

ORIGINAL

AGREEMENT FOR SERVICES #092-S1711

THIS AGREEMENT made and entered by and between the County of El Dorado, a political subdivision of the State of California (hereinafter referred to as "County") and Maze & Associates Accounting Corporation, a California, duly qualified to conduct business in the State of California, whose principal place of business is 3478 Buskirk Avenue, Suite 215, Pleasant Hill, CA 94523; (hereinafter referred to as "Contractor");

RECITALS

WHEREAS, County has determined that it is necessary to obtain a Contractor to provide an external audit of the financial statements of the County; and

WHEREAS, Contractor has represented to County that it is specially trained, experienced, expert and competent to perform the special services required hereunder, as detailed in Attachment A to this Agreement, incorporated herein and made by reference a part hereof, and County has determined to rely upon such representations; and

WHEREAS, it is the intent of the parties hereto that such services be in conformity with all applicable federal, state and local laws; and

WHEREAS, County has determined that the provision of these services provided by Contractor is in the public's best interest, and that these services are more economically and feasibly performed by outside independent Contractors as well as authorized by El Dorado County Charter, Section 210 (b) (6) and/or Government Code 31000;

NOW, THEREFORE, County and Contractor mutually agree as follows:

ARTICLE I

Scope of Services: Contractor agrees to furnish the personnel and equipment necessary to provide an external audit of the financial statements of the County for fiscal years ending June 30, 2016 and June 30, 2017. Services shall be in accordance with Exhibit "A" to this Agreement, marked "Scope of Services," incorporated herein and made by reference a part hereof.

ARTICLE II

Term: This Agreement shall become effective upon final execution by both parties hereto and shall expire two (2) years from the date thereof, or upon completion of all services authorized pursuant to written proposal, whichever is later. This Agreement may be renewed for one (1) additional year following the initial two (2) year term, upon written agreement of the parties, and no later than ninety (90) days prior to the date this Agreement is set to terminate.

ARTICLE III

Compensation for Services: For services provided herein, including any deliverables that may be identified herein, County agrees to pay Contractor upon receipt and approval of itemized invoice(s) detailing services rendered. Payment shall be made within forty-five (45) days following County's receipt and approval of itemized invoices identifying the services rendered.

For the purposes of this Agreement, the billing rate shall be in accordance with Exhibit "B" to this Agreement, marked "Cost Proposal," incorporated herein and made by reference a part hereof.

Total amount of this Agreement shall not exceed \$120,470.00, inclusive of all expenses.

Itemized invoices shall follow the format specified by County and shall reference this Agreement number on their faces and on any enclosures or backup documentation. Copies of documentation attached to invoices shall reflect Contractor's charges for the specific services billed on those invoices. Invoices shall be mailed to County at the following address:

County of El Dorado
Chief Administrative Office
330 Fair Lane
Placerville, California 95667

or to such other location as County directs.

In the event that Contractor fails to deliver the documents or other deliverables required by the individual Work Orders issued pursuant to this Agreement, County at its sole option may delay the monthly payment for the period of time of the delay, cease all payments until such time as the deliverables are received, or proceed as set forth herein below in **ARTICLE XI, Default, Termination, and Cancellation**.

ARTICLE IV

Taxes: Contractor certifies that as of today's date, it is not in default on any unsecured property taxes or other taxes or fees owed by Contractor to County. Contractor agrees that it shall not default on any obligations to County during the term of this Agreement.

ARTICLE V

Changes to Agreement: This Agreement may be amended by mutual consent of the parties hereto. Said amendments shall become effective only when in writing and fully executed by duly authorized officers of the parties hereto.

ARTICLE VI

Contractor to County: It is understood that the services provided under this Agreement shall be prepared in and with cooperation from County and its staff. It is further agreed that in all matters pertaining to this Agreement, Contractor shall act as Contractor only to County and shall not act as Contractor to any other individual or entity affected by this Agreement nor provide information in any manner to any party outside of this Agreement that would conflict with Contractor's responsibilities to County during term hereof.

ARTICLE VII

Assignment and Delegation: Contractor is engaged by County for its unique qualifications and skills as well as those of its personnel. Contractor shall not subcontract, delegate or assign services to be provided, in whole or in part, to any other person or entity without prior written consent of County.

ARTICLE VIII

Independent Contractor/Liability: Contractor is, and shall be at all times, deemed independent and shall be wholly responsible for the manner in which it performs services required by terms of this Agreement. Contractor exclusively assumes responsibility for acts of its employees, associates, and subContractors, if any are authorized herein, as they relate to services to be provided under this Agreement during the course and scope of their employment.

Contractor shall be responsible for performing the work under this Agreement in a safe, professional, skillful and workmanlike manner and shall be liable for its own negligence and negligent acts of its employees. County shall have no right of control over the manner in which work is to be done and shall, therefore, not be charged with responsibility of preventing risk to Contractor or its employees.

ARTICLE IX

Fiscal Considerations: The parties to this Agreement recognize and acknowledge that County is a political subdivision of the State of California. As such, El Dorado County is subject to the provisions of Article XVI, Section 18 of the California Constitution and other similar fiscal and procurement laws and regulations and may not expend funds for products, equipment or services not budgeted in a given fiscal year. It is further understood that in the normal course of County

business, County will adopt a Recommended Budget prior to a given fiscal year, but that the final adoption of a budget does not occur until after the beginning of the fiscal year.

Notwithstanding any other provision of this Agreement to the contrary, County shall give notice of cancellation of this Agreement in the event of adoption of a Recommended Budget that does not provide for funds for the services, products or equipment subject herein. Such notice shall become effective upon the adoption of a final Adopted Budget which does not provide funding for this Agreement. Upon the effective date of such notice, this Agreement shall be automatically terminated and County released from any further liability hereunder.

In addition to the above, should the Board of Supervisors during the course of a given year for financial reasons reduce, or order a reduction, in the budget for any County department for which services were contracted to be performed, pursuant to this paragraph in the sole discretion of the County, this Agreement may be deemed to be canceled in its entirety subject to payment for services performed prior to cancellation.

ARTICLE X

Audit by California State Auditor: Contractor acknowledges that if total compensation under this agreement is greater than \$10,000.00, this Agreement is subject to examination and audit by the California State Auditor for a period of three (3) years, or for any longer period required by law, after final payment under this Agreement, pursuant to California Government Code §8546.7. In order to facilitate these potential examinations and audits, Contractor shall maintain, for a period of at least three (3) years, or for any longer period required by law, after final payment under the contract, all books, records and documentation necessary to demonstrate performance under the Agreement.

ARTICLE XI

Default, Termination, and Cancellation:

- A. **Default:** Upon the occurrence of any default of the provisions of this Agreement, a party shall give written notice of said default to the party in default (notice). If the party in default does not cure the default within ten (10) days of the date of notice (time to cure), then such party shall be in default. The time to cure may be extended at the discretion of the party giving notice. Any extension of time to cure must be in writing, prepared by the party in default for signature by the party giving notice and must specify the reason(s) for the extension and the date on which the extension of time to cure expires.

Notice given under this section shall specify the alleged default and the applicable Agreement provision and shall demand that the party in default perform the provisions of this Agreement within the applicable period of time. No such notice shall be deemed a termination of this Agreement unless the party giving notice so elects in this notice, or the party giving notice so elects in a subsequent written notice after the time to cure has expired. In the event of termination for default, County reserves the right to take over and complete the work by contract or by any other means.

- B. **Bankruptcy:** This Agreement, at the option of the County, shall be terminable in the case of bankruptcy, voluntary or involuntary, or insolvency of Contractor.
- C. **Ceasing Performance:** County may terminate this Agreement in the event Contractor ceases to operate as a business, or otherwise becomes unable to substantially perform any term or condition of this Agreement.
- D. **Termination or Cancellation without Cause:** County may terminate this Agreement in whole or in part upon seven (7) calendar days written notice by County without cause. If such prior termination is effected, County will pay for satisfactory services rendered prior to the effective dates as set forth in the Notice of Termination provided to Contractor, and for such other services, which County may agree to in writing as necessary for contract resolution. In no event, however, shall County be obligated to pay more than the total amount of the contract. Upon receipt of a Notice of Termination, Contractor shall promptly discontinue all services affected, as of the effective date of termination set forth in such Notice of Termination, unless the notice directs otherwise.

ARTICLE XII

Notice to Parties: All notices to be given by the parties hereto shall be in writing and served by depositing same in the United States Post Office, postage prepaid and return receipt requested. Notices to County shall be addressed as follows:

COUNTY OF EL DORADO
Chief Administrative Office
330 Fair Lane
Placerville, CA 95667
ATTN: Shawne Corley
Assistant Chief Administrative Officer

or to such other location as the County directs.

with a carbon copy to

COUNTY OF EL DORADO
Chief Administrative Office
Procurement and Contracts Division
360 Fair Lane
Placerville, CA 95667
ATTN: Purchasing Agent

Notices to Contractor shall be addressed as follows:

MAZE & ASSOCIATES ACCOUNTING CORPORATION
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523
ATTN: David Alvey, CPA

or to such other location as the Contractor directs.

ARTICLE XIII

Change of Address: In the event of a change in address for Contractor's principal place of business, Contractor's Agent for Service of Process, or Notices to Contractor, Contractor shall notify County in writing pursuant to the provisions contained in this Agreement under the Article titled "Notice to Parties". Said notice shall become part of this Agreement upon acknowledgment in writing by the County Contract Administrator, and no further amendment of the Agreement shall be necessary provided that such change of address does not conflict with any other provisions of this Agreement.

ARTICLE XIV

Indemnity: The Contractor shall defend, indemnify, and hold the County harmless against and from any and all claims, suits, losses, damages and liability for damages of every name, kind and description, including attorney's fees and costs incurred, brought for, or on account of, injuries to or death of any person, including but not limited to workers, County employees, and the public, or damage to property, or any economic or consequential losses, which are claimed to or in any way arise out of or are connected with the Contractor's services, operations, or performance hereunder, regardless of the existence or degree of fault or negligence on the part of the County, the Contractor, subContractor(s) and employee(s) of any of these, except for the sole, or active negligence of the County, its officers and employees, or as expressly prescribed by statute. This duty of Contractor to indemnify and save County harmless includes the duties to defend set forth in California Civil Code Section 2778.

ARTICLE XV

Insurance: Contractor shall provide proof of a policy of insurance satisfactory to the County of El Dorado Risk Manager and documentation evidencing that Contractor maintains insurance that meets the following requirements:

- A. Full Worker's Compensation and Employer's Liability Insurance covering all employees of Contractor as required by law in the State of California.
- B. Commercial General Liability Insurance of not less than \$1,000,000.00 combined single limit per occurrence for bodily injury and property damage and a \$2,000,000.00 aggregate limit.
- C. Automobile Liability Insurance of not less than \$1,000,000.00 is required in the event motor vehicles are used by the Contractor in the performance of the Agreement.

- D. In the event Contractor is a licensed professional or professional consultant, and is performing professional services under this Agreement, professional liability is required with a limit of liability of not less than \$1,000,000.00 per occurrence.
- E. Contractor shall furnish a certificate of insurance satisfactory to the County of El Dorado Risk Manager as evidence that the insurance required above is being maintained.
- F. The insurance will be issued by an insurance company acceptable to Risk Management, or be provided through partial or total self-insurance likewise acceptable to Risk Management.
- G. Contractor agrees that the insurance required above shall be in effect at all times during the term of this Agreement. In the event said insurance coverage expires at any time or times during the term of this Agreement, Contractor agrees to provide at least thirty (30) days prior to said expiration date, a new certificate of insurance evidencing insurance coverage as provided for herein for not less than the remainder of term of the Agreement, or for a period of not less than one (1) year. New certificates of insurance are subject to the approval of Risk Management and Contractor agrees that no work or services shall be performed prior to the giving of such approval. In the event the Contractor fails to keep in effect at all times insurance coverage as herein provided, County may, in addition to any other remedies it may have, terminate this Agreement upon the occurrence of such event.
- H. The certificate of insurance must include the following provisions stating that:
 - 1. The insurer will not cancel the insured's coverage without prior written notice to County, and;
 - 2. The County of El Dorado, its officers, officials, employees and volunteers are included as additional insured on an additional insured endorsement, but only insofar as the operations under this Agreement are concerned. This provision shall apply to the general liability policy.
- I. The Contractor's insurance coverage shall be primary insurance as respects the County, its officers, officials, employees and volunteers. Any insurance or self-insurance maintained by the County, its officers, officials, employees or volunteers shall be in excess of the Contractor's insurance and shall not contribute with it.
- J. Any deductibles or self-insured retentions must be declared to and approved by the County, either: the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the County, its officers, officials, employees and volunteers; or the Contractor shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.
- K. Any failure to comply with the reporting provisions of the policies shall not affect coverage provided to the County, its officers, officials, employees or volunteers.

- L. The insurance companies shall have no recourse against the County of El Dorado, its officers and employees or any of them for payment of any premiums or assessments under any policy issued by any insurance company.
- M. Contractor's obligations shall not be limited by the foregoing insurance requirements and shall survive expiration of this Agreement.
- N. In the event Contractor cannot provide an occurrence policy, Contractor shall provide insurance covering claims made as a result of performance of this Agreement for not less than three (3) years following completion of performance of this Agreement.
- O. Certificate of insurance shall meet such additional standards as may be determined by the contracting County Department either independently or in consultation with Risk Management, as essential for protection of the County.

ARTICLE XVI

Interest of Public Official: No official or employee of County who exercises any functions or responsibilities in review or approval of services to be provided by Contractor under this Agreement shall participate in or attempt to influence any decision relating to this Agreement which affects personal interest or interest of any corporation, partnership, or association in which he/she is directly or indirectly interested; nor shall any such official or employee of County have any interest, direct or indirect, in this Agreement or the proceeds thereof.

ARTICLE XVII

Interest of Contractor: Contractor covenants that Contractor presently has no personal interest or financial interest, and shall not acquire same in any manner or degree in either: 1) any other contract connected with or directly affected by the services to be performed by this Agreement; or, 2) any other entities connected with or directly affected by the services to be performed by this Agreement. Contractor further covenants that in the performance of this Agreement no person having any such interest shall be employed by Contractor.

ARTICLE XVIII

Conflict of Interest: The parties to this Agreement have read and are aware of the provisions of Government Code Section 1090 et seq. and Section 87100 relating to conflict of interest of public officers and employees. Contractor attests that it has no current business or financial relationship with any County employee(s) that would constitute a conflict of interest with provision of services under this contract and will not enter into any such business or financial relationship with any such employee(s) during the term of this Agreement. County represents that it is unaware of any financial or economic interest of any public officer or employee of Contractor relating to this Agreement. It is further understood and agreed that if such a financial interest does exist at the inception of this Agreement either party may immediately terminate this Agreement by giving written notice as detailed in the Article in the Agreement titled, "Default, Termination and Cancellation".

ARTICLE XIX

Nondiscrimination:

- A. County may require Contractor's services on projects involving funding from various state and/or federal agencies, and as a consequence, Contractor shall comply with all applicable nondiscrimination statutes and regulations during the performance of this Agreement including but not limited to the following: Contractor and its employees and representatives shall not unlawfully discriminate against any employee or applicant for employment because of race, religion, color, national origin, ancestry, physical handicap, medical condition, marital status, age, or sex; Contractor shall, unless exempt, comply with the applicable provisions of the Fair Employment and Housing Act (Government Code, Sections 12900 et seq.) and applicable regulations promulgated thereunder (California Code of Regulations, Title 2, Sections 7285.0 et seq.); the applicable regulations of the Fair Employment and Housing Commission implementing Government Code, Section 12990, set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations incorporated into this Agreement by reference and made a part hereof as if set forth in full; and Title VI of the Civil Rights Act of 1964, as amended. Contractor and its employees and representatives shall give written notice of their obligations under this clause as required by law.
- B. Where applicable, Contractor shall include these nondiscrimination and compliance provisions in any of its agreements that affect or are related to the services performed herein.
- C. Contractor's signature shall provide any certifications necessary under the federal laws, the laws of the State of California, including but not limited to Government Code Section 12990 and Title 2, California Code of Regulations, Section 8103.

ARTICLE XX

California Residency (Form 590): If Contractor is a California resident, Contractors must file a State of California Form 590, certifying its California residency or, in the case of a corporation, certifying that it has a permanent place of business in California. The Contractor will be required to submit a Form 590 prior to execution of an Agreement or County shall withhold seven (7) percent of each payment made to the Contractor during term of the Agreement. This requirement applies to any agreement/contract exceeding \$1,500.00.

ARTICLE XXI

Nonresident Withholding: If Contractor is not a California resident, Contractor shall provide documentation that the State of California has granted a withholding exemption or authorized reduced withholding prior to execution of this Agreement or County shall withhold seven (7%) percent of each payment made to the Contractor during term of the Agreement as required by law. This requirement applies to any agreement/contract exceeding \$1,500.00. Contractor shall indemnify and hold the County harmless for any action taken by the California Franchise Tax Board.

ARTICLE XXII

Taxpayer Identification Number (Form W-9): All independent Contractors or corporations providing services to the County must file a Department of the Treasury Internal Revenue Service Form W-9, certifying their Taxpayer Identification Number.

ARTICLE XXIII

County Business License: It is unlawful for any person to furnish supplies or services, or transact any kind of business in the unincorporated territory of El Dorado County, without possessing a County business license unless exempt under County Code Section 5.08.070.

ARTICLE XXIV

Licenses: Contractor hereby represents and warrants that Contractor and any of its subcontractors employed under this Agreement has all the applicable licenses, permits, and certifications that are legally required for Contractor and its subcontractors to practice its profession or provide the services or work contemplated under this Agreement in the State of California. Contractor and its subcontractors shall obtain or maintain said applicable licenses, permits, or certificates in good standing throughout the term of this Agreement.

ARTICLE XXV

Administrator: The County Officer or employee with responsibility for administering this Agreement is Shawne Corley, Assistant Chief Administrative Officer, or successor.

ARTICLE XXVI

Authorized Signatures: The parties to this Agreement represent that the undersigned individuals executing this Agreement on their respective behalf are fully authorized to do so by law or other appropriate instrument and to bind upon said parties to the obligations set forth herein.

ARTICLE XXVII

Partial Invalidity: If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions will continue in full force and effect without being impaired or invalidated in any way.

ARTICLE XXVIII

Venue: Any dispute resolution action arising out of this Agreement, including, but not limited to, litigation, mediation, or arbitration, shall be brought in El Dorado County, California, and shall be resolved in accordance with the laws of the State of California.

ARTICLE XXIX

No Third Party Beneficiaries: Nothing in this Agreement is intended, nor will be deemed, to confer rights or remedies upon any person or legal entity not a party to this agreement.

ARTICLE XXX

Entire Agreement: This document and the documents referred to herein or exhibits hereto are the entire Agreement between the parties and they incorporate or supersede all prior written or oral Agreements or understandings.

Requesting Contract Administrator Concurrence:

By:  Dated: 7/25/2016
Shawne Corley
Assistant Chief Administrative Officer


IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the dates indicated below.

-- COUNTY OF EL DORADO --

By:  Dated: 7/25/2016
Purchasing Agent
Chief Administrative Office
"County"

-- CONTRACTOR --

MAZE & ASSOCIATES ACCOUNTING CORPORATION
A CALIFORNIA CORPORATION

By:  Dated: 7/20/16
David Alvey
Vice-President
"Contractor"

By:  Dated: 7/20/16
Vikki Rodriguez
Corporate Secretary

Attachment A

To

AGREEMENT FOR SERVICES #092-S1711

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| COVER LETTER AND SIGNATURE REQUIREMENTS |
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April 18, 2016

County of El Dorado
Procurement & Contracts
360 Fair Lane
Placerville, CA 95667
RFP #16-691-058

We appreciate this opportunity to submit our proposal to provide financial audit services for the County of El Dorado. We agree to audit the basic financial statements of the County as well as prepare the Comprehensive Annual Financial Report (CAFR) for the fiscal years ending June 30, 2016 through 2018. We will also conduct an agreed-upon procedure on the County's Annual Appropriations Limit Calculation, audit of the County Treasury's compliance with investment requirements, prepare a management letter and the Single Audit.

We are certain we are the most qualified firm to be your independent accountants. Maze & Associates began operating a quarter of a century ago, and since that time, we have rigorously employed our philosophy that "We are in Business to Help our Clients Succeed!" Our clients know from experience we employ a variety of techniques, technologies and strategies to maximize effective and efficient audits without shifting our work onto our clients' staff. We have summarized our reasons below and explained them in depth in our proposal.

- **Municipal auditing is our main business.** We believe we have the necessary qualifications and are your best choice.
 - We annually audit over 200 municipalities including special districts, joint powers authorities, successor agencies, housing authorities and financing authorities.
 - We currently have forty-two municipal clients ranging in size from small towns to large complex cities, **including five with populations in excess of 100,000.** We are proud to say that forty-one of our clients publish award-winning CAFRs, the majority of which we have provided assistance in compiling reports.
 - **We have experience auditing several dozen large enterprise operations,** some operated as departments or funds of our Municipal clients and others operated as stand-alone independent special districts and authorities.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W mazeassociates.com

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| COVER LETTER AND SIGNATURE REQUIREMENTS (Continued) |
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- **We conduct over three dozen Single Audits annually.**
- **We currently have many clients that use FAMIS account software and SymPro for investment activity.**
- **We currently prepare the annual required filings for the State Controller's Office, including the Annual Report of Financial Transactions and Street Report, for many of our municipal clients.**
- **Our Partners are actively involved in planning, conducting and completing the audit in our client's offices and our Partners are available when you need them. We resolve issues on the spot while the audit is being performed.**
- **When our Partners communicate with you, the Boards and Committees, their knowledge is based on detailed specifics, not information which has been filtered through several layers of review.**
- **We have a long-term track record of client retention beyond our client's original contract terms because of the quality of our service.**
- **Our audit staff average more than 80 hours of training in municipal auditing and accounting and 1,500 hours of municipal audit experience each year. This means you do not train our staff!**
- **Our audit fee includes providing training and assistance with the implementation of applicable new GASB statements, at no additional charge. Depending upon the complexity of the GASB Statement requiring implementation, the assistance could take the form of free access to web-based training, one-on-one or group training, suggested footnote disclosure templates and/or Excel spreadsheet templates.**
- **We are an Equal Opportunity Employer.**
- **One of our Directors, Donald Hester, is a Certified IT Auditor. With our qualified information security staff we have developed and employ a number of technologies to streamline our audit process, ensure open channels of communication and data transfer while securing the confidentiality of client data. These technologies include LANs, a VPN, "Leapfile" data file transfers, "Mimecast" email protection software, paperless audit workpapers, and a major upgrade of our "direct downloads" technique eliminating manual financial statement inputs and maximizing easy to use financial rollup reports.**
- **Up to half our total audit time is spent at interim each year, ensuring a smooth year-end audit. Our interim audit includes much of the work other firms postpone to year-end; we even begin the preparation of the notes to financial statements or suggest revisions to client-prepared financial statements.**
- **Our references - indeed, any of our clients, will confirm we are your best choice.**
- **Our firm and all our partners and employees are independent of the County of El Dorado and its component units as that term is defined by the General Accountability Office's Government Auditing Standards, the American Institute of Certified Public Accountants, the California Society of Certified Public Accountants and the California State Board of Accountancy. We have no present or past professional relationships with the County or any of its Council members or employees that would compromise our independence.**

COVER LETTER AND SIGNATURE REQUIREMENTS (Continued)

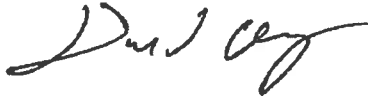
As with all our audits, we are committed to provide timely, quality audit services to the County of El Dorado. We have no doubt that we are the firm best qualified to perform the services described in the request for proposal. After you have analyzed our proposal and - most important - talked with our references, we are quite confident you will agree.

The proposal is a firm and irrevocable offer for 120 days.

David Alvey, Vice President and Amy Meyer, Vice President are authorized to represent, sign for and contractually obligate Maze & Associates, a Professional Corporation, located at 3478 Buskirk Avenue, Suite 215, Pleasant Hill, CA, 94523, (925) 930-0902. We agree to the terms outlined in the sample agreement as Exhibit A of the RFP and have the ability to meet the minimum insurance requirements.

We look forward to the opportunity to work with the County!

Yours very truly,



David Alvey, CPA
Vice President

DA:smg

REQUIRED STATEMENTS SECTION

1. We will perform the services and adhere to the requirements described in the RFP #16-961-058, including any addenda.
2. The segmented time and cost proposal section are consider proprietary and should be releasable as public information.
3. At this time, there appears to be no conflict of interest between Maze and Associates and the County of El Dorado.
4. In preparing this proposal, there has been no collusion with individuals outside of Maze and Associates.
5. We agree to the terms outlined in the sample agreement as Exhibit A of the RFP and have the ability to meet the minimum insurance requirements.
6. Maze and Associates is not subject to debarment under Title 49, Code of Federal Regulations, Part 29.
7. We build travel and out of pocket expenses into our hourly rate. They will not be billed separately.

ORGANIZATION SIZE, STRUCTURE AND RESOURCES

Overview

We are a professional services corporation located in Pleasant Hill, California. We presently have a total of forty-seven people including the following:

- Nine shareholders
- Three Directors
- Three Managers
- Eight Supervisors
- Seven Senior Associates
- Eight Associates
- Nine office and IT staff members
- Fifteen of our professional staff are California Certified Public Accountants, and two additional staff members are in the process of completing their applications for licensure

Thirty-two (32) of our professional staff members comprise our governmental audit staff, as our firm's emphasis is on governmental auditing and accounting. Several of our professional staff have national accounting firm experience, which we have blended with the more personal approach of a smaller firm.

The proposed audit plan includes professional staff members comprised of the following: engagement partner, housing authority audit partner, one manager, two supervisors, plus senior associates and associates. All of our proposed professional staff members are full-time employees.

The majority of our clients are cities or other municipal entities and we do this work twelve months of the year. We limit our practice in other areas and focus on being the best municipal audit firm in Northern California. Our clients include several cities similar to the County of El Dorado in size. Our audit strategy is tailored to municipalities and is quite different from the traditional approach adapted from commercial clients by general practice accounting firms.

We have focused on municipalities since our inception in 1986. We are active in GFOA, CSMFO and CMTA, and our Partners have been speakers at GFOA, CSMFO and CMTA functions.

We are in business to help our clients succeed. We help you use the ever-growing tangle of accounting rules properly, but to your best advantage, by helping you keep out of trouble and helping you do the right thing. We stay in touch throughout the year to keep you abreast of municipal accounting developments and to help you avoid problems, instead of coming in afterwards to assess the damage. We rotate our audit emphasis based on our planning meetings with you so areas that concern you can be addressed as a normal part of the audit at no extra cost.

Independence

As independent auditors, **our most valuable asset is our independence.** Unlike many firms, we have never allowed our independent audit function to be used to promote consulting or other work. In fact, consulting and related work have never amounted to more than a few percent of our total revenues, while our independent audit work has amounted to over eighty percent of our revenues.

ORGANIZATION SIZE, STRUCTURE AND RESOURCES (Continued)

Our firm and all our partners and employees are independent of the County of El Dorado and its component units as defined by the General Accountability Office's (GAO) Government Auditing Standards, the American Institute of Certified Public Accountants (AICPA), the California Society of Certified Public Accountants (CalCPA) and the California State Board of Accountancy. We have no present or past professional relationships with the County or any of its Council members or employees that would compromise our independence.

External Quality Control Review

We are members of the AICPA Quality Review Program, which means we subject ourselves to a peer review of our workpapers and quality control procedures every three years by independent accountants specializing in such work. **Our most recent peer review was completed in 2014; we again received a rating of pass, the highest level of assurance possible.** The quality control review included several governmental audit engagements performed under the Government Auditing Standards. A copy of our most recent peer review opinion is located at the end of this section.

All of our clients' CAFRs are also reviewed by CSMFO and/or GFOA for award consideration; every report submitted has won an award from one of these organizations.

License

Maze & Associates is a properly licensed California Certified Public Accounting firm. We are members of the following professional organizations:

- American Institute of Certified Public Accountants (AICPA)
- Government Audit Quality Center (GAQC) of the AICPA
- California Society of Certified Public Accountants (CalCPA)
- Government Finance Officers Association (GFOA)
- California Society of Municipal Finance Officers (CSMFO)
- Association of Certified Fraud Examiners (ACFE)

All assigned key professional staff are properly licensed to practice in California. Those staff that are certified public accountants have current California CPA licenses in the attest function, and have **received more than twice the required level of continuing education**, including the credits specifically required in the area of governmental audits. See Qualifications – Audit Team for the resumes of the Proposed audit team.

Neither our firm nor any of our employees have a record of substandard or unsatisfactory performance, nor have any claims ever been filed with any State Board of Accountancy against our firm or any of our employees.

ORGANIZATION SIZE, STRUCTURE AND RESOURCES (Continued)

Reputation

We believe quality and an emphasis on doing our job right is far more important than being cheaper than our competitors. Despite the economic pressures faced by municipalities and the need to save money, there are other, more serious concerns to be weighed. For instance, the perceived or actual audit failures in the municipal audit sector. The City of Bell news, especially the State Controller's Office Report on that City's audit firm, raised serious questions about municipal audit quality. Whether this is justified or not isn't really the issue. What is at issue is the perception of poor quality in municipal audits. We received a number of inquiries and requests for proposal from that firm's clients who desired a change in auditors. A former client of ours, which rotated to them several years ago, called us and asked if we would propose on the City's work. They said that the council simply did not want to expend the energy to defend whether that firm was providing quality work.

We received calls from other municipalities with a different audit firm that released their fiscal 2009-10 audit reports late. The reason - the audit firm merged and re-merged in fiscal 2009-10 and the new firm placed a "quality control review" on municipal audits. The end result was that CAFR extensions were needed for 2009-10.

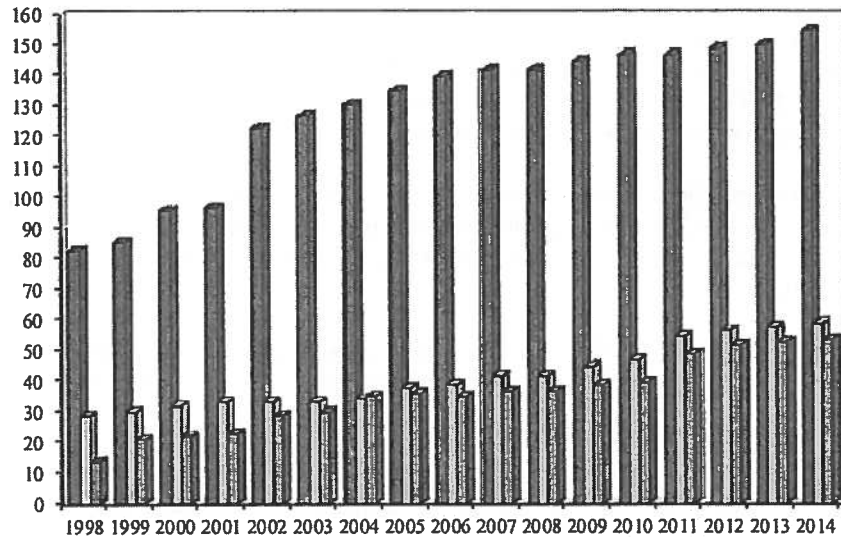
These trends indicate that it would be unwise to reduce audit effort for any municipal audit. Our commitment to quality and preserving our firm's reputation remains our top priority and serves our clients best.

Clients tend to remain with us through their difficulties. Consider for a moment high risk audit environments, which are those entities undergoing financial stress, bankruptcy or fraud. For example, these clients are still clients today:

- ✚ Richmond - Financial Stress (FYs 2002-05)
- ✚ Vallejo - Bankruptcy/Financial Stress (FYs 2010-12)

ORGANIZATION SIZE, STRUCTURE AND RESOURCES (Continued)

Our practice includes forty two city or town clients and more than fifty special district CAFR award winners—more municipal clients and more award winners than any other Northern California accounting firm or international firm branch office. Included in those totals are six award-winning Special District CAFRs. Eighty percent of our practice is municipal auditing, accounting and consulting, continuing throughout the entire year. Our growth can be seen in the graph below, which shows the growth in the number of our total municipal entity clients in blue, City audit clients in green and CAFR award winners in red.



Every one of the above CAFRs won awards from GFOA and/or CSMFO.

As you can see from the client list in the City Clients Section below we have a winning combination that has resulted in **strong client loyalty and retention**. Several clients who left have returned after seeing the difference between our firm and our competitors. **Others have remained our clients after completing a full-blown proposal process**, most recently Brentwood, Milpitas, Oakley, Pittsburg and South San Francisco.

AUDITING EXPERIENCE OF FIRM

City Clients

The table below summarizes our most recent experience with audits of cities. We are responsible for all phases of the work on these clients. All of this work represents recurring annual audit and related work; all this work and that presented in the table was completed on or before the deadline from the first year listed for each client.

| Client Name | Scope of Work | Client Start Date | CAFR Submission | GFOA Award | Single Audit |
|--------------------------------|---|-------------------|---|------------|--------------|
| Population > 100,000 | | | | | |
| Daly City | Audit of City CAFR, Successor Agency, Single Audit, Transportation Development Act Audit, Transportation Measure, JPAs | 1992 - Present | ✓ Yes | ✓ Yes | ✓ Yes |
| Hayward | Audit of City CAFR, Successor Agency, Single Audit, Transportation Development Act Audit, Transportation Measure, Financing Corporation | 2011 - Present | ✓ Yes | ✓ Yes | ✓ Yes |
| Richmond | Audit of City CAFR, Successor Agency, Single Audit, Transportation Development Act Audit, Retirement Plan, Financing Corporation | 2005 - Present | ✓ Yes | ✓ Yes | ✓ Yes |
| Santa Clara | Audit of City CAFR, Successor Agency, Single Audit, Transportation Development Act Audit, Silicon Valley Power | 2012 - Present | ✓ Yes | ✓ Yes | ✓ Yes |
| Vallejo | Audit of City CAFR, Successor Agency, Single Audit, Transportation Development Act Audit, Housing Authority | 2004 - Present | ✓ Yes | ✓ Yes | ✓ Yes |
| Population < 100,000 | | | | | |
| Atherton | Financial Statements, Single Audit | 2009 - Present | • | • | ✓ Yes |
| Belmont | Audit of City CAFR, Successor Agency, Single Audit, Transportation Measure | 1998 - Present | ✓ Yes | ✓ Yes | ✓ Yes |
| Benicia | Audit of City CAFR, Single Audit, Transportation Development Act Audit | 2011 - Present | ✓ Yes | ✓ Yes | ✓ Yes |
| Brentwood | Audit of City CAFR, Successor Agency, Single Audit, Transportation Development Act Audit | 2007 - Present | ✓ Yes | ✓ Yes | ✓ Yes |
| Brisbane | Audit of City CAFR, Successor Agency | 2011 - Present | • | • | • |
| Cupertino | Audit of City CAFR, Successor Agency, Single Audit, Transportation Development Act Audit | 2012 - Present | ✓ Yes | ✓ Yes | ✓ Yes |
| Davis | Audit of City CAFR, Single Audit | 2015 | ✓ Yes | ✓ Yes | ✓ Yes |
| Dublin | Audit of City CAFR, Single Audit, Transportation Measure | 2012 - Present | ✓ Yes | ✓ Yes | ✓ Yes |
| El Cerrito | Audit of City CAFR, Successor Agency, Single Audit, Transportation Development Act Audit, Retirement Plan, Financing Corporation | 2005 - Present | ✓ Yes | ✓ Yes | ✓ Yes |
| Fairfax | Basic Financial Statements | 2009 - Present | • | • | • |
| Galt | Audit of City CAFR, Successor Agency, Single Audit | 2009 - Present | ✓ Yes | ✓ Yes | ✓ Yes |
| Half Moon Bay | Audit of City CAFR, Single Audit, Transportation Development Act Audit | 2014 - Present | ✓ Yes | ✓ Yes | ✓ Yes |
| Lafayette | Audit of CAFR, Single Audit, Transportation Development Act Audit, Lamorinda School Bus Transportation Authority, Finance Authority | 2015 - Present | New client in 2015 will submit for CAFR award | • | ✓ Yes |
| Larkspur | Basic Financial Statements, Transportation Development Act Audit | 1991 - Present | • | • | • |
| Lathrop | Audit of City CAFR, Single Audit | 2011 - Present | ✓ Yes | ✓ Yes | ✓ Yes |
| Livermore | Audit of City CAFR, Successor Agency, Single Audit, Transportation Development Act Audit, Transportation Measure, Financing Corporation | 1988 - Present | ✓ Yes | ✓ Yes | ✓ Yes |

AUDITING EXPERIENCE OF FIRM (Continued)

| Client Name | Scope of Work | Client Start Date | CAFR Submission | GFOA Award | Single Audit |
|----------------------|---|-------------------|---|------------|--------------|
| Population < 100,000 | | | | | |
| Los Allos | Audit of City CAFR, Single Audit, Transportation Measure, Retirement Plan | 2014 - Present | ✓ Yes | ✓ Yes | ✓ Yes |
| Manteca | Audit of City CAFR, Successor Agency, Single Audit, Financing Authority | 1986 - Present | ✓ Yes | ✓ Yes | ✓ Yes |
| Martinez | Audit of City CAFR, Single Audit, Transportation Development Act Audit | 2001 - Present | ✓ Yes | ✓ Yes | ✓ Yes |
| Milpitas | Audit of City CAFR, Successor Agency, Single Audit, Transportation Development Act Audit, Financing Corporation | 1995 - Present | ✓ Yes | ✓ Yes | ✓ Yes |
| Moraga | Audit of City CAFR, Successor Agency, Single Audit, Transportation Development Act Audit | 2012 - Present | ✓ Yes | ✓ Yes | ✓ Yes |
| Morgan Hill | Audit of City CAFR, Single Audit, Transportation Development Act Audit | 2015 - Present | New client in 2015 will submit for CAFR award | • | ✓ Yes |
| Mountain View | Audit of City CAFR, Single Audit, Transportation Development Act Audit | 2001 - Present | ✓ Yes | ✓ Yes | ✓ Yes |
| Oakley | Audit of City CAFR, Successor Agency, Single Audit, Transportation Development Act Audit | 2000 - Present | ✓ Yes | ✓ Yes | ✓ Yes |
| Orinda | Audit of City CAFR, Single Audit, Transportation Development Act Audit | 2015 - Present | New client in 2015 will submit for CAFR award | • | ✓ Yes |
| Pacifica | Audit of City CAFR, Single Audit, Transportation Development Act Audit, Transportation Measure | 2015 - Present | New client in 2015 will submit for CAFR award | • | ✓ Yes |
| Petaluma | Audit of City CAFR, Single Audit, Transportation Development Act Audit | 2011 - Present | ✓ Yes | ✓ Yes | ✓ Yes |
| Pittsburg | Audit of City CAFR, Successor Agency, Single Audit, Transportation Development Act Audit, Retirement Plan | 2011 - Present | ✓ Yes | ✓ Yes | ✓ Yes |
| Portola Valley | Financial Statements and Transportation Measure | 2005 - Present | • | • | • |
| Rancho Cordova | Audit of City CAFR, Successor Agency, Single Audit, Financing Corporation | 2009 - Present | ✓ Yes | ✓ Yes | ✓ Yes |
| San Leandro | Audit of City CAFR, Successor Agency, Single Audit, Transportation Development Act Audit, Transportation Measure | 2011 - Present | ✓ Yes | ✓ Yes | ✓ Yes |
| San Pablo | Audit of City CAFR, Successor Agency, Single Audit, Transportation Development Act Audit | 1995 - Present | ✓ Yes | ✓ Yes | ✓ Yes |
| San Rafael | Audit of City CAFR, Successor Agency, Single Audit | 2007 - Present | ✓ Yes | ✓ Yes | ✓ Yes |
| San Ramon | Audit of City CAFR, Single Audit, Transportation Development Act Audit | 2014 - Present | ✓ Yes | ✓ Yes | ✓ Yes |
| Sausalito | Audit of City CAFR | 2006 - Present | ✓ Yes | ✓ Yes | • |
| South San Francisco | Audit of City CAFR, Successor Agency, Single Audit, Transportation Development Act Audit, Transportation Measure | 2004 - Present | ✓ Yes | ✓ Yes | ✓ Yes |
| Turlock | Financial Statements, Successor Agency, Single Audit, Transportation Development Act Audit, Financing Corporation | 2013 - Present | • | • | ✓ Yes |
| Visalia | Audit of City CAFR, Successor Agency, Single Audit, Transit Fund, Transportation Measure | 2015 - Present | ✓ Yes | ✓ Yes | ✓ Yes |

AUDITING EXPERIENCE OF FIRM (Continued)

Grant and Compliance Audit Experience

Our pertinent Non-Transportation Single Audit Act experience is graphed below:

| Client | Housing and Urban Development | Justice | Homeland Security | Agriculture | Defense | Commerce | Interior | National Endowment for the Arts & the Humanities | Energy Education Labor | Health & Human Services | Environmental Protection Agency |
|-------------------|-------------------------------|---------|-------------------|-------------|---------|----------|----------|--|------------------------|-------------------------|---------------------------------|
| Alameda | ■ | ■ | ■ | | | ■ | | | | | |
| American Canyon | | | | | | | | | | | ■ |
| ABAG | | | | ■ | | ■ | ■ | | | | ■ |
| Belmont | ■ | ■ | | | | | | | | | |
| Concord | ■ | ■ | | | ■ | | | | | | |
| Daly City | ■ | ■ | ■ | ■ | | | | ■ | | ■ | ■ |
| Davis | ■ | | ■ | | | | | | | | ■ |
| EBMUD | | | ■ | | | | ■ | | | | ■ |
| East Palo Alto | ■ | ■ | | | | ■ | | | ■ | ■ | ■ |
| El Cerrito | | ■ | ■ | | | | | | | | ■ |
| EID | | | | | | | | | | | ■ |
| Food Bank | ■ | | ■ | ■ | | | | | | | |
| Galt | | | ■ | | | | | | | | |
| Livermore | ■ | ■ | ■ | | | | | ■ | | ■ | ■ |
| Manteca | ■ | ■ | ■ | | | | | | | | |
| Martinez | ■ | ■ | | | | | | | | | |
| Milpitas | ■ | ■ | ■ | ■ | | | | | | | |
| Mountain View | ■ | ■ | ■ | | | | | | ■ | | |
| Napa | ■ | ■ | ■ | | | | | | | | |
| Palo Alto | ■ | | ■ | | | | | | ■ | | ■ |
| Pittsburg | ■ | | | | | | | | | | ■ |
| Rancho Cordova | ■ | ■ | ■ | | | | | | | | |
| Richmond | ■ | ■ | ■ | | | ■ | | | ■ | ■ | |
| Roseville | ■ | ■ | ■ | | ■ | | | | | | ■ |
| WETA | | | ■ | | | | | | | | |
| San Pablo | ■ | | | | | | | | | | |
| San Rafael | ■ | | ■ | | | | | | | | |
| SRVFPD | | | ■ | | | | | | | | |
| So. Lake Tahoe | ■ | ■ | | ■ | | | ■ | | | | |
| So. San Francisco | ■ | | ■ | ■ | | | | | ■ | ■ | ■ |
| Suisun City | ■ | ■ | | | | | | | | | |
| Sunnyvale | ■ | ■ | ■ | | ■ | | | ■ | ■ | | |
| Turlock | ■ | ■ | | | | | | | | | ■ |
| Vallejo | ■ | ■ | ■ | | ■ | ■ | | | | | ■ |
| Waterford | ■ | | | | | | | | | | ■ |
| West Sacramento | ■ | ■ | ■ | ■ | | | | | | | ■ |

AUDITING EXPERIENCE OF FIRM (Continued)

Our pertinent Single Audit Act and Transportation grant experience is graphed below:

| Client | US Department of Transportation | | | Local | State | Transportation Development Act | | |
|---|---------------------------------|---------------------------------|-----------------|-------------------|----------------|--------------------------------|---------------------------|-----|
| | Airport Improvement Program | Highway Planning & Construction | Transit & Other | Measures A, B & C | SLPP/SLTPP/TSM | Transit/Para-Transit | Bicycles/Pedestrian Trail | NTD |
| AC Transit | | | | | | | | ♦ |
| ACTIA | | ♦ | ♦ | ♦ | | | | |
| ACTA | | ♦ | ♦ | ♦ | | | | |
| Alameda | | ♦ | ♦ | ♦ | ♦ | ♦ | ♦ | |
| American Canyon | | ♦ | ♦ | | | | ♦ | |
| ABAG | | ♦ | | | ♦ | | | |
| Atherton | | | | ♦ | | | | |
| Belmont | | ♦ | ♦ | ♦ | | | ♦ | |
| Brentwood | | ♦ | | | | | ♦ | |
| CCTA | | ♦ | | ♦ | | | | |
| Concord | | ♦ | ♦ | ♦ | ♦ | | ♦ | |
| Daly City | ♦ | ♦ | ♦ | ♦ | ♦ | | ♦ | |
| Davis | | ♦ | ♦ | | ♦ | | | |
| East Palo Alto | | | | ♦ | | | | |
| El Cerrito | | ♦ | | | | | ♦ | |
| Galt | | ♦ | | | | | | |
| Larkspur | | | | | | | ♦ | |
| Livermore | ♦ | ♦ | ♦ | ♦ | ♦ | ♦ | ♦ | |
| LAVTA | | | ♦ | ♦ | | ♦ | | |
| Los Banos | | | | ♦ | | | ♦ | |
| Manteca | | ♦ | ♦ | | | | | |
| Martinez | | ♦ | ♦ | ♦ | | | ♦ | |
| Millbrae | | ♦ | | ♦ | | | | |
| Milpitas | | ♦ | ♦ | | ♦ | | ♦ | |
| Modesto | ♦ | ♦ | ♦ | | | ♦ | ♦ | |
| Mountain View | | ♦ | | | | | ♦ | |
| Napa | | ♦ | ♦ | | | | ♦ | |
| Oakley | | | | | | ♦ | ♦ | |
| Peninsula Corridor Joint Powers Board | | | ♦ | ♦ | ♦ | ♦ | | |
| Palo Alto | | | ♦ | | | | ♦ | |
| Portola Valley | | | | ♦ | | | | |
| Rancho Cordova | | ♦ | ♦ | | | | | |
| Richmond | | ♦ | ♦ | ♦ | | | | |
| Roseville | | ♦ | ♦ | | ♦ | | | |
| San Carlos | | ♦ | | | ♦ | | ♦ | |
| San Mateo Transit District | | ♦ | ♦ | | | ♦ | | ♦ |
| San Mateo County Transportation Authority | | ♦ | ♦ | | | | | |
| San Pablo | | ♦ | | ♦ | | | ♦ | |
| San Rafael | | ♦ | ♦ | | | | ♦ | |
| Solano Trans Authority | | ♦ | | | | | ♦ | |
| South Lake Tahoe | ♦ | | | | | ♦ | ♦ | |
| South San Francisco | | ♦ | | | ♦ | | ♦ | |
| Suisun City | | ♦ | | | | | ♦ | |
| Sunnyvale | | ♦ | ♦ | | | | | |
| Turlock | | ♦ | ♦ | | | ♦ | | |
| Vallejo | | ♦ | ♦ | | | ♦ | | |
| Water Emergency Transportation Authority (WETA) | | | ♦ | | | | | ♦ |
| Waterford | | ♦ | | | | ♦ | ♦ | |
| West Sacramento | | ♦ | ♦ | | | ♦ | ♦ | |
| Woodside | | | | ♦ | | | ♦ | |

AUDITING EXPERIENCE OF FIRM (Continued)

All of our audit staff can navigate through the read-only functions of the Eden system with ease, as well as other general ledger systems of our clients, and can work in any other database systems of the City.

Long-Term Debt Experience

Because of our depth of experience with municipalities we have experience with virtually every debt type and structure. We have experience auditing revenue bonds, certificates of participation, special assessment bonds, Marks-Roos bond pools, capital appreciation bonds, variable rate demand bonds, auction rate bonds, bond anticipation notes and bonds/swap agreements with synthetic fixed interest rates. Our experience with swaps by clients including the total notional amount follows:

- Contra Costa Transportation Authority - \$300 million (Forward Swap commitment)
- City of Richmond - \$199 million, including a counter swap and a swaption
- City of Pittsburg - \$156 million
- City of Roseville - \$115 million
- South Placer Wastewater Authority- \$94 million
- City of Modesto - \$62 million
- City of San Pablo - \$36 million
- East Bay Municipal Utility District - \$90 million

Public Financing Authorities and Mello-Roos Experience

We have performed audits of Public Facilities Financing Authorities and Mello-Roos districts and designed financial statements that went beyond required disclosures to include Inception-to-Date information about capital projects. These disclosures can allow the reader to see and understand the entire scope and cost of capital projects, even though they may not remain on the Authorities' books after completion.

We are familiar with public financing authorities and the accounting and auditing problems that can arise with their use. We have many clients that use financing authorities in issuing debt.

Assistive Resources

Our client support is unmatched by any other firm. As a San Francisco Bay Area municipal audit niche firm with six audit partners, we are positioned perfectly to provide staff and Council with a wide variety of resources. Support ranges from turn key financial statement drafts with linked footnotes and direct download-based financial statements to professional continuing education sessions. We are active in professional organizations affecting local government and have a strong presence in neighboring local governments which keeps our knowledge current that we readily share with our clients. And we do not charge extra for the five-minute phone calls throughout the year.

AUDITING EXPERIENCE OF FIRM (Continued)

Client Training and Professional Development

We can provide you with varying levels of training and professional development resources. We provide our semi-annual continuing education to our staff and have on occasion opened it up to our clients who wish to keep their licensees current. Our audit fee includes providing training and assistance with the implementation of applicable new GASB statements, at no additional charge. Depending upon the complexity of the GASB Statement requiring implementation, the assistance could take the form of free access to web-based training, one-on-one or group training, suggested footnote disclosure templates and/or Excel spreadsheet templates.

We have also developed and conducted training specifically for our clients. Training can be general theory in nature, semi-customized or fully customized training that fits your operations. Theory intensity can be at the beginning, intermediate and advanced levels. On occasion, we have provided our clients with shorter presentations of new pronouncements and other requirements. At the City of Richmond, for example, we developed and taught monthly training sessions on virtually every major finance area to its staff over a twelve month period. Much of their staff assumed new functions in the aftermath of serious staffing cuts several years ago and their Finance Director was seeking an economical method of enhancing their knowledge base and skill sets. At the City of Livermore, we provided customized training on capital assets to their finance staff, and at the Cities of Richmond, Livermore, and El Cerrito we provided grants management training to several departments as a means of solving coordination weaknesses. **In 2015, we also began providing live and taped web-based training.**

Books, Periodicals, News Letters, and Professional Standards

We provide our staff and our clients, if they wish, all of the resources they need to complete their work efficiently and effectively. Our resources include all AICPA Professional Standards, AICPA Audit and Accounting Guides, GASB statements, interpretations, implementation guides and concept statements, FASBs, ARBs, APBs, Generally Accepted Government Audit Standards (The "Yellow Book"), Single Audit Regulations and website links to OMB Circulars, the SF-Sac Data Collection Form and instructions, website links for CFDA numbers, the Code of Federal Regulations and publications of the Government Accountability Office. We also have GFOA documents such as CAFR Checklists, the Governmental Accounting, Auditing and Financial Reporting Guide (the "Blue Book"), the GAAFR Review, and ACWA newsletters. We maintain an up-to-date library of guidelines and other documents we use such as cash and investment guidelines, and Transportation Development Act regulations and guidelines, Transportation Measures A, B and J guidelines and regulations. And, we attend conferences by CSMFO, ACWA, AIPCA and the CalCPA Education Foundation to keep ourselves current.

Capabilities in General Consulting and Compliance Auditing

We also provide a variety of other services which you may need, including:

❖ **Training and Continuing Education – Generic or customized to fit your needs!**

- | | |
|---|--|
| ➤ Governmental Accounting - Beginning, Intermediate and Advanced Levels | ➤ Accounting for Receivables and Revenues |
| ➤ Grant Accounting and Management | ➤ Accounts Payable and Purchasing |
| ➤ Bank Reconciliations | ➤ Capital Asset Accounting |
| ➤ Management and Accounting | ➤ Debt Accounting and Management |
| ➤ Cash and Investments | ➤ Information System Security and Microsoft training |

AUDITING EXPERIENCE OF FIRM (Continued)

- ❖ **Temporary Accounting Assistance** - When we are not limited by independence regulations, we have provided additional accounting help in areas such as:
 - Construction in Progress Accounting
 - Owner Participation Agreement/Disposition and Development Agreement Accounting
 - Forecasts and Projections
 - Grant Management
 - Capital Assets
 - General Ledger Journal Entries
 - Debt recording
 - Account analysis and clean up

- ❖ **Preparation of Controller's Reports and annual filings** - We can prepare any of the following whether you are an audit client or not:
 - State Controller's Reports for:
 - Cities
 - Special Districts, or
 - Transportation Planning Agencies
 - Annual Street Reports
 - Information Returns

- ❖ **Operational Segment Audits** such as:
 - Cash collection controls and procedures
 - Loans receivable management
 - Police evidence room
 - Cal-Card and Purchasing Card

- ❖ **Project Length Audits** such as Construction in Progress project audits and Joint Powers Authority member equity calculations.

- ❖ **Lease/Franchise/TOT/Independent Operator Agreement Audits** including rent recalculations, revenue controls, payroll/independent contractor compliance and more.

- ❖ **Pre-award Operator/Contractor Analysis and Audits**, such as
 - Pre-award audits of Engineering Firms funded by CALTRANS
 - Independent Analysis of Proposed Airport Operators
 - Independent Analysis for Prospective Fire Service Providers

- ❖ **Information Systems Support** customized to fit your needs:
 - Information System Reviews and Audits
 - Network Vulnerability Scans
 - Security and Access Reviews
 - Security and Microsoft Certified Training
 - Microsoft Small Business Specialist
 - Payment Card Industry (PCI) Compliance

Professional Activity

We are active members of the Government Finance Officers Association and the California Society of Municipal Finance Officers as well as the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants. We are also a member of the Association of California Water Agencies (ACWA). We are frequent speakers at various organizations.

We attend CSMFO Northern California chapter meetings on a regular basis, and we have served as speakers on various occasions. We also attend the CSMFO Annual Conference, at which our Partners have been speakers. We have also attended the League of California Cities' annual Financial Management Seminars.

Amy Meyer and Katherine Yuen serve on the Governmental Accounting and Auditing Committee of the California Society of CPAs. David Alvey, Amy Meyer and Mark Wong are CAFR reviewers for the CAFR Award Program of the Government Finance Officers Association.

| |
|--|
| AUDITING EXPERIENCE OF FIRM (Continued) |
|--|

Internal Quality Assurance System

Every one of our audit and assurance engagements has an Engagement Partner responsible for the successful completion of the work as well as ensuring we maintain quality levels that satisfy professional standards. Our very high Partner to staff ratio of one to five is double that of traditional firms. We specifically structure our work for on-site Engagement Partner participation while the audit is being conducted. This structure is by design to ensure we have active on the job oversight of staff and timely completion of the work.

We have always subjected our audit and assurance engagements to a second Quality Assurance Review. Historically this was performed by a second partner. However, over the past several years audit quality controls standards have been revised and enhanced. Standards issued by the American Institute of Certified Public Accountants and General Accountability Office now form the guidance in determining adequate quality controls for audit firms. While not required by the Standards, we believed it would be better to have an independent second review of the work by someone without engagement responsibilities and to have that person report to the shareholders directly as a group rather than any one shareholder.

No Disciplinary Action

We have no record of substandard or unsatisfactory performance, nor have any claims ever been filed with any State Board of Accountancy against our firm or any of our employees.

Federal or State Field Reviews

We have not been subject to any Federal or State Field Reviews of our audits during the past three years.

Litigation

We have not been sued over poor work quality, nor have we paid any such claims out of court in the past three years.

AUDITING EXPERIENCE OF FIRM (Continued)

Peer Review Letter



POWELL & SPAFFORD, INC.
CERTIFIED PUBLIC ACCOUNTANTS

Jessie C. Powell, CPA (Ret.)
Patrick D. Spafford, CPA

Licensed by the California Board of Accountancy
Member American Institute of Certified Public Accountants

SYSTEM REVIEW REPORT

To the Shareholders of
Maze & Associates Accountancy Corporation
and the Peer Review Committee of the CalCPA Peer Review Program

We have reviewed the system of quality control for the accounting and auditing practice of Maze & Associates Accountancy Corporation (the firm) in effect for the year ended May 31, 2014. 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. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. 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 the standards, engagements selected for review included engagements performed under *Government Auditing Standards*.

In our opinion, the system of quality control for the accounting and auditing practice of Maze & Associates Accountancy Corporation in effect for the year ended May 31, 2014, 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*. Maze & Associates Accountancy Corporation has received a peer review rating of *pass*.

Powell & Spafford

August 27, 2014

447 Missouri Court • Redlands, CA 92373 • P.O. Box 8847 • Redlands, CA 92375
Telephone 909-792-1832 • Fax 909-792-2015

QUALIFICATIONS OF STAFF

Audit Team

We are proposing to assign David Alvey as Engagement Partner, Amy Meyer as Alternate Partner, Cody Smith as Audit Supervisor and Nikki Apura as Audit Supervisor for the Single Audit. We will also have Donald Hester, our Information Technology Director, perform a review of your information system as it relates to our work and our Quality Assurance Director, Cory Biggs, perform a Quality Assurance Review of all our reports and workpapers.

We will balance out our resources with our Senior Associates and Associates to form fully leveraged teams. All of our audit staff are experienced with basic financial statements, Comprehensive Annual Financial Reports, large enterprise operations, retirement plans, Single Audits, Transportation Development Act Audits, capital assets and infrastructure, long-term debt, including swaps and related compliance and continuing disclosures, and all other aspects of municipal accounting and financial reporting.

Brief resumes of our proposed team members follow:

DAVID ALVEY, CPA, Engagement Partner - graduated from St Mary's College, Moraga with a Bachelors of Science Degree in Accounting and a Minor in Business Administration. David has received **500 hours of continuing education in the past five years**. David has experience as an internal auditor at California Savings Bank in Oakland, CA. He is a Certified Public Accountant in the State of California. He is a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants. David is also a member of the Association of Certified Fraud Examiners. His relevant experience includes:

| | |
|---|---|
| City of American Canyon | City of Larkspur |
| American River Authority | City of Los Altos |
| Alameda County Transportation Authority | City of Livermore |
| Alameda County Transportation Improvement Authority | City of Manteca |
| Alameda-Contra Costa Transit District | East Palo Alto Sanitary District |
| Alameda Mastic Senior Center | Mid-Peninsula Water District |
| Association of Bay Area Governments | Middle Fork Project Finance Authority |
| Bay Area Clean Water Agencies | Monument Crisis Center |
| City of Benicia | City of Napa |
| Bethel Island Municipal Improvement District | City of Oakley |
| Calaveras County Water District | Partners in School Innovation |
| Castle Rock County Water District | City of Petaluma |
| Central Contra Costa Sanitary District | City of Pittsburg |
| Central Market Community Benefit Trust | Placer County Water Authority |
| Clausen House | City of Pleasant Hill |
| Coastside County Water District | Regional Park Foundation |
| Contra Costa Water Financing Authority | Richmond Housing Authority |
| Contra Costa Water District | City of Rio Vista |
| Contra Costa Water District Retirement Plan | City of Roseville |
| City of Cupertino | City of San Leandro |
| City of Daly City | San Mateo Community College Foundation |
| City of Davis | San Mateo County Transportation Authority |
| Delta Diablo Sanitation District | Peninsula County Joint Powers Authority |
| Diablo Water District | San Mateo County Transit District |
| DSRSD/EBMUD Recycled Water Authority | Santa Clara Valley Water District |

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| QUALIFICATIONS OF STAFF (Continued) |
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David Alvey (Continued)

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| Dublin San Ramon Services District East Bay Municipal Utilities District (EBMUD) EBMUD Employee Retirement System East Palo Alto Sanitary District Education Pioneers El Dorado Irrigation District City of Escalon Fairfield-Suisun Sewer District Freeport Regional Water Authority City of Galt City of Hayward ID Business Solutions Landmark Heritage Foundation | Skyline County Water District Solano Irrigation District Solano Transportation Authority South San Joaquin Irrigation District Southern Marin Fire Protection District Stanislaus Waste to Energy Stinson Beach County Water District Stopwaste City of Sunnyvale Upper Mokelumne River Watershed Authority Walnut Creek Chamber of Commerce The Wellness Community West Bay Sanitary District |
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AMY MEYER, CPA, Technical Review/Alternate Partner - Amy graduated from the University of the Pacific in 1993 with a B.S. in Accounting and a minor in Information Systems, and has worked with Maze & Associates since 1993. Amy is a California CPA and is a member of the California Society of CPAs and the American Institute of Certified Public Accountants. Amy has assisted several of our clients with their computer applications and is very comfortable using a variety of systems. She has been involved with a number of accounting and GASB implementation training classes customized to our clients' needs. Amy is also our PC applications expert. Amy currently serves on the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants, which provides practical guidance to CPAs in the area of governmental accounting and auditing in an effort to improve the quality of financial reporting on governmental entities. Amy is also a CAFR reviewer for GFOA. **She has accumulated three hundred four hours of continuing education during the last three years as an in-house instructor and participant.** She has gained valuable experience on the audits of the following:

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| City of Alameda Alameda Power and Telecom City of Albany City of American Canyon Town of Atherton Association of California Water Agencies Joint Powers Insurance Authority City of Brentwood California Joint Powers Risk Management Authority City of Concord City of Dublin East Bay Regional Park District City of El Cerrito City of Hercules Livermore Area Recreation and Park District City of Livermore Town of Los Gatos | City of Mountain View City of Oakley City of Palo Alto Redwood Empire Municipal Insurance Fund City of Rancho Cordova City of Richmond City of Rio Vista City of Rocklin City of Roseville Town of San Anselmo City of San Carlos City of San Pablo City of Santa Clara City of Saratoga South Placer Wastewater Authority City of Tracy City of Turlock |
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QUALIFICATIONS OF STAFF (Continued)

Amy Meyer (Continued)

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| City of Manteca | City of Vallejo |
| City of Martinez | City of Waterford |
| City of Milpitas | West Contra Costa Transportation Advisor Committee |
| City of Modesto | City of Woodland |

CODY P. SMITH, CPA, Audit Supervisor - graduated Summa Cum Laude from the University of San Francisco in May, 2008 with a Bachelor of Science in Business Administration of Accounting. Prior to graduating from the University of San Francisco, Cody also spent two years at St. Mary's College of California. After graduating, Cody worked at Rothstein, Kass & Company as a Hedge Fund Audit & Tax Associate and while there received 80 hours of continuing education. Cody joined Maze & Associates in August, 2009 as an Audit Associate. He is now an Audit Supervisor. Cody has received over 600 hours of continuing education since joining the firm. Cody's expertise includes financial statement and single audits for: Municipalities, Non-Profits, Special Districts, Transit Agencies, Insurance Funds and Public Housing Authorities. Cody became a Certified Public Accountant (CPA) in the State of California in January, 2011. His relevant experience includes:

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| AC Transit | City of Mountain View |
| City of Alameda | City of Napa |
| Alameda Municipal Power | City of Piedmont |
| Association of Bay Area Governments | Town of Portola Valley |
| City of Atherton | Redwood Empire Municipal Insurance Fund |
| City of Belmont | City of Richmond |
| City of Brentwood | Richmond Housing Authority |
| City of Brisbane | City of Santa Clara |
| California Groundwater Authority | San Mateo County Transportation Authority |
| City of Concord | Peninsula County Joint Powers Authority |
| City of Cupertino | San Mateo County Transit District |
| City of Daly City | SF Bay Area Water Transportation Authority |
| East Contra Costa Costa Habitat Conservancy | City of San Carlos |
| City of East Palo Alto | City of San Pablo |
| City of El Cerrito | City of San Rafael |
| Food Bank of Contra Costa | City of Santa Clara |
| City of Hayward | Sonoma County Agriculture Preservation & |
| City of Livermore | Open Space District |
| Livermore Amador Valley Transit Authority | City of South San Francisco |
| Livermore Recreation & Park District | City of Stockton |
| Town of Los Altos | City of Suisun City |
| City of Los Banos | Silicon Valley Education Foundation |
| City of Manteca | City of Vallejo |
| City of Millbrae | City of Woodside |

NIKKI APURA, Audit Supervisor - graduated from California State University, East Bay in 2008 with a B.S. in Business with an emphasis in Accounting. Nikki has received over 300 hours of continuing education since joining Maze & Associates. Nikki has participated in the following audits:

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| City of Alameda | Menlo Park Fire Protection District |
| Alameda-Contra Costa Transit District | Midpeninsula Water District |
| Association of Bay Area Governments | City of Milpitas |
| Bay Area Air Quality Management District | City of Modesto |

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| QUALIFICATIONS OF STAFF (Continued) |
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Nikki Apura (Continued)

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| Bay Area Clean Water Agencies Bay Homes Development Corporation (Not-for-Profit) City of Belmont City of Benicia City of Brisbane Charities Under 1% Overhead (Not-for-Profit) Charities Under 5% Overhead (Not-for-Profit) Comp Shared Risk Pool City of Concord Contra Costa County Abandoned Vehicle Abat. Auth. City of Cupertino City of Daly City City of Davis Delta Diablo Sanitation District Dublin San Ramon Services District East Bay Municipal Utility District City of East Palo Alto Finance Authority for Nonprofit Corporations Food Bank of Contra Costa and Solano Freeport Regional Water Authority City of Galt City of Half Moon Bay City of Hayward City of Larkspur City of Livermore Livermore Area Recreation and Park District City of Los Altos | Town of Moraga City of Mountain View City of Napa City of Newark City of Pacifica City of Petaluma City of Pleasant Hill City of Piedmont Pooled Liability Assurance Network Public Owned Energy Resources City of Richmond San Mateo County Transit Authority San Ramon Valley Fire Protection District Sausalito Marin City Sanitary District City of South Lake Tahoe City of South San Francisco Southern Marin Fire Protection District South San Francisco Stinson Beach County Water District STS Academy (Not-for-Profit) City of Suisun City Upper Mokelumne River Watershed Authority City of Vallejo Vestia (Not-for-Profit) Water Emergency Transit Authority City of Waterford West Valley Sanitation District Zone 7 |
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In addition, Nikki was also part of Maze & Associates' Tax Team for six years.

CORY BIGGS, CPA, Quality Assurance Director - Cory is a graduate of CSU Hayward with a B.S. in Business, emphasis in Accounting. He is a California CPA with over twenty-nine years experience, three with Deloitte, Haskins & Sells, three with Seiler & Company, a large Bay Area local firm, and the rest with us. He is a member of the AICPA and California Society of CPA's. Cory's experience includes cities, school districts, and a variety of high-tech and commercial for-profit organizations. **Cory has accumulated three hundred twenty hours of continuing education in the past three years as an in-house instructor and participant.** His relevant municipal experience includes:

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| City of Alameda City of American Canyon Association of Bay Area Governments Town of Atherton City of Belmont Belmont San Carlos Fire Department Belmont Net Six Joint Powers Authority Belmont South San Mateo Police Authority City of Capitola | Livermore Amador/Valley Transit Authority City of Los Altos Town of Los Altos Hills Town of Los Gatos City of Manteca City of Martinez City of Millbrae City of Milpitas City of Modesto |
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| QUALIFICATIONS OF STAFF (Continued) |
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Cory Biggs (Continued)

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| <p>Coastside County Water District City of Concord Contra Costa County Bond Funds Contra Costa Transportation Authority City of Cupertino City of Daly City City of Dublin Dublin San Ramon Services District East Bay Municipal Utility District City of El Cerrito City of Emeryville City of Hayward Town of Hillsborough City of Livermore Livermore-Amador Valley Transit Authority Livermore-Amador Valley Water Mgt. Auth. Livermore Area Recreation and Park District</p> | <p>City of Mountain View City of Napa City of Palo Alto Placer County Water Agency City of Pleasant Hill Town of Portola Valley Richmond Housing Authority San Francisco Bay Transit Water Emergency Authority City of San Carlos San Ramon Valley Fire Protection District Santa Clara Valley Water District City of Saratoga City of South Lake Tahoe South Lake Tahoe Basin Waste Management Authority City of South San Francisco San Francisco Bay Area Water Emergency Transit Authority</p> |
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DONALD E. HESTER, IT Director - Donald's clients include local municipalities, non-profits, corporations and federal government agencies, specializing in a wide array of compliance programs and security assessments such as PCI, FISMA, COBIT, ITIL and ISO27002. He is a guest lecturer and speaker on security topics for CMTA, CSMFO, MISAC, CISOA, ISACA and others and he has served on various advisory committees and as a subject matter expert in information technology and security. Donald also teaches IT Audit and Forensics at the University of San Francisco and Microsoft courses for Los Positas College, San Diego City College and for the @One program of the California State Chancellor's office. Donald graduated with honors from the American Military University with a Bachelor's Degree in Security Management with a concentration in Information Security. He has nearly 20 years of experience in the security field. Donald has been with us for ten years now and has received more than 320 hours of continuing education in the past three years and has over 900 hours of instructional work. His certifications include; CISSP, CISA, CAP, MCT, MCITP, MCTS, MCSE Security, MCSA Security, MCDST, Security+ and CTT+. Donald is also a Chairman and past Treasurer for the Brentwood Veterans Memorial Building and Commandant and past Treasurer for the Delta Diablo Det. 1155 Marine Corps League.

Staff Training

We believe the level of training we provide is unmatched by any other accounting firm. **Our audit staff receives an average of 80 hours of continuing education annually, including an average of over 48 hours of municipal audit and accounting training. These are twice the amount required by professional standards.**

Our program places heavy emphasis on governmental accounting and auditing classes conducted by our own staff, supplemented by courses offered by the California Society of Certified Public Accountants, the American Institute of Certified Public Accountants, the Government Finance Officers Association, the California State Municipal Finance Officers Organization and the Association of California Water Agencies.

QUALIFICATIONS OF STAFF (Continued)

We accomplish this task by reserving a solid week in January or February and another week in July solely for staff training. Our training is very specific and very participatory; lectures are almost non-existent as people are involved in a continual give-and-take format designed to educate while it helps us improve our services. We deal with specific clients and situations, we solve problems and do case studies, and we train people for real-life situations through role-play exercises. Everyone is equal in these exercises and everyone contributes their own experience in the field and the ideas they have formulated from that experience. Suggestions coming out of staff training sessions are the source of most of the service improvements and refinements we make each year.

A listing of our continuing education courses provided to all our staff, both certified and non-certified, over the past three years is as follows:

| Area/Course | 2013 | | 2014 | | 2015 | |
|--|-------------------|-------------------|------------------|-------------------|------------------|-------------------|
| | Spring 40 Hrs. | Summer 40 Hrs. | Spring 8 Hrs. | Summer 40 Hrs. | Spring 8 Hrs. | Summer 40 Hrs. |
| Auditing and Accounting Management | | | | | | |
| Municipal Audit - Practice Analysis and Review | ☞ | ☞ | ☞ | ☞ | ☞ | ☞ |
| Managing Municipal Audits - Audit Supervisors | ☞ | ☞ | | | | ☞ |
| Cities in the News | ☞ | | | | | |
| Control Testing | | ☞ | | ☞ | | ☞ |
| Quality Control | ☞ | | | | | ☞ |
| GAAP Updates | | | | | | |
| Cash, Debt, and Capital Asset Auditing Updates | | ☞ | | | | |
| Researching CCH, Best Practices Consulting/ Governmental Accounting | | ☞ | | | | |
| GASB/FASB Update | ☞ | ☞ | ☞ | ☞ | ☞ | ☞ |
| GASB 34 - Training | | ☞ | | | | |
| GASB Update | ☞ | ☞ | ☞ | ☞ | ☞ | ☞ |
| GASB 68 | | | | | ☞ | ☞ |
| Journal Entry Testing | | | | ☞ | | ☞ |
| Compliance Audits | | | | | | |
| Transportation Audits - TDA, STIP and Measures A, B, C | | | | ☞ | | |
| RDA Compliance/Successor Auditor | ☞ | ☞ | | | | ☞ |
| Single Audit Compliance | | ☞ | | ☞ | | ☞ |
| Auditing Standards | | | | | | |
| Audit Standards Update | ☞ | | | ☞ | | ☞ |
| New SASs, Risk Assessment and Impacts on Approach | | ☞ | ☞ | ☞ | ☞ | ☞ |
| Assessing Internal Control Risks/ Sample Sizes | ☞ | | | | | |
| Updating our Audit Approach | | | | ☞ | | ☞ |
| Yellow Book Update | | ☞ | | | | ☞ |
| IT/Paperless/Other | | | | | | |
| Team Building: Building and Maintaining Effective and Successful Teams | ☞ | | | | | |
| CCH Paperless Audit Software/ Trial Balance Function | ☞ | ☞ | | | | |
| IT Information Systems Review Updates | ☞ | ☞ | | ☞ | | ☞ |

Qualifications and Continuity

Our people accumulate over 1500 hours of purely municipal audit and accounting experience annually, far more than in any general service accounting firm.

We provide our clients continuity while introducing enough new people to keep our perspective fresh and provide you with the benefits of rotation. We intend to retain all the people assigned to your audit throughout this year's entire engagement. In future years we plan to rotate no more than one person on each segment whom we will replace with someone of equal experience.

QUALIFICATIONS OF STAFF (Continued)

We do everything we can to ensure continuity because it helps you, it helps our staff and it helps us. We schedule the entire year in advance to avoid conflicts, and we give priority to clients who are able to accurately predict the date their books will be closed, so that the staff on their audit will not be affected if another client's closing or audit is delayed. We attempt to match personalities as well as skills and abilities so that our staff and yours will get along well.

PROJECT APPROACH AND PLAN OF WORK

Specific Audit Approach

Our audit strategy is designed specifically for municipalities. We perform half our audit well before year-end so we can identify problems early. Our strategy maximizes our efficiency and lessens the load on our clients. When engaged to prepare the financial statements, we prepare proformas of them for your review, well before year-end and we give you detailed interim and final-phase checklists of all the items we will need from you months in advance. We have integrated GASB 34 requirements into our strategy so that there is a seamless transition to the entity-wide statements.

We will plan the audit in detail and prepare an Audit Plan which details the information we will need from you to complete our interim and year-end audits, along with the person responsible for preparing it and the date they will have it ready. We tailor it to refer directly to the schedules you already prepare.

We do not require special reports or reconciliations just for our audit. We have found that coordinating our team and our client's staff works very well because it helps minimize the impact on your staff at year end. This way the Audit Plan includes most data we need from you so you and your staff can plan and schedule your work accordingly. **Our clients know from prior experience with our firm, that we excel at minimizing our impact on County staff.**

Specific Audit Strategy—Interim

Unlike older-style firms, **we perform most of our important work at interim**, well before the end of the fiscal year. We use our interim work to identify and solve problems and plan the year-end closing and audit in detail. Well before we begin our interim work we'll send you a list of the items we need, so you will have time to prepare.

We forecast many year-end amounts at interim, so that we can limit the amount of work required at year-end and concentrate instead on areas of concern. For example, we normally perform all our cash and investment testing at interim, including sending confirmation letters to depositories and determining financial statement categorizations. Performing these last two steps at interim allows plenty of time to follow up on confirmations or resolve questions about the proper categorization of an investment without delaying the audit. As another example, we test long-term debt at interim and forecast year-end balances and transactions for each debt issue.

We use **remote inquiry** as much as possible at interim, in order to increase our efficiency and reduce our impact on your staff. We can download Council Minutes and other documents from your Website for review. Combining these abilities with our checklists has allowed us to perform larger portions of the audit in our own offices and reduce our questions to writing so that you have more time to deal with them.

Laws, Regulations and Compliance

Our audits are designed to ensure that we test transactions for compliance with the Single Audit Act and other applicable laws and regulations, including the California Government Code, provisions of applicable Grant guidelines, California Constitution Gann Limit requirements, requirements of local measures, Transportation Development Act requirements, etc. We identify applicable laws and regulations as part of our audit planning each year.

The California Government Code has many provisions and underlying regulations relating to investments and the investment policy, all of which are tested as part of our audit of cash and investments. That Code and the underlying regulations also form the basis of our compliance audit tests of Housing Successors, Child Development Programs, debt and other areas.

PROJECT APPROACH AND PLAN OF WORK (Continued)

To the extent possible, we also begin our tests of compliance with laws and regulations at interim, including use of the OMB Circular A-133 and the Compliance Supplement and any other applicable compliance guidelines. Even if the work cannot begin until year-end we determine the applicable laws and regulations for our compliance testing so that we may incorporate the necessary information in our year-end closing checklist. Our audit samples for purposes of compliance vary based on the grant or compliance guidelines and are program-specific. The samples are stratified to ensure we test transactions that are representative of the costs charged to grants.

Specific Audit Strategy - Year End

At year-end we do not repeat any of the work we performed at interim. Instead, we focus on the items in your Audit Plan and on the Basic Financial Statements. **Our year-end audit field-work actually starts in our office**, so that when we do arrive in your offices we are fully prepared and we minimize our impact on your operations.

In our offices, we cross-reference or reconcile your Audit Plan information, reports and schedules. The Engagement Partner **performs our detailed Analytical Review and emails our questions to you in advance of our arrival** in your offices. Our experience is that this Analytical Review identifies any issues remaining after our interim work, as well as most potential audit adjustments. This gives all of us time to address these items in person while the audit field-work is proceeding, instead of by telephone, fax and e-mail afterward.

As part of the analytical procedures, when we start work in your offices, we will need you to complete your responses to the Analytical Review, but we will not need much of your time and we will not ask for more schedules or reports. Our Engagement Partner and Supervisor will meet with you on the first day of the year-end audit to discuss any remaining unanswered Analytical Review questions, review the status of the year-end closing and to determine if modifications to our year-end approach are needed. This meeting sets the stage for the year-end audit.

At the conclusion of our year-end work, our Partner and Supervisor will review the final financial statement drafts with you and your staff. The following week, our Quality Assurance Director will perform a "quality assurance review" of the financial statements and workpapers so that we will be ready to sign the financial statements as soon as the County approves them.

We designed this strategy specifically to fit cities and the complications introduced by GASB 34. It requires our Partners to be fully and actively involved in the planning and performance of the work and it allows us to issue final financial statements and reports immediately after we finish our field-work in your offices.

You will find our strategy allows you to control the audit process, enables you to spread the work over the year as you wish and greatly reduces the pressure at year end.

Audit IT Systems, Security and Going Green

Hand-in-hand with our continuing investment in our people has been our increased investment in systems and hardware support. **We have a full-time staff of three people who maintain our state-of-the-art systems capabilities and provide increasing levels of such service to our clients.**

Every person on our staff is provided with a Windows operating system PC networked with other audit team PCs and a printer via our own wireless LAN establish at the start of each audit in our client's office. Years ago, we completely eliminated hardcopy workpapers by converting to *ProSystems fx Engagement* paperless audit software published by Commerce Clearing House. We use Word as our word processor and Excel for preparation of financial statements and schedules and Outlook for personal information management.

PROJECT APPROACH AND PLAN OF WORK (Continued)

Because of our shift from hardcopy documentation to softcopy and our obligation under professional standards to maintain confidentiality of client data, we instituted state-of-the-art security protections to ensure client data remains confidential and secure. For example, many CPAs use email as a method of communicating financial data to and from clients. But emails are not secure communications! We therefore employ a secure data file transfer system called "LeapFile" under which we exchange data files with our clients using a secure website. This keeps data confidential and has the added benefit of permitting downloads of large excel files or Microsoft Office files that may be erroneously rejected by some email scanning software. In the event one of our staff works out of County or telecommutes, they access data via our virtual private network. **Our VPN, LANs, and audit software are password protected and encrypted to ensure your data remains confidential and secure.**

We will also use some type of connection to the internet during our audit, but coordinate it with our client's IT Staff to ensure there are no breaches in security or protocols.

Local Expertise and Resources

Our expertise and resources are local which provides our clients with timely on-the-spot responses to issues and questions as they arise. Our Audit Supervisors are on site daily while the audit team is in the field and our Audit Managers are on-site two to three days per week or as needed. Our Engagement Partners are on site at least weekly checking on progress, discussing and resolving issues with the Audit Team, as well as meeting with our client as needed. In cases of highly complex operations or unusual issues, our Technical Review Partner is brought out to meet with the audit team and provide technical support, consultation and participate in meetings with our clients as needed. With all our resources available locally, our clients are assured of in depth, timely audits and expedient resolutions to questions and issues as they arise.

Information System Review

Information System Security became an important part of financial statement audits and we have performed an Information Systems Review (ISR) with every audit since 2001. Unlike our competitors, we extend our review to not only encompass the financial system, but also the network environment that houses that system. From our perspective, the internal controls that are present in the overall network environment are critical to understanding the internal controls over the financial system.

Unlike financial statements, there are currently no authoritative standards that local governments must employ to ensure that adequate and appropriate IT controls are designed and implemented. We extensively researched this area and concluded it was most appropriate to base our ISR on the certification and accreditation framework developed by the National Institute of Standards and Technology (NIST) for the Federal Information Security Management Act (FISMA) which is the minimum security required for federal government agencies information systems. NIST recommends states, local governments and Indian tribes comply with these standards as well. **Our reviews include procedures to determine that your systems are adequately protected from unauthorized internal access, provide for reasonable measures to ensure continuation of service, provide for security of data from physical or network access and have internet access defenses including hacker prevention, detection and deterrent systems.**

PROJECT APPROACH AND PLAN OF WORK (Continued)

Our information systems reviews are performed by qualified information security professionals who hold at least the Information Systems Audit and Control Association's (ISACA) Certified Information Systems Auditor (CISA) or the (ISC)²'s Certified Information Systems Security Professional (CISSP). Both certifications require continuing professional education. As a value added service we will provide the County with a matrix of the County's maturity as compared with NIST's certification and accreditation framework. Each internal control taken from NIST SP 800-53Rev4 is ranked in this maturity matrix and an average score is provided to the County to give the County a benchmark.

System Controls, Transaction Cycle Processing Verification and Sample Sizes

With any data processing system upon which we intend to rely as a means of reducing substantive testing, we perform a variety of tests to verify the accuracy of transaction processing, the reliability of system control points and authorization controls, appropriateness of profile structures including Super-user rights access, and automated functionality such as sub-ledger integration and auto-journal entry validity and set up controls.

Gaining an understanding of the design of relevant procedures, controls and authorization levels is integrated with our risk assessment procedures discussed under the *Client Tailored Risk Assessment* section below. As part of our risk assessment process we identify those transaction cycles we intend to rely on. Both processing procedures and controls that are to be relied on are tested with our audits.

Transaction cycle processing and control tests typically involve sampling techniques. Most of our transaction samples are selected and tested during the interim portion of our work. Each sample will run from twenty-five to sixty transactions in size. We use interval and judgment sampling techniques with a high degree of stratification. Most municipalities operate more than one major revenue system. Therefore, we typically determine which revenue transactions are processed with common procedures and controls and deem that to be a single population and subject it to a single sample. Other revenue cycles processed with separate controls are tested with their own samples. For example, it is common for separate samples to be selected for governmental receipts and each major enterprise fund. Transaction cycles we sample are dependent on materiality to each client's financial statements but typically include, payroll, disbursements, receipts, loans receivable, investments and budget transactions and in accordance with the requirements of Statement of Auditing Standards #99 we also sample journal entries. Samples from each grant audit or major federal award program are also made. Samples are triple purpose samples and we test for correct recording, compliance with applicable policy or regulation and key control attributes - both manual and automated. This includes verification of sub-ledger integration and auto-journal entry validity, if needed.

Profiles, Access and Setup Controls

Despite advances in information technology automation and system control features, classic segregation of duties concepts remain a mainstay for providing adequate internal controls. What has changed however, is the necessity to determine system profile structures and actual system access. We inquire how our clients establish and maintain system profiles for relevant staff with the objective of determining whether controls are in place to provide for adequate segregation of duties and to determine if system profiles are appropriate based on the individual's duties. We also determine how our clients monitor access and we test access through reviews of access logs, observation and in some extreme cases, with fully observed access attempts.

PROJECT APPROACH AND PLAN OF WORK (Continued)

We will also inquire about procedures and controls used to ensure only those system functions and controls assigned to an employee are in fact setup in system profiles. Considerations include Super User Rights, system profile set up, and system authorization functionality such as transaction initiation, review and approval, automated entry setup and posting. Work typically involves inquiry of staff with Super-User Rights and determining how the organization provides a check and balance against the possibility that one person with Super-User Rights can intentionally or inadvertently assign unauthorized access. We often review access logs and examine approvals of profile changes and review authorization levels.

Data Extraction

We employ rather simple data extraction techniques these days since most modern systems provide easy download capabilities to text or Excel files. We have been utilizing data extraction for over fifteen years. We first began data extraction as a means of downloading data from our client's financial systems for upload directly into the financial statements. Then we expanded this to include transaction details, account information and other data contained in our clients systems that we need for audit. Our Chief Operations Officer, Chris Hunt, oversees our data extraction needs and has successfully worked with all of our clients and their systems to achieve data extractions for our use. We are extremely adept at converting from text, delimited and fixed width files, and with every system used by clients.

Assessing Risks – Interim Phase

Beginning with fiscal 2007-2008 audits, a new set of Statements of Auditing Standards became effective and required that most auditors change the way they audit. Much of this new guidance came out of the aftermath of highly publicized audit failures such as Enron, Global Crossings and the like. The Statements make it clear that a generalized one-size-fits all audit approach will not be permitted. An audit must be based on a unique audit strategy customized to fit each client and its industry.

The primary objective of these Standards is to require the auditor's application of an audit risk model. The concept is that a set of financial statements should be evaluated for the underlying risks of material misstatement. Then, a customized audit should be tailored to test for misstatements and verify that controls are designed and in place to prevent and detect misstatements.

We have consistently employed a risk based concept from our firm's inception in 1986. Our audit checklists and programs were originated by reference to *Audits of Local Governments* published by the Practitioners' Publishing Company (PPC), a third party vendor specializing in producing audit guides for unique industries. But, we have not simply used their guide as our approach. We have customized it further for the simple reason that California municipalities have many unique risks not faced by municipalities in other states. As you know, California state law and applicable regulations cover a wide variety of areas such as cash and investment management, redevelopment compliance, transportation development act programs, and child development programs. Indeed, even revenues of California municipalities are unusual and complex such as the Triple Flip and Proposition 1A securitization.

Our primary objective in an audit of each client's financial statements is to opine on whether the financial statements, including disclosures, are free of material misstatement. Our opinion must be based on sufficient, appropriate audit evidence that we obtain and this evidence must be documented. To achieve this objective, we further refine our approach to be responsive to each individual audit. We may reduce the scope of our substantive audit tests provided we conclude there are effective specific controls in place which would detect and correct misstatements due to errors or fraud.

PROJECT APPROACH AND PLAN OF WORK (Continued)

Fraud Considerations

Beginning with our 2004 audits, we employed additional audit steps required by Statement of Auditing Standards #99, *Consideration of Fraud in a Financial Statement Audit*. SAS #99 requires auditors to consider risk areas that may be susceptible to fraud and to then modify their audit strategy. We have been employing a variation of the SAS #99 concept since the early 1990's. For example, for many of our recurring clients, we visited all of their cash collection sites. We performed cash counts and reviewed cash handling practices and procedures, including security measures employed to limit access to cash. This and our planning meetings with our clients' staff have resulted in the inclusion of a variety of special emphasis areas in our audits. We combine our fraud consideration brain storming sessions with our overall risk assessment process discussed below.

Client Tailored Risk Assessment

Our strategy to assessing risk begins with a brainstorming session of our audit team where they review your prior year financial statements and operations to identify areas of major audit risk. We also incorporate our consideration of other factors such as the risk of fraud, the economy, regulatory complexities or changes, credit market conditions and others into our initial assessment. We may also compare unusual transactions and estimates to those used by other municipalities or to current trends and issues. Since we are a niche firm specializing in California municipalities this is relatively easy. For example, certain development agreements are unique to municipalities. These agreements usually contain complex financial transactions and legal restrictions. With so much experience in this area we can quickly design an efficient response to these risks.

Major audit risks are further evaluated through consideration of relevant assertions to determine inherent risk due to error or fraud. For example, cash on hand has a relative higher inherent risk of loss due to theft than an infrastructure asset. High and medium inherent risk audit areas are further evaluated to determine relevant internal controls needed to prevent, detect and correct errors or fraud.

We start our evaluation of your internal controls by interviewing staff and meeting with Department heads as needed. We review policies and procedure manuals and other documentation to determine the design of procedures and controls. As part of our evaluations we document narrative memoranda outlining the duties of each pertinent person as well as our GRID evaluation of the important nexus control points. The GRID is our own design; it is a two-axis chart we use to identify potential conflicts of duties in your controls. We enhance our evaluation by reviewing system profile reports, paying special attention to super-user rights. This data is then used to determine the presence or absence of compensating controls designed to mitigate conflicts of duties vested in a single individual.

We then test to verify that procedures and controls are operating effectively such that they reduce the risk that errors or fraud could occur and go undetected and uncorrected. We use a variety of techniques to verify controls are effective including: sampling, observation, documentation of reviews, examining system access reports and comparisons with other data.

After this has been completed, we assess the risk of material misstatement which is determined by the relative inherent risk of an area and the associated control risk to plan our substantive tests. That is, the risk that controls are not in place or are not operating effectively. Areas with a low risk of material misstatement assessment may receive limited substantive procedures while those with a high risk of material misstatement will receive significant substantive procedures.

PROJECT APPROACH AND PLAN OF WORK (Continued)

We then design our final phase audit plan to ensure we obtain sufficient appropriate evidence about the financial statements and disclosures. Specific audit procedures are developed and documented in our audit programs and we develop potential internal control points for further evaluation as to significance and communicate those to staff.

Client Participation in the Risk Assessment Process

Of course, any risk assessment process is incomplete without our clients' active participation. We hold meetings with senior finance staff and others within the organization to discuss their views and assessments of risks affecting the financial statements. Our inquiries are backed up by reviews of the annual budget, mid-year budget revisions, internal audit reports, grantor performance and monitoring correspondence and any other pertinent data we deem relevant.

We must also establish two-way communication with the Council or Audit Committee which we typically accomplish by meeting to discuss the audit process and timing, management representations and fraud considerations. For those organizations without an Audit Committee, we typically attend a Council meeting or meet with representatives of the Council.

Assessing Risks - Final Phase

Although the majority of our evaluations and testing of internal controls is completed with our interim testing, it is during the final phase that actual year end balances, transactions and disclosures are known and our substantive procedures are employed. These procedures and data often reveal unusual or unexpected results that must be considered in the risk assessment process. Risk assessment processes are iterative and cumulative. That is, we must continually re-evaluate our assessments based on information and procedures gathered. It is not uncommon for an initial assessment and the corresponding substantive audit work to be restructured as a result of new data. Indeed it is the intent of current audit standards that the audit be responsive to risks.

Our substantive procedures are selected to be responsive to the assessed risk and relevant assertion and typically involve analytical procedures, third-party confirmation, estimation techniques, mini-max tests, trend analyses, recomputations, corroboration with other tests, tests in total, sampling and comparisons to data gathered in other municipal audits.

Risk assessment procedures would be incomplete without an evaluation of the adequacy of our evidence obtained including internal control tests, any significant deficiencies or material weaknesses and substantive test results. **These factors are considered prior to the release of our opinion in a final re-assessment process that includes our quality assurance review.**

Ability to Provide Services on a Short Notice

We are always ready to provide our clients with the services they need. Depending on the amount of work involved we can adjust our calendar to accommodate smaller projects at any time. Larger projects can be problematic during our peak busy season which lasts from mid-August through December. During those months, our approach to providing services on a short notice is predicated on the principle that we must satisfy our existing obligations before accepting new work. In the rare instance that we are unavailable due to existing commitments, we have a number of recommended consultants that can assist the County.

Communication and Coordination

We will meet with you at the start of each phase of work and conduct an exit conference at the end of each phase of work. This will ensure you know everything we do, with plenty of time to address any issues.

PROJECT APPROACH AND PLAN OF WORK (Continued)

Two key objectives for a well-run audit are to ensure timely communication of the audit results and to provide for seamless coordination of the external auditors with County staff. The concept is virtually identical to our Accounting Issues Memorandum and detailed Interim and Closing Checklists that we typically prepare for our clients.

The Accounting Issues Memorandum concept was originated by one of our staff over a decade ago to function as a partner's brief of an engagement's status. It worked so well we expanded it to all our audits and share it with our clients. It has proven to be an indispensable communication and coordination tool ever since. This informal memo condenses and summarizes the audit status and issues as of the end of our interim work. It includes housekeeping matters, major and minor potential findings, scheduled audit fieldwork start and finish dates, etc. We produce this memo right in your office before the conclusion of our interim work, so you have an idea of what we've found so far and whether there are areas that need work.

Our Memorandum on Internal Control is drafted at year-end and may include significant issues raised with our interim phase Accounting Issues Memorandum as well as issues arising from our year-end work. We review a draft with you, so that you will have plenty of time to consider the facts and discuss our findings before the audit results are presented to the Council and Committees.

Prompt Service and Delivery of Reports

We have always focused on reducing financial statement turn-around time and we have never missed a deadline. We normally complete the review of the final draft of the financial statements on the last day of our field-work in our clients' offices or within two weeks thereafter.

Our audit strategy emphasizes detail planning and coordination of our staff and client staff to complete the audit as efficiently as possible. We have found that completing all our work and our reports as part of our field-work dramatically reduces the time required to issue final reports to our clients.

Our strategy allows our clients ample time to review all report drafts before issuance, while ensuring that all reports are issued timely. **Many clients have been able to advance the date on which their reports are presented to Council.**

Audit Schedule

We have timed our audit to complete all your reports so that they are ready to print by your deadlines. We will start our work as soon as you appoint us your auditors, with an entrance conference as soon as possible. Please see the proposed segmentation of the engagement on the schedule at the end of this section.

Exhibit "A"

Scope of Services

- A. Contractor shall perform all audits in accordance with the applicable standards, which include the following:
- Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants;
 - Standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States;
 - The provisions of the Single Audit Act Amendments of 1996; and
 - OMB Circular A-133, *Audits of States, Local Governments and Not-for-Profit Organizations*.

- B. Contractor shall perform the following audit services and issue all required reports for the following:

1. Basic Financial Statements Audit Report: Express an opinion on the fair presentation of the County's basic financial statements, including the combining and individual fund financial statements, in accordance with accounting standards generally accepted in the United States of America (GAAP) for the fiscal years ending June 30, 2016, 2017, and 2018, at the discretion of the County.

The funds included in the audit of the County's basic financial statements consist of the following:

- General Fund
- Special Revenue Funds
- Debt Service Fund
- Capital Projects Funds
- Proprietary Funds (internal service and enterprise funds)
- Trust and Agency Funds

Contractor shall provide an independent auditor's report on the County's basic financial statements, including an "in-relation-to" opinion on the combining and individual fund financial statements and schedules that are presented as part of the County's basic financial statements.

2. Single Audit Report: In conjunction with the County's audit of the basic financial statements, perform a Single Audit and issue reports on the County's federal award programs in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133. For the fiscal year ended

June 30, 2016, the County is estimating 4-6 major programs. In addition, supplemental schedules will be prepared for the following State grant programs: Office of Emergency Services and Board of State and Community Corrections. A program specific grant audit report will be prepared for California Department of Community Services and Development.

The Contractor shall complete the online Data Collection Form (Form) and transmit the completed Form electronically to the Federal Audit Clearinghouse. The Contractor will also coordinate with the County for the County's electronic submission and certification to the Federal Audit Clearinghouse.

The Contractor shall also perform agreed-upon procedures associated with the Financial Data Schedule (FDS) for Public Housing Authorities as required by the U.S. Department of Housing and Urban Development.

The Contractor shall also submit the County's financial report, the management report and the single audit report to the State Controller's Office for the purpose of completing the required submission to that agency.

As part of the Single Audit of the County's federal award program requirements, the Contractor shall prepare the following reports:

- Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements in accordance with Government Auditing Standards.
- Independent auditor's report on compliance with requirements applicable to each major program, internal control over compliance and the schedule of expenditures of federal awards in accordance with OMB Circular A-133.

3. Gann Report: Perform a review of the County's Annual Appropriations Limit calculation as prescribed by Article XIII-B of the California Constitution (Proposition 111). This article requires that the annual calculation of the limit be reviewed as part of the annual financial audit. The agreed-upon procedures to be performed shall include the following:

- a. Determine that the annual appropriations limit was calculated in accordance with guidelines provided by the California County Accounting Standards and Procedures Committee and Article XIII-B; and

- b. Determine that the annual appropriations limit was adopted by resolution of the County Board of Supervisors.

The Contractor shall provide an independent accountant's report on applying agreed-upon procedures related to the County's calculation of its annual appropriations limit (and County's dependent special districts) in accordance with Article XIII-B of the California Constitution.

4. Compliance Report on County Treasury: Perform an independent audit to determine the County Treasury's compliance with investment requirements in conformity with Article 1 (commencing with Section 27000.5) and Article 6 (commencing with Section 27130), of Chapter 5, Division 2, Title 3 of the California Government Code and with the El Dorado County Statement of Investment Policy as approved by the Board of Supervisors.

The Contractor shall prepare a standard Independent Treasurer's assertion that the investment requirements of California Government Code Article 1 (commencing with Section 27000.5) , Article 6, (commencing with Section 27130), and the El Dorado County Investment Policy have been complied with, for the funds on deposit in the El Dorado County Treasury for the year ending December 31, 2016.

5. Management Letter: Prepare a management letter in accordance with SAS No. 114, which is to include any findings and recommendations regarding internal controls, including significant deficiencies and/or material weaknesses. A significant deficiency is a control deficiency, or combination of deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected. A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. Management letters shall be addressed to the County Chief Administrative Officer.

- C. Immediately upon execution of a contract, Contractor shall begin preliminary audit work for the audit of the fiscal year ending June 30, 2016. Thereafter, the audit schedule will be determined by the Contractor and the Auditor-Controller's Office. The County anticipates that unadjusted trial balances for the fiscal year ending June 30, 2016 will be available September 1, 2016. The first draft of the County's fund financial statements will be completed by November 15, 2016.

- D. The Contractor must provide annual entrance conferences, progress reporting and exit conferences. Scheduled meetings will be determined after the awarding of the contract. Entrance Conferences shall be scheduled with the County Auditor-Controller, County Chief Administrative Officer, as well as all key finance department personnel and department heads. The purpose of entrance conferences shall be to discuss prior audit problems and the interim work to be performed. These meetings will also be used to establish overall liaison(s) for the audit(s) and to make arrangements for workspace and other needs of the Contractor.
- E. Contractor shall provide written regular status updates jointly to the Auditor-Controller and Chief Administrative Officer during the audit fieldwork period, summarizing the progress of the audit. Any significant concerns and/or delays in obtaining information that require management attention or recommendations for immediate corrective action by departments shall be communicated by the Contractor in the bi-weekly status reports.
- F. The timetable for various reports, and the specific number of copies of reports required, shall be generally as indicated below. An unbound copy of each report as well as an electronic copy in portable document format (PDF) shall be provided in addition to the number of bound reports shown for each Deliverable (below). Subsequent years' timetables shall be developed pursuant to this general timetable. All reports shall be printed on 8 ½" x 11" standard paper, or folded to match that size, and shall be securely bound in a professional manner.

| Deliverable | Number of Bound Reports | Due Date |
|---|-------------------------|-------------------|
| Agreed-upon Procedures Report on Appropriation Limit | 10 | November 30, 2016 |
| Basic Financial Statements | 10 | March 1, 2017 |
| Single Audit Report | 10 | March 1, 2017 |
| California Department of Community Services and Development | 10 | March 1, 2017 |
| Independent Treasurer's Assertion | 10 | March 15, 2017 |
| Report to Management | 10 | March 15, 2017 |

Exhibit "B"

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| COST PROPOSAL |
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Total All-inclusive Maximum Price

Our Total All-Inclusive Maximum Prices for the services specified in the Request for Proposal for the fiscal years ending June 30, 2016 through June 30, 2018 are detailed at the end of this section.

What Our Price Includes

Our price includes all the basic audit work and reports, statements and other deliverables specified in your request for proposal. Our price also includes the items below at **no additional cost**:

- 1) year-round support and telephone consultation on pertinent issues affecting your County,
- 2) copies of our journal entries and our leadsheets used to support the amounts in your financial statements,
- 3) a Study Session for the Council to discuss the audit process, financial statements and recommendations,
- 4) active Partner involvement in your work **every year**,
- 5) our Interim Audit Checklist,
- 6) our Annual Closing Checklist,
- 7) our interim Accounting Issues Memorandum,
- 8) preliminary draft financial statements **at interim**,
- 9) overviews and summaries of upcoming pronouncements and regulations affecting the audited financial statements,
- 10) direct dump of general ledger data into our ProSystems trial balance software which is fully linked to financial statement formats, and associated roll-up reports,
- 11) annual on-line training classes,
- 12) training for the implementation of applicable new GASB statements.

Fees and Billings

Our fees are on a not-to-exceed basis. In determining our fees, we understand that the County's records will be in condition to be audited; that is, transactions will be properly recorded in the general ledger and subsidiary records, these accounting records and the original source documents will be readily available to use, we will be furnished with copies of bank reconciliations and other reconciliations and analyses prepared by the County and County personnel will be reasonably available to explain procedures, prepare audit correspondence and obtain files and records.

Cost Rationale

We have always completed our work in the time budgeted and for the agreed upon fee. We have never requested additional fees after our work was completed. As always, we finish what we start, regardless of the accuracy of our budgets.

Additional Services

Any additional services will be performed and billed only on the County's prior authorization at our standard billing rates, as specified below.

Manner of Payment

Progress billings will be sent on the basis of actual hours of work completed during the course of the engagement. We do not bill for out-of-pocket expenses, such as travel, mileage reimbursement, lodging, and other direct costs, as they are included in our stated all-inclusive maximum price.

Price for each Audit Component

| Financial Statements Descriptions | Costs * FYE2016 | Costs * FYE2017 | Cost * FYE2018 (optional year) |
|--|----------------------------|----------------------------|---|
| Basic Audit Report | \$38,435 | \$39,588 | \$40,776 |
| Single Audit Report and CA Dept. Community Service | \$18,810 | \$19,374 | \$19,955 |
| Gann Report | \$665 | \$685 | \$706 |
| Compliance Report on County Treasury | \$590 | \$608 | \$626 |
| Management Letter | \$845 | \$870 | \$896 |
| Total All Inclusive Maximum Price | \$59,345 | \$61,125 | \$62,959 |

**Contractor may request to reallocate the costs listed herein among the various components subject to Contract Administrator approval. In no event shall the total not to exceed amount of the Agreement be exceeded.*

Schedule of Billing Rates and Total Hours

| For All Audits / Reports | Hourly Rate |
|---------------------------------|--------------------|
| Partner | \$250 |
| IT Director | \$160 |
| Quality Assurance Director | \$160 |
| Supervisor | \$100 |
| Senior Associate | \$85 |
| Associates | \$75 |
| Administrative Assistants | \$65 |
| Total | N/A |