflict with Federal or State policies and procedures, those issued by LAFCO will
19 prevail.

20 **23. Records and Documents**

21 CONTRACTOR shall make available, upon written request by LAFCO and any duly
22 authorized Federal, State or County agency, a copy of this Agreement and such books,
23 documents and records as are necessary to certify the nature and extent of the costs of the
24 services provided by CONTRACTOR. All such books and records shall be maintained by
25 CONTRACTOR for at least five years from the termination of this Agreement and be
26 available for audit by LAFCO. CONTRACTOR shall provide LAFCO with reports and
27 information relative to this Agreement and in accordance with terms set forth herein, as
28 requested by LAFCO. All work papers prepared by CONTRACTOR shall remain the

1 property of CONTRACTOR.

2 **24. Confidentiality**

3 CONTRACTOR shall protect from unauthorized disclosure names and other identifying
4 information concerning persons receiving services pursuant to this Agreement, except for
5 statistical information not identifying any client. CONTRACTOR shall not use such
6 information for any purpose other than carrying out CONTRACTOR’S obligations under
7 this Agreement. CONTRACTOR shall promptly transmit to LAFCO all requests for
8 disclosure of such information not emanating from the client. CONTRACTOR shall not
9 disclose, except as otherwise specifically permitted by this Agreement or authorized by the
10 client, any such information to anyone other than LAFCO. For purposes of this paragraph,
11 identity shall include, but not be limited to, name, identifying number, symbol, or other
12 identifying particular assigned to the individual, such as finger or voice print or a
13 photograph. CONTRACTOR in this Agreement is subject to all relevant requirements
14 contained in the Health Insurance Portability and Accountability Act of 1996 (HIPAA).
15 Public Law 104-191, enacted August 21, 1996, and the laws and regulations promulgated
16 subsequent thereto. CONTRACTOR hereto agrees to cooperate in accordance with the
17 terms and intent of this Agreement for implementation of relevant law(s) and/or
18 regulations(s) promulgated under this Law. CONTRACTOR further agrees that it shall be
19 in compliance, and shall remain in compliance with the requirements of HIPAA, and the
20 laws and regulations promulgated subsequent hereto, as may be amended from time to time.

21 **25. Administration/Contract Liaison**

22 The Executive Officer, or designee, shall administer this Agreement on behalf of LAFCO

23 **26. Notices**

24 All correspondence and notices required or contemplated by this Agreement shall be
25 delivered to the respective parties at the addresses set forth below and are deemed submitted
26 on day after their deposit in the United States mail, postage prepaid:

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28 //

1 Riverside Local Agency Formation Commission Davis Farr LLP
2 Attn: Gary Thompson, Executive Officer Attn: Jonathan Foster CPA, Partner
3 6216 Brockton Avenue, Suite 111-B 18201 Von Karmen, Suite 1100
4 Riverside, CA 92506 Irvine, CA 92612

5 **27. Force Majeure**

6 **27.1** In the event CONTRACTOR is unable to comply with any provision of this
7 agreement due to causes beyond their control such as acts of God, acts of war, civil
8 disorders, or other similar acts, CONTRACTOR shall not be held liable to LAFCO
9 for such failure to comply.

10 **27.2** In the event LAFCO is unable to comply with any provision of this Agreement due
11 to causes beyond its control relating to acts of God, acts of war, civil disorders, or
12 other similar acts, LAFCO shall not be held liable to CONTRACTOR for such failure
13 to comply.

14 **28. Mutual Cooperation**

15 LAFCO agrees to cooperate with CONTRACTOR in CONTRACTOR'S performance of
16 services for LAFCO under this Agreement, including providing CONTRACTOR with
17 reasonable facilities and timely access to LAFCO data, information and personnel. LAFCO
18 shall be responsible for the performance of its employees and agents and for the accuracy
19 and completeness of all data and information provided to CONTRACTOR.

20 **29. EDD Reporting Requirements**

21 In order to comply with child support enforcement requirements of the State of California,
22 LAFCO may be required to submit a Report of Independent Contractor(s) form **DE 542** to
23 the Employment Development Department.

24 It is expressly understood that this data will be transmitted to governmental agencies charged
25 with the establishment and enforcement of child support orders and for no other purposes
26 and will be held confidential by those agencies. Failure of CONTRACTOR to timely submit
27 the data and/or certificates required may result in contract being awarded to another
28 contractor. In the event a contract has been issued, failure of CONTRACTOR to comply

1 with all federal and state reporting requirements for child support enforcement or to comply
2 with all lawfully served Wage and Earnings Assignments Orders and Notices of Assignment
3 shall constitute a material breach of the Agreement. Failure to cure such breach within 60
4 calendar days of notice from LAFCO shall constitute grounds for termination of the
5 Agreement.

6 If you have any questions concerning this reporting requirement, please call (916) 657-0529.
7 You may also contact your local Employment Tax Customer Service Office listed in your
8 telephone directory in the State Government section under "Employment Development
9 Department," or you may access their Internet site at www.edd.ca.gov.

10 **30. Entire Agreement**

11 This Agreement, including any Exhibits attached hereto and Scope(s) of Work entered into
12 pursuant to it, constitutes the entire Agreement of the parties hereto with respect to its subject
13 matter and supersedes all prior and contemporaneous representations, proposals, discussions
14 and communications, whether oral or in writing. This Agreement may be modified only in
15 writing and shall be enforceable in accordance with its terms when signed by each of the
16 parties hereto.

17 //

18 IN WITNESS WHEREOF, the parties hereto have caused their duly authorized representatives to
19 execute this Agreement.

20 //

21 LAFCO
22 Riverside Local Agency Formation Commission

CONTRACTOR
Davis Farr LLP

23 _____
24 _____

25 Print Name:

Print Name:

26 Title:

Title:

27 Date:

Date:

28 //

EXHIBIT A

Scope of Work

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of Work

Our understanding of the objectives and scope of the work to be performed is as follows:

- We will perform an audit examination of the financial statements of the Local Agency Formation Commission for the fiscal years ending June 30, 2021. Our examination will be conducted in accordance with generally accepted auditing standards, the AICPA Audit and Accounting Guide, Audits of State and Local Government Units, and the Government Auditing Standards issued by the Comptroller General of the United States. We will ensure that the report is prepared in conformity with the most recent edition of the GAAFR, the GAAFR Update, and subsequent GASB pronouncements.
- We will prepare a letter to the Board of commissioners summarizing the audit results in accordance with the Codification of Auditing Standards Section 260.
- We will prepare a letter to the Board of Commissioners reporting matters dealing with internal control that meet the threshold of being a significant deficiency or material weakness, as defined by the Codification of Auditing Standards Section 265. We will immediately report any irregularities or illegal acts that come to our attention to management and/or those charged with governance.
- We will attend Board of Commissioner's meetings as requested and present the results of the audit to the Board.
- Finally, we perceive the scope of our work as being advisors to LAFCO regarding generally accepted accounting principles. Throughout the year, the management and other finance personnel of LAFCO will have access to us to seek advice in the application of generally accepted accounting principles, advice regarding debt issuance, financial statement preparation and content, tax and any other matters relating to LAFCO. Each year, we will go over upcoming accounting standards in a meeting with staff.

Internal Control Evaluation

Our approach to evaluating internal controls involves observation and inquiry. We spend time with the personnel responsible for the accounting cycles to gain an understanding of the processes. We also carefully evaluate your policies and procedures. After our initial evaluation, we identify key controls in your processes and design test to evaluate the effectiveness of those processes. In the initial year of the audit, we will focus on the following accounting cycles:

- Billing and cash receipting
- Capital assets
- Purchase and disbursements
- Payroll
- Investment and cash controls
- Information systems

In future years, we will review the accounting cycles noted above but also look at other processes such as credit card transactions, petty cash, inventory controls, offsite cash receipting, employee reimbursements, contract compliance, and other areas. Our goal is to modify our audit approach every year to further evaluate your internal controls.

Audit Stage Procedures Performed	
<i>Planning and inquiry</i>	<p>During the planning phase of the audit, we plan to perform the following procedures:</p> <ul style="list-style-type: none"> • Meet with finance personnel to obtain an understanding of significant transactions during the year. • Communicate with the Board of Commissioners regarding fraud, compliance with laws, and any concerns they have regarding the finances of LAFCO. • Perform internal control evaluations as noted on the previous page. • Determine materiality levels that will be used in selecting audit transactions. • Perform a risk assessment to develop the audit plan for the year. • Review minutes of Board of Commissioners meetings. • Review important new contracts, bond documents, and agreements. • Evaluate compliance with investments. • Test purchase orders and contract management. • Test a sample of cash disbursements to determine adherence to policies and internal controls. • Perform a review of LAFCO's information systems and controls. • Perform compliance testing of federal grants, as necessary. • Review the prior audited financial statements and provide feedback to staff regarding best practices for financial reporting. • Provide a GASB Update and templates for implementing new accounting standards as necessary.

**Year-End
Testing**

After the books are closed and ready for audit, we will perform our year-end procedures which include the following:

- We will confirm 100% of all cash and investment balances and test market values provided by your investment custodians.
- We will test for proper cutoffs of accounts receivable and grants receivable.
- We will confirm and test material notes and loans receivable.
- We will test additions and deletions to capital assets. We will review depreciation expense for reasonableness.
- We will test current liabilities and perform a search for unrecorded liabilities.
- We will review unearned revenue balances for proper cutoffs.
- We will test the balances of accrued payroll and employee related liabilities.
- We will confirm long-term debt with independent parties.
- In years of new debt issuances, we will review the journal entry to record the debt to ensure the accuracy of the accounting.
- We will test actuarial valuations and calculations related to pension obligations and disclosures under GASB 68.
- We will test reasonableness of claims and judgments payable.
- We will test restrictions and classifications of net position.
- We will analyze grant revenues and expenses to ensure proper matching within the fiscal year.
- We will test the reasonableness of interest income, realized, and unrealized gains/losses on investments.
- We will analytically and substantively test revenues and expenses reported in the financial statements.
- We will incorporate an element of unpredictability every year that will focus on an audit area that is not typically considered a high or significant risk area such as petty cash, credit card purchases, new vendors, travel expenses, etc.

The aforementioned tests are only a few of the tests performed during the examination and by no means is it meant to be all inclusive. During the final stage of the audit we will meet with Finance staff to review our audit findings and any adjusting journal entries.

Completion of the Audit and Preparation of Financial Statements	<p>The nature and extent of the work required is dependent on our assessment of the likelihood of misstatements in the financial statements together with our conclusions from the planning and testing stages of the audit. All of the audit information is then used to reach a conclusion on whether the financial statements taken as a whole conform with generally accepted accounting principles.</p> <ul style="list-style-type: none"> • We will review significant events after year end • We will review attorney letters for significant legal matters • We will prepare and review the Financial Statements • We will ensure accurate and complete disclosures in the notes to the financial statements. • We will meet with the Board of Commissioners to present the results of the audit.
--	--

Implementation of New GASB Pronouncements

LAFCO will be required to implement the following accounting standards during the upcoming fiscal years. Part of our service to you includes consulting on these new auditing standards. A sampling of significant new GASB pronouncements planned or proposed for local governments that may impact the Local Agency Formation Commission are listed below:

GASB Description	
<i>GASB 84: Fiduciary Activities</i>	This statement establishes criteria for identifying fiduciary activities of all state and local governments. The statement describes four fiduciary funds that should be reported, if applicable: (1) pension trust funds, (2) investment trust funds, (3) private- purpose trust funds, and (4) custodial funds. We will work with LAFCO to identify the activities required to be reported in these four fund types and provide transition guidance.
<i>GASB 87: Leases</i>	The objective of this statement is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments.
<i>GASB 90: Majority Equity Interests</i>	This statement is intended to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.
<i>GASB 91: Conduit Debt Obligations</i>	The primary objectives of this Statement are to eliminate diversity in practice associated with conduit debt obligations.

Generic Schedule- Each Fiscal Year for Annual Audit Process

Project Schedule	
Tasks	Projection Description Target Completion Date
Contract Execution	Include Certificates of Insurance March 2021 (1 st Year Only)
Kickoff Meeting	Intro. Firm staff to LAFCO as requested by staff
Management Engagement Letters	Made available to LAFCO Staff 90 days prior to fieldwork
PBC List Distribution	Made available to LAFCO Staff 90 days prior to fieldwork
Fieldwork	On-site/Remote As requested by staff
Draft Audit for Staff	Within three weeks of final fieldwork
Auditor revising document	Within 5 days of client review
Final Audit for Commission	Within 5 days of client acceptance of final draft, no later than January 24
Commission Meeting	As requested by staff

EXHIBIT B

Compensation Schedule

LAFCO	Description of Services	Year Ended June 30				1-yr option to extend
		2021	2022	2023	2024	
<u>Riverside</u>	Audit of LAFCO, including the implementation of the GASB pronouncements and ongoing audit procedures of GASB, audit preparation and management letter.	\$7,600	7,750	7,900	8,000	8,225
	Option to prepare the Management and Discussion Analysis (MD&A) on behalf of management.	250	255	260	265	270
Maximum Not to Exceed Amount		\$7,850	8,005	8,160	8,265	8,495

Hourly Rates:

Classification	Hourly Rate
Partner	\$165
Manager	130
Senior Auditor	105
Staff Accountant	95

DAVIS FARR, LLP PROPOSAL



Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Prepared By:

Davis Farr LLP
2301 Dupont Drive, Suite 200
Irvine, CA 92612

October 9, 2020

Contact Person:

Jonathan Foster, CPA | Partner
Office: 949.474.2020 | Direct: 949.783.1744
Email: jfoster@davisfarr.com

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APPENDIX

- Project Schedule**
- Pricing Sheet**
- Peer Review Documentation**

October 9, 2020

Local Agency Formation Commission
Adriana Romo
80 South Lake Avenue, Suite 870
Pasadena, CA 91101

Dear Ms. Romo,

We are pleased to provide our proposal to perform audit services to the Imperial, Los Angeles, Orange, Riverside, and San Bernardino Local Agency Formation Commissions (LAFCO) for the fiscal years ending June 30, 2021 through 2024 with an option to extend the contract for one year.

Our service philosophy is one of open and constant communication, a proactive approach and responsive, value-added services. We will listen to your ideas and concerns and will bring creative solutions to you in both financial and other operational areas. We are aware that while LAFCO has solicited numerous proposals, Davis Farr LLP would be your best selection for the following reasons which are set forth in greater detail in our proposal:

- We take a proactive leadership role in local government accounting and auditing issues. We serve on the Government Accounting and Audit Committee of the California Society of CPAs, the CSMFO Professional Standards Committee and are frequent speakers on technical topics at conferences and training events throughout California.
- We have been auditors of Imperial, Los Angeles, Orange, Riverside and San Bernardino LAFCOs for many years. We understand the complexities of LAFCOs and you will not need to train our staff on the organizations' unique activities.
- We utilize data mining software to evaluate anomalies in your accounting data. This helps focus our auditors' attention on potential errors in the accounting records and transactions that could be more susceptible to fraud.
- Davis Farr will not delegate or subcontract its responsibilities as part of the audit of the LAFCOs.

We appreciate the opportunity to share our credentials and look forward to developing our professional relationship. Our proposal remains a firm and irrevocable offer for 60 days. I certify that I am authorized to make representations for the firm and enter into contract with LAFCO. I look forward to you contacting me so that I may answer further any questions which you may have. You may contact me at (949) 783-1744.

Very truly yours,



Jonathan Foster, CPA
Partner

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Section A – About Davis Farr LLP

Background Information – Davis Farr LLP is a full-service regional accounting firm that specializes in providing attest and advisory services to federal, state, and local governments as well as non-profit entities out of our Orange County and San Diego offices. This engagement would be serviced by our Orange County office located in Irvine. Our personnel have served governmental and non-profit entities for over 30 years. A breakdown of our government audit personnel by classification is as follows:

Classification	Employees
<i>Partners</i>	7
<i>Managers</i>	8
<i>Supervisors</i>	4
<i>Seniors</i>	17
<i>Staff</i>	13
<i>Administrative</i>	3
Total Personnel	52

License to Practice in California – Davis Farr LLP and all key personnel are licensed with the California State Board of Accountancy to practice as independent certified public accountants.

Independence – Davis Farr LLP is independent with respect to Local Agency Formation Commission as defined by U.S. General Accounting Office’s *Government Auditing Standards* and Generally Accepted Auditing Standards.

Insurance – Davis Farr LLP has sufficient insurance coverage to meet or exceed the Agency’s requirements and will provide insurance certificates to the Agency prior to entering a contract.

Quality Control – Davis Farr LLP and its Partners are members of the American Institute of Certified Public Accountants (AICPA) and is a member of the AICPA’s Government Audit Quality Center. Our firm is a voluntary participant in the AICPA Peer Review Program. Included in the appendix is our most recent Peer Review report where our firm received a *Pass*. A *Pass* demonstrates the highest level of quality control in a Peer Review. The Peer Review included a review of government engagements. Davis Farr LLP has not had any federal or state desk reviews or field reviews during the past three years apart from a routine review performed by the Department of Transportation (DOT). The report concluded that our audit work complied with the requirements of the single audit act, the uniform guidance, and DOT’s major programs and included a recommendation related to documentation. There has been no disciplinary action taken or pending against the firm during the past three years with state regulatory bodies or professional organizations.

Training – Every professional of the firm must enroll in continuing professional education courses. Each person is required to take at least 80 hours of training over a two-year period including 24 hours a year specific to government accounting and audit topics. Courses cover a wide spectrum of professional and technical subjects, and include Fraud Auditing, Professional Ethics and Governmental Accounting and Auditing topics to help the practitioner maintain his/her professional expertise.

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Professional Affiliations

Government Audit Quality Center – Davis Farr LLP is a member of the Government Audit Quality Center (GAQC). The GAQC promotes the importance of quality governmental audits and the value of such audits to purchasers of governmental audit services. GAQC is a voluntary membership center for CPA firms and state audit organizations that perform governmental audits.

National Registry of CPE Sponsors – Davis Farr LLP is registered to provide continuing professional education through the National Association of State Board of Accountancy (NASBA). NASBA recognizes CPE program sponsors who provide continuing professional education programs in accordance with nationally recognized standards.

Cal CPA – Many of the CPAs employed by Davis Farr LLP are members of Cal CPA and regularly participate in chapter meetings, education, and events. Cal CPA recognized one of Davis Farr LLP's Partners with their **Women to Watch** award in the Experienced Leader category. Davis Farr LLP partners are also members of the **Governmental Accounting and Auditing Committee** of the CalCPA. Jennifer Farr was recently appointed the new chair of the committee for a two year term.

American Institute of CPAs – Davis Farr LLP and the firm's Partners are members of the American Institute of CPAs (AICPA). The AICPA develops standards for audits, provides educational guidance materials to its members, and monitors and enforces compliance with the profession's technical and ethical standards.

CSMFO – The Partners of Davis Farr LLP are members of the California Society of Municipal Finance Officers (CSMFO), the statewide organization serving all California municipal finance professionals. Firm personnel regularly attend CSMFO Chapter Meetings and Conferences. The Partners of Davis Farr LLP are frequent presenters on accounting and auditing technical topics at Chapter Meetings and Conferences.

GFOA – The Government Finance Officers Association (GFOA) enhances and promotes the professional management of governmental financial resources by identifying, developing, and advancing fiscal strategies, policies, and practices for the public benefit. The Partners of Davis Farr LLP are members of the Certificate of Achievement Program's Special Review Committee. The Committee reviews Comprehensive Annual Financial Reports submitted to GFOA for the CAFR Award Program.

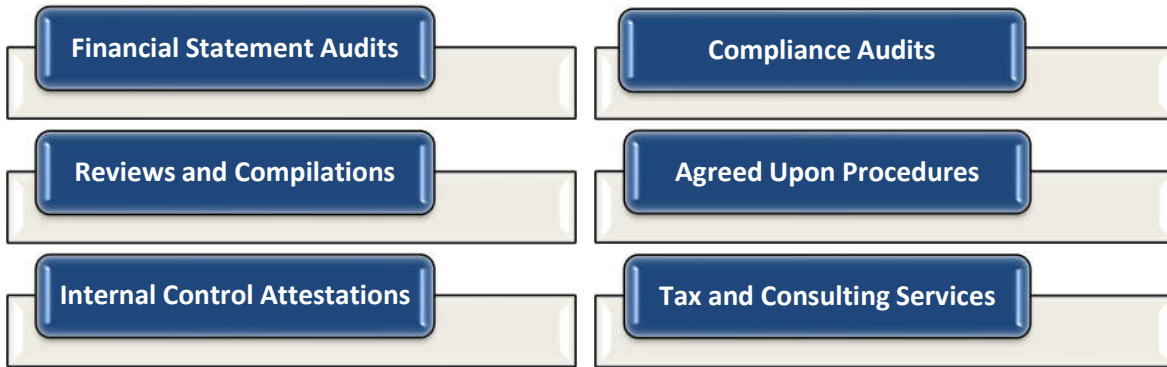


Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Section B – Our Prior Experience Auditing Government Agencies

Davis Farr LLP is a leader in the local government sector throughout the Southern California Area. Currently, we service approximately 60 local, state, and federal government entities. Davis Farr LLP services routinely provided to our clients include, but are not limited to:



Our government expertise includes Cities, Special Districts, and other Governmental entities. Some of the government agencies that the professionals of Davis Farr LLP have served recently are the following:

City of Avalon	Cucamonga Valley Water District
City of Carlsbad	Eastern Municipal Water District
City of Commerce	Hass Avocado Board
City of Coronado	Irvine Ranch Water District
City of Costa Mesa	Leucadia Wastewater District
City of Dana Point	Metropolitan Water District of Southern CA
City of Delano	Municipal Water District of Orange County
City of Encinitas	Orange County LAFCO
City of Fontana	Oxnard Housing Authority
City of Fountain Valley	Placer County Water Agency
City of Garden Grove	Salton Sea Authority
City of Huntington Beach	San Diego County Water Authority
City of Laguna Niguel	San Diego Association of Governments
City of Mission Viejo	San Diego LAFCO
City of Poway	San Dieguito Riverpark Authority
City of Rancho Santa Margarita	Sweetwater Authority
City of Santee	Tahoe Regional Planning Agency
City of Victorville	Tahoe Transportation District
City of Woodland	Vallecitos Water District
County of Fresno Housing Authority	Walnut Valley Water District
County of San Diego	West Basin Municipal Water District

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Section C – Client References

For your convenience, we have listed below references for audit work currently being performed by Davis Farr LLP personnel for several clients. For each of the references, we currently serve as independent auditors and have served these clients for a number of years.

	Client	Client Contact	Telephone/Email
1.	San Diego Association of Governments 401 B Street San Diego, CA 92101	Leanne Wallace <i>Accounting Supervisor</i>	619.669.0728 lwallace@sandag.org
2.	Cucamonga Valley Water District 10440 Ashford Street Rancho Cucamonga, CA 91730	Jennifer Fillinger <i>Accounting Supervisor</i>	909.483.7453 jenniferf@cvwdwater.com
3.	Irvine Ranch Water District 15600 Sand Canyon Ave Irvine, CA 92618	Eileen Lin <i>Controller</i>	949.453.5345 lin@irwd.com

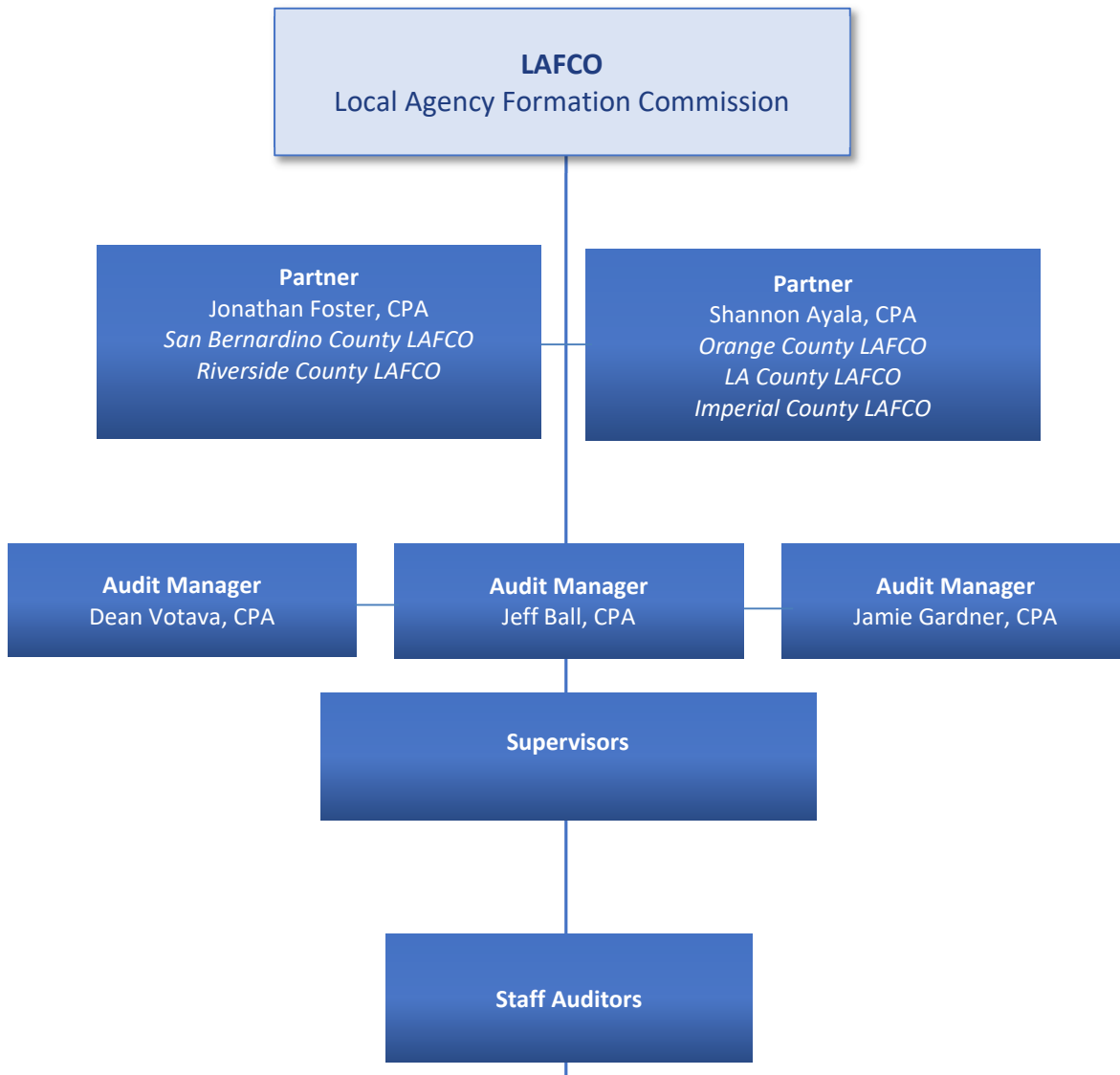
Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Section D – Partner, Supervisory and Staff Qualifications and Experience

The successful outcome of any audit requires personnel with the managerial and technical skills to perform the work required. The engagement team who will serve Local Agency Formation Commission have served together as a team of professionals on numerous financial audit examinations of local government entities. While not anticipated, any personnel substitutions will be of equally qualified personnel.

We believe that efficient administrative management and supervision of the audits is an extremely critical factor in achieving the desired results Local Agency Formation Commission. In that regard, we have proposed two partners for the following engagements. Any partner rotation may occur as needed due to State law.



Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

JONATHAN FOSTER, CPA
PARTNER

California CPA Certificate No. 117853



Mr. Foster will serve as the Partner for the Riverside and San Bernardino LAFCO Audits. He will also serve as the Quality Control Reviewer for the Orange County, LA County and Imperial County LAFCO's. Mr. Foster has 13 years of audit experience with government agencies. The types of audits Mr. Foster is involved in includes financial audits of cities and special districts and Single Audits in accordance with the Uniform Guidance. Mr. Foster is also a CAFR and Budget reviewer for the CSMFO award and is a regular presenter at firm wide training and external training events as requested. He was a featured speaker at the 2019 CSMFO conference in Palm Springs where he presented on *Capital Assets: Bridging the GAAP between Engineering and Finance*.

PROFESSIONAL AFFILIATIONS

American Institute of Certified Public Accountants
California Society of Certified Public Accountants
Member of Cal CPA Government Audit & Accounting Committee
California Society of Municipal Finance Officers (*CAFR and Budget Award Reviewer*)

EDUCATION

Bachelor of Accountancy, *University of San Diego*

AUDITS OF GOVERNMENT AGENCIES

City of Avalon	Cucamonga Valley Water District
City of Commerce	East Orange County Water District
City of Dana Point	Irvine Ranch Water District
City of Delano	Placer County Water Agency
City of Fontana	Trabuco Canyon Water District
City of Huntington Beach	Placer County Water Agency
City of Rancho Santa Margarita	San Diego Association of Governments
City of Costa Mesa	San Bernardino Municipal Water Department

Additionally, throughout his career, Mr. Foster has performed audits across the country under the direction of the Special Inspector General for Afghanistan Reconstruction (SIGAR) and SSAE 18 audits under the direction of the Center for Medicare and Medicaid Services (CMS).

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

SHANNON AYALA, CPA
PARTNER

California CPA Certificate No. 88126, January 2004



Ms. Ayala will serve as the Partner for the Orange County, LA County and Imperial County LAFCOs on this audit. She will also serve as the Quality Control Reviewer for the Riverside and San Bernardino LAFCO's. She will oversee the project to ensure all required deadlines are met, provide technical assistance to the audit team, and review the final reports before they are released. Ms. Ayala is a Certified Public Accountant with seventeen years of audit experience, spending most of that time on audits for local governments in San Diego County. Ms. Ayala has performed financial statement audits of cities and special districts; grant specific audits of funds awarded by Federal, state, and county governments; Single Audits in accordance with Uniform Guidance, and compliance audits.

EMPLOYMENT HISTORY

Davis Farr LLP: June 2015-current
Ten years at a National CPA firm
Two years at Lennar Homes

EDUCATION

Bachelor of Science – Accounting, *San Diego State University*

GOVERNMENT AGENCY AUDIT EXPERIENCE

City of Carlsbad	Leucadia Wastewater District
City of Coronado	Rancho California Water District
City of Del Mar	Salton Sea Authority
City of Escondido	San Diego Association of Governments
City of Poway	San Diego County Water Authority
City of San Marcos	San Dieguito River Park Joint Powers Authority
City of Santee	Sweetwater Authority
LAFCO – Imperial County	Vallecitos Water District
LAFCO - San Diego County	

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

JAMIE GARDNER, CPA
MANAGER

California CPA Certificate No. 125643



Jamie Gardner will serve as the Manager for the Orange County and Riverside County LAFCOs. She has eight years of experience in government auditing and accounting and has performed financial statement audits of cities and special districts; grant specific audits of funds awarded by Federal, state, and county governments; Single Audits in accordance with the Uniform Guidance, and compliance audits. As manager, Ms. Gardner will be involved in reviewing audit workpapers, reviewing all reports, managing the audit team and performing field visits.

EDUCATION

Bachelor of Science in Business Administration: Accounting
Biola University

RELEVANT EXPERIENCE

Local Government – Municipal

Ms. Gardner serves as the manager on the following annual engagements:

Hass Avocado Board	Los Angeles County Capital Asset Leasing Corp
Irvine Ranch Water District	Placer County Water Agency
IHSS Public Authority of Marin County	San Diego County Water Authority
LAFCO - Orange, Riverside, & San Diego Counties	Soquel Creek Water District

Additionally, throughout Ms. Gardner’s career, she has served in various capacities on the annual financial audits or agreed-upon procedures of the following cities and special districts:

City of Costa Mesa	Fresno Housing Authorities
City of Inglewood	<i>LAFCO - Los Angeles & San Diego Counties</i>
City of Woodland	San Diego Association of Governments
City of Victorville	San Diego Pooled Insurance Program Authority
County of San Diego	South Orange County Wastewater Authority

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

DEAN VOTAVA, CPA
SENIOR MANAGER

California CPA Certificate No. 64413, March 1993



Mr. Votava will serve as the manager of Los Angeles County LAFCO. He has 33 years of audit experience, spending the majority of that time on audits for Federal and local governments. The types of audits Mr. Votava has been involved in include: financial audits of cities, special districts and housing authorities; grant specific audits of funds awarded by Federal, state, and county governments; Single Audits in accordance with the Uniform Guidance and OMB Circular A-133; and Federal compliance audits.

EDUCATION

Bachelor of Business Administration – Accounting, *University of North Dakota, Grand Forks*

PROFESSIONAL AFFILIATIONS

American Institute of Certified Public Accountants
California Society of Certified Public Accountants

AUDITS OF SPECIAL DISTRICTS

Coachella Valley Parks District
Coachella Valley Water District
Irvine Ranch Water District
Los Angeles Homeless Serv Authority
LA County LAFCO
Orange County Water District

San Diego Association of Governments
Tahoe Regional Planning Agency
Tahoe Transportation District
Ventura Regional Sanitation District
Walnut Valley Water District
West Basin Municipal Water District

AUDITS OF CITIES

City of Carlsbad
City of Commerce
City of Costa Mesa
City of Del Mar
City of Delano
City of El Segundo
City of El Segundo
City of Escondido
City of Garden Grove

City of Indio
City of Laguna Niguel
City of Mission Viejo
City of Orange
City of Palm Springs
City of Riverside
City of Torrance
City of Upland
City of Vista

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

FEDERAL GOVERNMENT

Special Inspector General for Afghanistan Reconstruction

OTHER AUDITS

Area Housing Authority of the County of Ventura
City and County of the Fresno Housing Authority
City of Los Angeles Housing Authority

City of Oxnard Housing Authority
County of San Bernardino Housing Authority

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

JEFF BALL, CPA
SENIOR MANAGER

California CPA Certificate No. 130841



Jeff Ball will serve as the manager of the San Bernardino LAFO. Mr. Ball has over ten years of audit experience. His experience has encompassed financial and compliance audits of governmental agencies, which have been performed in accordance with Government Auditing Standards and have all included a review of the entity's internal control and financial management system. Mr. Ball has performed financial statement audits of special districts and cities; grant specific audits of funds awarded by Federal, state, and county governments; Single Audits; and compliance audits. He will conduct the day-to-day fieldwork, supervise all staff auditors on the engagement, and will prepare all financial statements and reports.

EDUCATION

Bachelor of Science, Business Economics w/ Emphasis Accounting
University of California, Santa Barbara

PROFESSIONAL AFFILIATIONS

California Society of Municipal Finance Officers
Audit Advisory Committee – City of Tacoma

RELEVANT EXPERIENCE

Special Districts

Beach Cities Heath District
Bighorn-Desert View Water Agency
Eastern Municipal Water District
Omnitrans
Salton Sea Authority
San Bernardino LAFCO

San Bernardino Water Authority
San Diego LAFCO
San Diego Port Authority
San Gabriel Water Quality Authority
South Montebello Irrigation District

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Local Government

City of Avalon
City of Costa Mesa *
City of Culver City
City of Fountain Valley
City of Highland
City of Inglewood
City of Lake Elsinore *
City of Mission Viejo
City of Moreno Valley
City of Morgan Hill *

City of Rancho Santa Margarita
City of Solana Beach
City of Santee
City of Huntington Beach *
City of Whittier
City of Victorville
City of Woodland
County of San Diego *
County of Placer *
City of Irvine *

* - Mr. Ball served as either engagement in-charge or manager on these engagements to perform Agreed Upon Procedures regarding Transient Occupancy Tax compliance.

Additionally, Mr. Ball serves as the engagement manager on the audit of financial information for approximately 35 health care plans as part of an engagement with CMS, SSAE 16 engagements, performance audits for the Special Inspector General for Afghanistan Reconstruction and audits of non-profit organizations summarized below:

Berkeley Hall School (NPO)
Earth Economics (NPO)
Special Inspector General

National Government Services (SSAE 16)
Center for Medicare and Medicaid Services

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

STEPHEN SCANNELL
SUPERVISOR



Mr. Scannell will serve as the in-charge for Los Angeles County LAFCO. He has four years of audit experience, spending the majority of that time on audits for non-profits, and federal and local government engagements. The types of audits Mr. Scannell has been involved in include: financial audits of non-profits, cities and special districts; grant specific audits of funds awarded by Federal, state, and county governments; Single Audits in accordance with OMB Circular A-133; Agreed upon procedure tax compliance audits; and Federal compliance audits.

EMPLOYMENT HISTORY

Davis Farr LLP: December 2015 to present
Other Professional Work Experience: Airline Captain, 2002 to 2011

EDUCATION

Bachelor of Science in Accounting, *Biola University*

AUDITS OF SPECIAL DISTRICTS

Cucamonga Valley Water District
Eastern Municipal Water District
LAFCO - Los Angeles & Orange Counties
Los Angeles Interagency Metro Police
Apprehension Crime Tax Force

Puente Basin Water Agency
San Bernardino Municipal Water
Sunny Slope Water Company
Walnut Valley Water District
West Basin Municipal Water District

AUDITS OF CITIES

City of Avalon
City of Commerce
City of El Segundo

City of Fontana
City of Upland

OTHER AUDITS – TRANSIENT OCCUPANCY TAX COMPLIANCE / AUP

City of Avalon
City of Corona
City of Costa Mesa
City of Cypress
City of Garden Grove
City of Huntington Beach
City of Indio
City of Irvine
City of Lake Elsinore

City of Morgan Hill
City of Newport Beach
City of South Gate
County of Placer
County of San Diego
County of Los Angeles Ground Lease
Hass Avocado Board
Sunkist Growers

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

LOI CHAU, CPA
SUPERVISOR

California CPA Certificate No. 139559

INTRODUCTION

Ms. Chau will serve as the in-charge for Orange County LAFCO. She has four years of audit experience, spending the majority of that time on audits for non-profits, and federal and local government engagements. The types of audits Ms. Chau has been involved include: financial audits of non-profits, cities and special districts; Single Audits in accordance with OMB Circular A-133; and Federal compliance audits.

EMPLOYMENT HISTORY

Davis Farr LLP: May 2017 to present
Kushner, Smith, Joanou & Gregs, LLP: 2017 (internship)

EDUCATION

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

RELEVANT EXPERIENCE:

AUDITS OF SPECIAL DISTRICTS

Area Housing Authority of Ventura County	Metropolitan Water District
Beach Cities Health District	Placer County Water Agency
LAFCO - Orange County	West Basin Municipal Water District

AUDITS OF CITIES

City of Commerce	City of Laguna Niguel
City of Fontana	City of Victorville

FEDERAL GOVERNMENT

Centers for Medicare and Medicaid Services
U.S. Department of Justice

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

ERIC VAN DER HOORN
SUPERVISOR

INTRODUCTION

Mr. van der Hoorn will serve as the in-charge of San Bernardino County LAFO. He has over three years of audit experience, spending the majority of that time on audits for non-profits, and federal and local government engagements. The types of audits Mr. van der Hoorn has been involved in include: financial audits of non-profits, cities and special districts; grant specific audits of funds awarded by Federal, state, and county governments; Single Audits in accordance with OMB Circular A-133; and Federal compliance audits.

EMPLOYMENT HISTORY

Davis Farr LLP: May 2017 to present

EDUCATION

Bachelor of Arts in Accounting & Finance, Concordia University, Irvine

RELEVANT EXPERIENCE:

AUDITS OF SPECIAL DISTRICTS

Hass Avocado Board	Trabuco Canyon Water District
Tahoe Regional Planning Agency	

AUDITS OF CITIES

City of Avalon	City of Laguna Niguel
City of Costa Mesa	City of Rancho Santa Margarita
City of Garden Grove	City of South Gate
City of Huntington Beach	City of Upland

OTHER AUDITS

County of Placer	Tahoe Transportation District
Cucamonga Valley Water District	Walnut Valley Water District
LAFCO - San Bernardino County	West Basin Municipal Water District

FEDERAL GOVERNMENT

Centers for Medicare and Medicaid Services
Special Inspector General for Afghanistan Reconstruction

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

KRISZTINA VARGA
SUPERVISOR

INTRODUCTION

Ms. Varga will serve as the in-charge for Imperial County LAFCO. She has four years of audit experience, spending the majority of that time on audits for non-profits, and local government. The types of audits Ms. Varga has been involved in include: financial audits of non-profits, cities and special districts; grant specific audits of funds awarded by Federal, state, and county governments; and Single Audits in accordance with OMB Circular A-133.

EMPLOYMENT HISTORY

Davis Farr LLP: July 2017 to present
Inveco USA: 2012 to 2017

EDUCATION

Bachelor of Arts in Business Administration/Accounting, California State University of San Marcos

RELEVANT EXPERIENCE:

AUDITS OF SPECIAL DISTRICTS

Eastern Municipal Water District	San Diego Association of Governments
Encinitas Ranch Golf Authority	San Diego County Office of Emergency Services
<i>LAFCO - Imperial & San Diego Counties</i>	San Diego County Water Authority
Leucadia Wastewater District	San Diego Geographic Information Source
Rancho California Water District	San Dieguito River Park Valley JPA

AUDITS OF NON-PROFITS

Family YMCA of the Desert
San Diego Children's Discovery Museum

AUDITS OF CITIES AND COUNTY

City of Carlsbad	City of Vista
City of Poway	County of San Diego
City of Santee	

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

ZACK ZITHISAKTHANAKUL, MPAcc
SUPERVISOR

INTRODUCTION

Mr. Zithisakthanakul will serve as the in-charge for Riverside County LAFCO. He has approximately four years of audit experience, spending the majority of that time on audits for non-profits, and federal and local government engagements. The types of audits Mr. Zithisakthanakul has been involved in include: financial audits of non-profits, cities and special districts; grant specific audits of funds awarded by Federal, state, and county governments; Single Audits in accordance with OMB Circular A-133; and Federal compliance audits.

EMPLOYMENT HISTORY

Davis Farr LLP: January 2018 to present
Conrad LLP: May 2017 to December 2017

EDUCATION

Bachelor of Arts in Business Administration, *Vanguard University*
Masters of Professional Accountancy, *Biola University*

RELEVANT EXPERIENCE:

AUDITS OF SPECIAL DISTRICTS

Hass Avocado Board
Orange County Sanitation District
Riverside LAFCO

Tahoe Regional Planning Agency
Trabuco Canyon Water District
West Orange County Water Board

AUDITS OF CITIES

City of Coronado
City of Costa Mesa
City of Garden Grove

City of Huntington Beach
City of Mission Viejo

FEDERAL GOVERNMENT

Centers for Medicare and Medicaid Service
Special Inspector General for Afghanistan
Reconstruction

Section E – Audit Approach

Davis Farr plans and conducts our engagements in the most efficient manner possible, and our audit approach is unique with regard to the following:

- Our firm is sensitive to the priorities and work requirements of our clients. We work around the schedules of our clients when scheduling segments of the audit or requesting documentation in order to minimize disruption of District staff and to complete the audit in a timely manner.
- Whenever possible, we use accounting support already prepared by LAFCO staff to avoid duplication or unnecessary requests for audit supporting schedules.
- Our firm’s expertise is in governmental auditing. Our auditors are GASB experts and skilled at addressing audit issues that are specific to local governments. You will not spend time training our personnel.
- When formulating internal control recommendations, we obtain a thorough understanding of the specific circumstances to provide a tailored, practical recommendation.
- Throughout the year we are a resource to our clients in providing accounting advice, researching technical questions, dealing with tax problems, and helping with other problems as they arise.

Audit Software – We utilize CaseWare audit software for the electronic workpapers. We have the ability to accept audit documentation in either hard copy or electronic format. CaseWare allows us the ability to import trial balances that can be provided in either excel or a text document. Some of the benefits of using CaseWare trial balance software are as follows:

- We create our own lead sheets (i.e., analytical review comparison schedules). This limits the amount of time finance staff spends creating audit schedules. Our software automatically generates analytical review reports by account number for ease of analyzing significant fluctuations between fiscal years.
- We can link the financial statement schedules directly to the CaseWare trial balances. As a result, we can provide LAFCO with financial statements almost immediately after receiving the trial balance from LAFCO. Additionally, journal entries are easy to post to the financial statement schedules and the risk of data entry error is minimized.
- We can provide LAFCO with reports showing the coding of the financial statement schedules for ease of review by District staff. These reports show each account coded to a specific financial statement line item as well as journal entries that are posted during the audit.

Data Mining Software

We have a dedicated team of personnel trained to use special data mining software, IDEA. Our software uses source data from your accounting system to search for anomalies, such as duplicate or voided checks, cross-referencing vendor addresses with employee addresses, detecting accounting transactions recorded on the weekend, reviewing journal entry postings for unauthorized individuals. The IDEA software identifies specific transactions for the auditors to review for potential fraud or error.

Internal Control Evaluation

Our approach to evaluating internal controls involves observation and inquiry. We spend time with the personnel responsible for the accounting cycles to gain an understanding of the processes. We also carefully evaluate your policies and procedures. After our initial evaluation, we identify key controls in your processes and design test to evaluate the effectiveness of those processes. In the initial year of the audit, we will focus on the following accounting cycles:

- Billing and cash receipting
- Capital assets
- Purchase and disbursements
- Payroll
- Investment and cash controls
- Information systems

In future years, we will review the accounting cycles noted above but also look at other processes such as credit card transactions, petty cash, inventory controls, offsite cash receipting, employee reimbursements, contract compliance, and other areas. Our goal is to modify our audit approach every year to further evaluate your internal controls.

Audit Stage	Procedures Performed
<i>Planning and inquiry</i>	<p>During the planning phase of the audit, we plan to perform the following procedures:</p> <ul style="list-style-type: none"> • Meet with finance personnel to obtain an understanding of significant transactions during the year. • Communicate with the Board of Commissioners regarding fraud, compliance with laws, and any concerns they have regarding the finances of LAFCO. • Perform internal control evaluations as noted on the previous page. • Determine materiality levels that will be used in selecting audit transactions. • Perform a risk assessment to develop the audit plan for the year. • Review minutes of Board of Commissioners meetings. • Review important new contracts, bond documents, and agreements. • Evaluate compliance with investments. • Test purchase orders and contract management. • Test a sample of cash disbursements to determine adherence to policies and internal controls. • Perform a review of LAFCO’s information systems and controls. • Perform compliance testing of federal grants, as necessary. • Review the prior audited financial statements and provide feedback to staff regarding best practices for financial reporting. • Provide a GASB Update and templates for implementing new accounting standards as necessary.

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Year-End Testing	<p>After the books are closed and ready for audit, we will perform our year-end procedures which include the following:</p> <ul style="list-style-type: none">• We will confirm 100% of all cash and investment balances and test market values provided by your investment custodians.• We will test for proper cutoffs of accounts receivable and grants receivable.• We will confirm and test material notes and loans receivable.• We will test additions and deletions to capital assets. We will review depreciation expense for reasonableness.• We will test current liabilities and perform a search for unrecorded liabilities.• We will review unearned revenue balances for proper cutoffs.• We will test the balances of accrued payroll and employee related liabilities.• We will confirm long-term debt with independent parties.• In years of new debt issuances, we will review the journal entry to record the debt to ensure the accuracy of the accounting.• We will test actuarial valuations and calculations related to pension obligations and disclosures under GASB 68.• We will test reasonableness of claims and judgments payable.• We will test restrictions and classifications of net position.• We will analyze grant revenues and expenses to ensure proper matching within the fiscal year.• We will test the reasonableness of interest income, realized, and unrealized gains/losses on investments.• We will analytically and substantively test revenues and expenses reported in the financial statements.• We will incorporate an element of unpredictability every year that will focus on an audit area that is not typically considered a high or significant risk area such as petty cash, credit card purchases, new vendors, travel expenses, etc. <p>The aforementioned tests are only a few of the tests performed during the examination and by no means is it meant to be all inclusive. During the final stage of the audit we will meet with Finance staff to review our audit findings and any adjusting journal entries.</p>
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Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Completion of the Audit and Preparation of Financial Statements	<p>The nature and extent of the work required is dependent on our assessment of the likelihood of misstatements in the financial statements together with our conclusions from the planning and testing stages of the audit. All of the audit information is then used to reach a conclusion on whether the financial statements taken as a whole conform with generally accepted accounting principles.</p> <ul style="list-style-type: none"> • We will review significant events after year end • We will review attorney letters for significant legal matters • We will prepare and review the Financial Statements • We will ensure accurate and complete disclosures in the notes to the financial statements. • We will meet with the Board of Commissioners to present the results of the audit.
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Section F – Implementation of New GASB Pronouncements

LAFCO will be required to implement the following accounting standards during the upcoming fiscal years. Part of our service to you includes consulting on these new auditing standards. A sampling of significant new GASB pronouncements planned or proposed for local governments that may impact the Local Agency Formation Commission are listed below:

GASB	Description
<i>GASB 84: Fiduciary Activities</i>	This statement establishes criteria for identifying fiduciary activities of all state and local governments. The statement describes four fiduciary funds that should be reported, if applicable: (1) pension trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. We will work with LAFCO to identify the activities required to be reported in these four fund types and provide transition guidance.
<i>GASB 87: Leases</i>	The objective of this statement is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments.
<i>GASB 90: Majority Equity Interests</i>	This statement is intended to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.
<i>GASB 91: Conduit Debt Obligations</i>	The primary objectives of this Statement are to eliminate diversity in practice associated with conduit debt obligations.

Local Agency Formation Commission

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Section G – Scope of Work

Our understanding of the objectives and scope of the work to be performed is as follows:

- We will perform an audit examination of the financial statements of the Local Agency Formation Commission for the fiscal years ending June 30, 2021. Our examination will be conducted in accordance with generally accepted auditing standards, the AICPA Audit and Accounting Guide, Audits of State and Local Government Units, and the Government Auditing Standards issued by the Comptroller General of the United States. We will ensure that the report is prepared in conformity with the most recent edition of the GAAFR, the GAAFR Update, and subsequent GASB pronouncements.
- We will prepare a letter to the Board of commissioners summarizing the audit results in accordance with the Codification of Auditing Standards Section 260.
- We will prepare a letter to the Board of Commissioners reporting matters dealing with internal control that meet the threshold of being a significant deficiency or material weakness, as defined by the Codification of Auditing Standards Section 265. We will immediately report any irregularities or illegal acts that come to our attention to management and/or those charged with governance.
- We will attend Board of Commissioner’s meetings as requested and present the results of the audit to the Board.
- Finally, we perceive the scope of our work as being advisors to LAFCO regarding generally accepted accounting principles. Throughout the year, the management and other finance personnel of LAFCO will have access to us to seek advice in the application of generally accepted accounting principles, advice regarding debt issuance, financial statement preparation and content, tax and any other matters relating to LAFCO. Each year, we will go over upcoming accounting standards in a meeting with staff.

Identification of Anticipated Potential Audit Problems

We do not believe there will be any anticipated potential audit problems.

APPENDIX

**EXHIBIT B
PROJECT SCHEDULE**

IMPERIAL

Project Schedule		
Tasks	Projection Description	Target Completion Date
Contract Execution	Include Certificates of Insurance	December 18, 2020
Kickoff Meeting	Intro. Firm staff to LAFCO	As requested by staff
Management Engagement Letters	Made available to LAFCO Staff	90 days prior to fieldwork
PBC List Distribution	Made available to LAFCO Staff	90 days prior to fieldwork
Fieldwork	On-site/Remote	As requested by staff
Draft Audit for Staff		Within three weeks of final fieldwork
Auditor revising document		Within 5 days of client review
Final Audit for Commission	Within 5 days of client acceptance of final draft, no later than January 24	
Commission Meeting		As requested by staff

LOS ANGELES

Project Schedule		
Tasks	Projection Description	Target Completion Date
Contract Execution	Include Certificates of Insurance	December 18, 2020
Kickoff Meeting	Intro. Firm staff to LAFCO	As requested by staff
Management Engagement Letters	Made available to LAFCO Staff	90 days prior to fieldwork
PBC List Distribution	Made available to LAFCO Staff	90 days prior to fieldwork
Fieldwork	On-site/Remote	As requested by staff
Draft Audit for Staff		Within three weeks of final fieldwork
Auditor revising document		Within 5 days of client review
Final Audit for Commission	Within 5 days of client acceptance of final draft, no later than January 24	
Commission Meeting		As requested by staff

ORANGE

Project Schedule		
Tasks	Projection Description	Target Completion Date
Contract Execution	Include Certificates of Insurance	December 18, 2020
Kickoff Meeting	Intro. Firm staff to LAFCO	As requested by staff
Management Engagement Letters	Made available to LAFCO Staff	90 days prior to fieldwork
PBC List Distribution	Made available to LAFCO Staff	90 days prior to fieldwork
Fieldwork	On-site/Remote	As requested by staff
Draft Audit for Staff		Within three weeks of final fieldwork
Auditor revising document		Within 5 days of client review
Final Audit for Commission	Within 5 days of client acceptance of final draft, no later than January 24	
Commission Meeting		As requested by staff

RIVERSIDE

Project Schedule		
Tasks	Projection Description	Target Completion Date
Contract Execution	Include Certificates of Insurance	December 18, 2020
Kickoff Meeting	Intro. Firm staff to LAFCO	As requested by staff
Management Engagement Letters	Made available to LAFCO Staff	90 days prior to fieldwork
PBC List Distribution	Made available to LAFCO Staff	90 days prior to fieldwork
Fieldwork	On-site/Remote	As requested by staff
Draft Audit for Staff		Within three weeks of final fieldwork
Auditor revising document		Within 5 days of client review
Final Audit for Commission	Within 5 days of client acceptance of final draft, no later than January 24	
Commission Meeting		As requested by staff

SAN BERNARDINO

Project Schedule		
Tasks	Projection Description	Target Completion Date
Contract Execution	Include Certificates of Insurance	December 18, 2020
Kickoff Meeting	Intro. Firm staff to LAFCO	As requested by staff
Management Engagement Letters	Made available to LAFCO Staff	90 days prior to fieldwork
PBC List Distribution	Made available to LAFCO Staff	90 days prior to fieldwork
Fieldwork	On-site/Remote	As requested by staff
Draft Audit for Staff		Within three weeks of final fieldwork
Auditor revising document		Within 5 days of client review
Final Audit for Commission	Within 5 days of client acceptance of final draft, no later than January 24	
Commission Meeting		As requested by staff

***Include any additional tasks, as you feel appropriate and necessary.
*These schedules are subject to negotiation with each respective LAFCO.***

**EXHIBIT C
PRICING SHEET**

LAFCO	Description of Services	Estimated Hours	Year Ended June 30				1-yr option to extend
			2021	2022	2023	2024	
<u>1. Imperial</u>	Audit of LAFCO, including the implementation of the GASB pronouncements and ongoing audit procedures of GASB, audit preparation and management letter.		\$8,300	8,450	8,625	8,800	9,000
	Option to prepare the Management and Discussion Analysis (MD&A) on behalf of management.		250	255	260	265	270
Maximum Not to Exceed Amount			\$8,550	8,705	8,885	9,065	9,270
<u>2. Los Angeles</u>	Audit of LAFCO, including the implementation of the GASB pronouncements and ongoing audit procedures of GASB, audit preparation and management letter.		\$7,600	7,750	7,900	8,000	8,225
	Option to prepare the Management and Discussion Analysis (MD&A) on behalf of management.		250	255	260	265	270
Maximum Not to Exceed Amount			\$7,850	8,005	8,160	8,265	8,495
<u>3. Orange</u>	Audit of LAFCO, including the implementation of the GASB pronouncements and ongoing audit procedures of GASB, audit preparation and management letter.		\$7,155	7,230	7,375	7,500	7,650
	Option to prepare the Management and Discussion Analysis (MD&A) on behalf of management.		250	255	260	265	270
Maximum Not to Exceed Amount			\$7,405	7,485	7,635	7,765	7,920

LAFCO	Description of Services	Estimated Hours	Year Ended June 30				1-yr option to extend
			2021	2022	2023	2024	
4. Riverside	Audit of LAFCO, including the implementation of the GASB pronouncements and ongoing audit procedures of GASB, audit preparation and management letter.		\$7,600	7,750	7,900	8,000	8,225
	Option to prepare the Management and Discussion Analysis (MD&A) on behalf of management.		250	255	260	265	270
Maximum Not to Exceed Amount			\$7,850	8,005	8,160	8,265	8,495
5. San Bernardino	Audit of LAFCO, including the implementation of the GASB pronouncements and ongoing audit procedures of GASB, audit preparation and management letter.		\$8,300	8,450	8,625	8,800	9,000
	Option to prepare the Management and Discussion Analysis (MD&A) on behalf of management.		250	255	260	265	270
Maximum Not to Exceed Amount			\$8,550	8,705	8,885	9,065	9,270

Hourly Rates:

Classification	Hourly Rate	Estimated No. of Hours
Partner	\$165	35
Manager	130	53
Senior Auditor	105	140
Staff Accountant	95	122



Report on the Firm's System of Quality Control

Davis Farr LLP

Irvine, 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 Davis Farr LLP (the firm) in effect for the year ended May 31, 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 a compliance audit under the Single Audit Act, and examination of a service organization (SOC 1, Type 2 Report).

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

CPAs ■ Advisors

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 gyl@gylcpa.com
 www.gylcpa.com



Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Davis Farr LLP in effect for the year ended May 31, 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*. Davis Farr LLP has received a peer review rating of *pass*.

GYL LLP

Ontario, California
September 23, 2019