



PRICE PAIGE & COMPANY
Accountancy Corporation

AUDIT SERVICES PROPOSAL

FOR THE

MALAGA COUNTY WATER DISTRICT

**FOR THE YEARS ENDING
JUNE 30, 2020, 2021, AND 2022**

Submitted
October 22, 2020

By

Fausto Hinojosa, CPA, CFE
Price Paige & Company
Accountancy Corporation

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October 22, 2020

To the District General Manager of
Malaga County Water District
3580 S. Frank Street
Fresno, California 93725-2511

It is our pleasure to present our proposal to provide professional auditing services to the Malaga County Water District (the "District") for the years ending June 30, 2020, 2021, and 2022. Over the past thirty years, we have developed significant expertise in governmental audit and accounting. Our knowledge of the governmental environment and more specifically, special district operations, has allowed us to develop more robust audit plans, which enhance the quality of our audits.

Our audit professionals are highly qualified and have extensive experience and expertise in governmental auditing and accounting. The firm has been a member of the AICPA Government Audit Quality Center for several years and all of our auditors take a minimum of 80 hours of continuing professional education every two years specifically related to the auditing and accounting services we provide. This commitment to learning yields a direct benefit to the clients we work with. Additionally, our firm has a well-earned reputation for ensuring the audit not only gets done right but, just as importantly, on time. We are committed to communicating effectively to ensure that your questions are addressed comprehensively. As demonstrated by our resumes and considerable involvement by the audit partners and managers, we know that our firm has the resources, knowledge and expertise to meet and service the needs of the District. We can assure you that we fully understand the work to be performed and we wish to emphasize our commitment to meeting and exceeding all of the District's expectations. We are committed to providing these services in accordance with the District's required timelines. Additional information about our firm's audit department and services we offer may be found on our website at www.ppcpas.com.

I trust that this proposal will adequately summarize our approach to client service and identify those attributes which set our firm apart from others. We appreciate the opportunity to submit this proposal to serve the District and would be pleased to furnish any additional information regarding our firm or answer any other specific questions or concerns the District may have. I am an audit principal for our firm, and I am authorized to make representations for the firm with regard to this proposal. I may be reached at (559) 299-9540 or via email at fausto@ppcpas.com.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Fausto Hinojosa', with a long horizontal flourish extending to the right.

Fausto Hinojosa, CPA, CFE
Audit Principal
Price Paige & Company

FIRM HISTORY AND QUALIFICATIONS

Established in 1976 and located in Clovis, California, Price Paige & Company consists of three owners (principals), Fausto Hinojosa, Mitchell Buckley, and Henry Oum, each of whom is a Certified Public Accountant. The principals of the firm have over 75 years of combined experience in public accounting. Our firm is comprised of thirteen CPAs and sixteen CPA candidates, as well as full and part-time accounting, bookkeeping and clerical staff. Over 50% of Price Paige & Company's practice is in auditing and attest services, primarily in the not-for-profit and governmental sectors. In addition, we provide services to many businesses in accounting, tax, and management consultation in all areas.

Price Paige & Company is recognized in the community and by our peers as experts in the areas of not-for-profit and governmental audit and accounting. Our proven commitment to excellence allows us to work with you in the most time and cost-effective manner possible. Our auditors are not seasonal; what we mean by this is that they are not "tax accountants" who perform audits in the "off-season". They focus exclusively on providing audit services and they receive over 80 hours of continuing education every two years, specifically related to improving their audit skills. The experience of our team allows us to conduct very efficient and effective audits.

We currently provide audit or review services to more than 35 not-for-profit organizations and 40 governmental agencies annually, many of which are federal single audits. The breadth and scope of single audits we have conducted is significant and we have experience auditing organizations with an excess of \$100 million dollars of federal funding.

We will assign a team of personnel from our firm to your account in order to provide the range of services you have requested. This team is kept abreast of any significant developments that arise through our normal association with you. The most important aspect of this approach is to provide continuity to the engagement. We understand that the audit process requires two-way communication and we accept our responsibility to listen and to deliver timely and effective solutions to the audit and accounting problems we encounter.

Mandatory Qualifications

The associates of Price Paige & Company are licensed Certified Public Accountants, certified by the California State Board of Accountancy (License # COR 3442). All team members assigned to the audit comply with the 80-hour continuing education requirements promulgated by *Government Auditing Standards*.

Independence

Our firm is independent with respect to the Malaga County Water District as defined by auditing standards generally accepted in the U.S. Government Accountability Office's *Government Auditing Standards*.

Conflict of Interest

Our firm's established policy is that we do not submit proposals for audit services if there is a known conflict of interest with the potential client. There are no current or potential conflicts of interest with anyone (employees, management, officers or directors) within the Malaga County Water District.

External Peer Review

Our record of successful Peer Reviews and our Engagement Quality Control Review program serve as evidence of our commitment to meeting the standards of care and performance applicable to our audit practice and demonstrate the extra measures we take to ensure continued successful compliance with our client's expectations about our quality and competence.

Our peer review included a review of specific not-for-profit and governmental audit engagements. For your consideration, a copy of our most recent Peer Review Report is presented on page 16 of this proposal.

Price Paige & Company has **never had any disciplinary actions** taken nor are any pending with the Federal or State regulatory bodies or professional organizations. In addition, we are pleased to affirm that we have never had an unresolved dispute related to accounting or auditing matters that resulted in disengagements. We work closely with our clients to develop solutions that are consistent with the accounting rules and auditing standards.

We Conduct Peer Reviews

In addition to having successful peer reviews, Price Paige & Company also conducts peer reviews of other accounting firms. Essentially, we “audit” other auditors to ensure auditing and accounting standards are met. Being a peer reviewer requires us to understand the technical accounting rules, especially in the governmental environment. We leverage our experience as technical peer reviewers in our audit engagements so that we can perform effective and efficient audits making it much easier on our clients.

Proactive Rather than Reactive Approach to Client Service

A primary objective of our client engagements is to make positive contributions to our client's profitable operations, organizational efficiency and productivity. We work hard at anticipating problems and ensuring there are no surprises. We are creative and always present alternatives for your evaluation rather than insisting upon the “textbook solution”. We use frequent meetings and our management recommendation letters as tools for communication with you.

We strive to maintain a continuous involvement with our clients rather than just an annual one. We ask clients to forward copies of their interim financial statements, we review minutes of meetings throughout the year and we also schedule meetings with clients outside of the normal “audit cycle” to stay informed of changes that might impact the audit. We find this enables us to help our clients identify and solve problems on a timely basis and keeps us informed about their operations.

Smart Technologies

We use sophisticated data analysis software (IDEA) that allows us to perform specific fraud detection tests on large amounts of data, in some cases, testing 100% of the transaction population. Some of the specific tests we perform include: duplicate payment tests, matching of employee and vendor addresses to identify potential conflicts, review of purchase orders to identify potential bid splitting. We believe that our creative use of this value-added software tool allows us to perform more effective audits and gives our clients increased confidence in their financial reporting. We have successfully implemented this data analysis software and testing at Fresno Unified School District, which is the fourth largest school district in the state with a budget in excess of \$800 million dollars.

All our audit engagements are performed utilizing a paperless and digital approach. Our auditing software allows us to increase our efficiency and provide a streamlined workflow. Documents and files can easily be retrieved and forwarded to our clients without the need for copying.

Additional Confirmations of Understanding

We will provide to the District management letters providing reasonable counseling and guidelines with respect to more acceptable and effective methods of accounting.

We will retain working papers for seven years following the completion of the audit.

Price Paige & Company is an equal opportunity employer. All employees are treated on their merits, without regard to race, age, sex, marital status or other factor not applicable to their position. Employees are valued according to how well they perform their duties, and their ability and enthusiasm to maintain the Firm's standards of service. We are also a minority owned, small business.

Price Paige & Company maintains comprehensive General Liability Coverage, as well as Errors and Omissions Insurance with a limit of at least \$3,000,000. All required certificates of insurance will be provided to management should our firm be the successful bidder.

VALUE-ADDED SERVICES AND SUPPORT

Value Added Services and Support

The role of auditors has evolved over time in response to client's needs. Our firm has made it a practice to be proactive with clients by providing value-added services, all of which are included as part of our audit engagement. Below are some of the value-added benefits that we provide to our clients at no additional charge.

Consultation on Accounting Matters

We provide our clients with guidance on technical accounting matters. We encourage our clients to communicate with us regarding any technical accounting matter as it allows us to be proactive in the audit process. If the technical accounting questions are outside the scope of the audit or require significant research, we would communicate with management regarding the appropriate cost for their approval before proceeding with any additional services.

Client Training

We believe it is important to give our clients access to a full range of information to help them stay aware of current accounting developments and financial reporting issues. As part of our client service program, we will periodically hold client training seminars and summary courses geared towards providing our clients an understanding of relevant issues. Training sessions that have been offered included understanding and mitigating the risk of fraud and reading and understanding governmental financial statements.

Approach to Communication and Expectations of Our Clients

In order to meet and exceed your expectations, we are diligent about maintaining open communication throughout the entire engagement. In our experience, this results in a more effective engagement. Our approach depends on the timely response and assistance of the District. This cooperation will further ensure our work is completed in an efficient and cost-effective manner.

Other Services Offered by Our Firm

In addition to financial statement audits we also offer the following services to the government sector: Internal Control Review, Forensic Accounting, Fraud Investigation, Agreed-Upon Procedures, Financial Statement Review, Financial Statement Compilation and preparation of State Controller's Reports.

SUMMARY OF THE AUDITORS' QUALIFICATIONS

We have an outstanding team of professionals who have established themselves as qualified competent individuals. We can assure you that each of our auditors is experienced in governmental auditing, GASB accounting pronouncements and Single Audit requirements. Following is a brief overview of their experience. Detailed experience for each of these professionals is found on pages 6 through 9 of this proposal.

	<u>Years of Auditing / Accounting Experience</u>
Audit Principal: Fausto Hinojosa, CPA, CFE	32
Audit Manager: Joshua Giosa, CPA	12
Technical Reviewer: Osvaldo Gutierrez, CPA	11
Audit Senior: Jasmine Logee, CPA	7

Each of these professionals has been the lead auditor/accountant for various governmental, not-for-profit and consulting engagements. They have commendable work ethics and principles, as well as outstanding skills and abilities. Should any of the above members of our audit team become unavailable, we would provide another equally qualified individual from our firm.

In addition to the above-listed professionals, we have other audit staff with several years of governmental audit and accounting experience who may be assigned to your audit.

Continuity of Professional Staff and Succession Planning

Continuity of staff on engagements is as important to us as it is to our clients. Continuity promotes a thorough understanding of your needs and goals and helps us help you. A smooth auditor transition will be accomplished as follows:

- ♦ **Communication** – We stress transparent communication from the very beginning of the engagement through the audit report delivery. We schedule a planning meeting with your staff to determine expectations, timing, and extent and availability of assistance. We provide a comprehensive PBC list for both interim and year-end fieldwork which includes due dates and responsible parties.
- ♦ **Experience** – Members of our engagement team are experienced auditors, very familiar with the operational, administrative, and accounting and compliance issues related to the municipal sector and the federal single audit in particular.
- ♦ **Quality** – The firm maintains a rigorous quality control review process that includes not only a detailed review by a quality control manager and engagement partner but also an Engagement Quality Control Review (EQCR) as defined by AICPA standards.
- ♦ **Audit Approach** – Our audit approach emphasizes effective up-front planning to identify issues for timely resolution.

AUDITOR RESUMES



FAUSTO HINOJOSA

Certified Public Accountant
Certified Fraud Examiner
California License # 66479

Present Position

Audit Principal

Education and Experience

Fausto is the Partner in charge of all audit and forensic consulting engagements for Price Paige & Company. His practice is focused on governmental and not-for-profit audit and accounting, fraud investigation and consulting, and litigation support services. Fausto serves as the Managing Partner for the Firm and is responsible for providing strategic leadership. He has worked professionally in the accounting field since graduating from California State University, Fresno in 1990. He became a Certified Public Accountant in 1994 and a shareholder with Price Paige & Company in 1997. He is a Certified Fraud Examiner and has investigated numerous allegations of fraud and has been designated a fraud expert in various legal proceedings.

After more than twenty-five years in the profession, Fausto has developed significant expertise specifically in the areas of audit risk assessment, governmental and not-for-profit auditing, fraud detection and prevention, federal/state grant compliance, and internal controls.

Fausto is the former Chair of the local Government Accounting and Auditing Committee for the California Society of CPAs and currently serves on the state committee. In addition, Fausto is a **reviewer for the Government Finance Officers Association “Certificate of Achievement for Excellence in Financial Reporting” program**. As the former Chair for the State Board of Accountancy Qualifications Committee, Fausto conducted audit workpaper reviews of CPA candidates in order to make licensure recommendations to the Committee.

Fausto is a former Adjunct Professor at Fresno Pacific University where he taught an upper division auditing course. He is a frequent lecturer to the California Society of CPAs and other professional organizations, business and civic groups on governmental and not-for-profit accounting and auditing, preventative fraud measures, and the unique audit requirements for federal award programs under the Single Audit Act.

Professional Organizations and Community Involvement

State Board of Accountancy Qualifications Committee – Past Chair
Fresno Chapter of California Society of CPAs – Past President
Association of Certified Fraud Examiners – Member
American Institute of Certified Public Accountants – Member
Government Accounting and Auditing Committee of the Fresno Chapter – Past Chair
State Government Accounting and Auditing Committee of the California Society of CPAs – Member
Government Finance Officers Association – CAFR Reviewer



JOSHUA GIOSA

Certified Public Accountant
California License # 119801

Present Position

Audit Manager

Education and Experience

Joshua began his accounting career at Price Paige & Company in January 2007 after graduating from California State University, Fresno. In June 2005, he received a Bachelor of Science in Business Administration with an option in Accountancy and became a Certified Public Accountant in 2013.

Joshua serves as the audit manager for most of the firm's municipalities and has performed and overseen substantial grant compliance work on both federal and state programs. Although his government auditing background dates back to 2007, since 2011 he has worked almost exclusively planning, performing, reviewing and compiling financial statements for municipalities. He has conducted several single audits and has prepared numerous municipality State Controller reports. Joshua has extensive knowledge in the implementation of GASB 68. He recently conducted a GASB 68 training course for firm personnel and has also trained and assisted numerous finance directors on GASB 68 implementation and financial statement presentation. His background also includes significant experience auditing not-for-profit entities and 401(k) pension plans. Joshua has expertise in the use of IDEA data analysis software and has used this software to conduct fraud detection procedures as a part of the many municipal audits he manages.

Community and Affiliations

Joshua is a member of the American Institute of Certified Public Accountants, the California Society of CPAs and the Government Finance Officers Association. He is currently serving on the Board of Directors as the Treasurer for North Fresno Rotary Endowment and Bullard Youth Softball League. He was formerly on the Board of Directors as the Treasurer for Big Brothers Big Sisters of Central California, and Fresno's Rotary Storyland/Playland. Joshua is also an honorary member of the North Fresno Rotary Club.

Continuing Education

Joshua is in compliance with the continuing education requirements of the AICPA and Government Auditing Standards. Recently attended courses include: *Avoiding Problems in Conducting Single Audits; Financial Statement, Tax and Government Fraud; Interpreting the Yellow Book; Intermediate Governmental Accounting; The GASB's Pension Standards Parts II: Considerations for Agent Plans and Participating Employers; Putting to Rest Governmental "Urban Legends"; and The Continued Complexities of Auditing Governmental Pension Plans and Participating Employees.*



OSVALDO GUTIERREZ

Certified Public Accountant
California License # 122553

Present Position

Audit Manager

Education and Experience

Osvaldo began his accounting career after graduating with an accounting degree from California State University, Fresno in 2008 and became a Certified Public Accountant in 2014.

Prior to joining Price Paige & Company as an audit manager, Osvaldo worked with a large local public accounting firm at varying levels of responsibility up to and including audit manager, and also spent two years in the private industry.

Osvaldo's extensive governmental accounting experience includes over nine years working directly with some of the largest municipalities in the Central Valley, including various counties, cities, special districts, and transportation authorities. Osvaldo's specific experience includes managing multiple team members in the conducting of the financial statements and federal single audits. Osvaldo has extensive knowledge of new and existing GASB pronouncements, and prides himself on teaching and training clients as a part of the normal audit process. Osvaldo has performed audits and reviews for clients in a variety of industries ensuring that all aspects of the engagement are completed from the planning process through the drafting, review, and issuance of the financial statements.

Community and Affiliations

Osvaldo is a member of the American Institute of Certified Public Accountants, the Government Finance Officers Association (GFOA) and the California Society of Certified Public Accountants where he serves as the Fresno chapter President (2020/2021).

Continuing Education

Osvaldo is in compliance with the continuing education requirements of the AICPA and Government Auditing Standards. Recently attended courses include: *Advanced Governmental Accounting and Advanced Governmental Financial Reporting, Uniform Guidance update, Detecting and Presenting Top 10 Fraud Schemes, Governmental and Non-Profit Annual Update: GASB Activities.*



JASMINE LOGEE
Certified Public Accountant
California License # 136473

Present Position

Audit Senior

Education and Experience

Jasmine began her accounting career after receiving a Bachelor of Science in Business Administration with an emphasis in Accounting and graduating from California State University, Fresno in December 2013. Jasmine practiced in private accounting prior to joining Price Paige & Company in February of 2017. She became a Certified Public Accountant in August 2018.

Jasmine has been a staff auditor for numerous governmental and not-for-profit audits, which include single audit compliance, State Controller's reports, and preparing financial statements that comply with Yellow Book and required GASB standards. In addition, Jasmine has been the in-charge auditor for various governmental and not-for-profit audit projects. Jasmine also has experience preparing and auditing calculations of pension-related liabilities, deferred outflows, and deferred inflows in accordance with GASB 68. Her background includes governmental, not-for-profit entities which are performed in accordance with GAAP and the Single Audits in accordance with OMB Uniform Guidance 2 CFR 200 Subpart F.

Community and Affiliations

Jasmine is a member of the American Institute of Certified Public Accountants and the California Society of CPAs.

Continuing Education

Jasmine is maintaining continuing professional education requirements to meet current standards of the General Accounting Office of the United States of America. Continuing professional education courses and seminars recently attended include: *Audits of States, Local Governments and Non-Profit Organizations*; *Accounting for Governmental Assets and Liabilities*; *Overview of Governmental Accounting*; *Fraud 101- Fraudulent Financial Reporting*; *Introduction to Fraud Auditing*; *Auditing Update*; *GASB 68 Preparation*.

REFERENCES

After evaluating our relevant experience, we are certain you will agree that Price Paige and Company is qualified to serve you. We have been successfully performing audit engagements since 1976. Since then, we have continued to build on our reputation as a well-respected firm throughout the State of California, with the qualifications and experience necessary to provide unequalled performance. Following is a list of some of our audit clients and our primary contact for each:

Reference Name: Kings River Conservation District
Contact: Brian Trevarrow, Finance Director
Address: 4886 E. Jensen Avenue, Fresno, CA 93725
Phone: (559) 237-5567
Email: btrevarrow@krcd.org
Service Provided: Financial Statement Audit (GAAS)
Dates: June 30, 2014 through present

Reference Name: Delhi County Water District
Contact: Leandro Maldonado, General Manager
Address: P.O. Box 639, Delhi, CA 95315
Phone: (209) 632-8777
Email: lmaldonado@delhicwd.org
Service Provided: Financial Statement Audit Consulting Services
Dates: June 30, 2016 through present

Reference Name: Madera Valley Water Company, Inc.
Contact: Gregory Rodgers, General Manager
Address: 18454 Road 26, Madera, CA 93638
Phone: (559) 655-4298
Email: gregrodgers@onemain.com
Service Provided: Financial Statement Audit (GAAS)
Dates: December 31, 2017 through present

Reference Name: City of Mendota
Contact: Rudy Marquez, Finance Director
Address: 643 Quince Street, Mendota, CA 93640
Phone: (559) 266-6456, ext. 12
Email: rudy@cityofmendota.com
Service Provided: Financial Statement Audit (Single Audit/Uniform Guidance)
Dates: June 30, 2012 through present

Reference Name: City of Kingsburg
Contact: Alma Colado, Finance Director
Address: 1401 Draper Street, Kingsburg, CA 93631
Phone: (559) 897-6527
Email: acolado@cityofkingsburg-ca.gov
Service Provided: CAFR Audit (Single Audit/Uniform Guidance)
Dates: June 30, 2012 through present

SCOPE OF SERVICES

As our experience indicates, we clearly understand the scope of services to be provided. You can be assured that we will design a specific service approach to ensure compliance with all applicable standards and ensure that the District receives high quality, efficient and effective service.

Standards to be Followed

The financial and compliance audits will be performed in accordance with the following auditing standards:

- ♦ Generally Accepted Auditing Standards (AICPA)
- ♦ *Government Auditing Standards* (U.S. Comptroller General)
- ♦ California State Controller's Minimum Audit Requirements of California Special Districts
- ♦ All other applicable federal, state and local laws and regulations

Services to be Performed

The following services will be provided for the Malaga County Water District for each respective year:

1. We will audit the books and records of the District and issue a report on the fair presentation of the annual financial statements in conformity with accounting principles generally accepted in the United States of America.

We will provide an "in-relation-to" opinion on the combining and individual fund and supporting schedules based on auditing procedures applied during the audit of the general purpose financial statements and the combining and individual fund financial statements and schedules.

2. We will prepare and file the Special Districts Annual Report of Financial Transactions for the State Controller.
3. We may provide management letters that would include findings, observations, opinions, comments and/or recommendations with regard to systems of internal control, accounting systems compliance with laws, rules and regulations, or any other matters that may come to our attention during the course of the examination.
4. We will prepare a written communication to the audit committee which will include the following information: (1) auditor's responsibility under generally accepted auditing standards, (2) significant accounting policies, (3) management judgments and accounting estimates, (4) significant audit adjustments, (5) disagreements with management, (6) management consultation with other accountants, (7) difficulties encountered in performing the audit.

AUDIT APPROACH

We are confident that we will provide high quality services based on our experience in dealing with entities of similar size and scope to yours, our client satisfaction ratings, significant uniform guidance experience, and our audit software packages.

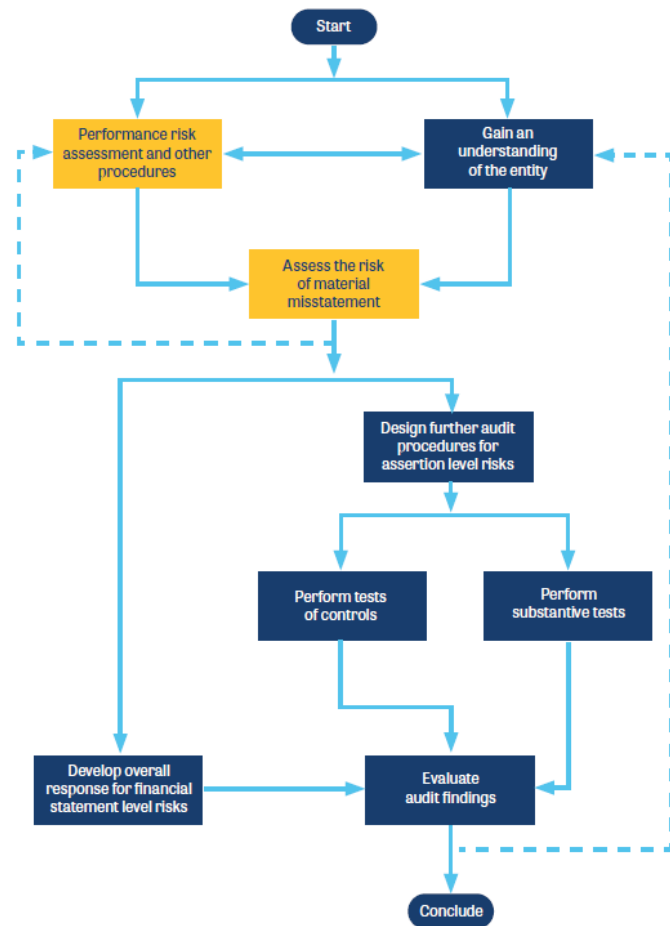
Audit Procedures & Phases of the Engagement

Price Paige & Company provides value to our clients by creating a custom audit approach that is based on a client's specific needs, risks and opportunities. Our audit approach under generally accepted audit standards is depicted in the graphic to the right.

Our professional responsibility is to obtain sufficient audit evidence before an opinion is rendered on any financial statements. To achieve this, we will conduct our work in the following phases:

- ♦ Audit Planning and Risk Assessment
September
- ♦ Year-end Fieldwork
October/November
- ♦ Reporting
November/December
- ♦ Closing Conferences and Formal Presentation
December

Details for each of these phases are listed on the following pages.



Audit Planning and Risk Assessment

No other phase of the process affects the success of an engagement more than the time spent in planning the general scope and direction of the audit, including assessing the risks of financial statement misstatements. We will schedule audit planning and interim fieldwork to be done prior to final fieldwork with your personnel.

We will hold a planning session with the key members of our engagement team and your personnel.

During our planning session with management, we will also address Statement on Auditing Standards (SAS) No. 99, "Consideration of Fraud in a Financial Statement Audit." This auditing standard requires that we conduct certain meetings and interviews and perform and document certain procedures for identifying and responding to fraud risks.

As part of the audit planning and risk assessment phase of the audit, we will request a meeting with District management and any key team members to discuss our planned audit approach, significant audit and accounting issues and to address any concerns.

As part of that process, we will conduct a pre-audit conference with appropriate management personnel to discuss the scope and timing of the audit.



The risk assessment audit standards require assessments based on an understanding of internal controls over your financial reporting and determination of the areas that present risks of material misstatement to your financial statements. We then design our audit approach to include tests of specific internal controls and substantive audit procedures which are tailored to the identified risks. Our risk assessment includes consideration of the factors depicted on the chart to the left.

Year-End Fieldwork

During the year-end phase of our audit, we will complete our audit work based on the audit programs designed specifically for your entity. This will include the results of our risk assessment and interim testing results, and we will issue a report on the financial statements in a timely and efficient manner.

Reporting Phase

This phase will include:

- ♦ Reviewing the financial statements and agreement to underlying audited records
- ♦ Evaluating the financial statements for compliance with GAAP requirements
- ♦ Formulating an opinion as to the fair presentation of the financial statements
- ♦ Preparing management letter with recommendations and communication letter to Management

We will submit an immediate written report of all irregularities and illegal acts or indications of illegal acts of which we become aware to the Director of Finance.

Audit Focus

Based on our audit experience with similar entities, the primary areas of audit focus in a typical year include:

- ♦ Cash and investments
- ♦ Governmental fund receivables/revenues
- ♦ Capital assets
- ♦ Accounts payable and expenditures
- ♦ Compliance with laws and regulations
- ♦ Commitments and contingencies
- ♦ Implementation of pronouncements of the Governmental Accounting Standards Board (GASB)

Closing Conferences and Formal Presentation

We believe regular communication with management will be a critical part of the success of our audit engagement. Therefore, we will provide regular updates to management regarding the progress of the audit during meetings with key personnel.

Additionally, the engagement partner will meet with management to review any potential adjusting journal entries, drafts of the management and communication with those charged with governance (SAS 114) letters, and a draft of the financial statements.

We will complete our work in sufficient time to meet the applicable deadlines. If required, we will make a formal presentation of the District's audit results and reports to the Board of Directors and be available to respond to their questions.

PROPOSED FEES

All of the requested fee information is based upon our current understanding of the work to be performed and we have given you “not-to-exceed” fees for the services.

Description of Services	Total \$ FY 6/30/2020	Total \$ FY 6/30/2021	Total \$ FY 6/30/2022
Financial Statement Audit	\$ 11,750	\$ 11,750	\$ 12,220
State Controller's Report	2,000	2,000	2,080
Total all-Inclusive not-to-exceed fees	\$ 13,750	\$ 13,750	\$ 14,300

Staff Levels	Hourly Rates
Partner	250
Manager	175
Senior	135
Support Staff	110

This proposal is based on the current audit scope, and is made with the assumption that the District's books and records will be in a reasonably balanced condition and reconciled at the start of the audit and that the representations made to us during this proposal process will remain effective throughout our engagement.

In the event disclosures related to the scope of the engagement indicate extraordinary circumstances, which warrant more intensive and detailed services, we will provide all pertinent facts relative to the extraordinary circumstances, together with our fee basis for such additional services. This will be set forth in an addendum to the contract between the Malaga County Water District and our firm.

PEER REVIEW REPORT



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Suite A180
Monterey, CA 93940
831-373-3337
Fax 831-373-3437

379 West Market Street
Salinas, CA 93901
831-424-2737
Fax 831-424-7936

3478 Buskirk Avenue
Suite A1000
Pleasant Hill, CA 94523
831-373-3337
Fax 831-373-3437

Report on the Firm's System of Quality Control

September 11, 2018

To the Partners of Price, Paige and Company A C
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 Price, Paige and Company A C (the Firm) in effect for the year ended April 30, 2018. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

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

Firm's Responsibility

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

Peer Reviewer's Responsibility

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

Required Selections and Considerations

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

Daniel M. McGilloway, Jr., CPA, CVA | Gerald C. Ray, CPA | Patricia M. Kaufman, CPA, CGMA | Larry W. Rollins, CPA | Jesus Montemayor, CPA

Sarita C. Shannon, CPA | Whitney Ernest, CPA | Devvyn MacBeth, CPA | Suriti Shrestha, CPA | Deanna Thomas, CPA

PEER REVIEW REPORT (Continued)

Price, Paige and Company A C
September 11, 2018
Page 2 of 2

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

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Price, Paige and Company A C in effect for the year ended April 30, 2018, has been suitably designed and complied with to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Price, Paige and Company A C has received a peer review rating of *pass*.



McGilloway, Ray, Brown & Kaufman