

Peter Grenell

From: Wingfield, Jeff <jwingfield@stocktonport.com>
Sent: Tuesday, July 23, 2013 11:02 AM
To: David Hull(home) (Hullspier@aol.com); Peter Grenell
Subject: FW: Audit of the California Maritime Infrastructure Authority
Attachments: Executable Engagement Letter.pdf; Audit Preparation Guide-CMIA.pdf

Peter/Dave,

I met with the auditors again to discuss and they are happy to help even though they don't feel it necessary. Look over the attached and maybe we need to get this on the next agenda or not? There are also a couple of other filings to the state we need to do and they can assist with those as well. Feel free to distribute to whomever you feel necessary.

Thanks,

Jeff

From: Donnie Hernandez [<mailto:dhernandez@croceco.com>]
Sent: Tuesday, July 02, 2013 3:30 PM
To: Wingfield, Jeff
Cc: Anna Lovecchio
Subject: Audit of the California Maritime Infrastructure Authority

Hello Jeff,

Anna and I appreciated meeting with you last Thursday in order to discuss the need for the California Maritime Infrastructure Authority to conduct an audit of the financial statements for the year ended June 30, 2013. As a follow up to our meeting, we have attached an executable engagement letter outlining the scope of our services pertaining to the audit of the financial statements as well as the preparation and transmittal of the annual filings with the California State Controller's office. As a convenience, we have also attached an audit preparation guide listing several items that will likely be needed in order to conduct the audit. We are mailing a hard copy of these documents to your attention as well, but thought that you may want an electronic version to be able to forward to other interested parties. Once the Board Members have had a chance to review the engagement letter and if there are no further questions at that point, we would just need to receive a signed copy of the executable engagement letter in order to commence services.

Please let us know if you have any additional questions and feel free to call us anytime. We look forward to hearing from you.

Best regards,

Donnie M. Hernandez, CPA
Manager



CROCE & COMPANY

Accountancy Corporation

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To the extent this e-mail contains written tax advice, such advice in this writing is not intended or written to be used and may not be used for the purpose of avoiding penalties that may be imposed by the Internal Revenue Service or any other federal agency.

Larry M. Solari, CPA
Kevin F. Jones, CPA
Jerry W. Butterfield, CPA
Anna M. Lovecchio, CPA
Duane E. Bulthuis, CPA
Mark J. Croce, CPA

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July 2, 2013

California Maritime Infrastructure Authority
c/o Mr. Jeffrey D. Wingfield, Treasurer
Post Office Box 2089
Stockton, California 95201

Dear Mr. Wingfield:

Thank you for inviting our firm to submit this letter outlining the nature and scope of services we propose to provide for the **California Maritime Infrastructure Authority** (Authority) for the year ended June 30, 2013. Our firm provides audit services for over 70 governmental agencies annually. Accordingly, we can provide the Authority with excellent service and perform the audit with optimum efficiency.

We would like to highlight that our firm participates in the AICPA peer review program to ensure that we continually adhere to professional standards and deliver the highest quality product to our accounting and audit clients. The program requires a practice monitoring review of a firm's accounting and auditing practice every three years, which includes an assessment of quality control policies and procedures to determine compliance with professional standards. We have participated in this program since its inception in 1990 and have continually received the highest level of assurance/rating possible. Our most recent peer review occurred in November 2012 and included a review of governmental engagements. A copy of the review report is attached to this letter for your reference.

We propose to audit the financial statements of the Authority, including the related notes to the financial statements, which collectively comprise the basic financial statements of **California Maritime Infrastructure Authority** as of and for the year ended June 30, 2013. 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 **California Maritime Infrastructure Authority'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 **California Maritime Infrastructure Authority'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

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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 generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- Management's Discussion and Analysis.

Audit Objective

The objective of our audit is the expression of an opinion as to whether your basic financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles. 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 an opinion. 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 opinion on the financial statements is other than unmodified, we will fully 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 an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

If circumstances occur related to the condition of your records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming an opinion on the financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. You agree to assume all management responsibilities for any 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.

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

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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 access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, additional information that we may request for the purpose of the audit, and 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 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 or illegal acts affecting the government involving management, employees who have significant roles in internal control, and others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations.

With regard to using the auditor's report, you understand that you must obtain our prior written consent to reproduce or use our report in bond offering official statements or other documents.

With regard to electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Audit Procedures – General

During the course of our engagement, we will request information and explanations from management regarding the Authority's operations, internal controls, future plans, specific transactions, and accounting systems and procedures. The procedures we will perform in our engagement and the conclusions we reach as a basis for our report will be heavily influenced by the written and oral representations that we receive from management. Accordingly, false representations could cause us to extend unnecessary efforts or could cause a material error or a fraud to go undetected by our procedures. In view of the

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foregoing, you agree that we shall not be responsible for any misstatements in the Authority's financial statements that we may fail to detect as a result of false or misleading representations that are made to us by management.

In addition, the Authority further agrees to indemnify and hold us harmless for any liability and all reasonable costs, including legal fees, which we may incur as a result of the services performed under this engagement in the event there are false or misleading representations made to us by any member of the Authority's management.

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 rather than absolute assurance about whether the financial statements are free of material misstatement, whether from errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity.

Because 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 or any fraudulent financial reporting or misappropriation of assets that come 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 cash, receivables, and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We may 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.

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Audit Procedures – Internal Control

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess 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 **California Maritime Infrastructure Authority's** compliance with applicable laws and regulations and the provisions of 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.

Engagement Administration, Fees, and Other

Anna Lovecchio is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it. Our audit engagement ends on delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

Our fees for these services will be as follows:

Audit

Annual financial statements for the year ended June 30, 2013 (Includes disclosures of all limited obligation bonds issued by the Authority with outstanding balances as of June 30, 2013.)	\$ 9,000 – 10,000
Statement of net position for the year ended June 30, 2012	675*

Compilations

Annual Report of Financial Transactions and submission to the State Controller's Office (due October 2013)	750
Annual Report of Local Government Compensation and submission to the State Controller's Office (due October 2013)	250
Initial set-up of the Authority's registration with the State Controller's Office	700**

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- * As the Authority has not been required to conduct a previous audit of the financial statements, we are required to audit the statement of net position for the year ended June 30, 2012 in order to render an opinion on the statement of revenues, expenses and changes in fund net position for the year ended June 30, 2013.
- ** Includes submission of the Authority's formation documents and additional correspondence with the State Controller's Office in order to obtain the Authority's identification number required for the annual filings.

The fees quoted are based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If conditions are such that our audit procedures result in a reduction in this fee, you will be charged the lower amount and not the fee quoted. 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. Our invoices for the services outlined in this letter are payable upon presentation.

In the event that the Authority requires an Organization-Wide Audit (single audit) due to expenditure of federal funds in excess of \$500,000 we will perform such an audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States, the Single Audit Act Amendments of 1996, and the provisions of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Services rendered in order to meet the aforementioned requirements will be billed to you separately.

Parties to this engagement agree that any dispute that may arise regarding the meaning, performance, or enforcement of this engagement will be submitted to mediation upon the written request of any party to the engagement. The mediation shall be conducted in accordance with the Commercial Mediation Rules of the American Arbitration Association or such other rules as may be agreed upon by the parties. The results of this mediation shall not be binding upon either party. Costs of any mediation proceeding shall be shared equally by both parties.

We appreciate the opportunity to be of service to **California Maritime Infrastructure Authority** 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 where indicated and return it to us. A copy of this engagement letter is enclosed for your files.

Yours very truly,



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This foregoing letter fully describes our understanding and is accepted by us.

CALIFORNIA MARITIME INFRASTRUCTURE AUTHORITY

Officer signature _____

Title _____

Date _____

ALLEN & COOK, INC.
CERTIFIED PUBLIC ACCOUNTANTS

System Review Report

November 28, 2012

To the Owners
Croce & Company Accountancy Corporation
and the Peer Review Committee of the CA Society of CPA's

We have reviewed the system of quality control for the accounting and auditing practice of Croce & Company Accountancy Corporation (the firm) in effect for the year ended May 31, 2012. 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. 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. 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. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by standards, engagements selected for review included engagements performed under Government Auditing Standards and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Croce & Company Accountancy Corporation in effect for the year ended May 31, 2012, 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. Croce & Company Accountancy Corporation received a peer review rating of pass.

Allen & Cook, Inc.

Allen & Cook, Inc.

California Maritime Infrastructure Authority
Audit Preparation Guide
6/30/13

The following is a tentative listing of items needed to begin the audit of the California Maritime Infrastructure Authority for the year ended 6/30/13:

1. Listing of the board members as of 6/30/13 including the expiration date of their term.
2. Signed copy of the Joint Exercise of Powers Agreement Creating the California Maritime Infrastructure Authority.
3. Signed copy of the Authority's bylaws and amendments to the bylaws.
4. Access to most recently filed Conflict of Interest Statements (Form 700s) filed for each board member.
5. Access to the Authority's insurance policy through 6/30/13, if applicable.
6. Access to the Authority's accounting records.
7. Access to all monthly bank statements and bank reconciliations for the period June 1, 2012 through current.
8. Access to deposit records for all revenues received directly by the Authority for the period 7/1/12 - current.
9. Access to all invoice support for all expenses paid for the period 7/1/12 - current.
10. Information relative to the limited obligation bonds remaining outstanding as of 6/30/13.
11. Access to payroll information including quarterly Form 941s filed during the period 7/1/12 - 6/30/13, if applicable.
12. Minutes and resolutions from all board meetings from 7/1/12 through the most current (draft minutes not yet approved will suffice).