



## **James Marta & Company LLP**

*Certified Public Accountants*

*Accounting, Auditing, Consulting, and Tax*

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March 30, 2016

Los Osos Community Services District  
2122 9th Street, Suite 102  
Los Osos, California 93402

We are pleased to confirm our understanding of the services we are to provide for Los Osos Community Services District (“District”) for the year ended June 30, 2015 (Valuation date of July 1, 2014).

### **I. SCOPE OF WORK**

We have been engaged by the District to perform the procedures described in Attachment A, which is incorporated as part of this Agreement. These procedures will be performed solely to assist the District in the calculation of its liability for retiree health benefits using the Alternative Measurement Method as provided in the Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and to provide information necessary to comply with the requirements of said statement.

### **II. DISTRICT’S RESPONSIBILITIES**

The District will provide to us in a timely manner and in the format requested information regarding employee and retiree census data, benefits it provides to its employees and retirees, its retiree premium subsidies, and such other information necessary to accurately produce the OPEB valuation described in Attachment A.

The District agrees that the information will be made available to us and will be complete and accurate and that the District will issue a representation letter from management concerning these matters and that we may rely upon such information, documents, and data with no duty to inquire or audit it. Because of the importance of management’s representations as to the completeness and accuracy of the information, documents, and data which it provides to us, the District agrees to release us from any claims, liabilities, costs, and expenses relating to our services under this letter attributable to any misrepresentations in the representation letter referenced above.

The District further agrees to perform the following functions:

- make all management decisions and perform all management functions,
- designate a competent employee to oversee the services,
- evaluate the adequacy and results of the services performed,
- accept responsibility for the results of the services, and
- establish and maintain internal controls, including monitoring ongoing activities.

### **III. OUR RESPONSIBILITY**

This agreed-upon procedures engagement will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the District. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We will deliver a formal Report including an Executive Summary, tables or charts presenting the development of the results, a description of all primary actuarial assumptions and methods, and a summary of the Plan benefits. This report will also contain GASB 45 accounting information including the Annual Required Contribution (ARC), annual Other Post Employment Benefits (OPEB) Cost, and the Net OPEB Obligation (NOO).

Our services are not of a legal nature and we will in no event give, or be required to give a legal opinion or provide legal representation to the District.

### **IV. OTHER STIPULATIONS**

#### **Fees**

Our fee for this service will not exceed \$1,500. The amount is due and payable upon the delivery of the final report. Additional studies or other services requested by the District will be performed based on fixed fee quotes provided in advance.

If we are required by government regulation, subpoena, or other legal process to produce documents or any personnel as a witness with respect to the services provided to the District, the District will reimburse us for the costs of professional time and expenses incurred in responding to such requests.

## **Reports**

We will provide you with two bound copies of the report and an electronic (.pdf) copy. Our work is prepared solely for the internal business use of District. Except as required by law including any applicable public disclosure regulations, our work may not be provided to third parties without our prior written consent subject to the following exception(s):

- The District may provide a copy of our work, in its entirety to their professional service advisors who are subject to a duty of confidentiality and who agree not to use our work for any purpose other than to benefit the District.
- The District may provide a copy of our work, in its entirety, to other governmental entities, as required by law.

## **Workpapers**

All processes, methodologies, procedures, tools, techniques, templates, programs, and workpapers we utilized in connection with the performance of this engagement will remain the our property and the District shall acquire no right or interests in such property.

We agree to retain our workpapers related to the engagement for a period of at least seven (7) years from the date of our report. The District should retain copies of all data, documents, reports, and determinations that it provides to us and that we provide to the District.

## **Termination**

For any reason and without penalty, either party may terminate this engagement upon written notice at least thirty (30) days in advance of the termination. The District shall be liable for properly incurred fees and expenses through the date of termination. We will reimburse for fees paid and not earned.

## **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 defense costs against any non-prevailing party found not to have participated in the mediation process in good faith.

If the foregoing is in accordance with your understanding, please indicate your agreement by signing the duplicate 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

RESPONSE:

This letter correctly sets forth our understanding.

Signature: \_\_\_\_\_

Name & Title: \_\_\_\_\_

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

## **ATTACHMENT A**

### **To be provided by the District**

1. Obtain from District's management a copy of the retiree health benefits plan offered to employees of the District as of July 1, 2014
2. Obtain from District's management a list of employees and retirees as of July 1, 2014, which includes their employment status, gender, number of years employed, current age, marital status and spouses age.
3. Obtain from District's management a schedule of Medical, Dental, Vision, and Life Insurance premiums as applicable, as of July 1, 2014, for single and married employees both under and over the age of 65.
4. Obtain from District's management the minimum years of service required for employees to qualify for Retiree Health Benefits.
5. Obtain copy of audit report as of June 30, 2014.

### **To be provided by James Marta & Company LLP**

6. Obtain the healthcare cost trend rate for 2013 - 2022 from the Department of Health and Human Services.
7. Obtain the expected long-term inflation rate from the United States Social Security Administration.
8. Obtain the estimated turnover rates from GASB Statement No. 45, paragraph 35b.
9. Obtain life expectancy data from the National Center for Health Statistics.
10. Calculate the projected future benefit payments for all employees and retirees in accordance with GASB Statement No. 45.
11. Calculate the normal cost, actuarial accrued liability, and annual required contribution using the Entry Age Cost Method with Level Percentage of Payroll as provided in GASB Statement No. 45 for the Alternative Measurement Method.
12. Prepare the footnote disclosure information required by GASB Statement No. 45.