

James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

April 26, 2019

Javetta Cleveland
Deputy Superintendent
Natomas Unified School District
1901 Arena Blvd.
Sacramento, CA 95864

Performance Audits for Measure J and Measure L General Obligation Bonds

We are pleased to confirm our understanding of the services we are to provide for Natomas Unified School District.

This letter confirms the services you have asked our firm to perform and the terms under which we have agreed to do that work. Please read this letter carefully because it is important to both our firm and you that you understand what you can and cannot expect from our work. In other words, we want you to know the limitations of the services you have asked us to perform. If you are confused at all by this letter or believe we have misunderstood what you need, please call to discuss this letter before you sign it.

I. SCOPE OF WORK

We have been engaged to conduct a performance audit of Natomas Unified School District's Measure J Bond as of and for the fiscal year ending June 30, 2019, with the option to renew for the fiscal years ending June 30, 2020 and 2021; and of the District's Measure L Bond as of and for the fiscal year ending June 30, 2020, with the option to renew for the fiscal year ending June 30, 2021. We are engaged to conduct a performance audit in accordance with standards applicable to performance audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) and in accordance with Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide reasonable basis for our findings and conclusions based on our audit objectives.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS and in accordance with Government Auditing Standards.

In making our risk assessments, we consider internal control that is significant within the context of the audit objectives in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control significant within the context of the audit objectives that we have identified during the audit.

II. MANAGEMENT'S RESPONSIBILITIES

At the outset, it is imperative that we state the scope of your responsibilities in connection with this engagement:

- a. Encompassed in that responsibility is the establishment and maintenance of effective internal control over financial reporting, the establishment and maintenance of proper accounting records, and the selection of appropriate accounting principles.
- b. Management is responsible for the design and implementation of programs and controls to prevent or detect fraud, and for informing us about all known or suspected fraud affecting the organization involving (a) management, (b) individuals who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements.
- c. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud affecting the organization received in communications from members, regulators, or others. In addition, management is responsible for identifying and ensuring that the entity complies with applicable laws and regulations.
- d. Management is responsible:
 - i. for the identification of the applicable reporting framework.
 - ii. for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- f. Management is responsible to provide us with:
 - i. additional information that we may request from management for the purpose of the audit; and
 - ii. unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

As part of our engagement we may propose standard, adjusting, or correcting journal entries to your financial statements. You are responsible for reviewing the entries and understanding the nature of any proposed entries and the impact they have on your financial statements. Further, you are responsible for designating a qualified management-level individual to be responsible and accountable for overseeing these services.

III. OUR RESPONSIBILITY

Our responsibility is to express an opinion on performance requirements for the District's Measure J and Measure L General Obligation Bond funds. Other facts and circumstances may require us to provide additional information on our report. We will keep you informed if and when we begin to reach conclusions that our report may need to be modified because of such facts and circumstances.

IV. CHARACTER AND LIMITATIONS OF AN AUDIT

An audit includes obtaining an understanding of internal control sufficient to plan the audit, but is not designed to provide assurance on internal control or to identify significant deficiencies conditions. However, during the audit, if we become aware of such reportable conditions or ways that we believe management practices can be improved, we will communicate them to you in a separate letter.

Management is responsible for making all financial records and related information available for purposes of the audit.

In the event that the financial information provided is incomplete or inaccurate, then we will either complete the work at our standard rate, or delay the audit until this information is complete and accurate.

At the conclusion of our audit, we will require you to furnish us a management representation letter confirming, among others, your responsibility for your financial statements and for the design and implementation of program and controls to prevent and detect fraud. This letter is a required audit procedure prior to issuing our report. By signing this engagement letter and furnishing a management representation letter, you agree to indemnify us and hold us harmless for any liability and costs arising from knowing misrepresentations by management.

V. OTHER STIPULATIONS

Provision of Engagement

Jesse Deol, CPA is the engagement partner for the audit services specified in this letter. His responsibilities include supervising James Marta & Company LLP's services performed as part of this engagement.

Fees

Our fees are based on the amount of time required at various levels of responsibility, plus actual out-of-pocket expenses. Invoices are payable upon presentation. Unpaid fee balances will bear interest at 18 percent per annum. Our fees for the audits will be as follows:

<u>Fiscal Year Ending</u>	<u>Measure J</u>	<u>Measure L</u>
June 30, 2019	\$7,900	
June 30, 2020	\$8,200*	\$8,200
June 30, 2021	\$8,500*	\$8,500*

*Option for renewal

The fees include a presentation to the Bond Oversight Committee. We will bill you on a monthly basis for our services and invoices are payable upon presentation. Unpaid fee balances 30 days overdue will bear interest at 18 percent per annum. We may require full payment prior to issuance of the reports. This fee is based upon the assumption that the closing journal entries will be made and accounting will be finalized and closed before the year-end audit fieldwork. If compliance requirements change, or if the District is involved in issuing an exempt offering, additional fees and an amended engagement letter may be required.

Our initial fee estimate assumes we will receive the aforementioned assistance from your personnel and unexpected circumstances will not be encountered. In the event that the GASB, FASB, AICPA, GAO, OMB, or the State of California issues additional standards or audit procedures that require additional work during the audit period, we will discuss these requirements with you before proceeding further. If to complete our work or in conjunction with our audit we are asked or are required to perform account reconciliation or other work not otherwise in the scope of an audit, our fee for addressing the additional requirements will be at our standard hourly rates for each person involved in the additional work.

In the event we are required to respond to discovery requests, subpoenas, and outside inquiries, we will first obtain your permission unless otherwise required to comply under the law. Our time and expense to comply with such requests will be charged at our standard hour rates in addition to the stated contract.

Reports

We will issue a report on the bond performance for the Natomas Unified School District's Measure J Bonds for the fiscal years ended June 30, 2019, 2020, and 2021 and Measure L Bonds for the fiscal years ending June 30, 2020 and 2021. The purpose of an audit is to determine if the bond funds have been expended only on the specific projects listed in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII of the California Constitution. We will issue a written report upon the completion of our audit to the Natomas Unified School District. Our report will be addressed to the Citizens' Bond Oversight Committee of Natomas Unified School District. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement. In the event we must withdraw from the engagement, our fees will be limited to the fees incurred up to the point of withdrawal.

We will issue a management recommendation letter (if applicable).

At the conclusion of our audit engagement, we will communicate to those charged with governance the following significant findings from the audit:

- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

The intended users of the report are the board of directors of the Natomas Unified School District and the Citizens' Bond Oversight Committee. You agree to be responsible to distribute the reports to those charged with governance and to the appropriate officials of the responsible party.

Working Papers

The working papers for this engagement are the property of James Marta & Company LLP and constitute confidential information. However, we may be requested to make certain working papers available or provide copies of them to certain regulators pursuant to authority given to it by law or regulation or peer reviewers. If requested, access to such working papers will be provided under the supervision of James Marta & Company LLP. The regulators may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

We agree to retain our work papers related to this audit for a period of at least seven (7) years from the date of our report.

Mediation Provision

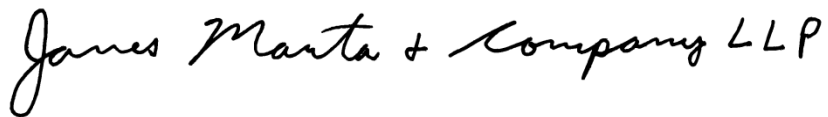
Disputes arising under this agreement (including scope, nature, and quality of services to be performed by us, our fees and other terms of the engagement) shall be submitted to mediation. A competent and impartial third party, acceptable to both parties shall be appointed to mediate, and each disputing party shall pay an equal percentage of the mediator’s fees and expenses. No suit or arbitration proceedings shall be commenced under this agreement until at least 60 days after the mediator’s first meeting with the involved parties. If the dispute requires litigation, the court shall be authorized to impose all costs against any non-prevailing party found not to have participated in the mediation process in good faith.

Several technical accounting and auditing words and phrases have been used herein. We presume you to understand their meaning or that you will notify us otherwise so that we can furnish appropriate explanations.

If the foregoing is in accordance with your understanding, please indicate your agreement by signing a copy of this letter and returning it to us.

We appreciate the opportunity to serve you and look forward to working with you and your staff.

Sincerely,



James Marta & Company LLP
Certified Public Accountants
Sacramento, California

RESPONSE:

This letter correctly sets forth our understanding.

Acknowledged and agreed on behalf of Natomas Unified School District

Approved by: _____

Title: _____

Date: _____