# CITY OF LOS ALAMITOS
## Council Chamber
## 3191 Katella Ave., Los Alamitos CA 90720

# BUDGET STANDING COMMITTEE AGENDA
# SPECIAL MEETING

## Monday, February 10, 2025 – 5:00 PM

**NOTICE TO THE PUBLIC –** This Agenda contains a brief general description of each item to be considered. Except as provided by law, action or discussion shall not be taken on any item not appearing on the agenda. Supporting documents, including staff reports, are available for review at City Hall in the City Clerk's Office or on the City's website at www.cityoflosalamitos.org once the agenda has been publicly posted.

Each matter on the agenda, no matter how described, shall be deemed to include any appropriate motion, whether to adopt a minute motion, resolution, payment of any bill, approval of any matter or action, or any other action. Items listed as "for information" or "for discussion" may also be the subject of an "action" taken by the Budget Standing Committee at the same meeting.

Any written materials relating to an item on this agenda submitted to the Budget Standind Committee after distribution of the agenda packet are available for public inspection online at www.cityoflosalamitos.org.

It is the intention of the City of Los Alamitos to comply with the Americans with Disabilities Act (ADA) in all respects. If, as an attendee, or a participant at this meeting, you will need special assistance beyond what is normally provided, please contact the City Clerk's Office at (562) 431-3538, extension 220, 48 hours prior to the meeting so that reasonable arrangements may be made.

**1. CALL TO ORDER**

**2. ROLL CALL**

Mayor Shelley Hasselbrink
Mayor Pro Tem Tanya Doby

**3. ORAL COMUNICATIONS**

At this time, any individual in the audience may come forward to speak on any item within the subject matter jurisdiction of the Budget Standard Committee. Remarks are to be limited to not more than five minutes per speaker.

**4. CONSENT CALENDAR**

All Consent Calendar items may be acted upon by one motion unless a Committee Member requests separate action on a specific item.

**A. Minutes (Finance)**

Minutes are recorded and represent the business conducted and items discussed at the Special Meeting of January 7, 2025.

Recommendation:

Approve the minutes of the Budget Standing Committee Special Meeting of January 7, 2025.

## 5. DISCUSSION ITEM

### A. Update on Audit RFP (Finance)

This report seeks consideration of a Professional Services Agreement with Rogers, Anderson, Malody & Scott, LLP (RAMS), for auditing services.

Recommendation:

Consider approval for the Mayor to enter into a Professional Services Agreement with RAMS, in the amount not to exceed $61,860 for auditing services for a three-year contract for FY2024-25, FY2025-26, and FY2026-27.

### B. Mid-Year General Fund Budget Review and Financial Update for Fiscal Year 2024-25. (Finance)

This report provides the Budget Standing Committee and Council with a review of the Mid-Year General Fund budget for the Fiscal Year 2024-25 and a projection for the fiscal year ending June 30, 2025

Recommendation:

1. Review the Mid-year General Fund budget for the Fiscal Year 2024-25 and the projection for the Fiscal Year ending June 30, 2025; and

2. Provide direction and comments.

## 6. CLOSED SESSION

### A. Conference With Labor Negotiator (Administration)

City Negotiator: Chet Simmons, City Manager
Employee Organization: Executive Management, Non-Represented
Authority: Government Code Section 54957.6

### B. Conference With Labor Negotiator (Administration)

City Negotiator: Chet Simmons, City Manager
Employee Organization: Teamsters Local 911
Authority: Government Code Section 54957.6

### C. Conference With Labor Negotiator (Administration)

City Negotiator: Chet Simmons, City Manager
Employee Organization: Police Officers Association
Employees Authority: Government Code Section 54957.6

## 7. ITEMS FROM STAFF AND THE COMMITTEE

At this time, Committee Members and Staff may also report on items not specifically described on the Agenda that are of interest to the community, provided no action or discussion is taken except to provide Staff direction to report back or to place the item on a future Agenda.

## 8. ADJOURNMENT

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing Agenda was posted at the Los Alamitos City Hall, 3191 Katella Ave. and online at www.cityoflosalamitos.org not less than 72 hours prior to the meeting.

Craig Koehler, Finance Director
Dated: February 6, 2025

# MINUTES OF THE BUDGET STANDING COMMITTEE OF THE CITY OF LOS ALAMITOS

## SPECIAL MEETING

**Tuesday, January 7, 2025 – 4:30 p.m.**

### 1. CALL TO ORDER

The Budget Standing Committee met for a Special Meeting at 4:33 p.m., Tuesday, January 7, 2025, with Mayor Hasselbrink and Mayor Pro Tem Doby presiding.

### 2. ROLL CALL

| | | |
|---|---|---|
| **Present**: | Committee Members: | Mayor Hasselbrink<br>Mayor Pro Tem Doby |
| **Absent**: | Committee Members: | None |
| **Present**: | Staff: | Chet Simmons, City Manager<br>Craig Koehler, Finance Director / City Treasurer<br>Barbara Biscocho, Finance Manager<br>Matt Lightner, Management Analyst |

### 3. Oral Communications

There were none to report.

### 4. CONSENT CALENDAR

#### A. Approval of Minutes

Motion/Second: Doby /Hasselbrink
Unanimously Carried: The Budget Standing Committee approved the Minutes of the Special Meeting of December 9, 2024.

### 5. DISCUSSION ITEMS

#### A. 2025 Budget Calendar

The 2025 Budget Calendar was presented to the Budget Standing Committee and was recommended for Council approval.

**B. Approval of Upgrade to Council Chamber Video Equipment**

Staff presented a proposal to the Budget Standing Committee for the potential purchase and installation of upgraded video equipment for the City Council Chamber. The committee authorized staff to initiate an informal bidding process for the acquisition of the upgraded video equipment. T

The Committee also requested staff to review upgrades to the presentation screens, direct screening, and acquisition of additional microphones.

The Budget Standing Committee adjourned the meeting to go into Closed Session at 4:55 p.m.

## 6. CLOSED SESSION

**A. CONFERENCE WITH LABOR NEGOTIATOR (Administration)**
City Negotiator Chet Simmons, City Manager
Employee Organization: Teamsters Local 911
Authority: Government Code Section 54957.6

**B. CONFERENCE WITH LABOR NEGOTIATOR (Administration)**
City Negotiator Chet Simmons, City Manager
Employee Organization: Executive Management, Non-Represented
Authority: Government Code Section 54957.6

**C. CONFERENCE WITH LABOR NEGOTIATOR (Administration)**
City Negotiator Chet Simmons, City Manager
Employee Organization: Police Officers Association
Authority: Government Code Section 54957.6

The Budget Standing Committee adjourned from the Closed Session with no reportable action.

## 7. ITEMS FROM STAFF AND THE COMMITTEE

None.

## 8. ADJOURNMENT

The meeting was adjourned at 6:50 p.m.

________________________________
Craig Koehler, Finance Director

# City of Los Alamitos

## BUDGET STANDING COMMITTEE AGENDA REPORT

**MEETING DATE: February 10, 2025** **ITEM NUMBER: 5A**

**To:** **Budget Standing Committee Members**

**Presented By:** **Barbara Biscocho, Finance Manager**

**Subject:** **Update on Audit RFP**

### SUMMARY

This report seeks consideration of a Professional Services Agreement with Rogers, Anderson, Malody & Scott, LLP (RAMS), for auditing services.

### RECOMMENDATION

Consider approval for the Mayor to enter into a Professional Services Agreement with RAMS, in the amount not to exceed $61,860 for auditing services for a three-year contract for FY2024-25, FY2025-26, and FY2026-27.

### BACKGROUND

In fiscal year 2020-21, the City Council approved a contract with Gruber & Associates, CPAs, a CPA firm with local government auditing experience. In 2022, the firm changed ownership and became Gruber & Lopez, Inc. The original contract was for three fiscal years, with two additional single-year options, which the City did not exercise. In the final two fiscal years of the five-year term (2023 and 2024), the City contracted with RAMS, one of the proposers of the original RFP. A new RFP was issued on December 16, 2024, with responses due by January 23, 2025.

### DISCUSSION

In connection with the RFP, the City received two responses, RAMS and the Pun Group.

RAMS has served the City well as its auditor for the prior two fiscal years (FY2022-23, FY2023-24). RAMS has assisted with the implementation of new GASB pronouncements and additional work needed for lease and subscription accounting. Their proposal is the most qualified for the City's needs and meets all the proposal requirements. In addition, their cost is less than that proposed by the other firm.

Staff recommends RAMS as the firm best suited to provide the City with auditing services. See Attachment 1, Proposal for Professional Auditing Services, and Attachment 2, Cost Proposal.

### FISCAL IMPACT

The contract for auditing services will be for a term of three years, covering fiscal years 2025, 2026, and 2027, for a not-to-exceed amount of $61,860, with two additional one-year options

(2028 and 2029). Funding for this is included in Finance Contractual Services (10-512-5260).

Attachment:
1. Attachment 1 - RFP Proposal
2. Attatchment 2 - Cost Proposal

RAMS

JANUARY 23, 2025

# CITY OF LOS ALAMITOS

## PROPOSAL FOR PROFESSIONAL AUDITING SERVICES
## FOR THE FISCAL YEARS ENDING JUNE 30, 2025, THROUGH 2027
## (WITH THE OPTION FOR TWO ONE-YEAR PERIODS)


CONTACT PERSONS:
GARDENYA DURAN, CPA, CGMA
gduran@ramscpa.net

SCOTT W. MANNO, CPA, CGMA
smanno@ramscpa.net

909.889.0871

PREPARED BY
ROGERS ANDERSON MALODY & SCOTT, LLP
735 E Carnegie Drive, Suite 100
San Bernardino, CA 92408

LICENSE #2596
FEIN 95-2662063

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ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscpa.net



January 23, 2025

City of Los Alamitos
3191 Katella Avenue
Los Alamitos, CA 90720

Dear Purchasing Officer:

We are pleased to respond, on behalf of Rogers, Anderson, Malody & Scott, LLP, (RAMS) to your request for a proposal regarding professional auditing services. As a recognized industry leader and innovator, our goal for the past 75 years has been to provide honest, objective and high-quality results to all our clients, including governmental organizations such as yours. Our success in these efforts is witnessed by the continued organic growth of our firm and our list of long-term clients, some we have served for over 20 years.

At RAMS, we are committed to providing the highest quality audit possible. We understand the complexity of performing governmental audits and that is why we have a *dedicated team of auditors* that possess the specialized knowledge and experience to help ensure our audits are planned and executed in a way that maximizes audit efficiency and effectiveness and provides you the highest quality services.

We are aware that City of Los Alamitos (the City) will be reviewing other proposals during this process, but we believe that RAMS would be an exceptional choice for the audit for the following reasons. Our firm:

- Utilizes *Teammate Analytics*, a suite of more than 200 Computer Aided Audit Tools (CAATs). This software empowers our audit teams with the ability to perform powerful, meaningful data analysis which builds upon our other robust, substantive audit procedures. This value-added service also helps to identify specific transactions or amounts which may be indicative of fraud.
- Performs an intelligent, risk-based audit (using our CAAT) which enables us to focus on key audit areas allowing us to become more efficient resulting in a higher quality audit at a reasonable fee.
- Currently provides auditing services to over 70 governmental agencies and not-for-profit organizations, including over 30 cities, most of which have enterprise activities and over 35 special districts.
- Developed a comprehensive remote working environment for our audits. All our staff currently have the tools for working remotely in an effective and efficient manner allowing us to still provide a quality audit. Our ultimate goal is to continue to meet your needs, but in a safe environment.
- Has an established reputation in the governmental and not-for-profit accounting and auditing community for providing excellent, timely service with high quality reporting to our clients.
- Is committed to helping you meet all reporting/auditing deadlines, resolving any issues encountered during your audit (e.g., accounting or auditing, new pronouncements, etc.), and providing you with quality audit services.

- Understands the audit process can be a stressful experience for you and your staff; we understand that you will have other commitments and your regular workloads during the audit. We make every effort to ensure the audit process, from the interim fieldwork to the preparation of any required financial reports, will be as trouble-free as possible for you and your staff. We accomplish this by comprehensively planning the audit and utilizing our staff and audit technologies in the most efficient and effective manner while keeping disruptions and miscommunications to a minimum.
- Has audit team members that are personable and easy to work with, yet still focused on the audit. Through open and responsive communication with all parties involved in the audit process, we work to have the most efficient audit possible by minimizing operational distractions of your staff, while maximizing quality service.
- Has an extensive internal quality control review process to ensure your financial reports meet the highest standards. In addition to the preparation of financial reports by the engagement team and reviewed by the engagement manager, *each report is also examined by 2 partners and at least 1 professional proofreader.*
- Has assisted many of our clients with the preparation of their Annual Comprehensive Financial Reports, and all our clients that have submitted their reports for the Government Finance Officers Association (GFOA) or California Society of Municipal Finance Officers (CSMFO) awards have received the awards. Our participation as a GFOA reviewer also indirectly benefits our clients in the quality review process.
- Believes that our fee estimate provides a fair and reasonable investment, commensurate with level of service provided and the experience of the audit team members. While we may not be the lowest bidder, that is not our objective. We focus on delivering the best value and price our prospective engagements accordingly.
- Is a local Southern California firm. All our employees live, work, and shop in the region, allowing our local cities to benefit from our sales and property taxes.
- Is independent with respect to the City
- Is an Equal Opportunity Employer

As you will see from our proposal, it was prepared in a clear, concise and simple manner in accordance with the request for proposal. We feel our firm, staff and reputation as a leader in governmental auditing exceeds the need for the excess information you may see in other proposals.

Rogers, Anderson, Malody & Scott, LLP is properly licensed to practice in California, including all the assigned professional staff to the engagement. Mrs. Duran, Partner, and Mr. Manno, Partner, are authorized to represent the firm, are empowered to submit the bid and authorized to sign a contract with the City. We understand the work to be done as listed in the section of this proposal titled *Services to be provided.* In addition, we will be committed to meeting any agreed upon time frames. This proposal is a firm and irrevocable offer for sixty (90) days.

We can be reached at: 735 E. Carnegie Drive, Suite 100, San Bernardino, CA 92408, (909) 889-0871, gduran@ramscpa.net or smanno@ramscpa.net.

Thank you for the opportunity to present our proposal to the City. We will be committed to exceeding your expectations of an auditor and believe this proposal provides you with information about our firm, the service team members and our customized audit approach. We look forward to having a long and mutually beneficial relationship with the City. Please feel free to contact us if you have any questions regarding this proposal.

Respectfully yours,

***ROGERS, ANDERSON, MALODY & SCOTT, LLP***

Gardenya Duran

Gardenya Duran, CPA, CGMA, Partner

## General information and experience

*License to practice*

Rogers, Anderson, Malody & Scott, LLP is licensed to practice in the State of California. Our key professional staff, which includes the partners, managers, and supervisors, are all certified public accountants licensed to practice in the State of California and follow all applicable Board of Accountancy standards.

*Independence*

Rogers, Anderson, Malody & Scott, LLP is independent of the City and any component units, as defined by general standard number two of the generally accepted auditing standards, and by the second general standard for government auditing in the U.S. Government Accountability Office's *Government Auditing Standards.*

*Business license*

If selected, we will obtain a City of Los Alamitos Business License as well as any subcontractors, if applicable.

*Insurance*

We will obtain the City's minimum insurance requirements of $2,000,000 for Professional Liability, Errors and Omissions, Workers Compensation, Comprehensive General Liability and Auto prior to commencement of audit services.

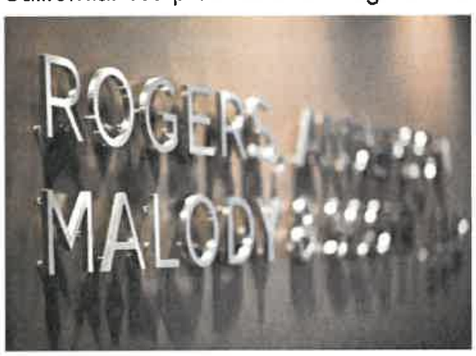
*Workpaper retention and access to workpapers*

Our firm will retain audit workpapers for a minimum of five (5) years, unless notified in writing by the City of the need to extend the retention period. In accordance with professional standards, workpapers are available upon requests to regulators.

## Firm qualifications and experience

*About our firm*

We are a local firm founded in 1948 and located at 735 E. Carnegie Drive, Suite 100, San Bernardino, California. We provide a full range of services as expected of a full-service accounting firm. We are one of the oldest, most trusted, and respected CPA firms in Southern California, with over 74 years of public practice experience, specializing in governmental agency and not-for-profit organization auditing, accounting, and management advisory services. Over *sixteen thousand hours per year* are devoted to this area of our practice, which includes cities, redevelopment successor agencies, water districts, other special districts, not-for-profit corporations, and joint power authorities. We do not use our government accounting and auditing practice as "fill work" for the firm, it is one of our primary focuses thus allowing us to provide quality services to local governments.




We understand your desire to engage auditors that have a thorough understanding of the ever-changing complex accounting and compliance issues confronting governments today. Our firm has an extensive history of governmental accounting and auditing. During that time, we have gained valuable experience, acquired an in-depth knowledge of, and obtained the technical expertise needed to perform high quality governmental audits. This expertise has enabled us to provide exceptional, high-quality service and to provide solutions at fees we feel represent our value to our clients. In addition, we use our participation in various industry associations to continuously update our knowledge with respect to issues relating to governmental

**Firm qualifications and experience (continued)**

accounting, auditing, and operations. Any insight we gain is immediately passed on to our clients if we feel they will benefit from it.

Our firm has a total staff of forty-four people, which includes sixteen certified public accountants. The staff consists of seven partners, five managers, ten supervisors/senior accountants, seventeen staff accountants, and five support staff. The audit staff consists of twenty-one members who devote over 80% of their time to municipal engagements. The engagement team assigned to the City's engagement will consist of the following full-time staff: one audit partner, one audit manager, one audit supervisor, and two to three senior/staff auditors. All personnel are out of our San Bernardino office.

**Capabilities**

*Range of services*

Our firm provides various other services in addition to auditing services to governmental entities, including:

- SB 341 compliance (Successor Agencies)
- Internal control agreed upon procedures
- Finance director and accounting support services
- Study and evaluation of financial condition and fiscal policies
- Transient Occupancy Tax agreed upon procedures
- Franchise (refuse, cable) agreed upon procedures
- Accounting policies and procedures
- Cash management studies
- Financing and public bond offering assistance
- Franchise agreement assistance (ambulance, cable, television, refuse, etc.)

In addition, the firm provides accounting, auditing, attest, and consulting services to for profit and not-for-profit entities. We also provide tax preparation and tax consulting services to individuals, corporations, and partnerships. **We provide our municipal audit clients tax consultation at no extra charge.**

*Housing Authority and Successor Agency experience*

Over the past five fiscal years, the firm has audited the Housing Authorities and Successor Agencies for the following entities:

| | |
|---|---|
| City of South Pasadena | City of San Bernardino |
| City of Thousand Oaks | City of La Verne |
| City of San Marcos | City of San Jacinto |
| City of Moorpark | City of Twentynine Palms |
| City of Fillmore | City of La Mesa |
| City of Sierra Madre | City of Rosemead |
| City of El Cajon | City of Hawthorne |
| Town of Yucca Valley | City of West Covina |
| City of Poway | City of Claremont |

**Capabilities (continued)**

*Single audit experience*

Most of our municipal clients, and some of our other governmental and not-for-profit clients, have been subject to an audit in accordance with *Uniform Guidance*. We recently performed single audits for the following entities:

| | |
|---|---|
| City of San Bernardino | City of Menifee |
| City of El Cajon | Elsinore Valley Municipal Water District |
| City of San Marcos | City of Imperial Beach |
| City of Twentynine Palms | Town of Yucca Valley |
| City of Woodlake | City of Thousand Oaks |
| City of Exeter | San Joaquin Regional Rail Commission |
| City of Live Oak | City of Hawthorne |

Our specialized Single Audits Team is led by Partners and Managers with Intermediate and Advanced Single Audit Certifications issued by the AICPA guaranteeing a successful and thorough engagement.

*ACFR preparation*

We have extensive experience in the preparation of Annual Comprehensive Financial Reports (ACFR). For the fiscal years ended June 30, 2022 and 2023, our staff prepared over 25 ACFR's, with each entity receiving the Certificate of Achievement for Excellence in Financial Reporting from the GFOA. For the fiscal year ended June 30, 2024, again, our staff prepared over 25 ACFR's for our clients for submittal to the GFOA. In addition, we have helped many cities and special districts develop their first year's report for submittal. Four of our audit partners and four of our supervisory staff are technical reviewers for the GFOA award program. **In addition, we review all the ACFR's for compliance with the GFOA certificate program checklist, as well as addressing any prior year comments, if applicable, to insure they have been addressed.**

**Capabilities (continued)**

*References*

| *Entity:* | ***City of San Dimas*** |
|---|---|
| *Date:* | Years ending June 30, 2021 - present |
| *Scope of work:* | Financial Audit/ACFR*/Single Audit |
| *Project location:* | San Dimas, California |
| *Total hours:* | Approximately 350 hours each year |
| *Engagement partner:* | Mrs. Gardenya Duran |
| *Contact person:* | Mr. Michael O'Brien Finance Director, (909) 394-6200 |
| *Address:* | 245 E Bonita Avenue, San Dimas, CA 91773 |

| *Entity:* | ***City of Imperial Beach*** |
|---|---|
| *Date:* | Years ending June 30, 2021 - present |
| *Scope of work:* | Financial Audit/Single Audit |
| *Project location:* | Imperial Beach, California |
| *Total hours:* | Approximately 350 hours each year |
| *Engagement partner:* | Mrs. Gardenya Duran |
| *Contact person:* | Ms. Lily Flyte, Finance Director, (619) 628-1361 |
| *Address:* | 825 Imperial Beach Blvd, Imperial Beach, CA 91932 |

| *Entity:* | ***City of Rolling Hills Estates*** |
|---|---|
| *Date:* | Years ending June 30, 2019 - present |
| *Scope of work:* | Financial Audit/ACFR* |
| *Project location:* | Imperial Beach, California |
| *Total hours:* | Approximately 250 hours each year |
| *Engagement partner:* | Mr. Scott Manno |
| *Contact person:* | Mr. Mike Whitehead, Admin. Services Director, (310) 377-1577, ext.112 |
| *Address:* | 4045 Palos Verdes Drive North, Rolling Hills Estates, CA 90274 |

| *Entity:* | ***City of San Marcos*** |
|---|---|
| *Date:* | Years ending June 30, 2018 - present |
| *Scope of work:* | Financial Audit/ACFR*/Single Audit |
| *Project location:* | San Marcos, California |
| *Total hours:* | Approximately 400 hours each year |
| *Engagement partner:* | Mr. Scott Manno |
| *Contact person:* | Ms. Donna Apar, Finance Director, (760) 744-1050 x3133 |
| *Address:* | 1 Civic Center Drive, San Marcos, CA, 92069 |

| *Entity:* | ***City of El Cajon*** |
|---|---|
| *Date:* | Years ending June 30, 2013 - present |
| *Scope of work:* | Financial Audit/ACFR*/Single Audit/Successor Agency |
| *Project location:* | El Cajon, California |
| *Total hours:* | Approximately 400 hours each year |
| *Engagement partner:* | Mr. Scott Manno |
| *Contact person:* | Mr. Luca Gonzales, Financial Operations Manager, (619) 441-1543 |
| *Address:* | 200 Civic Center Way, El Cajon, CA 92020 |

**Received the GFOA Certificate of Achievement*

*See Attachment A for a listing of current and recent government clients served.*

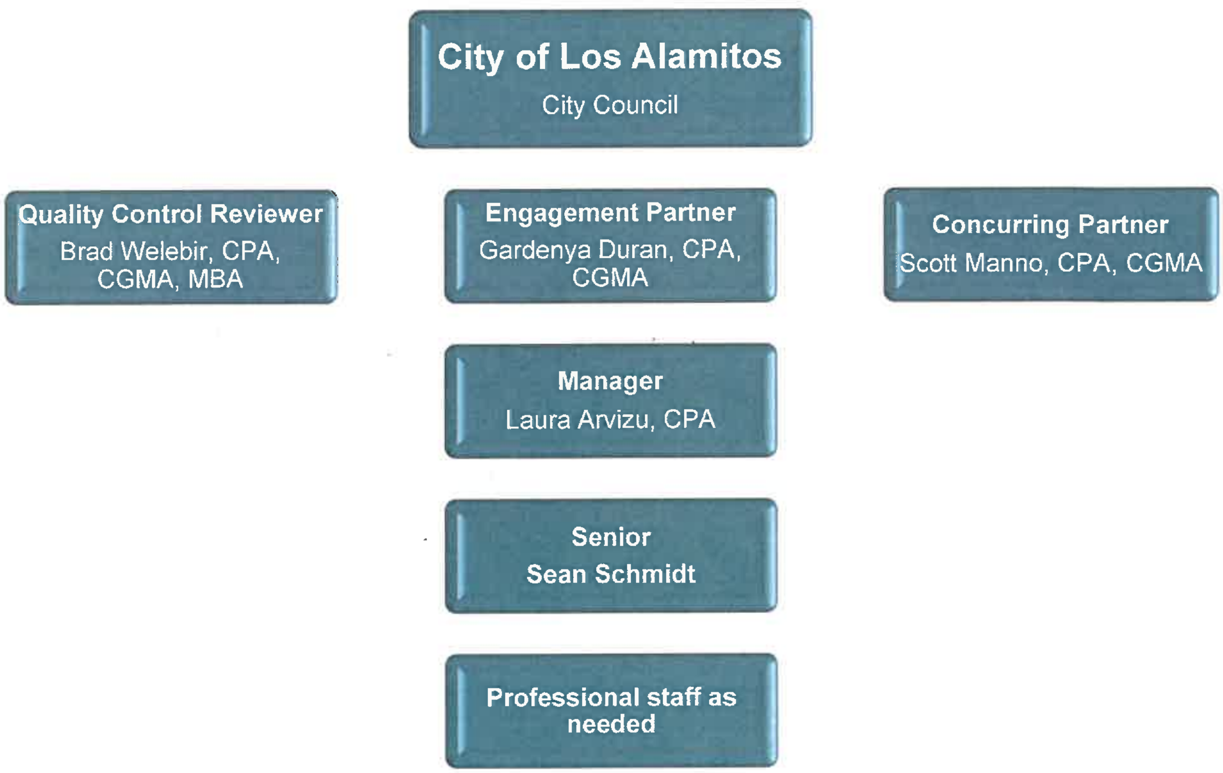
**Point of contact**

*Partner, supervisory, and staff qualifications and experience*

The quality of service you receive is dependent on the capabilities of the individuals assigned to the engagement, and the manner in which those personnel resources are organized to efficiently focus their abilities on providing you with the requested audit services. These professionals are highly trained and knowledgeable and have a thorough understanding of the environment in which governmental and not-for-profit entities operate. This experience is a critical component in providing the City with an effective and efficient audit.

Our engagement team will provide significant experience coupled with an extensive, practical understanding of governmental accounting and auditing along with a broad business perspective. Each member will have access to a wide range of technical resources and knowledge bases which will enable them to provide the City with practical observations and effective solutions.

Below is our proposed organizational chart for the audit:



**Point of contact (continued)**

*Partner and supervisory staff involvement*

All partners and supervisory staff are working professionals and are actively and continually involved in all aspects of their engagements. We believe that partner and supervisory staff involvement in all areas of the audit is a key aspect of the overall audit process. This involvement includes being on-site for interim and year-end fieldwork, thus facilitating a proper, efficient, and effective audit, with minimal disruption of your staff. In addition, the time spent on-site by the partners and supervisory staff ensures they gain an understanding of the entire City's accounting processes and procedures. This understanding will enable them to evaluate and develop opportunities for efficiency, as well as offer practical and functional advice for improving your accounting processes and procedures.

All professionals on this engagement have worked on audits similar in nature to the City's, therefore, the City will not have to train our engagement team.

*Staff continuity*

Continuity of audit staff is a principal concern with our firm. In order to retain our staff, we offer extremely competitive wages, opportunities for advancement, generous medical packages, a retirement plan, bonus opportunities, as well as educational benefits. Even with the benefits we provide, we realize we may lose staff at any given time. Knowing this, we plan to provide staff continuity from year to year, which is in the best interest of the City and our firm. Continuity ensures an orderly, efficient, and less disruptive audit experience. Since we cannot guarantee staff will remain with us, principal supervisory and management staff, including engagement partners, managers, other supervisory staff, and specialists, may be changed if those personnel leave the firm or are promoted. ***However, the City reserves the right to accept or reject replacements.***

We believe that due to the significant involvement of the partners on all our engagements, any staff transition would have a minimal effect on the audit efficiency and effectiveness of subsequent years.

*Continuing professional education*

Our team of auditor specialists stays current in this highly technical practice area by adhering to, and typically exceeding, the continuing professional education requirements of *Government Auditing Standards* as well as the State Board of Accountancy guidelines. All professionals at our firm participate in continuing professional education (CPE) programs, which are sponsored by various organizations including the Government Finance Officers Association, the American Institute of Certified Public Accountants, the California State Society of Certified Public Accountants, the California Society of Municipal Finance Officers and the Association of Government Accountants. Participation in these programs helps us to ensure that our clients are serviced with the best trained and most proficient government auditors and accountants available. In addition, we periodically provide in-house training taught by our partners and senior level staff using published resources. All staff are required to attend fraud and ethics training. It is our goal to provide our professional staff continuing education which exceeds the minimum standard of 80 hours over two years.

In accordance with our firm's Quality Control document and *Government Auditing Standards (GAS)*, all staff members who work on audits subject to GAS are required to complete CPE in accordance with GAS standards which require 24 hours directly related to governmental accounting and auditing.

In addition to the required CPE, we also use the following to increase our technical knowledge: view the Governmental Audit Quality Center Annual Webcast Update and other relevant seminars and review monthly publications from the AICPA, the GFOA, and various other resources. We also attend conferences and seminars sponsored by the GFOA, California Society of Municipal Finance Officers, California State Society of Certified Public Accountants and the California Special Districts Association.

**Point of contact (continued)**

*Assigned personnel*

It is our goal to provide you with capable, competent, and personable individuals who offer an extensive background, not only in governmental accounting and auditing, but also in general business practices. By doing so, it allows us to offer practical solutions, as well as provide technical support. This enables you to stay at the forefront of governmental accounting and provides you with the support you need in dealing with the complex issues confronting entities such as yours.

In addition, our engagement team has the managerial and supervisory experience to provide the City with a comprehensive audit of the highest quality, while still focusing on personal service. The resumes of the key engagement personnel assigned to the audit are presented below. The following individuals will be assigned to the engagement for the entire contract period (see staff *Continuity section* of this proposal):

*Gardenya Duran, CPA, CGMA - Partner, Engagement Partner*

Gardenya is also a municipal audit partner with the firm. She is licensed to practice as a certified public accountant in the State of California. Gardenya has 15 years of public accounting experience and has provided accounting, auditing, and consulting services for municipalities, special districts, water agencies, and various not-for-profit organizations. As the engagement partner, she will be responsible for overall engagement quality, as well as ensuring that the engagement is performed in the most effective and efficient manner. Gardenya will directly oversee all engagement staff while assisting in planning and performing the engagement, as well as reviewing all work-papers prepared during the engagement, in addition to all required reports. Gardenya is a working partner and will be actively and continually involved in all aspects of the engagement.

*Scott Manno, CPA - Partner, Concurring Partner*

Scott will be the Concurring Partner. He is licensed to practice as a certified public accountant in the State of California. He has over 25 years of practical, governmental accounting and auditing experience. As the concurring partner Scott will work directly with Gardenya in planning and performing the engagement. In addition, he will provide technical consultation for the engagement team.

*Brad Welebir, CPA, CGMA, MBA - Partner, Quality Control Reviewer*

Brad will be the Quality Control Reviewer. He is licensed to practice as a certified public accountant in the State of California. He has over 20 years of practical, governmental accounting and auditing experience. Brad will be responsible for the final quality control review of all released opinions and related reports.

*Laura Arvizu, CPA - Engagement Manager*

Laura is a manager with the firm and is licensed to practice as a certified public accountant in the State of California. Laura has over 8 years of experience in providing accounting and auditing services for municipalities, special districts, and various nonprofit organizations. As the engagement manager, she will work directly with the audit in-charge and partner, while supervising the engagement team during all phases of the engagement. In conjunction with the audit in-charge, she will also oversee the preparation of any required reports.

**Point of contact (continued)**

*Partner and supervisory staff involvement (continued)*

*Sean Schmidt - Audit Senior*

Sean is an Audit Senior with the firm. Sean has over 3 years' experience in providing accounting and auditing services for municipalities, special districts and various nonprofit organizations. As an audit senior, he will work closely with the engagement partner and manager and be responsible for planning the audit, supervising the staff assigned to the engagement, and performing reviews of all work-papers prepared for the engagement. In addition, he will also be responsible for the preparation of any required reports.

*Staff level accountants*

All staff accountants employed by us and working on governmental audits are qualified to perform such audits. Prior to "audit season", our staff are subject to a rigorous training regimen in which we go over all aspects of our audit process and audit programs ensuring staff members have a solid foundation prior to starting fieldwork. Each staff member is encouraged to take on increased responsibility for engagements previously worked on. This enables our staff to grow on each engagement and allows them to continue to gain the skills and knowledge required to perform the audits.

In summary, we want to emphasize the credentials of the above professionals who will be directly responsible for the quality of service that you will receive. Additionally, our audit team has another attribute that is very important, even though it is intangible -- the professionals assigned to the audits have previously worked together as a multi-disciplined team, thus ensuring a smooth, efficient, and effective audit. We are committed to allocating the necessary resources to ensure that we provide continuity of personnel throughout the term of our relationship with the City.

Full engagement team resumes are provided as follows.

**Point of contact (continued)**

*Engagement team resumes*

**Gardenya Duran, CPA, CGMA**
***Engagement Partner***

*Professional experience*

Mrs. Duran joined Rogers, Anderson, Malody & Scott, LLP in 2010. She works primarily on audits of governmental agencies, small to mid-sized businesses, and nonprofit organizations. Currently, Mrs. Duran serves as a technical reviewer for the GFOA ACFR Award program. Prior to joining our firm, she was an Information Systems Technician in the U.S. Navy for nine years.

*Education/licenses*

Bachelor of Science – California State University, San Bernardino
Certified Public Accountant – State of California
Chartered Global Management Accountant – American Institute of Certified Public Accountants

*Related professional experience*

Partial listing of recent relevant governmental agencies served (*includes enterprise fund accounting):

| | | | |
|---|---|---|---|
| City of Hawthorne* | City of Signal Hill* | City of Aliso Viejo | City of Capitola |
| City of Imperial Beach* | City of San Jacinto* | City of San Bernardino | City of Calimesa |
| City of Canyon Lake | City of San Marcos* | City of Carpinteria | City of West Covina* |
| City of La Mesa | City of Thousand Oaks* | City of San Dimas | City of Santee |

*Continuing professional education*

Mrs. Duran has completed 120 hours of continuing professional education courses in the past three years of which the following select courses are relevant to this engagement:

- Thomson Reuters, *Audits of State and Local Governments*
- American Institute of Certified Public Accountants, *Foundations in Governmental Accounting*
- California Society of CPAs Education Foundation, *Governmental Accounting and Auditing Update*
- American Institute of Certified Public Accountants, *Applying A-133 to Nonprofit and Governmental Organizations*

*Professional affiliations*

Mrs. Duran is a member of the following professional organizations:

- American Institute of Certified Public Accountants (AICPA)
- California Society of Certified Public Accountants (CalCPA)
- Government Finance Officers Association (GFOA)
- California Society of Municipal Finance Officers (CSMFO)

**Point of contact (continued)**

**Scott W. Manno, CPA, CGMA**
***Concurring Partner***

*Professional experience*

Mr. Manno began his career with Thomas, Bigbie and Smith in 1995 after serving in the United States Army. He spent six years with the firm primarily working on audits of municipalities, special districts and redevelopment agencies as well as various not-for-profit organizations. He joined Rogers, Anderson, Malody & Scott, LLP in July 2001. Currently, Mr. Manno serves as a technical reviewer for the GFOA ACFR Award program.

In addition, he is part of the California State Society of Certified Public Accountants Governmental Accounting and Auditing Committee which meets periodically to discuss current events, pronouncements, etc.

*Education/licenses*

Bachelor of Science, Business Administration – California State University, San Bernardino
Certified Public Accountant – State of California
Chartered Global Management Accountant – American Institute of Certified Public Accountants

*Related professional experience*

Partial listing of relevant governmental agencies served (*includes enterprise fund accounting):

| | | | |
|---|---|---|---|
| City of El Cajon* | Town of Yucca Valley | City of La Mesa* | City of La Verne |
| City of Sierra Madre* | City of Fillmore* | City of Chino* | City of 29 Palms |
| City of Moreno Valley* | City of Beaumont* | City of San Marcos* | City of Loma Linda* |
| City of Claremont* | City of Perris* | City of Exeter* | City of Woodlake* |
| City of San Jacinto* | City of Menifee | City of Rolling Hills Est. | City of Poway* |

Mr. Manno has completed over 220 hours of continuing professional education courses over the past three years of which the following select courses are relevant to this engagement:

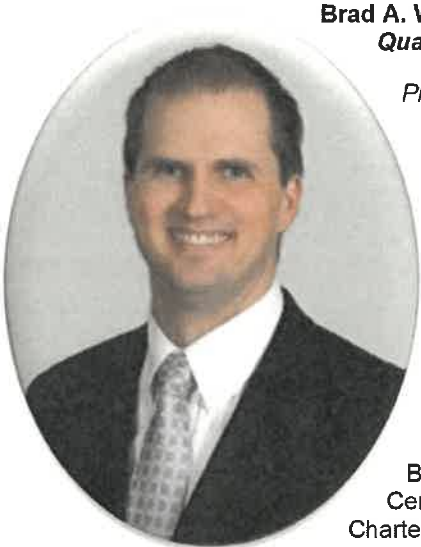
- Government Auditing Standards and Foundations
- 2022 Fraud Review
- Governmental Accounting and Auditing Update

*Professional affiliations*

Mr. Manno is a member of the following organizations:

- American Institute of Certified Public Accountants (AICPA)
- California Society of Certified Public Accountants (CalCPA)
- Association of Government Accountants (AGA)
- Association of Certified Fraud Examiners (ACFE)
- Government Finance Officers Association (GFOA)
- California Special Districts Association (CSDA)
- California Society of Municipal Finance Officers (CSMFO)

**Point of contact (continued)**



**Brad A. Welebir, CPA, CGMA, MBA**
***Quality Control Partner***

*Professional experience*

Mr. Welebir joined Rogers, Anderson, Malody & Scott, LLP in 2004. He primarily provides audits and advisory services to governmental agencies, small to mid-sized businesses, and not-for-profit organizations. Mr. Welebir serves as a technical reviewer for the GFOA ACFR Award program. He also serves as the CalCPA Inland Empire chapter chair of the governmental accounting and auditing committee and as the representative for the chapter at the state committee.

*Education/licenses*

Master of Business Administration, Accounting Emphasis – California State University, Fullerton
Bachelor of Arts in Business Administration – La Sierra University
Certified Public Accountant – State of California
Chartered Global Management Accountant – American Institute of Certified Public Accountants

*Related professional experience*

Partial listing of relevant governmental agencies served (*includes enterprise fund accounting):

| | | | |
|---|---|---|---|
| City of Fountain Valley | City of Loma Linda* | City of San Bernardino | City of La Verne |
| City of Sierra Madre* | City of Fillmore* | City of Poway* | City of Poway |
| City of Moorpark* | City of Rosemead | City of Redondo Beach* | City of San Marcos* |
| City of Claremont* | Town of Yucca Valley | City of Aliso Viejo | City of San Jacinto* |

*Continuing professional education*

Mr. Welebir has completed over 120 hours of continuing professional education courses in the past three years of which the following select courses are relevant to this engagement:

- Governmental Accounting and Auditing Update
- Single Audit Update
- Auditing Fraud Risk in the Current Environment
- Annual Conference Sessions
- GAAP Update

*Professional affiliations*

Mr. Welebir is a member of the following professional organizations:

- American Institute of Certified Public Accountants (AICPA)
- California Society of Certified Public Accountants (CalCPA)
- Government Finance Officers Association (GFOA)
- California Society of Municipal Finance Officers (CSMFO)
- California Special Districts Association (CSDA)

**Point of contact (continued)**

**Laura Arvizu, CPA**
***Audit Manager***

*Professional Experience*

Laura is an Audit Manager with the firm. She has over 8 years of experience in providing accounting and auditing services for municipalities, special districts and various nonprofit organizations. As an audit manager, she will work closely with the engagement partner and be responsible for planning the audit, supervising the staff assigned to the engagement, and performing reviews of all workpapers prepared for the engagement. In addition, she will also be responsible for the preparation of any required reports. Currently, Laura serves as a technical reviewer for the GFOA ACFR Award program.

*Education*

Bachelor of Arts – California State University, San Bernardino
Certified Public Accountant – State of California

*Related professional experience*

Partial listing of relevant governmental agencies served (*includes enterprise fund accounting):

| | | | |
|---|---|---|---|
| City of Imperial Beach* | City of Yorba Linda* | City of El Cajon* | City of Brawley* |
| City of Twentynine Palms* | City of Claremont* | City of Ojai* | City of La Mesa* |
| City of San Dimas | City of Fountain Valley* | City of Wildomar | City of Hawthorne* |
| City of Sierra Madre* | City of Mission Viejo* | City of Live Oak* | |

*Continuing Professional Education*

Ms. Arvizu has completed over 120 hours of continuing professional education courses over the past two years of which the following select courses are relevant to this engagement:

- GASB Update
- Governmental Accounting and Auditing Update
- Frequent Frauds Found in Government
- Government Risk Assessments

*Professional affiliations*

Ms. Arvizu is a member of the following professional organizations:

- American Institute of Certified Public Accountants (AICPA)
- California Society of Certified Public Accountants (CalCPA)
- California Society of Municipal Finance Officers (CSMFO)

**Point of contact (continued)**

**Sean Schmidt**
***Audit Senior***

*Professional Experience*

Mr. Schmidt joined Rogers, Anderson, Malody & Scott, LLP in May 2021, primarily providing accounting and auditing services for municipalities, special districts, and various nonprofit organizations. As an audit senior, he will work closely with the engagement partner and manager and be responsible for planning the audit, supervising the staff assigned to the engagement, and performing reviews of all workpapers prepared for the engagement. In addition, he will also be responsible for the preparation of any required reports.

*Education*

Bachelor of Arts in Business Administration - California State University, San Bernardino
Master of Science in Accountancy - California State University, San Bernardino

*Related professional experience*

Partial listing of relevant governmental agencies served (*includes enterprise fund accounting):

| | | |
|---|---|---|
| City of San Dimas | City of Menifee | City of Twentynine Palms |
| City of Hawthorne* | City of Thousand Oaks* | City of San Bernardino |
| City of Calabasas* | City of Moreno Valley* | City of El Cajon* |
| City of Loma Linda | City of Santee | City of Santee |

*Continuing Professional Education*

Mr. Schmidt has completed the following select courses that are relevant to this engagement:

- Assets and Liabilities: State and Local Governments
- Audits of State and Local Government
- What's Going on at GASB

*Professional affiliations*

Mr. Schmidt is a member of the following professional organizations:

- American Institute of Certified Public Accountants (AICPA)
- California Society of Certified Public Accountants (CalCPA)
- California Society of Municipal Finance Officers (CSMFO)

**Methodology and approach to work**

*Services to be provided*

The City desires an Annual Comprehensive Financial Report (ACFR) to be audited by the independent auditor for the fiscal year ended June 30, 2025, and each of the subsequent years included in the audit firm's contract with the City. The City will submit the ACFR to the Government Finance Officers' Association (GFOA) for the Certificate of Achievement for Excellence in Financial Reporting Program.

In addition, we shall:

- Apply certain limited procedures related to Management's Discussion and Analysis and Required Supplementary Information and provide an "in-relation-to" report on the combining and individual fund financial statements, including budgetary comparison schedules. In addition, auditors will determine that information provided by the City for the introductory and statistical section of the City's ACFR confirms to amounts reported in the basic financial statements.
- Provide opinions as to the compliance with the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (OMB Uniform Guidance). RAMS is to provide an "in-relation-to" report on the Schedule of Expenditures of Federal Awards based on the auditing procedures applied during the audit of the financial statements. Auditors will also review the materials included in the reporting package accompanying the data collection form.
- Perform Agreed-Upon Procedures to test compliance with Article XIIIB pertaining to the City's appropriation limit (GANN limit) and prepare an Agreed-Upon Procedures report to the City Council regarding compliance.
- Be available to the City Council or management to answer questions related to the audit.
- Assess the ACFR to determine that the requirements of the GFOA Certificate of Achievement in Financial Reporting Program.
- Keep City staff informed of new guidance and developments that may affect municipal accounting and finance.
- Hold meetings prior to the commencement of fieldwork at the beginning of the audit and after the first draft of financial statements has been prepared. The engagement partner will attend the meetings.
- Be responsive to questions or requests made by the City during the contract period.
- At the request of the City, render additional services to supplement the services listed above or perform additional work. Additional fees and scope of work will be determined by the City and RAMS as an addendum to the contract.
- If an extended scope is determined, we shall provide the City with all ascertainable facts with an estimate of additional services required and the proposed price.
- Have the Engagement Partner available to present at City Council Meetings, as required and requested by the City or City Council, for the contract award and for submission of the annual reports.
- If requested, prepare the basic financial statements and required supplementary information (RSI) sections of the City's ACFR, including providing the ACFR in PDF format, compliant with ASA, GFOA and Single Audit requirements.

**Methodology and approach to work (continued)**

*Services to be provided (continued)*

Our audit(s) will be in accordance with:

- Generally Accepted Auditing Standards as promulgated by the American Institute of Certified Public Accountants, including requirements found in the most recent AICPA audit guide *Audits of State and Local Governments*.
- *Government Auditing Standards* issued by the Comptroller of the United States of America.
- Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (OMB Uniform Guidance).
- Specific auditing standards related to any grant agreement determined to be material by the auditors for purposes of examination of the basic financial statements.
- Any other applicable standards for other items outlined in the Scope of Work to be performed and/or reports to be issued.

Reports to be issued:

- Independent Auditor's Report on the fair presentation of the financial statements in conformity with GAAP.
- Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* (material weaknesses or significant deficiencies).
- Single Audit Report in compliance with requirements applicable to each major federal program and internal control over compliance in accordance with the *Uniform Guidance*.
- Prepare Management Letter that includes significant and less significant (i.e., reportable and non-reportable) recommendations for improvements to internal control.
- We will issue reports to those charged with governance (SAS 114 letters) as required by auditing standards.
- Appropriations (GANN) Limit Agree-Upon Procedures Report

RAMS will also perform the following:

- Make an immediate, written notification of all irregularities and illegal acts or indication of illegal acts of which we become aware to the following: City Manager and Attorney.
- We will be available to present the audit plan prior to beginning field work, and provide regular updates as listed in the RFP.

*Engagement approach*

Our engagement approach for your audit will be developed, in part, by using established goals which will enable measurement of the audits progress by the engagement partner and lead auditor. This involves frequent communication between the partner and the engagement team to ensure that all audit objectives are achieved in accordance with our goals and that any issues which may arise are communicated and dealt with on a timely basis. In addition, our in-depth knowledge and expertise in governmental accounting and auditing has allowed us to identify key audit and accounting risks in the government environment. More importantly, the approach provides for a complete reassessment of the control environment in each year's audit and thus enables us to respond to any needed risk assessment changes.

**Methodology and approach to work (continued)**

*Engagement approach (continued)*

Our engagement approach has been developed and refined over many years. The foundation of our approach revolves around the following:

- **Knowledge and experience.** We have been auditing governmental entities like the City, both large and small, for over 74 years. This experience has allowed us to gain in-depth knowledge of the governmental environment which in turn allows us to perform a more efficient and effective audit. It also enables us to perform detailed risk assessment procedures allowing us to identify significant audit risk areas within the City and its control environment.
- **Intelligent design.** As discussed later in our proposal, all our audits are designed to be intelligent using our powerful audit software/data analytic tools (Engagement and *Teammate Analytics*). This allows us to analyze large amounts of data in seconds increasing both the efficiency and, more importantly, the effectiveness of all our audit engagements.
- **Oversight.** Professional judgment is not developed overnight. Our partners, managers and supervisors have been deeply involved in governmental audits on a continuous basis for most of their professional careers. By having direct partner and manager oversight, we can design audit strategies that result in effective and efficient audits.
- **Timeliness.** Deadlines are not just "dates" to us, they are professional commitments. All required deadlines will be met.
- **Open communication.** Open lines of communication with all parties (the engagement team members and City Management and staff) throughout the audit process helps to eliminate "surprises." Proper planning and proper use of experienced engagement personnel tend to provide for an effective and efficient audit process. Consequently, inefficiencies, disruptions, and lack of understanding are kept to a minimum.
- **Availability.** All engagement team members are available throughout the year for any questions or additional consultation. City staff will have direct access to the partner, manager, and other supervisory staff at all times during the engagement, as well as after.
- **Cost effectiveness.** Our customized audit approach and procedures and our experienced auditors help to reduce your overall audit costs while still providing an effective audit and high-quality reports.
- **Risk based approach.** Our detailed risk assessment procedures will consist of activities performed to obtain an understanding of the City and its environment, including its internal control. Evidence from these activities will provide the basis for our assessment of risks of material misstatement at the financial statement and relevant assertion levels. While performing our risk assessment procedures and we may choose to perform further audit procedures concurrently with risk assessment procedures as deemed necessary. In addition, risk assessment procedures will provide some of the necessary evidence about the relevant assertions related to classes of transactions, account balances, or disclosures and about the operating effectiveness of controls.

**Methodology and approach to work (continued)**

*Engagement approach (continued)*

As indicated in the previous section of the proposal, the overall objective of the engagement with the City is to conduct an audit of the financial statements in accordance with required auditing standards and the expression of an opinion(s) on those financial statements. Beyond that initial objective, we believe that our engagement approach provides certain other value-added characteristics, at no additional cost, that will benefit the City over the long-term:

- All our audits are designed to be performed in an efficient and effective way to minimize disruption to the office operations.
- We offer practical observations and recommendations relating to internal control issues, implementation of accounting standards and the policies and procedures regarding both.
- We identify opportunities for operating efficiencies which can be used to decrease operating costs of the City.

*Identification of anticipated potential audit problems*

One potential problem could be the implementation of any future GASBs. With our deep understanding of governmental accounting and auditing, constant training, and broad resources, we do not anticipate any issues during a GASB implementation. Our approach to any GASB statement implementation would be as follows: gain a thorough understanding of the pronouncement; determine applicability to the City; if applicable, discuss the statement and how it will affect the City with City staff; and provide guidance to City staff on the accounting and financial reporting implications.

*Proposed audit segmentation*

The following is a summary of the audit team's audit approach for the engagement. The audit will be divided into the following segments:

*Segment 1 - Interim testing - planning, pre-audit administration, and internal control testing*

During this phase of the audit, our principal objectives will be to gather information about the City and its environment, including its internal control over financial reporting.

In order to achieve the desired objectives of this phase of the audit, we will:

- Meet with the City's staff in order to determine convenient dates in which we can begin our audit and to discuss the assistance to be provided by the City's staff.
- Hold brainstorming sessions with engagement team members to discuss the susceptibility of the City's financial statements to material misstatement and fraud.
- Review and evaluate the City's accounting and reporting processes by reviewing the prior year's audit workpapers, any City-prepared documents such as budgets, in-house financial reports, policies and procedures manuals, minutes of governance meetings, etc., and by using various analytical procedures. Analytical procedures will enhance our understanding of the City and will help us identify areas that may need further assessment and additional testing.
- Review and retain copies of any pertinent local, state and federal statutes, regulations, or charters that apply to the City.

**Methodology and approach to work (continued)**

*Proposed audit segmentation (continued)*

- Evaluate the design of controls that are relevant to the audit by obtaining a thorough understanding of the City's internal controls over financial reporting and compliance by documenting key internal control components, utilizing questionnaires, walkthroughs, inquiring of the City's personnel, and observing and reviewing key supporting documentation (a more thorough explanation of this process is discussed later in the technical proposal).
- Test controls, if control risk is to be assessed below maximum, by selecting a sample of transactions within the audit area being tested and reviewing supporting documentation to determine whether the relevant controls are in place and functioning properly.
- Document and review with management, any findings noted during the testing of internal controls and provide a preliminary management letter that will include our recommendations for improving any weaknesses in operations. The letter will also include suggestions for improving the efficiency of the City's operations.
- Utilize our powerful audit data analytic software allowing us to analyze large amounts of data in seconds and focusing on areas/transactions that are red flagged.

In addition, we will perform the following procedures related to IT General Controls that "touch" financial data:

- *Security access (including physical) controls*: evaluate the general system security settings and password parameters; evaluate the process for adding, deleting, and changing security access; evaluate the access capabilities of various types of users; evaluate access controls to networks and financial applications; evaluate access controls related to data files; and evaluate physical access to networks, servers, etc.
- *Computer operations*: Evaluate backup and recovery processes and review processes of identifying and handling operational problems.
- *System development and system changes*: Evaluate processes related to system development and system changes (if applicable).
- *Application testing*: We will determine if the testing of application controls is deemed necessary based on our professional judgment in the planning stages of the engagement.

This phase of the engagement for the audit will be performed by the audit senior and two/three staff accountants with direct supervision by the audit manager and partner.

*Segment 2 - Year-end testing - substantive testing*

During this phase of the audit, our principal objectives will be to assess the risk of material misstatement at the financial statement level and specific assertions, design overall responses to assessed risks and further audit procedures, perform substantive tests, and complete the audit and evaluate audit findings, if applicable.

In order to achieve the desired objectives of this phase of the audit, we will:

- Identify significant risks and develop a detailed audit plan using the results in Segment 1.
- Design substantive tests of account balances designed and modified specifically for the City's operations and assessed level of risk. Substantive procedures will consist of testing material balance sheet accounts, material revenue and expenditure/expense accounts along with various analytical procedures as deemed necessary. In addition, various accounts may be confirmed with outside parties (cash, investments, etc.).

**Methodology and approach to work (continued)**

*Proposed audit segmentation (continued)*

- Determine whether our testing supports the assessed level of risk initially assigned at the financial statement level and at the assertion level.

This phase of the engagement for the audit will be performed by the senior accountant and two/three staff accountants with direct supervision by the audit manager and partner.

If any proposed audit adjustments are noted during this phase, we will discuss and explain them, in detail, with the appropriate level of management prior to posting.

*Segment 3 - Reporting - report preparation/audit conclusion (workpaper review)*

During this phase of the audit, our principal objectives will be to evaluate whether the financial statements, taken as a whole, are free from material misstatement and form an opinion(s) and issue our report.

In order to achieve the desired objectives of this phase of the audit, we will:

- Determine whether, based on our substantive testing and other procedures, the financial statements, taken as a whole, are free of material misstatement. This will provide the basis for our opinion(s).
- Review all audit workpapers to ensure that the audit was performed in accordance with the required standards (GAAS, GAGAS, etc.) and prepare drafts of all required reports by the agreed-upon dates.
- Conduct an independent review of the financial statement draft by the engagement's quality control partner and issue all reports by the agreed-upon dates.

This phase of the engagement will be performed by the audit senior and one staff accountant with direct supervision by the audit manager and partner. In addition, the engagement's quality control partner will perform a detailed quality control review of the financial statements.

The above procedures are a general list of procedures to be performed. After our initial review of the City and our detailed risk assessment, we will customize the engagement and gear it towards the needs of the City and the audit itself. In doing so, we will determine which procedures to perform relative to our risk assessment. All our audits are customized to each entity, helping to ensure a complete, effective, and efficient audit. The foundation of the above approach is based on open communication coupled with a strong knowledge of the City's operations and detailed planning at the initial stages of the audit.

Our firm is dedicated to performing a timely audit engagement. Prior to the start of the audit, we will meet with City staff and decide on adequate timeframes, agreed upon by both the City and us, for the performance of the audit and the release of the financial statements. *We will dedicate the necessary resources to meet any agreed upon time frames.*

*Level of staff and approximate number of hours assigned to each segment*

| Segment | Partner | Manager | Senior | Staff | Total |
|---|---|---|---|---|---|
| Segment 1 | 6 | 7 | 18 | 54 | 85 |
| Segment 2 | 11 | 12 | 28 | 71 | 122 |
| Segment 3 | 14 | 10 | 25 | 17 | 66 |
| Totals* | 31 | 29 | 71 | 142 | 273 |

* = excludes Single Audit hours and tax return prepararion hours

**Methodology and approach to work (continued)**

*Sample sizes (including for compliance testing)*

Our sample sizes will be determined in accordance with the AICPA's *Audit and Accounting Guide, Audit Sampling*, and will be selected using professional judgment or our TeamMate Analytics software, depending upon circumstance, as permitted by Statement on Auditing Standards. Our methods are designed to provide the most audit coverage without expending excess time. Our sample sizes will depend upon our preliminary assessment of control risk, our planned substantive testing and analytical procedures as well as our professional judgement.

We utilize our Computer Aided Audit Tools (CAAT) software, Teammate Analytics, to draw our audit samples. The software allows us to generate random samples, systematic samples, stratified samples, attributes samples as well as monetary unit samples (also called probability-proportional-to-size or dollar unit sampling).

*Intelligent audit technology*

Our audits are designed to be intelligent using our powerful audit software tools (Engagement and Teammate Analytics). In addition, all audit team members are linked to each other using wireless connections which enables them to share information at an almost real-time speed. Below are some of the benefits of our audit technologies:

- ***We utilize Teammate Analytics, a suite of more than 200 dynamic Computer Aided Audit Tools (CAATs). This allows us to analyze large amounts of data in seconds. Using data received directly from the City, we can perform the following: search for duplicate checks, detect transactions occurring on holidays/weekends or during unusual hours, perform Benford's Law analysis, and identify instances when a vendor has issued multiple invoices with sequential references along with many other tests. The software empowers our audit teams with the ability to perform powerful, meaningful data analysis which will build upon our other value-added services.***
- We can create our own analytical schedules allowing for easy analysis of current balances to prior year balance, current vs budget balance, thus reducing significant City staff time.
- Once your trial balances and financial statements are entered into our software, we can observe your financial statements in the field allowing us to notice any variances and address them immediately.
- We link the financial statement schedules directly to our audit software trial balances, and as a result, we can provide the City with fund financial statements almost immediately after importing the trial balances.
- We can provide the City with our audited trial balances which show the coding of the financial statement schedules for ease of review for City staff. These reports show each account coded to a specific financial statement line item/function as well as journal entries posted during the audit.
- We have the capability to perform effective and efficient audits remotely as well.

**Methodology and approach to work (continued)**

*Analytical procedures*

In order to properly utilize analytical procedures, industry background and knowledge are needed. With our firm's long history and qualified staff, we believe we have the necessary knowledge and experience to effectively apply analytical procedures. We will utilize analytical review procedures throughout our audit of the City.

- During the *interim* phase of our audit, we will compare current and prior year unadjusted balances to determine which areas may need additional analysis; we will also compare current year actual amounts to the City's annual budget (both original and adopted).
- During the *final* phase of our audit, we will perform procedures like those mentioned above, as well as compare certain financial ratios for current and prior years. We will also conduct certain "reasonableness" tests. Any significant variances are investigated further through inquiry and other substantive testing as deemed necessary until resolved to our satisfaction.
- Finally, after we have completed our fieldwork, we will compare current and prior year audited balances, keeping in mind expected relationships obtained from our knowledge of the City, similar entities and the general economic environment. In addition, we may choose to use various other analytical techniques such as trend analysis, etc.

***Unlike other audit firms, we use analytical procedures to supplement our substantive testing, not supplant them.***

*Understanding of internal control over financial reporting*

Our approach to obtaining an understanding of the City's internal control over financial reporting will be performed in accordance with professional standards as promulgated by the American Institute of Certified Public Accountants -- our understanding will include the *Control Environment, Risk Assessment, Control Activities, Information and Communication,* and *Monitoring*. We will use customized procedures which we have developed internally to evaluate your internal control systems. By combining our customized procedures and our detailed knowledge of the City and its environment, we will be able to provide constructive feedback in areas we feel need improvement. In addition to our customized procedures, we will also perform the following:

***Control Environment.*** Through inquiry of the City's personnel, prompted by questionnaires, personal knowledge, and review of the minutes of the governing body meetings, we will obtain an understanding of management's and the governing body's attitudes, awareness, and actions concerning the control environment, focusing on the substance of the controls rather than their form.

***Risk Assessment.*** Through inquiry of the City's personnel and the use of questionnaires, we will obtain sufficient knowledge of the City's risk assessment process to understand how management considers risks relevant to financial reporting objectives and decides upon actions to address those risks. This will include understanding how management identifies risks, estimates the significance of these risks, assesses the likelihood of their occurrence, and relates them to financial reporting.

***Control Activities.*** Certain control procedures will be documented during our analysis of the control environment and the accounting system. However, many specific control procedures will still need to be documented that will focus primarily on the City's major transaction cycles. As mentioned above, we will test the City's control procedures on which we intend to rely on for safeguarding assets from unauthorized use or disposition and detecting/preventing unauthorized transactions. Any flow charts, organizational charts and any other manuals, programs, and financial and management information systems will be analyzed during this process.

**Methodology and approach to work (continued)**

*Understanding of internal control over financial reporting (continued)*

***Information and Communication.*** Through inquiry of the City's personnel, we will identify the major types of transactions engaged in by the City. We will become familiar with the treatment of those transactions, including how the transactions are initiated, the related accounting records, and the manner of processing the transactions. Finally, we will obtain an understanding of the City's financial reporting process used to prepare financial reports, including the approaches used in making accounting estimates and disclosures.

***Monitoring.*** Through inquiry of the City's personnel and the use of questionnaires, we will obtain sufficient knowledge of the major types of activities the City uses to monitor internal control over financial reporting. We will also determine how those activities are used to initiate corrective actions.

*Approach in determining applicable laws and regulations*

We understand the importance of laws and regulations in planning an audit of a local governmental entity and design all our audits to ensure we test transactions for compliance. As part of our audit process, our audit team will obtain an understanding of the laws and regulations that will have a direct and material effect on the City's financial statements. In determining which laws and regulations are applicable to the City's financial statement audit, we will consult the following sources:

- AICPA Audit and Accounting Guide, Audits of State and Local Governments
- California Government Code (investments, GANN limit requirements, etc.)
- Applicable State of California laws
- U.S. Government Accountability Office's Government Auditing Standards (The Yellow Book), latest revision
- Applicable contracts/grants of the City
- *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (OMB Uniform Guidance)

After consulting the applicable sources, we will design our audit to provide reasonable assurance of detecting material instances of noncompliance while continuing to refer to the applicable compliance guideline to ensure changes in compliance are not missed.

*Auditing in a remote environment*

The availability and use of technology has had a significant impact on the accounting and auditing profession, allowing us to provide professional services across longer distances and more timely than ever before. We have continued to evolve our ability to serve our clients remotely throughout the COVID-19 pandemic and have experienced new efficiencies for both auditor and auditee. We anticipate continuing to perform substantially all our audit work remotely and will work with the City to maximize the remote efficiencies using technology. If the City would like members of the audit team on-site, we will work with City management on determining an acceptable staffing level.

We maintain regular and routine contact with our clients throughout the audit planning, fieldwork, and conclusion phases of the audit with the use of email, phone calls, secure portals, video conferencing, project tracking schedules, and any other means necessary to ensure the timely completion of the audit by any agreed-upon deadlines. Our audit team is very responsive to our clients and we encourage our clients to connect with us throughout the year for any matters that may affect the audit or of a general accounting nature. We have found this to be mutually beneficial for both our clients and the annual audit work.

***Remote auditing has many benefits some tangible, as listed above, others intangible. In performing remote audits, we are bettering our employee's quality of life by reducing unnecessary travel time, reducing traffic congestion on our local freeways while also helping to improve Southern California's air quality.***

**Methodology and approach to work (continued)**

*Proposed audit timing*

**Audit planning**

- Entrance conference to meet with management for pre-audit planning.
- Preliminary risk assessment procedures.
- Contact prior auditor for inquiries and review of workpapers.

| Segment 1 - Planning/internal control | Segment 2 - Substantive testing/analysis | Segment 3 - Report preparation/work paper review |
|---|---|---|
| ***Anticipated timing of each segment*** | | |
| **May/June** | **October** | **November/December** |
| • Obtain an understanding of systems, internal controls, and current-year issues.<br>• Assess and evaluate design and implementation of key internal controls (including IT related).<br>• Perform tests of internal controls as needed.<br>• Identify control deficiencies<br>• Perform detailed risk assessment procedures.<br>• Draft internal control comment letter.<br>• Develop detailed audit plan - provide management with a detailed listing of items needed to perform the audit, including the timing of when items are needed. | • Perform substantive audit fieldwork, including substantive analytical procedures.<br>• Consider whether audit evidence is sufficient to form an opinion.<br>• Conduct exit conference with management to discuss proposed entries, internal control issues, etc. | • Determine whether, based on our substantive testing and other procedures, the financial statements, taken as a whole, are free of material misstatement.<br>• Review all workpapers.<br>• Evaluate financial statements and note disclosures.<br>• Perform final analytical procedures.<br>• Draft required reports.<br>• Issue final required reports by or before agreed upon date.<br>• Present to governing body as needed. |

### Philosophy and ethical standards

*Why choose RAMS?*

Our firm has a long history of providing high-quality professional services to government entities similar to the Agency and has a well-respected reputation in the industry, as partly evidenced by our client satisfaction and retention rates. Our staff are committed to the highest standards in performing quality engagements, and you will find they are very personable and easy to work with. At RAMS, you will always work with professionals who are experienced in governmental audits, and thoroughly informed of current issues facing this rapidly changing field. We focus on efficiency in each engagement by emphasizing detailed planning to mitigate or eliminate surprises and maximize the value of our services to our clients. Our knowledge and involvement in the industry lend to our ability to offer year-round guidance and build lasting relationships with our clients. In addition, RAMS possesses the following:

1. ***Knowledge***. We provide highly trained and knowledgeable staff dedicated to client service. We are available throughout the year to answer questions or to provide guidance on any accounting matter.
2. ***Quality***. A commitment to quality on ***every*** engagement is our priority.
3. ***Experience***. A client focused team of experienced auditors and accountants will serve the Agency.
4. ***Flexibility***. A flexible team that will work with your schedule.
5. ***Value***. We provide exceptional client service and quality work at a reasonable and competitive fee.

*Equal Opportunity Employer*

Our firm is an equal opportunity employer and is committed to providing employment opportunities to all qualified persons regardless of race, color, sex, religion, national origin or handicap. Our staff represents a wide range of cultures and ethnic backgrounds. We provide opportunities for advancement for all staff based on ability, skill and desire to advance.

*Governmental Audit Quality Center*

As a member of the American Institute of CPAs *Governmental Audit Quality Center* (the Center), we are committed to adhering to the highest quality standards by voluntarily agreeing to the Center membership requirements, which include designating a partner responsible for the quality of our governmental audit practice, establishing quality control programs, performing annual internal inspection procedures, and making our peer review report findings publicly available. At RAMS, our goal is to continue to enhance our quality initiatives within our governmental audit practice to deliver the highest quality audit services possible.

In addition, the Center provides access to comprehensive resources that will assist us in further enhancing the quality of your audit. The Center membership provides us with timely information on a variety of technical, legislative, and regulatory subjects that we can in turn apply to your audit to help ensure compliance with the appropriate standards and changes in regulations which we pass on to our clients.

*Engagement quality control*

We have an extensive internal quality control review process to ensure your audit meets the highest standards. In addition to the preparation of financial reports by a senior member of the engagement team, each report is reviewed by the engagement manager/supervisor and then is examined by the engagement partner. Subsequently, a technical review is then performed by the engagement Quality Control partner along with being proofread by at least one professional staff. In addition, all audit workpapers are reviewed by the in-charge auditor and the partner in-charge of the engagement.

## Philosophy and ethical standards (continued)

*External quality control review*

As a member of the AICPA Private Companies Practice Section, our firm has participated in the "Peer Review" program since 1993 and has been examined every three years since that date by an outside, independent firm of certified public accountants. Participation in this program ensures that our engagements, firm policies, and audit procedures meet the standards of the AICPA, the Yellow Book, and the California State Board of Accountancy. Throughout our participation in this program, *the firm has only received pass ratings from the peer reviewers.*

During each review, an independent firm reviews our policies and procedures and then inspects a representative sample of engagement workpapers and reports, including governmental entities and engagements subject to the *Uniform Guidance*. For the year ended November 30, 2020, our firm received a rating of *pass* which indicates our auditing practice is suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with applicable standards. The results provide confirmation that the custom audit approach and procedures we use are technically sound and in compliance with applicable standards.

**Grant Bennett Associates**
A PROFESSIONAL CORPORATION

**Report on the Firm's System of Quality Control**

June 4, 2021

To the Partners of Rogers, Anderson, Malody & Scott, LLP, 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 Rogers, Anderson, Malody & Scott, LLP (the firm) in effect for the year ended November 30, 2020. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

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

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

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

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

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

**Opinion**
In our opinion, the system of quality control for the accounting and auditing practice of Rogers, Anderson, Malody & Scott, LLP in effect for the year ended November 30, 2020, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass, pass with deficiency(ies)* or *fail*. Rogers, Anderson, Malody & Scott, LLP has received a peer review rating of *pass*.

Grant Bennett Associates

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Princeville, HI 96722
888/769-7323

*Disciplinary action*

The firm ***has never*** had any disciplinary action taken or pending against it with state regulatory bodies or professional organizations, nor has it ever had any pending or settled litigation, civil or criminal investigations. In addition, we are not aware of any federal or state desk reviews or field reviews of its audits during the last three years.

***Our firm does not have a record of substandard work.***

In addition to the external quality control review, our firm performs in-house monitoring procedures, which mirror the outside peer review procedures, over our audit and attest engagements annually.

Attachment A

GOVERNMENT CLIENTS SERVED

| Government Client | Years Served | | GFOA Awards | Successor Agency | Housing Authority |
|---|---|---|---|---|---|
| City of El Cajon | 06/30/07 | to 06/30/24 | Yes | Yes | Yes |
| City of Exeter | 06/30/17 | to 06/30/24 | | | |
| City of Woodlake | 06/30/17 | to 06/30/24 | | | |
| Town of Yucca Valley | 06/30/08 | to 06/30/24 | Yes | Yes | Yes |
| City of San Jacinto | 06/30/11 | to 06/30/24 | | Yes | Yes |
| City of La Mesa | 06/30/11 | to 06/30/24 | | Yes | Yes |
| City of Menifee | 06/30/14 | to 06/30/24 | Yes | | |
| City of San Marcos | 06/30/14 | to 06/30/24 | Yes | Yes | Yes |
| City of Loma Linda | 06/30/13 | to 06/30/24 | Yes | Yes | Yes |
| City of Sierra Madre | 06/30/12 | to 06/30/24 | Yes | Yes | Yes |
| City of Hawthorne | 06/30/16 | to 06/30/24 | Yes | Yes | Yes |
| City of Claremont | 06/30/16 | to 06/30/24 | Yes | Yes | Yes |
| City of Thousand Oaks | 06/30/18 | to 06/30/24 | Yes | Yes | Yes |
| City of Rolling Hills Estates | 06/30/19 | to 06/30/24 | Yes | | |
| City of Calabasas | 06/30/20 | to 06/30/24 | Yes | | |
| City of San Bernardino | 06/30/20 | to 06/30/24 | Yes | | |
| City of Ojai | 06/30/20 | to 06/30/24 | | | |
| City of Beaumont | 06/30/20 | to 06/30/24 | Yes | | |
| City of Moreno Valley | 06/30/20 | to 06/30/24 | Yes | | |
| City of Lawndale | 06/30/20 | to 06/30/24 | Yes | Yes | |
| Town of Windsor | 06/30/19 | to 06/30/24 | | | |
| City of San Dimas | 06/30/20 | to 06/30/24 | Yes | Yes | Yes |
| City of Imperial Beach | 06/30/20 | to 06/30/24 | | | |
| City of Santa Paula | 06/30/21 | to 06/30/24 | | Yes | Yes |
| City of Santee | 06/30/22 | to 06/30/24 | | | |
| City of Perris | 06/30/22 | to 06/30/24 | | | |
| City of Live Oak | 06/30/22 | to 06/30/24 | Yes | | |
| City of Wildomar | 06/30/22 | to 06/30/24 | | | |
| City of Yorba Linda | 06/30/22 | to 06/30/24 | Yes | Yes | Yes |
| City of Calimesa | 06/30/23 | to 06/30/24 | | | |
| City of Carpinteria | 06/30/23 | to 06/30/24 | Yes | | |
| City of Goleta | 06/30/23 | to 06/30/24 | Yes | | |
| City of Hanford | 06/30/23 | to 06/30/24 | | Yes | Yes |
| City of Industry | 06/30/23 | to 06/30/24 | | Yes | Yes |
| City of Murrieta | 06/30/23 | to 06/30/24 | Yes | Yes | Yes |
| City of Signal Hill | 06/30/23 | to 06/30/24 | Yes | Yes | |
| City of Chula Vista | | 06/30/24 | | | |
| City of Eastvale | | 06/30/24 | | | |
| City of Fountain Valley | | 06/30/24 | | | |
| City of Mission Viejo | | 06/30/24 | | | |
| City of Canyon Lake | Accounting support | | | | |
| City of Fontana | Accounting support | | | | |
| City of Hemet | Accounting support | | | | |
| City of Rolling Hills | Accounting support | | | | |
| City of Yucaipa | Accounting support | | | | |
| City of Adelanto | Accounting support | | | | |
| City of Grand Terrace | Accounting support | | | | |

GOVERNMENT CLIENTS SERVICES (continued)

| Government Client | Years Served | CSMFO/ GFOA Awards | Successor Agency | Housing Authority |
|---|---|---|---|---|
| Crestline Village Water District | 04/30/96 to 04/30/24 | | | |
| Crestline-Lake Arrowhead Water | 06/30/98 to 06/30/24 | | | |
| San Bernardino Valley Muni Water District | 06/30/04 to 06/30/24 | | | |
| Elsinore Valley Municipal Water District | 06/30/15 to 06/30/24 | Yes | | |
| Pine Cove Water District | 06/30/10 to 06/30/24 | | | |
| Consolidated Fire Agencies | 06/30/14 to 06/30/24 | | | |
| Successor Agency to the County of SB | 06/30/14 to 06/30/24 | | | |
| Capistrano Bay Community Services District | 06/30/13 to 06/30/24 | | | |
| Ventura County Public Fin Authority | 06/30/12 to 06/30/24 | | | |
| Nipomo Community Services District | 06/30/16 to 06/30/24 | Yes | | |
| San Diego Workforce Partnership | 06/30/16 to 06/30/24 | | | |
| Rubidoux Community Services District | 06/30/16 to 06/30/24 | | | |
| Upper San Gabriel Valley MWD | 06/30/19 to 06/30/24 | Yes | | |
| Chino Basin Desalter Authority | 06/30/19 to 06/30/24 | Yes | | |
| Mountains Recreation and Conservation | 06/30/19 to 06/30/24 | | | |
| Palos Verdes Peninsula Transit Authority | 06/30/19 to 06/30/24 | | | |
| West Basin Municipal Water District | 06/30/20 to 06/30/24 | Yes | | |
| Idyllwild Water District | 06/30/11 to 06/30/24 | | | |
| Big Bear Area Regional Wastewater | 06/30/12 to 06/30/24 | Yes | | |
| Mojave Water Agency | 06/30/19 to 06/30/24 | Yes | | |
| Rosamond Community Services District | 06/30/15 to 06/30/24 | | | |
| Rossmoor Community Services District | 06/30/05 to 06/30/24 | | | |
| Rim of the World Park & Rec. District | 06/30/06 to 06/30/24 | | | |
| Heartlands Communications Fac Auth | 06/30/07 to 06/30/24 | | | |
| Heartlands Fire Training Authority | 06/30/07 to 06/30/24 | | | |
| San Joaquin Regional Rail Commission | 06/30/22 to 06/30/24 | | | |
| East Valley Water District | 06/30/22 to 06/30/24 | | | |
| Leucadia Wastewater District | 06/30/22 to 06/30/24 | | | |
| Las Virgenes Municipal Water District | 06/30/22 to 06/30/24 | | | |
| Pomona Valley Transportation Auth | 06/30/22 to 06/30/24 | | | |
| Crestline Sanitation District | Accounting support | | | |
| Running Springs Water District | Accounting support | | | |
| Phelan Pinon Hills Community Services District | Accounting support | | | |
| March Joint Powers Authority | Accounting support | | | |

**Fee Proposal**

| Individual cost for reports | 2024-25 | 2025-26 | 2026-27 | Option Years 2027-28 | Option Years 2028-29 | TOTAL |
|---|---|---|---|---|---|---|
| 1. City Audit and Related Reports | $39,000 | $40,400 | $41,800 | $42,800 | $43,900 | $207,900 |
| 2. Assistance with ACFR Preparation | 9,700 | 10,000 | 10,400 | 10,700 | 11,000 | 51,800 |
| 3. Single Audit Report* | 5,700 | 5,900 | 6,100 | 6,300 | 6,500 | 30,500 |
| 4. Gann Limit | 800 | 830 | 860 | 880 | 900 | 4,270 |
| 5. PFC Tax Return Preparation | 2,500 | 2,600 | 2,700 | 2,800 | 2,900 | 13,500 |
| Total Annual Fee for All Reports to be Issued for the Fiscal Year Shall Not Exceed | $57,700 | $59,730 | $61,860 | $63,480 | $65,200 | $307,970 |

** = for the first major program; each additional program will be $5,000 per program for FY 2025 and 2026, $5,500 for FY 2027 and 2028, and $5,750 for FY 2029*

# City of Los Alamitos
## BUDGET STANDING COMMITTEE AGENDA REPORT

**MEETING DATE: February 10, 2025** **ITEM NUMBER: 5B**

**To:** **Budget Standing Committee Members**

**Presented By:** **Craig Koehler, Director of Finance**

**Subject:** **Mid-Year General Fund Budget Review and Financial Update for Fiscal Year 2024-25.**

### SUMMARY

This report provides the Budget Standing Committee and Council with a review of the Mid-Year General Fund budget for the Fiscal Year 2024-25 and a projection for the fiscal year ending June 30, 2025

### RECOMMENDATION

1. Review the Mid-year General Fund budget for the Fiscal Year 2024-25 and the projection for the Fiscal Year ending June 30, 2025; and

2. Provide direction and comments.

### BACKGROUND

On May 20, 2024, the City Council approved and adopted a balanced budget for Fiscal Year 2024-25, which included operating revenues of $24,056,833 and operating expenditures of $23,126,050.

### DISCUSSION

According to HdL's January 2025 Sales Tax Trends and Beacon Economics Winter 2025 edition, interest rates, overall consumer spending, and gas pump prices continue to be the strongest economic drivers. These drivers affect consumers' credit, spending, and travel. For spending, Bank America card data suggests that consumers are making about the same number of transactions as last year but spending fewer dollars. However, credit card balances for 3Q24 grew to a record high of $1.17 trillion.

At the Federal level, the Federal Reserve reduced interest rates by 100 bps in 2024, and December's cut moved benchmark rates down a full percentage point since September 2024. The Fed has left interest rates unchanged as of the latest meeting on January 29, 2025. It is halting further rate cuts as inflation appears more persistent and concerned that the President's economic agenda might create pressure on prices.

Sales tax and revenue are expected to remain flat for the remainder of fiscal year 2025. Other policy changes by Washington's new administration may have major ripple effects on

California’s economy in the near future. From international moves such as tightening immigration and imposing tariffs to domestic shifts like eliminating EV tax credits, the resulting impacts could be far-reaching, assuming the policies pass.

It is important to note that this mid-year report represents a snapshot in time and reflects recorded information through December 31, 2024, or six months of the fiscal year, and a projection of Fiscal Year 2024-25. It will provide the Budget Standing Committee and City Council with an update on the financial status of the City’s General Fund at mid-year and a projection for Fiscal Year 2024-25.

## General Fund Revenues

The financial summary below depicts the Adopted Budget for Fiscal Year 2024-25, actual General Fund revenues through December 31, 2024, and a projection to June 30, 2025.

| | 2024-25 Adopted | Actual 12/31/24 | 2024-25 Projection | Vari |
|---|---|---|---|---|
| **REVENUE SUMMARY** | | | | |
| PROPERTY TAXES | 5,436,347 | 2,623,693 | 5,563,929 | 1 |
| OTHER TAXES | 11,176,715 | 4,010,774 | 11,663,688 | 4 |
| UTILITY USER TAXES | 2,283,000 | 1,166,356 | 2,533,538 | 2 |
| FRANCHISE FEES | 864,200 | 442,823 | 885,646 | |
| LICENSES & PERMITS | 1,123,480 | 351,481 | 1,109,083 | ( |
| FINES & FORFEITURES | 1,031,975 | 531,980 | 1,237,778 | 2 |
| INVESTMENT EARNINGS | 750,000 | 368,000 | 800,000 | |
| OTHER AGENCIES | 11,000 | 17,082 | 17,082 | |
| CHARGES FOR CURRENT SERVICES | 855,116 | 273,866 | 798,259 | ( |
| MISCELLANEOUS | 100,000 | 56,080 | 100,000 | |
| TOTAL REVENUE | 23,631,833 | 9,842,135 | 24,709,003 | 1,0 |
| TRANSFERS IN | 425,000 | 212,500 | 425,000 | |
| **TOTAL REVENUE & TRANSFERS IN** | **24,056,833** | **10,054,635** | **25,134,003** | **1,0** |

Property Taxes, Sales and Use Taxes, and Measure Y Local Sales Taxes are Los Alamitos's three largest revenue sources and comprise approximately 61% of all revenue generated and collected by the City.

*Property Taxes*
Property taxes remain one of the largest revenue sources for the City, and the majority are received in December and April, following the payment due dates. For secured property taxes, the first installment is due November 1 and is delinquent after December 10; the second is due February 1 and delinquent after April 10.

A report received from HdL at the end of 2024 indicated a preliminary net value change in property values up 5.25% over the 2023-24 tax roll, indicating that property taxes are continuing an upward trend. Residential properties comprise 57.2% of all values in the City and grew by $90.6 million (5.3%). Industrial properties added another $20 million. Unsecured values also increased by $51.2 million (27.3%).

Residential prices have continued to respond to lower inventory amidst higher interest rates. The median sale price of a detached single-family residential home in Los Alamitos from January through August 2024 was $1.26 million. This represents a slight decrease of $40,000 (3.7%) decrease in median sale price over the prior year.

*Sales & Use Taxes*
A report from Hdl, dated January 14, 2025, reported data for the quarter ending September 2024, 3Q24. Sales were slightly up 0.6%, net of aberrations, compared to the county and state, showing a decline of 2.3% compared to the same period in 2023. The projection for FY2024-25 is $3.7 million, 1.2% lower than the Adopted Budget.

*Measure Y (Local Sales Tax)l*
Following the passage of Measure Y, Los Alamitos is now benefiting from an additional 1.5% sales tax. This has now become the largest source of revenue, accounting for approximately 24% of total revenues collected by the City. Fiscal Year 2024-25 projections are $6.1 million, representing a 0.6% increase from the Adopted Budget.

The Other Taxes category, which includes Sales Tax, Measure Y Local Sales Tax, and Business Licenses, is projected to be $487,000 higher than the Adopted Budget, primarily due to higher projected revenue for business licensing activity.

*Utility Users Tax*
Utility Users Tax (UUT) is a usage tax imposed on utilities, including electricity, natural gas, telephone, and water. The rates for Los Alamitos are currently 6%, except for telecommunications, which is 5%. The projections for FY2024-25 are trending higher and could potentially produce an additional $250,000.

*Fines & Forfeitures*
Fines & Forfeitures include red light cameras, parking fines, and other moving violations.

Red Cameras
The red camera systems were fully functional and included the installation of additional approaches. The projected revenue for FY2024-25 is expected to exceed the prior fiscal year.

Parking Fines/Moving Violations
These positions, including motor patrol, are now fully staffed. Revenue from the Fines and Forfeitures category is projected to exceed the Adopted Budget by $206,000.

*Use of Money & Property (Investment Earnings)*
The City's investment portfolio and earnings track with the budget, and investment earnings are dependent on changes in the market and interest rates.

General Fund revenues for FY2024-25 are projected to exceed the Adopted Budget and result in a surplus.

**General Fund Expenditures**

The financial summary below reflects the Adopted Budget General Fund Expenditures for Fiscal Year 2024-25, actual expenditures through December 31, 2024, and a projection to June 30, 2025.

| | 2024-25 Adopted | Actual 12/31/24 | 2024-25 Projection | Vari |
|---|---|---|---|---|
| **EXPENDITURE SUMMARY** | | | | |
| CITY COUNCIL | 35,957 | 15,770 | 35,446 | |
| ADMIN - CITY MGR, CITY CLK, HR | 1,730,850 | 926,752 | 1,900,522 | 16 |
| FINANCE | 1,134,465 | 447,691 | 984,428 | (15 |
| CITY ATTORNEY | 226,000 | 220,074 | 281,535 | 5 |
| POLICE | 8,208,997 | 4,410,278 | 8,007,933 | (20 |
| DEVELOPMENT SERVICES | 5,695,455 | 2,875,249 | 6,395,455 | 70 |
| RECREATION | 3,279,826 | 1,414,613 | 3,037,328 | (24 |
| NON-DEPARTMENTAL | 1,409,500 | 747,132 | 1,331,895 | 12 |
| TOTAL EXPENDITURES | 21,721,050 | 11,057,559 | 21,974,542 | 45 |
| TRANSFERS OUT | 1,405,000 | 802,500 | 2,480,000 | 1,07 |
| **TOTAL EXPENDITURES & TRANSFERS OUT** | **23,126,050** | **11,860,059** | **24,454,542** | **1,52** |

For the most part, department expenditures are trending in line with the Adopted Budget. The most significant variances are in Administration, Developmental Services, and Non-Departmental. In addition, additional appropriations for General Fund transfers to other funds are needed, as detailed below.

*City Council*
Council department expenditures are projected to align with the Adopted Budget.

*Administration (City Manager, City Clerk, Human Resources)*
Administration department expenditures are projected to exceed the Adopted Budget due to higher projected Contractual costs. An additional appropriation of $170,000 is requested for higher contractual services and costs per the Council's directive for Branding.

*Finance*
Finance is fully staffed with the exception of the Part-Time Clerical Assistant and is being augmented by contract staffing. Finance is projected to be below budget for FY2024-25 by $150,000, primarily due to salary savings for the finance manager's partial year and lower contractual services.

*City Attorney*
Due to higher unanticipated expenditures, the City Attorney is expected to be above budget. At the time of budget adoption, an estimate is typically developed, and the actual costs are unknown. An additional appropriation of $60,000 is being requested to close the gap in the overall budget.

*Police*
The Police department budget is projected to have potential savings, reflecting lower part-time costs in Emergency Preparedness and lower costs in the K-9 Division, which has a partial year of operation.

*Development Services*
Development Services expenditures are projected to exceed the Adopted Budget. An additional Code Enforcement Officer was hired, which is reflected in the Neighborhood Preservation division. Additional appropriations are being requested to purchase a Modular Building ($332,000) and a City Access Control System ($155,000) that the Council approved in November. The balance of the additional expenditure is primarily due to higher projected supply costs for Economic Development and higher contractual costs for Street maintenance and City Engineer. An additional appropriation of $700,000 is requested for Development Services.

*Recreation*
Recreation expenses are projected to be under budget by approximately $242,000, primarily due to lower expenditures for Sports classes (Youth Basketball, Adult Soccer, and Volleyball) and supply costs for Special Events.

*Non-Departmental*
Non-departmental costs are not included in departmental expenses. They consist of contractual services, pre-employment expenses, credit card fees, health insurance costs for retirees, and capital expenditures funded by the General Fund. Expenditures are projected to exceed the Adopted Budget by $123,000, primarily due to higher contractual costs and credit card fees. An additional appropriation is requested to close the gap.

*Other Funds*

*Vehicle Equipment Replacement (Fund 50)*
An additional appropriation of $200,000 in General Fund transfer is being requested to close the budget gap due to higher expenditures for vehicle repair and replacement costs and treatment of leasing costs due to the new GASB reporting guidelines.

*Facility Street Parks (Fund 52)*
An additional appropriation of $675,000 in General Fund transfer is being requested to cover expenditures on the Community Center Roof project that the Facility Street Parks Fund funded.

*Technology Replacement (Fund 53)*
An additional appropriation of $200,000 in General Fund transfer is being requested to close the budget gap due to actual expenditures exceeding the budget for equipment, computers, and software.

## FISCAL IMPACT

If approved by the BSC and Council, the additional cost appropriations are summarized below:

| Additional Appropriations FY24-25 | | |
|---|---|---|
| **General Fund** | | |
| Administration | $ 170,000 | Higher contractual costs |
| City Attorney | 60,000 | Higher costs for legal service activity |
| Development Services | 500,000 | Higher contractual costs (Street Maintenance, City Engineer) |
| | 200,000 | Higher supply costs - Economic Development |
| Non-departmental | 124,000 | Higher contractual costs |
| Subtotal General Fund | 1,054,000 | |
| **Other Funds** | | |
| Fund 50 (Vehicle Equip Repl) | 200,000 | Expenditures exceed budgeted transfer; new lease reporting req. |
| Fund 52 (Facility Street Park) | 675,000 | Expenditures for Comm Ctr Roof |
| Fund 53 Tech Repl (funded GF) | 200,000 | Expenditures exceed budgeted transfer |
| Subtotal Other Funds | 1,075,000 | |
| **Total Additional Appropriations** | **$ 2,129,000** | |

Attachment: None

# City of Los Alamitos
## BUDGET STANDING COMMITTEE AGENDA REPORT

**MEETING DATE: February 10, 2025** **ITEM NUMBER: 6A**

**To:** **Budget Standing Committee Members**

**Presented By:** **Chet Simmons, City Manager**

**Subject:** **Conference With Labor Negotiator**

### SUMMARY

City Negotiator: Chet Simmons, City Manager
Employee Organization: Executive Management, Non-Represented
Authority: Government Code Section 54957.6

### RECOMMENDATION

### BACKGROUND

### DISCUSSION

### FISCAL IMPACT

Attachment: None

# City of Los Alamitos
## BUDGET STANDING COMMITTEE AGENDA REPORT

**MEETING DATE: February 10, 2025** **ITEM NUMBER: 6B**

**To:** **Budget Standing Committee Members**

**Presented By:** **Chet Simmons, City Manager**

**Subject:** **Conference With Labor Negotiator**

### SUMMARY

City Negotiator: Chet Simmons, City Manager
Employee Organization: Teamsters Local 911
Authority: Government Code Section 54957.6

### RECOMMENDATION

### BACKGROUND

### DISCUSSION

### FISCAL IMPACT

Attachment: None

# City of Los Alamitos
## BUDGET STANDING COMMITTEE AGENDA REPORT

**MEETING DATE: February 10, 2025** **ITEM NUMBER: 6C**

**To:** **Budget Standing Committee Members**

**Presented By:** **Chet Simmons, City Manager**

**Subject:** **Conference With Labor Negotiator**

### SUMMARY

City Negotiator: Chet Simmons, City Manager
Employee Organization: Police Officers Association
Employees Authority: Government Code Section 54957.6

### RECOMMENDATION

### BACKGROUND

### DISCUSSION

### FISCAL IMPACT

Attachment: None