

March 11, 2026

Loma Rica-Browns Valley CSD
Attn: Jamie Shields
11485 Loma Rica Road
Loma Rica, CA 95901

AUDIT OF FINANCIAL STATEMENTS FOR THE YEARS ENDING JUNE 30, 2023 AND 2024

We are pleased to submit our proposal to audit the financial statements of Loma Rica-Browns Valley Community Services District for the years ending June 30, 2023 and 2024.

Scope of Audit

We will conduct our audits in accordance with generally accepted auditing standards, Government Auditing Standards issued by the comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. Our audits will include examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits will also include assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, we will select the necessary procedures to test compliance and to disclose noncompliance with specific laws, regulations and contracts. We will consider the District's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

Our engagement will also include preparation of a Letter of Recommendations to management with suggestions to assist them in improving controls, efficiency and operations. It is our belief that relevant and timely management letters are an important and basic product of our audit procedures.

Our policy with respect to management letters is a "no-surprises" approach. We will clear the facts involved on each point with the person most directly involved with the point and their immediate supervisor.

Following that, we will discuss our recommendations before issuance of our letter and allow the District the opportunity to respond in writing to the recommendations.

No extended services will be performed unless they are authorized in the contractual agreement or in an amendment to the agreement. The working papers for the audits will be retained for seven years and the working papers will be available for examination by authorized representatives of Loma Rica-Browns Valley Community Services District and its authorized representatives or successor auditors.

Audit Approach

Our audit approach is designed to concentrate on key controls and areas of risk. It anticipates the cooperation of District personnel without detracting significantly from their day-to-day responsibilities. We will carefully evaluate our use of District personnel to make sure that we use their time wisely and in the best interest of the District. Where practical, our policy is to develop audit workpapers from reports and schedules which the client's system is already producing versus having client personnel prepare unique schedules just for one use. The timing of our audit procedures can be modified to meet the District's workload patterns. Our plan places emphasis on preliminary audit procedures which can be conducted within a flexible time frame. Our audit approach contains the following characteristics:

- It documents the business, financial and operating exposures, identifies, and evaluates key systems and controls that prevent, detect and correct errors.
- It includes the verification of balances and the formulation of a final opinion on the financial statements.
- It is analytical. It focuses on materiality and channels the audit effort into significant areas.

Our methodology recognizes that most audit objectives can be achieved by a number of different approaches. The important consideration is to perform the audits as effectively and efficiently as possible. Since all organizations are unique, very few audits can be performed using identical work plans. Our audit process provides a means to respond appropriately to the major requirements of each audit so that audit effort is placed where audit risks and significance are the greatest.

This audit approach offers several distinct advantages over the more traditional techniques. Those particularly important for client service to Loma Rica-Browns Valley Community Services District include:

- Continuing communications throughout the year in order to identify and resolve internal control, accounting and reporting issues at an early date.
- Understanding all major systems thoroughly, including computerized elements, allowing us to focus effort on risk in the most significant areas.

- Controlling audit costs and minimizing District staff time by eliminating unnecessary or redundant procedures.
- Using specialized software programs to aid in working trial balance preparation, journal entry posting and combining schedule consolidations.

Audit Objectives

The objective of our audits is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the additional information referred to in the first paragraph when considered in relation to the basic financial statements taken as a whole. Our audits will be conducted in accordance with U.S. generally accepted auditing standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and will include tests of the accounting records of Loma Rica-Browns Valley Community Services District and other procedures we consider necessary to enable us to express such opinions. If our opinions on the financial statements are other than unmodified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audits or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants, noncompliance with which could have a material effect on the financial statements as required by Government Auditing Standards. The report on internal control and compliance will include a statement that the report is intended solely for the information and use of the audit committee, management, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties. If during our audits we become aware that Loma Rica-Browns Valley Community Services District is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards may not satisfy the relevant legal, regulatory, or contractual requirements.

Management Responsibilities

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of the respective financial position of the governmental activities and each major fund of Loma Rica-Browns Valley Community Services District and the respective changes in financial position, where applicable, in conformity with U.S. generally accepted accounting principles. Management

is responsible for the basic financial statements and all accompanying information as well as all representations contained therein.

You are responsible for management decisions and functions. As part of the audits, we will prepare a draft of your financial statements and related notes. In accordance with Government Auditing Standards, you will be required to review and approve those financial statements prior to their issuance and have a responsibility to be in a position in fact and appearance to make an informed judgment on those financial statements. Further, you are required to designate a qualified management-level individual to be responsible and accountable for overseeing our services.

Management is responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Management's responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements or abuse that we may report.

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

Audit Procedures - General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, Government Auditing Standards do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audits and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audits, we will also require certain written representations from you about the financial statements and related matters.

Audit Procedures - Internal Controls

Our audits will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to Government Auditing Standards.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audits, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under professional standards and Government Auditing Standards.

Audit Procedures - Compliance

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

Audit Fee

Our fee for the audits of the District's financial statements will not exceed \$4,900 for the year ending June 30, 2023 and \$5,100 for the year ended June 30, 2024. This fee is based upon a routine audit and includes preparation of the necessary statements. Our fees are based on the following hourly rates:

Partner	\$ 205
Senior Staff Accountants	125
Junior Staff Accountants	95
Administrative	75

The fee quoted above is based upon a routine examination. If unusual circumstances should arise which we have no way of contemplating at this time, or if additional work is required to prepare the District's books for audit, we will promptly notify you so appropriate action may be taken. Any additional work required will be billed at our standard billing rates.

Peer Review

Our firm is devoted to quality, and we have taken extra steps to assure that we meet the highest professional standards of quality. Every three years our quality controls are examined by specially trained CPAs from other firms. Results from these reviews, called peer review reports, are available to the public, and a copy of our most recent peer review report is included as an appendix to this proposal.

Independent Contractors

We are independent contractors and are not subject to the direction and control of the District except as to the final result. We shall be solely liable and responsible to pay all required taxes and other obligations, including, but not limited to, withholding and social security and workers' compensation. Auditors shall indemnify and hold the District harmless from any liability which it may incur to the federal and state

government as a consequence of this contract. It is specifically understood and agreed that in the making and performance of this contract, Smith & Newell, CPA's is an independent contractor and is not an employee, agent, or servant of the District.

Termination

The District shall have the right at any time to terminate this Agreement by giving to the Auditors thirty (30) days written notice of its intent to terminate this Agreement, and in the event the District elects at any time to terminate this Agreement, or any portion thereof, the District shall be obligated to pay the Auditors for all services rendered by the Auditors to the date of termination. This contract may be terminated before the automatic termination date set forth above as follows:

- a. By mutual consent of the parties;
- b. At any time on a material breach of any of the provisions hereof; or,
- c. By the District on delivery of written notice thereof to Auditors for any or no reason, whatsoever, including, but not limited to, the failure by the Board to appropriate funds for this contract.

Assignment

We shall not assign any interest in this contract and shall not transfer any interest in the same without the prior written consent of the District, except that claims for money due or to become due the Auditors from the District under this contract may be assigned by the Auditors to a bank, trust company, or other financial institution without such approval. Written notice of any such transfer shall be furnished promptly to the District. Any attempt at assignment of rights under this contract, except for those specifically consented to by both parties or as stated above, shall be void.

Modifications

This agreement may only be modified by a written amendment hereto, executed by both parties.

Non-Discrimination

In the performance of the work authorized under this agreement, we shall not discriminate against any worker because of race, creed, color, ancestry, religion, marital status, age (over 40), veteran or non-veteran status, sex, or national origin.

Attorneys' Fees

If any action at law or in equity is necessary to enforce or interpret the terms of this contract, the prevailing party shall be entitled to reasonable attorneys' fees, costs, and necessary disbursements in addition to any other relief to which such party may be entitled.

Conflict of Interest

We hereby covenant that, at the time of the execution of this agreement, we have no interest and shall not acquire any interest in the future, direct or indirect, which would conflict in any manner or degree with the performance of services required to be performed under this agreement. We also covenant that in the performance of this work, no person having any such interest shall be employed.

Taxpayer Identification

Auditors' taxpayer identification number is 68-0141969.

Hold Harmless

To the fullest extent permitted by law, we shall indemnify and hold harmless the District, its agents, officers, and employees against and from any and all claims, lawsuits, actions, liability, damages, losses, expenses, and costs (including but not limited to attorneys' fees), brought for, or on account of, injuries to or death of any person or persons, including our employees, or injuries to or destruction of property, including the loss of use thereof, arising out of, or alleged to arise out of, or results from, the performance of the work described herein, provided that any such claim, lawsuit, action, liability, damage, loss, expense, or cost is caused in whole or in part by any negligence or intentional act or omission of Smith & Newell, anyone directly or indirectly employed by them, or anyone for whose acts any of them may be liable, regardless of whether or not it is caused by the passive negligence of a party indemnified hereunder.

This agreement shall be governed by the laws of the State of California. It constitutes the entire agreement between the parties regarding its subject matter. This contract supersedes all proposals, oral and written, and all negotiations, conversations, or discussions heretofore and between the parties related to the subject matter of this contract.

We appreciate the opportunity to submit this proposal to you and look forward to helping you in this important area. If this proposal contains your understanding of the scope and terms of services you desire, please sign the duplicate of this letter and return it to us.

Sincerely,



Carrie Schroeder, CPA
Partner

We concur with the terms of this agreement as stated above.

LOMA RICA-BROWNS VALLEY COMMUNITY SERVICES DISTRICT

Signed: _____

Title: _____

APPENDIX



Report on the Firm's System of Quality Control

To the Smith & Newell, CPAs
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Smith & Newell, CPAs, (the firm) in effect for the year ended May 31, 2024. 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 on in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

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

Peer Reviewer's Responsibility

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

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including engagements performed under the single audit act.

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

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Smith & Newell, CPAs in effect for the year ended May 31, 2024, 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*. Smith & Newell, CPAs has received a peer review rating of *pass*.

February 18, 2025