

PROFESSIONAL SERVICES AGREEMENT

AGREEMENT

This Agreement is made and entered into this 13th day of April, 2015 by and between the City of Fort Bragg, a California Municipal Corporation, 416 N. Franklin Street, Fort Bragg, California, 95437 ("City"), and JJACPA, Inc., 7080 Donlon Way, Suite 204, Dublin, California 94568, a California Corporation ("Consultant").

RECITALS

WHEREAS, City has determined that it requires the following professional services from a consultant: to provide financial auditing services for the City of Fort Bragg, Fort Bragg Redevelopment Successor Agency, Fort Bragg Municipal Improvement District No. 1, and C.V. Starr Community and Aquatic Center; and

WHEREAS, Consultant represents and warrants that it is fully qualified to perform such professional services by virtue of specialized experience and training, education and expertise of its principals and employees. Consultant further represents that it is willing to accept responsibility for performing such services in accordance with the terms and conditions set forth in this Agreement; and

WHEREAS, the legislative body of the City on April 13, 2015, by Resolution No. _____-2015 authorized execution of this Agreement on behalf of the City in accordance with Chapter 3.20 of the City Municipal Code and/or other applicable law;

NOW, THEREFORE, City and Consultant, for the consideration hereinafter described, mutually agree as follows:

1. DESCRIPTION OF SERVICES OR SCOPE OF WORK

The services to be performed under this Agreement ("Services") are as follows: 1) Orientation; 2) Planning; 3) Fieldwork Procedures to include interim audit procedures and final audit procedures; 4) Statistical sampling; 5) Prepare Draft Reports and Management Letters; and 6) Identify Anticipated Potential Audit Problems. The Services are further described in Consultant's proposal (the "Proposal"), which is attached to and made a part of this Agreement as Exhibit A.

2. TERM

The Agreement term will commence on April 14, 2015 and expire on March 31, 2018, unless the Agreement term is amended or the Agreement is terminated in accordance with its terms.

3. PAYMENT TERMS AND NOT TO EXCEED AMOUNT

City agrees to pay Consultant for Services that are actually performed in accordance with this Agreement. To be eligible for payment, Consultant invoices must be submitted not more often than monthly to the City and list the Services performed and the amounts to be paid according to the cost categories and prices in the Proposal. In no event will the City's obligation to pay the Consultant under this Agreement exceed \$41,600 for FY 2014/15, \$41,050 for FY 2015/16, and \$41,800 for FY 2016/17 for a total of \$124,450.00 (the "Not to Exceed Amount"), unless this Agreement is first modified in accordance with its terms. Where the Proposal provides for compensation on a time and materials basis, Consultant must maintain adequate records to permit inspection and audit of Consultant's time and material charges under this Agreement. Consultant will make such records available to the City during normal business hours upon reasonable notice. In accordance with California Government Code § 8546.7, if the Not to Exceed Amount exceeds TEN THOUSAND DOLLARS (\$10,000.00), this Agreement and the Consultant's books and records related to this Agreement shall be subject to the examination and audit of the State Auditor, at the request of City or as part of any audit of the City, for a period of three (3) years after final payment under the Agreement.

4. TIME OF COMPLETION

Consultant must commence performance of the Services upon receipt of written direction to proceed from City. Consultant shall devote such time to the performance of services pursuant to this Agreement as may be reasonably necessary to meet the standard of performance provided in Section 7 below and to satisfy Consultant's obligations hereunder. Consultant will complete the Services in accordance with this Agreement by **December 31, 2017** (the "Time of Completion"). The Time of Completion may only be modified by an amendment of the Agreement in accordance with its terms.

5. INDEPENDENT CONTRACTOR

Consultant and City agree that the Consultant will perform the Services as an independent contractor and not as an employee or agent of the City. Persons employed or utilized by Consultant in the performance of the Services will not be employees or agents of the City. Consultant is solely responsible for the payment of employment taxes incurred under this Agreement and any similar federal or state taxes.

6. SUBCONTRACTING

Consultant may subcontract portions of the Services upon the prior written approval of the City. Consultant will be solely responsible for payment of such subcontract Services. No contractual relationship will exist between any such subcontractors of the Consultant and the City.

Subcontractor agrees to be bound to Consultant and City in the same manner and to the same extent as Consultant is bound to City under the Agreement. Subcontractor further agrees to include the same requirements and provisions of this Agreement, including the indemnity and insurance requirements, with any sub-subcontractor to the extent they apply to the scope of the sub-subcontractor's work. A copy of the City indemnity and insurance provisions will be furnished to the subcontractor upon request.

7. STANDARD OF PERFORMANCE

a. Consultant will perform the Services in the manner and according to the standards observed by a competent practitioner of the profession in which Consultant is engaged in the geographical area in which Consultant practices its profession and will prepare all work products required by this Agreement in accordance with such standards. Consultant will comply with federal, state and local laws and regulations applicable to performance of the Services, including but not limited to, the California Building Standards Code as in effect in the City, the Americans with Disabilities Act, any air pollution control laws and regulations applicable to Consultant, and any laws and regulations related to any copyright, patent, trademark or other intellectual property right involved in performance of the services. Consultant's Failure to comply with any law(s) or regulation(s) applicable to the performance of the services hereunder shall constitute a material breach of this agreement.

b. Consultant shall assign only competent personnel to perform services pursuant to this Agreement. In the event that City, in its sole discretion, at any time during the term of this Agreement, desires the reassignment of any such persons, Consultant shall, immediately upon receiving notice from City of such desire of City, reassign such person or persons.

8. OTHER GOVERNMENTAL REGULATIONS

To the extent that this Agreement may be funded by fiscal assistance from another governmental entity, Consultant and any subcontractors shall comply with all applicable rules and regulations to which City is bound by the terms of such fiscal assistance program.

9. USE OF RECYCLED PRODUCTS

Consultant shall endeavor to prepare and submit all reports, written studies, and other printed material on recycled paper to the extent it is available at equal or less cost than virgin paper.

10. INDEMNITY

To the maximum extent permitted by law, Consultant shall, at its own expense, indemnify, defend with counsel acceptable to the City, (which acceptance will not be unreasonably withheld), and hold harmless City and its officers, officials, employees,

agents and volunteers ("Indemnitees") from and against any and all liability, loss, damage, claims, suits, actions, arbitration proceedings, administrative proceedings, regulatory proceedings, civil penalties and fines, expenses and costs (including, without limitation, claims expenses, attorney's fees and costs and fees of litigation) (collectively, "Liability") of every nature, whether actual, alleged or threatened, arising out of or in connection with the Services or Consultant's failure to comply with any of the terms of this Agreement, regardless of any fault or alleged fault of the Indemnitees.

The Consultant's obligation to indemnify, defend and hold harmless under this provision shall not be excused because of the Consultant's inability to evaluate Liability, or because the Consultant evaluates Liability and determines that the Consultant is not or may not be liable. The Consultant must respond within 30 calendar days to any tender for defense and indemnity by the City, unless the time for responding is extended by an authorized representative of the City in writing. If the Consultant fails to accept tender of defense and indemnity within 30 calendar days, in addition to any other remedies authorized by law, so much of the money due or that may become due the Consultant under this Agreement as shall reasonably be considered necessary by the City, may be retained by the City until disposition has been made of the matter subject to tender, or until the Consultant accepts the tender, whichever occurs first.

The Consultant waives any and all rights to express or implied indemnity against the Indemnitees concerning any Liability of the Consultant arising out of or in connection with the Services or Consultant's failure to comply with any of the terms of this Agreement .

Notwithstanding the foregoing, to the extent this Agreement is a "construction contract" as defined by California Civil Code § 2783, as may be amended from time to time, Consultant's duty to indemnify under this provision shall not apply when to do so would be prohibited by California Civil Code § 2782, as may be amended from time to time.

Notwithstanding the foregoing, to the extent that the Services include design professional services subject to Cal. Civil Code § 2782.8, as amended from time to time, Consultant's duty to indemnify shall only be to the maximum extent permitted by Civil Code § 2782.8.

In the event that Consultant or any employee, agent, or subcontractor of Consultant providing services under this Agreement is determined by a court of competent jurisdiction or the California Public Employees Retirement System (PERS) to be eligible for enrollment in PERS as an employee of City, Consultant shall indemnify, defend, and hold harmless City for the payment of any employee and/or employer contributions for PERS benefits on behalf of Consultant or its employees, agents, or subcontractors, as well as for the payment of any penalties and interest on such contributions, which would otherwise be the responsibility of City.

The defense and indemnification obligations of this agreement are undertaken in addition to, and shall not in any way be limited by, the insurance obligations contained in this agreement.

Consultant/Subcontractor's responsibility for such defense and indemnity obligations shall survive the termination or completion of this Agreement for the full period of time allowed by law.

11. INSURANCE

a. Before commencing performance of the Services, Consultant, at its own cost and expense, must: a) procure "occurrence coverage" insurance of the kinds and in the amounts specified below against claims for injuries to persons or damages to property that may arise from or in connection with the performance of the Services hereunder by the Consultant or its agents, representatives, employees, or subcontractors; and b) submit to the City certificates of insurance and endorsements evidencing insurance coverage that meets the requirements of this section. Consultant must maintain the insurance policies required by this section throughout the Agreement term. The cost of such insurance must be included in the Consultant's proposal.

Consultant agrees to include with all subcontractors in their subcontract the same requirements and provisions of this Agreement including the indemnity and Insurance requirements to the extent they apply to the scope of the subcontractor's work. The Consultant shall require all subcontractors to provide a valid certificate of insurance and the required endorsements included in this Agreement prior to commencement of any work and Consultant will provide proof of compliance to the City.

Consultant may not allow any subcontractor to commence work on the Services until Consultant and/or the subcontractor have obtained all insurance required by this Agreement for the subcontractor(s) and submitted certificates of insurance and endorsements evidencing such coverage to City.

b. **Workers Compensation Insurance.** Consultant must, at its sole cost and expense, maintain Workers' Compensation Insurance and Employer's Liability Insurance for any and all persons employed directly or indirectly by Consultant. Workers' Compensation Insurance as required by the State of California, with coverage providing Statutory Limits, and Employer's Liability Insurance with limits of not less than ONE MILLION DOLLARS (\$1,000,000.00) per occurrence must be provided. The insurance must be endorsed to waive all rights of subrogation against City and its officials, officers, employees, and volunteers for loss arising from or related to the Services.

c. Consultant, at its own cost and expense, must maintain commercial general and automobile liability insurance for the term of this Agreement in an amount not less than ONE MILLION DOLLARS (\$1,000,000.00) per occurrence, TWO MILLION DOLLARS (\$2,000,000.00) aggregate, combined single limit coverage for risks associated with Services. If a Commercial General Liability Insurance or an Automobile Liability form or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to the Services or the general aggregate limit shall

be at least twice the required occurrence limit. Such coverage shall include but shall not be limited to, protection against claims arising from bodily and personal injury, including death resulting therefrom, and damage to property resulting from activities contemplated under this Agreement, including the use of owned and non-owned automobiles.

d. Except for Workers' Compensation insurance and Professional Liability insurance, all other insurance coverages required pursuant to this Agreement must include or be endorsed to include the following:

(1) City and its officials, officers, employees, agents, and volunteers ("Additional Insured") shall be covered as insureds with respect to each of the following: liability arising out of activities performed by or on behalf of Consultant, products and completed operations of Consultant; premises owned, occupied, or used by Consultant; and automobiles owned, leased, or used by Consultant. The coverage may contain no special limitations on the scope of protection afforded to City or its officials, officers, employees, agents, or volunteers.

(2) The Additional Insured coverage under the Consultant's policy shall be "primary and non-contributory" and Consultant's coverage will not seek contribution from the City's insurance or self-insurance and shall be at least as broad as CG 20 01 04 13.

e. It shall be a requirement under this Agreement that any available insurance proceeds broader than or in excess of the specified minimum insurance coverage requirements and/or limits shall be available to the Additional Insured. Furthermore, the requirements for coverage and limits shall be (1) the minimum coverage and limits specified in this Agreement; or (2) the broader coverage and maximum limits of coverage of any insurance policy or proceeds available to the named Insured; whichever is greater.

f. The limits of insurance required in this Agreement may be satisfied by a combination of primary and umbrella or excess insurance. Any umbrella or excess insurance shall contain or be endorsed to contain a provision that such coverage shall also apply on a primary and non-contributory basis for the benefit of City (if agreed to in a written contract or agreement) before the City's own insurance or self-insurance shall be called upon to protect it as a named insured.

g. Insurance coverage required pursuant to this Agreement must include or be endorsed to include the following:

(1) Any failure of Consultant to comply with reporting provisions of the policy shall not affect coverage provided to City and its officers, employees, agents, and volunteers.

(2) Required insurance coverage may not be suspended, voided, canceled, reduced in coverage or in limits, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to City.

h. Consultant, at its own cost and expense, must maintain for the period covered by this Agreement professional liability insurance in an amount not less than TWO MILLION DOLLARS (\$2,000,000) covering errors and omissions. Any deductible or self-insured retention under the required professional liability insurance may not exceed \$150,000 per claim.

i. All insurance required under this Agreement must be placed with insurers with a Best's rating of no less than A:VII unless otherwise approved by the City.

j. The City may approve a variation in the foregoing insurance requirements, upon a determination that the coverages, scope, limits, and forms of such insurance are either not commercially available, or that the City's interests are otherwise fully protected.

k. All self-insured retentions (SIR) must be disclosed to City for approval and shall not reduce the limits of liability. Policies containing any self-insured retention (SIR) provision shall provide or be endorsed to provide that the SIR may be satisfied by either the named Insured or the City. City reserves the right to obtain a full certified copy of any Insurance policy and endorsements. Failure to exercise this right shall not constitute a waiver of right to exercise later.

l. To the extent this Agreement is a "construction contract" as defined by California Civil Code § 2783, as may be amended from time to time, Consultant shall maintain insurance as required by this contract to the fullest amount allowed by law and shall maintain insurance for a minimum of five years following completion of the Services. In the event Consultant fails to obtain or maintain completed operations coverage as required by this Agreement, the City at its sole discretion may purchase the coverage required and the cost will be paid by Consultant.

12. NON DISCRIMINATION

During the performance of this Agreement, Consultant will not discriminate against any employee of the Consultant or applicant for employment because of race, religion, creed, color, national origin, sex, or age. Consultant will take affirmative action to ensure that applicants are employed and that employees are treated during employment without regard to their race, religion, creed, color, national origin, sex or age.

13 LICENSES & PERMITS

a. BUSINESS LICENSE

Before the City will issue a notice to proceed with the Services, Consultant and any subcontractors must acquire, at their expense, a business license from City in accordance with Chapter 5.04 of the Fort Bragg Municipal Code. Such licenses must be kept valid throughout the Agreement term.

b. OTHER LICENSES AND PERMITS

Consultant represents and warrants to City that Consultant and its employees, agents, and any subcontractors have all licenses, permits, qualifications, and approvals of whatsoever nature that are legally required to practice their respective professions.

14. OWNERSHIP OF WORK PRODUCTS AND TREATMENT OF DOCUMENTS

For the purpose of this Section and Section 15, Work Product shall mean the final work produced (i.e., the final audit). All plans, specifications, reports, designs and other documents prepared by Consultant pursuant to this Agreement shall be and remain the property of the City. Any modification or reuse of such documents by the City without Consultant's prior written consent will be at the City's sole risk. Except as may be otherwise required by law, Consultant will disclose no data, plans, specifications, reports or other documents pertaining to the Services without the prior written consent of City.

15. TERMINATION AND REMEDIES

a. City may terminate this Agreement for convenience by giving at least 10 days written notice to Consultant specifying the termination effective date. Upon receipt of such notice, Consultant may continue performance of the Services through the date of termination. City shall pay Consultant for all Services actually performed in accordance with this Agreement through the termination effective date.

b. If Consultant materially breaches any term of this Agreement, in addition to any other remedies the City may have at law or equity, the City may:

(1) Terminate the Agreement by notice to the Consultant specifying the termination effective date;

(2) Retain, and/or recover from the Consultant at no additional cost to the City, the plans, specification, drawings, reports and other design documents and work products prepared by Consultant, whether or not completed;

(3) Complete the unfinished Services itself or have the unfinished Services completed, and/or;

(4) Charge Consultant, or deduct from monies that may be due or become due the Consultant under this Agreement, the difference between the cost of completing the unfinished Services pursuant to this Agreement and the amount that would otherwise be due Consultant had Consultant completed the Services in accordance with this Agreement.

16. BINDING EFFECT AND ASSIGNMENT PROHIBITION

This Agreement is binding upon City, Consultant, and their successors. Except as otherwise provided herein, neither City nor Consultant may assign, sublet or transfer its interest in this Agreement or any part thereof without the prior written consent of the other, and any purported assignment without such consent will be void.

17. REPRESENTATIVES

a. City representative for purposes of this Agreement will be Finance Director Rosana Cimolino. Consultant representative for purposes of this Agreement will be Joe Arch, President. The parties' designated representatives will be the primary contact persons regarding the performance of the Services. The parties intend that their designated representatives will cooperate in all matters regarding this Agreement and in such manner so as to achieve performance of the Services in a timely and expeditious fashion.

b. Notices:

Any written notice to Consultant shall be sent to:

JOSEPH ARCH, President
JJACPA, Inc.
7080 Donlon Way, Suite 204
Dublin, California 94568

Any written notice to City shall be sent to:

ROSANA CIMOLINO, Finance Director
City of Fort Bragg
416 N. Franklin Street
Fort Bragg, California 95437

18. INTEGRATION AND AMENDMENT

This Agreement represents the entire and integrated agreement between City and Consultant and supersedes all prior negotiations, representations or agreements,

whether written or oral. If a discrepancy, disagreement, ambiguity, inconsistency or difference in interpretation of terms arises as to terms or provisions of this Agreement and any Exhibit(s) attached to this Agreement, this Agreement shall control and shall be deemed to reflect the intent of the Parties with respect to the subject matter hereof. This Agreement may only be amended by a writing signed by a representative authorized to bind the Consultant and a representative authorized to bind the City.

19. CONFLICT OF INTEREST PROHIBITION

City and Consultant will comply with the requirements of the City's Conflict of Interest Code adopted pursuant to California Government Code §87300 et seq., the Political Reform Act (California Government Code §81000 et seq.), the regulations promulgated by the Fair Political Practices Commission (Title 2, §18110 et seq. of the California Code of Regulations), California Government Code §1090 et seq., and any other ethics laws applicable to the performance of the Services and/or this Agreement. Consultant may be required to file with the City Clerk a completed Form 700 before commencing performance of the Services unless the City Clerk determines that completion of a Form 700 is not required, pursuant to City's Conflict of Interest Code. Form 700 forms are available from the City Clerk.

Consultant may not perform Services for any other person or entity that, pursuant to any applicable law or regulation, would result in a conflict of interest or would otherwise be prohibited with respect to Consultant's obligations pursuant to this Agreement. Consultant agrees to cooperate fully with City and to provide any necessary and appropriate information requested by City or any authorized representative concerning potential conflicts of interest or prohibitions concerning Consultant's obligations pursuant to this Agreement.

Consultant may not employ any City official, officer or employee in the performance of the Services, nor may any official, officer or employee of City have any financial interest in this Agreement that would violate California Government Code §1090 et seq. Consultant hereby warrants that it is not now, nor has it been in the previous twelve (12) months, an employee, agent, appointee, or official of City. If Consultant was an employee, agent, appointee, or official of City in the previous twelve months, Consultant warrants that it did not participate in any manner in the forming of this Agreement. Consultant understands that, if this Agreement is made in violation of Government Code §1090 et seq., the entire Agreement is void and Consultant will not be entitled to any compensation for Consultant's performance of the Services, including reimbursement of expenses, and Consultant will be required to reimburse City for any sums paid to Consultant under this Agreement. Consultant understands that, in addition to the foregoing, penalties for violating Government Code §1090 may include criminal prosecution and disqualification from holding public office in the State of California.

Any violation by Consultant of the requirements of this provision will constitute a material breach of this Agreement, and the City reserves all its rights and remedies at law and equity concerning any such violations.

20. APPLICABLE LAW AND VENUE

The laws of the State of California shall govern the rights, obligations, duties and liabilities of the parties to this Agreement and the interpretation of this Agreement. Any action or proceeding that is initiated or undertaken to enforce or interpret any provision, performance, obligation or covenant set forth in this Agreement shall be brought in a state court in Mendocino County.

21. RECOVERY OF ATTORNEYS' FEES

If a party to this Agreement brings any action, including an action for declaratory relief, to enforce or interpret any term of this Agreement, the prevailing party will be entitled to reasonable attorneys' fees in addition to any other relief to which that party may be entitled. The court may set such fees in the same action or in a separate action brought for that purpose.

22. SEVERABILITY

If a court of competent jurisdiction finds or rules that any provision of this Agreement is invalid, void, or unenforceable, the provisions of this Agreement not so adjudged will remain in full force and effect. The invalidity in whole or in part of any provision of this Agreement shall not void or affect the validity of any other provision of this Agreement.

23. COUNTERPARTS

This Agreement may be executed in multiple counterparts, each of which shall be an original and all of which together shall constitute one agreement.

IN WITNESS HEREOF, the parties have caused their authorized representative to execute this Agreement on the date first written above.

CITY

By: _____

Linda Ruffing

Its: City Manager

ATTEST:

By: _____

Cynthia M. VanWormer, MMC
City Clerk

CONSULTANT

By:  _____, CPA

Joseph J. Arch, CPA

Its: President

APPROVED AS TO FORM:

By: _____

Samantha W. Zutler
City Attorney

Exhibits: Exhibit A – Consultant's Proposal

Rev. 2014-03-10

E. Scope of Work

This section describes JJACPA's specific engagement approach and the techniques we employ in servicing organizations such as the City of Fort Bragg. We will tailor the approach outlined in this section to incorporate the unique tasks, methods, and procedures used to audit in accordance with generally accepted auditing standards and analyze the financial position of the City, the objective of which is to express an opinion on the financial statements.

As a result of our extensive experience, we have developed a highly effective and efficient approach toward analyzing transactions during an audit. We will make inquiries, observations, and analyses of the City's significant systems and internal controls that produce financial statements. We will then focus our efforts primarily on efficient and cost-effective audit techniques that are truly tailored to you and present the greatest risk of material misstatement.

Our engagement approach can ordinarily be summarized into three phases: orientation, planning, and fieldwork procedures. A description of each of these phases follows with a proposed timetable for the audit of the City's financial statements on page 17.

Our audit approach is designed to avoid disruption of the smooth functioning of the City offices. We provide experienced personnel and plan to be on-site at all times to ensure the timely and effective completion of the audit of the City's financial statements and all other reports to be issued.

1. *Orientation*

To provide the City with the quality of professional services it deserves, it is imperative that we thoroughly understand your organization. Our previous experience with governmental and not-for-profit organizations provides us with a sound foundation from which to plan our audit procedures. However, we must acquaint ourselves with specific aspects of the City's operations to ensure that our procedures are both comprehensive and efficient. Through an orientation/planning meeting scheduled with appropriate members of the accounting staff, this understanding of your operational processes would be obtained prior to the commencement of fieldwork. In other words, this is how we get the "lay of the land" on how the City does business and would like to have our audit team conduct the audit. This evaluation may later be incorporated in the interim fieldwork procedures through the use of walkthroughs of key financial accounting systems. These walkthroughs are completed by the President with the assistance of one of his staff. A list of areas will be provided in advance to the City contact to make appointments during the interim fieldwork. We utilize CCH Prosystem fx Engagement to provide efficiencies to our audit procedures. Samples are selected using ActiveData, an integrated audit tool that allows us to take our client's electronic information and analyze and test it. We are very adept at utilizing computers and our extensive knowledge of governmental software enterprise wide systems and use it to our full advantage to add value to our auditing processes and procedures and provide our clients with identifiable and practical results and recommendations.

2. *Planning*

The planning phase of the engagement will lay the foundation for the direction of our audit and is the key to cost-effective completion. Our planning will focus on generating a more detailed understanding of the City's operations, identifying significant issues, and designing efficient audit procedures. Specifically, we will:

- I. *Obtain an understanding of the legal and fiscal environment by reviewing:*
 - a. Existing cash flow projections and operating and capital improvement budgets.
 - b. Debt and lease agreements.
 - c. Key statistics and trends.
 - d. Economic environment, especially locally.
 - e. Current operations (internally produced financial statements).
 - f. Prior year audit reports.
 - g. Additional documentation and reports available from the City.

E. Scope of Work, Continued

- II. *Meet with City management to discuss:*
 - a. Coordination of procedures and timing.
 - b. Initial observations or areas of emphasis and risk evaluation.
 - c. Reporting requirements.
 - d. Implications of new accounting pronouncements, if any. (i.e., GASB 68)
 - e. Implementation or effects of State actions on City operations.

- III. *Perform analytical reviews of financial data to identify other areas that might require significant attention due to the risk involved.* Comparisons to budgeted amounts and interrelationships between accounts will be analyzed and discussed with City personnel.

- IV. *Based on our understanding of the City's operating environment, the analytical reviews, and the other planning procedures, we will highlight areas to be emphasized during our audit. We will then define the engagement objectives, concentrating on the identified areas of concern and areas we know are important to management.* This will generate a schedule request that includes schedules and confirmations for the current year under audit.

3. *Fieldwork Procedures*

The final phase of the engagement includes completion of all audit procedures to be performed. We will divide our efforts into two (2) distinct segments: interim audit procedures and final audit procedures.

a. Interim Audit Procedures:

Interim audit procedures lay the foundation for an efficient and effective audit. We will strive to perform a significant portion of our procedures at interim to allow a more efficient completion of the audit in October. Specifically, at interim, we will document the City's internal control systems and its compliance requirements for federally funded programs. We will review Council minutes, debt agreements, significant transactions, and prepare confirmations to be sent on selected balance sheet accounts. We will also perform some detailed testing of internal control and compliance objectives on federal programs should they be required during this interim phase. At the end of interim fieldwork, sample report formats, compliance items remaining to be tested, and any other open items will be discussed with City personnel in an exit conference meeting. This will also allow for discussions of any preliminary observations and findings.

b. Final Audit Procedures:

During our final fieldwork procedures in October, we will complete our test work of the City's financial statement balances. Significant asset and liability accounts will be verified and tested through a combination of detailed vouching procedures and analytical techniques. We will perform analyses of various revenue and expense accounts through comparisons to budgets, ratios, and prior year amounts. Significant variances noted will be investigated further. We will also complete our evaluation of internal control and compliance objectives.

E. Scope of Work, continued

Sampling Techniques Employed

We do not contemplate utilizing statistical sampling in our audit of the City's financial statements. Most samples will be selected based upon our judgment, utilizing our experience and knowledge of financial trends and patterns. Typically, sample sizes do not exceed 40 items, but we may increase or reduce the number of items based upon what we are testing. We analyze allocations of funds to the various recipients and the related reimbursements for Single Audit, test controls for payroll, accounts payable, cash receipts and other systems utilizing these sample sizes. If it is subsequently determined that statistical sampling can enhance the efficiency of our audit procedures, we will revise our preliminary plan to incorporate use of these techniques. We are very experienced in the use of various statistical sampling techniques (i.e., monetary unit sampling), and will utilize them when appropriate.

Draft Reports

Commencing during the interim phase and continuing throughout final audit procedures, we will be discussing the preparation of the financial statements, our auditor's report, management letters (detailing our observations and recommendations concerning internal accounting control and other matters), and other letters as outlined in the RFP. Both the financial statements and the Council Letter will be reviewed in detail with you and your staff to address prior year GFOA comments, predecessor recommendations and any current year recommendations to facilitate a more efficient and smooth preparation process. Since only reportable matters will be reported in the Council letter, other observations and suggestions for operating improvements and best practices will be communicated to you in our exit conferences. In addition, any recipient compliance reports will be formatted and reviewed with City personnel as well as appointments made to schedule the fieldwork with the project and grant managers. At all times, City personnel will be given status updates of our efforts and schedules to meet reporting deadlines.

Management Letters

Letters to management on internal controls and recommendations ("Management Letters") are one of our principal means of communicating with our clients relative to the results of our annual audits and reviews. The overriding goal of our letters is to assist management in reaching its internal control objectives and to provide compliance with audit standards and regulations. Comments will be limited to only reportable conditions and findings. The Management Letter will be reviewed in detail with you and your staff to verify its factual accuracy before being issued in final form.

Identification of Anticipated Potential Audit Problems

Our preliminary evaluation of the City's financial statements and management letters revealed no significant issues with the reports that might delay issuance for the years proposed. Suggestions regarding changes to the financial statement format or wording will be made during the interim fieldwork, as the City can utilize a more concise format making certain reports easier to read and understand. These changes may result in the need for adjustments to the City's general ledger, but do not normally add additional time or effort to the preparation of the financial statements. JJACPA will meet with City staff at the beginning of our interim fieldwork to discuss these initial, more thorough evaluations once selected as the City's auditor. We do not anticipate that these changes will delay issuance of the current year reports in a timely manner as outlined in the timeline shown in the previous section, as the changes will be discussed throughout the audit engagement as the sections are added or the changes are made and approved by City personnel prior to incorporating them in the final version.

F. Budget and Schedule of Charges

JJACPA, Inc. is committed to providing our clients with excellent service at a reasonable fee. As a personal services corporation, we do not have a national or local firm cost structure, which allows us to charge more economical rates for our services. We are large enough to properly staff our engagements and the President remains on-site providing personal attention to all of his client assignments. Many of our clients are served for periods exceeding five years. This longevity assists in developing the satisfaction our clientele have with our services.

Not to Exceed Price for Proposed Services

Required Service	Budgeted Hours	FY 2014-15	FY 2015-16	FY 2016-17
City Audit	216	\$ 22,500	\$ 22,000	\$ 22,200
Successor Agency Audit	28	3,200	3,050	3,150
Fort Bragg Municipal Improvement District No. 1 Audit	20	2,400	2,300	2,350
C.V. Starr Community and Aquatic Center Audit	20	2,400	2,300	2,350
Single Audit	48	6,200	6,500	6,700
Out-of-pocket expenses		1,500	1,600	1,700
Total All-Inclusive Maximum Price	332	\$ 38,200	\$ 37,750	\$ 38,450

Additional Services, if necessary:	Budgeted Hours	FY 2014-15	FY 2015-16	FY 2016-17
Annual Report of Financial Transactions Report to the State Controller	16	\$ 1,400	\$ 1,400	\$ 1,400
Transportation Development Act Audit	22	2,000	1,900	1,950
Total All-Inclusive Maximum Price for Additional Services:	38	\$ 3,400	\$ 3,300	\$ 3,350

For 2016, fees have been decreased to recognize the economic realities of additional hours required in the first year of an audit engagement. Since these additional hours will not be required the savings are being passed to the City

Quoted Hourly Rates by Position

Position	Budgeted Hours	Standard Hourly Rate	Quoted Hourly Rate	Total FY 2014-15
Partner	50	\$175	\$150	\$ 7,500
Technical Reviewer	4	175	150	600
IT Specialist	8	175	150	1,200
Engagement Manager	104	150	125	13,000
Senior Accountant	102	125	100	10,200
Staff Accountant	100	100	75	7,500
Clerical	2	75	50	100
Sub-Total	370			40,100
Out-of-Pocket Expenses (Travel, printing, reproduction costs)				1,500
Total all-inclusive maximum price for 2015 audit				\$ 41,600

F. Budget and Schedule of Charges, Continued

If it should become necessary for the City to request JJACPA to render any additional services, either to supplement the services provided in this proposal or to perform additional work, then such additional work shall be agreed upon in an addendum to the contract between the City and the firm. Any such additional work agreed to between the City and the firm shall be performed at the quoted hourly rates established on the previous page.

No Cost Services

JJACPA, Inc. is pleased to offer certain services to the City at no charge. The reason our firm provides these services gratis is to show our commitment to building a strong and beneficial relationship with our clients. Accordingly, the following services are provided at no charge;

- Unlike other firms, we do not charge our clients every time they contact us with questions that come up throughout the year regarding accounting or financial matters. These communications are considered to be part of our services and if the matter requires extensive research or additional service, we will inform you in advance along with a cost estimate for your approval.
- A report on the calculation of the City's annual Appropriations Limit (GANN Limit)

Manner of Payment

Amounts will be invoiced as work is performed on a progress billing basis, in which detail of the expenses and the period for which payment is requested.

G. Work Schedule

<u>Date</u>	<u>Work to be Performed</u>	<u>Time Estimate (Hrs)</u>	<u>Staff Level</u>
May 2015	Prepare client acceptance	1	Joe Arch, President
June 2015	Review predecessor auditor's workpapers	2	Brett Jones, Engagement Manager
July 2015	Orientation meeting with City staff	2	Audit team *
	Planning in office	2	Audit team
July 2015	Interim detailed audit plan and schedule request provided to the City	-	Joe Arch, President
July 2015	Interim fieldwork	126	Audit team
	Entrance conference - first day of fieldwork		
July 2015	Exit conference with City staff to provide any findings and recommendations	1	Audit team
September 2015	Year-end detailed audit plan and schedule request provided to the City	-	Joe Arch, President
October 2015	Delivery of Adjusted Trial Balance and supporting schedules by the City	-	
October 2015	Year End fieldwork	209	Audit team
	Entrance conference - first day of fieldwork		
October 2015	Exit conference with City staff to provide any findings and recommendations	1	Audit team
October 2015	Preparation and completion of State Controller's Report	12	Brett Jones, Engagement Manager
October 2015	Delivery of drafts of required reports and Management Letter for City review	8	Joe Arch, President
November 2015	Preparation and distribution of final printed reports	4	Joe Arch, President
December 2015	Presentation of financial statements, management letter, and signed audit reports to the City Council	2	Joe Arch, President

*Audit team will include: Joseph Arch, CPA President; Brett Jones, CPA, Engagement Manager; Tika Koshiyama-Diaz, Senior Accountant; Davina The, Staff Accountant; and Brian Modrak, IT Specialist via remote connectivity. Quality control review will be performed by Jay Clark, CPA, Technical Reviewer.