

January 12, 2021

Lamar Thorpe, Executive Director  
Patt Young, Board President  
Los Medanos Community Healthcare District  
P.O. Box 8698  
Pittsburg, CA 94565

We are pleased to confirm our understanding of the services we are to provide Los Medanos Community Healthcare District for the year ended June 30, 2020. We will audit the financial statements of the governmental activities, and each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of Los Medanos Community Healthcare District as of and for the year ended June 30, 2020. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Los Medanos Community Healthcare District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to Los Medanos Community Healthcare District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by U.S. generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis.
- 2) Budget to Actual

We have also been engaged to report on supplementary information other than RSI that accompanies Los Medanos Community Healthcare District's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole.

### **Audit Objective**

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of Los Medanos Community Healthcare District's financial statements. Our report will be addressed to Board of Directors of Los Medanos Community Healthcare District. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or may withdraw from this engagement.

### **Audit Procedures—General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

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

### **Audit Procedures—Internal Control**

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

### **Audit Procedures—Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Los Medanos Community Healthcare District's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

### **Other Services**

We will also prepare the financial statements of Los Medanos Community Healthcare District in conformity with U.S. generally accepted accounting principles based on information provided by you. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

### **Management Responsibilities**

Management is responsible for designing, implementing, and maintaining effective internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

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

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

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

You agree to assume all management responsibilities for financial statement preparation services and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

### **Electronic Communication, Client Portal Agreement and File Exchange Processes**

In connection with this engagement, we may communicate with you or others via email transmission. As emails can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that emails from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure of emails transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of email transmissions, including any consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure or communication of confidential or proprietary information.

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

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

The Firm will use its best reasonable efforts to provide availability of the Client Portal Service 24X7. The Firm shall not be responsible for any error, omission, interruption, deletion, defect, delay in operation or transmission, communications line failure, theft or destruction, or unauthorized access to the Client Portal. The Firm is not responsible for any problems or technical malfunctions of any telephone or fiber network or

lines, computer online systems, servers or providers, computer equipment, software, failure of any email to be received by the Firm on account of technical problems or traffic congestion on the Internet or any website, or any combination thereof, including any injury or damage to the District's computers or peripherals related to downloading any materials from the Client Portal.

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

### **Logon Accounts and Their Security.**

- a. The Firm will set up individual logon accounts for those of the District's employees who need access to the Client Portal. Each account will have access only to those document areas requested by Client. (The Firm strongly recommends that Client establish a policy that logon information not be shared with others.) In order to maintain security, the District agrees to designate a single individual as the authorized person to contact the Firm to request employee logons. The initial designee is listed below. Your user name will be your email address, all passwords will be established by the user at the time of initial logon.
- b. You acknowledge that the use of username and password is an adequate form of security. You are solely responsible for (1) authorizing, monitoring, controlling access to, and maintaining the strict confidentiality of your username and password; (2) not allowing another person to use your username or password; (3) any charges or damages that may be incurred as a result of your neglect to maintain the strict confidentiality of your username and password; and (4) promptly informing the Firm in writing of any need to deactivate a username due to security concerns or otherwise. The Firm is not liable for any harm related to the misuse or theft of usernames or passwords, disclosure of usernames or passwords, or your authorization to allow another person or entity to access and use the Firm's Client Portal using your username or password. You shall immediately notify the Firm of any unauthorized use of your username or password and any breach of confidentiality. Until the Firm receives this notification from you, you will be held liable for any harm ensuing from the use of your username on the Firm's Client Portal.

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

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

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

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

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

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

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

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

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

**Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Email:** \_\_\_\_\_

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

We acknowledge that we have opted out of the requirement to use the Firm's Client Portal System and therefore we agree to release Fechter and Company from all liability as a result any interception of, or loss of data as a result of using alternate document transmittal methods.

Management signature:

Governance signature:

\_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_  
Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

### COVID -19 Considerations

The safety and health of both your staff and our staff is of utmost importance to us, therefore, we request and require the following considerations during our engagement:

Our Responsibilities and commitments:

- We will perform as much of our engagement remotely as feasible.
- We will work with your staff to schedule the timing for our staff to work on your engagement.
- We will confirm these dates with you in writing.
- We will comply with your requirements for face coverings, hand washing and temperature monitoring.
- We will notify you if any of our staff, weather on the engagement or not, have tested positive for COVID-19.

Your responsibilities and commitments:

- You will dedicate your staff resources to answering our questions, provide support and research as needed.
- You will notify us 10 days in advance of our scheduled fieldwork if you are unable to dedicate staff resources.

- You will provide us with segregated workspace to accommodate 2 people.
- The workspace should be available for our *exclusive* use for the duration of our fieldwork which we anticipate to be 2 days.
- If the space is needed for hours of the day that we are not present, you commit to notifying us in advance and disinfecting all surfaces prior to our arrival the following day. If we incur additional time and costs to accommodate these uses, we will discuss any additional costs and fee adjustments at the time we are notified.
- You will notify us in advance if any of your staff test positive for COVID-19.

**Engagement Administration, Fees, and Other**

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

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

The audit documentation for this engagement is the property of Fechter and Company, Certified Public Accountants and constitutes confidential information. If requested, access to such audit documentation will be provided under the supervision of Fechter and Company personnel.

Scott A. German, CPA is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

The total audit fees will not exceed \$8,955 for the audit. You will also be billed for travel and other out-of-pocket costs such as report production, word processing, postage, etc. which is estimated to be \$400. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. We acknowledge the delay as a result of the change in audit partner completed in January 2021, that will result in rescheduling this engagement to May 2021. If this engagement is rescheduled past June 30, 2021, we will add a billing surcharge of \$1,000. Our fees will be billed as follows:

Due in January 2021 for expenses incurred to day of postponement	\$ 1,055
Dues at completion of rescheduled fieldwork	7,000
Due upon presentation of final report	<u>900</u>
Total	\$ <u>8,955</u>

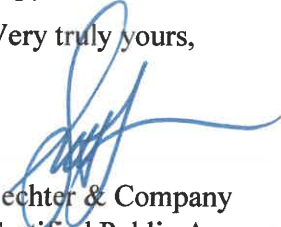
Note: Surcharge will be billed on July 1, 2021 if this engagement is not completed



In accordance with our firm policies, work may be suspended if your account becomes 60 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

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

Very truly yours,



Fechter & Company  
Certified Public Accountants  
By: Scott A. German, CPA

**RESPONSE:**

This letter correctly sets forth the understanding of Los Medanos Community Healthcare District.

Management signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Governance signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Los Medanos Community Healthcare District  
Client Participation Schedule  
June 30, 2020

Below is a list of items that we will need to perform the upcoming audit. Please send items 1 and 2 as soon as possible.

1. Year-end trial balances for all funds as of June 30, 2020.
2. Detailed general ledger for all funds for the year ended June 30, 2020. We will also need the check register from July 1, 2019 through June 30, 2020.
3. Copies of all confirmations (cash, debt, grants, and attorney) that we will need to send out.
4. Copies of all year-end bank statements and county cash report.
5. Schedule of fixed asset additions/deletions for the current fiscal year and related depreciation schedule.
6. Copies of all grant agreements for grants received/remitted during the 19/20 fiscal year.
7. Schedule of year-end accounts payable, wages payable and compensated absences for each of the fiscal years. We will need access to the year-end payroll register and December 31, 2019 at minimum when we come out to perform fieldwork. We will also be auditing compensated absence usage for two payroll periods.
8. Copies of any debt and lease agreements. This includes any capital or operating lease agreements for items such as vehicles or office equipment.
9. Organizational chart
10. Copies of all significant contracts with outside parties (contracts where payments or receipts exceeded \$20,000 in total).
11. Copies of insurance policies.
12. Copies of payroll tax form 941's.
13. Please confirm no federal grants in excess of \$500,000 were received for the year.
14. Original and final budgets.
15. Schedule of year-end restricted or designated fund balances by fund.
16. Detail of year-end accounts receivable.
17. Detailed schedule of year-end deferred revenues.
18. Detailed schedule of year-end accrued interest. We will prepare a debt roll-forward to analyze the activity that occurred during the fiscal year.
19. Detailed general ledger from July 1, 2020 through January 2021. We anticipate accessing this document upon the audit date.
20. Copies of minutes from July 2018 through the present date.
21. Contact information for the district's attorney.
22. Contact information for your contact at the county of Contra Costa auditor's office.
23. Copy of CalPERS actuarial reports for the 19/20 fiscal year.
24. Update any changes in the internal control forms.
25. Copies of all personnel and policy & procedures manuals, if changed
26. Reconciliation between CalPERS annual required contribution and actual payments made per the general ledger.
27. Have credit card statements available for testing.
28. Contact information for board members on the finance committee. We usually make the standard SAS 99 inquiries of this committee in addition to the normal SAS 99 inquiries made to various staff.