

AGR 17.087

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AGREEMENT FOR CONSULTANT SERVICES

THIS AGREEMENT is made and entered into on May 24, 2017 by and between TOWN OF LOS GATOS, a California municipal corporation, ("Town") and Badawi & Associates, ("Consultant"), whose address is 180 Grand Avenue, Suite 1500, Oakland CA. This Agreement is made with reference to the following facts.

I. RECITALS

- 1.1 The Town desire to engage Consultant to provide professional auditing services.
- 1.2 The Consultant represents and affirms that it is willing to perform the desired work pursuant to this Agreement.
- 1.3 Consultant warrants it possesses the distinct professional skills, qualifications, experience, and resources necessary to timely perform the services described in this Agreement. Consultant acknowledges Town has relied upon these warranties to retain Consultant.

II. AGREEMENTS

- 2.1 Scope of Services. Consultant shall provide services as described in that certain Technical proposal for professional auditing services sent to the Town on March 31, 2017, which is hereby incorporated by reference and attached as Exhibit A.
- 2.2 Term and Time of Performance. This contract will remain in effect from June 1, 2017 to June 30, 2020. Consultant shall perform the services described in this agreement as described in Exhibit A.
- 2.3 Compliance with Laws. The Consultant shall comply with all applicable laws, codes, ordinances, and regulations of governing federal, state and local laws. Consultant represents and warrants to Town that it has all licenses, permits, qualifications and approvals of whatsoever nature which are legally required for Consultant to practice its profession. Consultant shall maintain a Town of Los Gatos business license pursuant to Chapter 14 of the Code of the Town of Los Gatos.
- 2.4 Sole Responsibility. Consultant shall be responsible for employing or engaging all persons necessary to perform the services under this Agreement.
- 2.5 Information/Report Handling. All documents furnished to Consultant by the Town and all reports and supportive data prepared by the Consultant under this Agreement are the Town's property, unless proprietary in nature, and shall be delivered to the Town upon the completion of Consultant's services or at the Town's written request. All reports, information, data, and exhibits prepared or assembled by Consultant in connection with the performance of its services pursuant to this Agreement are confidential until released by the Town to the public, and the Consultant shall not make any of the these documents or information available to any individual or organization not employed by the Consultant or

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the Town without the written consent of the Town before such release. The Town acknowledges that the reports to be prepared by the Consultant pursuant to this Agreement are for the purpose of evaluating a defined project, and Town's use of the information contained in the reports prepared by the Consultant in connection with other projects shall be solely at Town's risk, unless Consultant expressly consents to such use in writing. Town further agrees that it will not appropriate any methodology or technique of Consultant which is and has been confirmed in writing by Consultant to be a trade secret of Consultant.

2.6 Compensation. Compensation for Consultant's professional services for fiscal year ending June 30, 2017 shall not exceed \$32,015; for fiscal year ending June 30, 2018 shall not exceed \$33,175; and for fiscal year ending June 30, 2019 shall not exceed \$34,265, inclusive of all costs, as described in that certain "Sealed Dollar Cost Bid for professional auditing services" submitted to the Town on March 31, 2017, which is hereby incorporated as Exhibit B. Payment shall be based upon Town approval of each task.

2.7 Billing. ~~Billing shall be monthly by invoice within thirty (30) days of the rendering of the service and shall be accompanied by a detailed explanation of the work performed by whom at what rate and on what date. Also, plans, specifications, documents or other pertinent materials shall be submitted for Town review, even if only in partial or draft form.~~ Billing shall be made as follows; 45 percent of the contract after the interim phase, 45 percent after the year-end phase and 10 percent after all work is completed and final reports are issued. KUS

Payment shall be net thirty (30) days. All invoices and statements to the Town shall be addressed as follows:

Invoices:
Town of Los Gatos
Attn: Accounts Payable
P.O. Box 655
Los Gatos, CA 95031-0655

2.8 Availability of Records. Consultant shall maintain the records supporting this billing for not less than three years following completion of the work under this Agreement. Consultant shall make these records available to authorized personnel of the Town at the Consultant's offices during business hours upon written request of the Town.

2.9 Assignability and Subcontracting. The services to be performed under this Agreement are unique and personal to the Consultant. No portion of these services shall be assigned or subcontracted without the written consent of the Town.

2.10 Independent Contractor. It is understood that the Consultant, in the performance of the work and services agreed to be performed, shall act as and be an independent contractor and not an agent or employee of the Town. As an independent contractor he/she shall not obtain any rights to retirement benefits or other benefits which accrue to Town employee(s). With prior written consent, the Consultant may perform some obligations under this Agreement by subcontracting, but may not delegate ultimate responsibility for performance or assign or transfer interests under this Agreement. Consultant agrees to testify in any litigation brought

regarding the subject of the work to be performed under this Agreement. Consultant shall be compensated for its costs and expenses in preparing for, traveling to, and testifying in such matters at its then current hourly rates of compensation, unless such litigation is brought by Consultant or is based on allegations of Consultant's negligent performance or wrongdoing.

- 2.11 Conflict of Interest. Consultant understands that its professional responsibilities are solely to the Town. The Consultant has and shall not obtain any holding or interest within the Town of Los Gatos. Consultant has no business holdings or agreements with any individual member of the Staff or management of the Town or its representatives nor shall it enter into any such holdings or agreements. In addition, Consultant warrants that it does not presently and shall not acquire any direct or indirect interest adverse to those of the Town in the subject of this Agreement, and it shall immediately disassociate itself from such an interest, should it discover it has done so and shall, at the Town's sole discretion, divest itself of such interest. Consultant shall not knowingly and shall take reasonable steps to ensure that it does not employ a person having such an interest in this performance of this Agreement. If after employment of a person, Consultant discovers it has employed a person with a direct or indirect interest that would conflict with its performance of this Agreement, Consultant shall promptly notify Town of this employment relationship, and shall, at the Town's sole discretion, sever any such employment relationship.
- 2.12 Equal Employment Opportunity. Consultant warrants that it is an equal opportunity employer and shall comply with applicable regulations governing equal employment opportunity. Neither Consultant nor its subcontractors do and neither shall discriminate against persons employed or seeking employment with them on the basis of age, sex, color, race, marital status, sexual orientation, ancestry, physical or mental disability, national origin, religion, or medical condition, unless based upon a bona fide occupational qualification pursuant to the California Fair Employment & Housing Act.

III. INSURANCE AND INDEMNIFICATION

- 3.1 Minimum Scope of Insurance:
- i. Consultant agrees to have and maintain, for the duration of the contract, General Liability insurance policies insuring him/her and his/her firm to an amount not less than: one million dollars (\$1,000,000) combined single limit per occurrence for bodily injury, personal injury and property damage.
 - ii. Consultant agrees to have and maintain for the duration of the contract, an Automobile Liability insurance policy ensuring him/her and his/her staff to an amount not less than one million dollars (\$1,000,000) combined single limit per accident for bodily injury and property damage.
 - iii. Consultant shall provide to the Town all certificates of insurance, with original endorsements effecting coverage. Consultant agrees that all

certificates and endorsements are to be received and approved by the Town before work commences.

- iv. Consultant agrees to have and maintain, for the duration of the contract, professional liability insurance in amounts not less than \$1,000,000 which is sufficient to insure Consultant for professional errors or omissions in the performance of the particular scope of work under this agreement.

General Liability:

- i. The Town, its officers, officials, employees and volunteers are to be covered as insured as respects: liability arising out of activities performed by or on behalf of the Consultant; products and completed operations of Consultant, premises owned or used by the Consultant. This requirement does not apply to the professional liability insurance required for professional errors and omissions.
 - ii. The Consultant's insurance coverage shall be primary insurance as respects the Town, its officers, officials, employees and volunteers. Any insurance or self-insurances maintained by the Town, its officers, officials, employees or volunteers shall be excess of the Consultant's insurance and shall not contribute with it.
 - iii. Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the Town, its officers, officials, employees or volunteers.
 - iv. The Consultant's insurance shall apply separately to each insured against whom a claim is made or suit is brought, except with respect to the limits of the insurer's liability.
- 3.2 All Coverages. Each insurance policy required in this item shall be endorsed to state that coverage shall not be suspended, voided, cancelled, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the Town. Current certification of such insurance shall be kept on file at all times during the term of this agreement with the Town Clerk.
- 3.3 Workers' Compensation. In addition to these policies, Consultant shall have and maintain Workers' Compensation insurance as required by California law and shall provide evidence of such policy to the Town before beginning services under this Agreement. Further, Consultant shall ensure that all subcontractors employed by Consultant provide the required Workers' Compensation insurance for their respective employees.
- 3.4 Indemnification. The Consultant shall save, keep, hold harmless and indemnify and defend the Town its officers, agent, employees and volunteers from all damages, liabilities,

penalties, costs, or expenses in law or equity that may at any time arise or be set up because of damages to property or personal injury received by reason of, or in the course of performing work which may be occasioned by a willful or negligent act or omissions of the Consultant, or any of the Consultant's officers, employees, or agents or any sub consultant.

IV. GENERAL TERMS

- 4.1 Waiver. No failure on the part of either party to exercise any right or remedy hereunder shall operate as a waiver of any other right or remedy that party may have hereunder, nor does waiver of a breach or default under this Agreement constitute a continuing waiver of a subsequent breach of the same or any other provision of this Agreement.
- 4.2 Governing Law. This Agreement, regardless of where executed, shall be governed by and construed to the laws of the State of California. Venue for any action regarding this Agreement shall be in the Superior Court of the County of Santa Clara.
- 4.3 Termination of Agreement. The Town and the Consultant shall have the right to terminate this agreement with or without cause by giving not less than fifteen days (15) written notice of termination. In the event of termination, the Consultant shall deliver to the Town all plans, files, documents, reports, performed to date by the Consultant. In the event of such termination, Town shall pay Consultant an amount that bears the same ratio to the maximum contract price as the work delivered to the Town bears to completed services contemplated under this Agreement, unless such termination is made for cause, in which event, compensation, if any, shall be adjusted in light of the particular facts and circumstances involved in such termination.
- 4.4 Amendment. No modification, waiver, mutual termination, or amendment of this Agreement is effective unless made in writing and signed by the Town and the Consultant.
- 4.5 Disputes. In any dispute over any aspect of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, including costs of appeal.
- 4.6 Notices. Any notice required to be given shall be deemed to be duly and properly given if mailed postage prepaid, and addressed to:

Town of Los Gatos
Attn: Town Clerk
110 E. Main Street
Los Gatos, CA 95030

Badawi & Associates
Attn: Ahmed Badawi, CPA
180 Grand Avenue, Suite 1500
Oakland, CA 94612

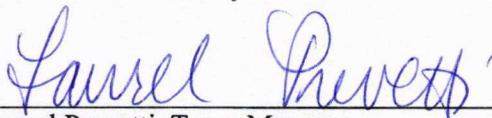
or personally delivered to Consultant to such address or such other address as Consultant designates in writing to Town.

4.7 Order of Precedence. In the event of any conflict, contradiction, or ambiguity between the terms and conditions of this Agreement in respect of the Products or Services and any attachments to this Agreement, then the terms and conditions of this Agreement shall prevail over attachments or other writings.

4.8 Entire Agreement. This Agreement, including all Exhibits, constitutes the complete and exclusive statement of the Agreement between the Town and Consultant. No terms, conditions, understandings or agreements purporting to modify or vary this Agreement, unless hereafter made in writing and signed by the party to be bound, shall be binding on either party.


IN WITNESS WHEREOF, the Town and Consultant have executed this Agreement.

Town of Los Gatos by:



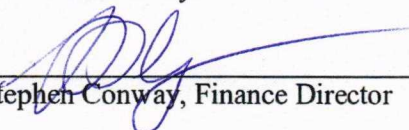
Laurel Prevetti, Town Manager

Consultant, by:



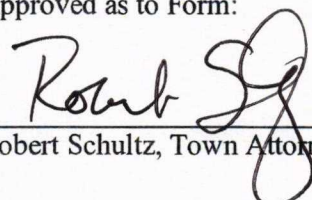
Ahmed Badawi, CPA

Recommended by:



Stephen Conway, Finance Director

Approved as to Form:



Robert Schultz, Town Attorney

Town of Los Gatos

TECHNICAL PROPOSAL

For Professional Auditing Services for the Town of Los Gatos

*For the fiscal years ending June 30, 2017 to 2019 with the option to
extend for two subsequent one-year terms*

March 31, 2017

Contact Person:

Ahmed Badawi, CPA
Badawi & Associates
Certified Public Accountants
180 Grand Avenue, Suite 1500
Oakland, CA 94612
Phone: (510) 768-8244
Fax: (510) 768-8249
E-mail: abadawi@b-acpa.com



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Town of Los Gatos

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March 9, 2017

Mr. Stephen Conway
Director of Finance
Town of Los Gatos
110 East Main Street
Los Gatos, CA 95030

Dear Mr. Conway,

Badawi & Associates (B&A), Certified Public Accountants (the "Firm") is pleased to have the opportunity to respond to your request for a proposal to provide external audit services and to submit its qualifications to perform an independent audit of the financial statements of the Town of Los Gatos (the "Town") for the fiscal years ending June 30, 2017 to 2019 with option to extend for two subsequent one-year terms. The objective of our audits is to issue opinions regarding the fairness of presentation of the financial position of the Town in accordance with generally accepted accounting principles. These audits are to be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the General Accounting Office's (GAO) *Government Auditing Standards*, the provisions of the federal Single Audit Act of 1984, as amended in 1996), and the Uniform Guidance, *Audits of States, Local Governments and Non-Profit Organizations*, Uniform Administrative Requirements, as well as any other applicable federal, state, local or programmatic audit requirements.

We will also perform the following as part of our engagement:

- Single Audit (*if required*)
- GANN Limit
- Audit Pension Trust Fund (*optional*)
- Annual State Controller's Reports (*optional*)

We will also apply limited audit procedures to Management's Discussion and Analysis (MD&A) and required supplementary information. In addition, we will prepare the management letter containing comments and recommendations regarding our review and evaluation of the systems of internal control and accounting procedures.

This proposal will highlight the background of the partners and staff assigned to the engagement, summarize our experience in the governmental area, and describe our approach to auditing the Town.

This proposal demonstrates our ability to render the quality examination and to perform the necessary accounting and auditing services requested by the Town on a timely basis.

As a partner of the Firm, I will be the primary contact for negotiation of the contract. Additionally, I have been authorized to legally bind the Firm. You may contact me at the following address and phone number:

Mr. Ahmed Badawi, CPA
Badawi & Associates
Certified Public Accountants
180 Grand Ave. Suite 1500
Oakland, CA 94612
Telephone: (510)768-8244
E-mail: abadawi@b-acpa.com

Mr. Stephen Conway
Director of Finance
Town of Los Gatos
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We are committed to performing the required work, completing the audit, and issuing the necessary auditors' reports prior to the Town's published time frames and commit to you that we will perform the work within the time frames required.

We believe we are the best qualified to perform the audit because our audit staff includes individuals well versed in municipal auditing and reporting requirements. We have performed auditing and consulting engagements for numerous cities throughout California. We will be responsive to the needs of the Town, we understand the Town's operational environment, and pledge to you our complete commitment to providing a quality product that meets the Town's requirements.

The approach to the audit has been designed to meet the audit requirements of the various authorities with the least disruption to the Town's office operations. The foundation of the audit approach is based on communication coupled with a strong knowledge of Town operations and detailed planning at the initial stages of the audit. Open communication lines with all parties of the Engagement Team and Town Management and staff throughout the engagement eliminate "surprises". Initial planning and proper assignment of duties to experienced personnel provide for an effective and efficient audit process. Consequently, inefficiencies and disruptions are kept to a minimum. In addition, we perform almost half of the audit tasks during the interim phase to minimize any unforeseen delays during the year-end phase and to ensure a smooth and timely audit process.

The Firm maintains liability insurance coverage for professional liability, Workers' Compensation, Comprehensive General Liability and Auto as part of our comprehensive insurance policy.

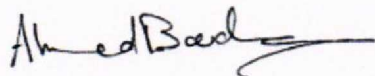
The Firm is an Equal Opportunity employer and complies with all Federal and State hiring requirements. The Firm also supports Affirmative Action philosophies and works hard to provide disadvantaged groups with opportunities for self enhancement.

This proposal is a firm and irrevocable offer for 180 days.

We are confident that you will find our organization offers the required expertise, technical knowledge, and business understanding to perform an audit of the Town. Our past experience provides us with a thorough understanding of the needs and requirements of the Town, as well as the technical knowledge to perform such services in accordance with the accounting and auditing guidelines as published by the various authoritative entities.

We welcome your inquiries and look forward to further discussions with you.

Sincerely,



Ahmed Badawi
Partner
Badawi & Associates
Certified Public Accountants

Independence**Independence**

The Firm is independent of the Town of Los Gatos as defined by the GAO's *Standards for Audit of Governmental Organizations, Programs, Activities and Functions*, and the AICPA and California State Society of Certified Public Accountants as promulgated in various auditing and professional standards.

**Firm
Qualifications
and
Experience****Insurance**

The Firm maintains professional liability insurance and other coverage as part of our comprehensive insurance policy. Upon selection as Town's independent auditor, the Firm and our insurance provider will provide a certificate of insurance to Town which shows the minimum requirements identified by Town have been met.

License to Practice in California

The Firm and all key professional staff assigned to Town's audit are properly licensed to practice as Certified Public Accountants in the State of California and comply with GAO *Government Auditing Standards*.

The Firm is registered with the California State Board of Accountancy. Its State number is COR6823.

The Firm has met all required State and local laws, rules, and regulations.

Firm Qualifications

Badawi & Associates was founded by Mr. Ahmed Badawi. Mr. Badawi has over 20 years of experience working with state and local government with a special focus on cities. Prior to founding B&A, Mr. Badawi was a partner with several local and national firms, where he headed their government practice in Northern California. Mr. Badawi founded Badawi & Associates to serve the fast-paced needs of California's local governments. The goal is to build a proactive, client-focused culture from the ground up and to eliminate the entrenched bureaucratic culture and intrinsic limitations of the big audit firms.

Located in Oakland, CA, the Firm serves a variety of cities throughout California as well as conducting financial related services for numerous special districts and authorities. Names and phone numbers of several of our current and past clients and other references are provided for your inquiries. We encourage you to contact these individuals to obtain information on the quality of the audit and the ability of the audit staff.

Our Oakland office will be the Engagement Office assigned to the Town.

In addition to specific city financial statements, the Firm members have also audited numerous redevelopment agencies, public financing authorities, hospitals, housing authorities, transportation authorities, special districts, water districts, OCJP grants, self-insurance pools, joint power authorities and has also performed numerous compliance audits in accordance with the Single Audit Act, childcare regulations, TOT regulations, AQMD regulations, franchise requirements, RDA compliance, and other special projects. Additionally, the Firm has significant experience in bond offerings, post closure landfill costs, and recent changes to redevelopment agency reporting requirements.

The Engagement Partner assigned to the Town, Mr. Ahmed Badawi. Mr. Badawi has over 20 years of government audit experience. He is a member of various governmental committees, has actively participated in the development of accounting and audit guidelines for the governmental sector, and is an instructor for the California Society of Municipal Finance Officers.



The professional staffs assigned to the Engagement are qualified and experienced. Each individual of the Engagement Team has several years of experience and has conducted or participated in numerous municipal audits of various sizes. Their understanding of governmental operations and the various authoritative guidelines will provide the where-with-all to perform the audit in an efficient and effective manner with minimal disruption to the Town's finance department.

Technical Approach

The approach to the audit has been designed to meet the audit requirements of the various authorities with the least disruption to the Town's operations. The foundation of the audit approach is based on communication coupled with a strong knowledge of Town operations and detailed planning at the initial stages of the audit. Open communication lines with all parties of the Engagement Team and Town Management and staff throughout the engagement eliminate "surprises". Initial planning and proper assignment of duties to experienced personnel provide for an effective and efficient audit process. Consequently, inefficiencies, disruptions, and lack of understanding are kept to a minimum.

The audit approach will consist of four phases:

Initial Planning Meeting:

The Engagement Partner and Manager will meet with Town Management to discuss the audit approach, identify specific needs of Town Management, and familiarize themselves with Town policies and practices.

Interim:

The Engagement Team members including the Engagement Team Partner will perform the internal control reviews, test transactions, evaluate compliance with Single Audit Act requirements, identify potential audit issues that need to be addressed, perform limited confirmation procedures, and develop a clear understanding between the Engagement Team and Town Management of the year end audit responsibilities and assignments. **In addition, we strive to complete many of the year-end audit tasks during the interim phase to ensure a smoother audit process. We will work with the Town on providing a list of those tasks that we will target to complete during interim and work with the Town on how to complete them to minimize the amount of effort and time needed at year-end which in turn will assist the Town in meeting its goal of issuing the CAFR by the desired deadline.**

Year end:

The Engagement Team members including the Engagement Team Partner will conduct validation procedures on general ledger account balances, complete confirmation procedures, perform analytical procedures on revenue and expenditures, perform search for unrecorded liabilities, complete compliance work on Federal Assistance, and wrap up audit field work.

Reporting:

Auditor's reports for all Town reporting entities and compliance requirements will be finalized along with Single Audit Reports and Management Letter comments. The Partner and Manager will be available to make presentations to the Town Council and/or designated bodies.

Firm Experience

The Firm is located in Oakland, and provides a full range of accounting services to governmental agencies throughout California, including audit, tax and accounting. The Firm's professional staff members provide the financial background and specific experience to meet the Town's operational needs. Additionally, this situation provides the Town with an auditing firm that has depth in capabilities to address any financial issue the Town may need assistance with, and the quality audit approach that you expect.

Our Oakland office will be the Engagement Office assigned to the Town.

Firm policy requires that the Engagement Partner, during the first year of the engagement, be actively involved in the daily fieldwork. This means to the Town that Mr. Badawi will actually be on-site during the audit coordinating the audit process, supervising the audit staff, gaining a hands-on understanding of Town processes, and benefiting the Town with his broad municipal experience. We have found that this effort benefits the Town and the Firm through developing a thorough knowledge of the Town's practices and issues and establishing a close working relationship with the Town's Management. Additionally, continuity of audit personnel is assured because of the hands on involvement of the Partner.

We are committed to providing appropriate and related experience, personal involvement, and a broad business perspective to produce a quality end product within the time frames required.

The Firm provides financial and compliance auditing services to governmental agencies throughout California. We are a governmental agency auditing firm and our professional staff members have been performing these services for many years. As a result, we have performed financial and compliance audits on most, if not all, types of governmental agencies and operations including:

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| • Cities | • Waste Management Authorities and Operations | • Investment Activities |
| • Redevelopment Agencies | • Pension Plans | • Landfills |
| • Financing Authorities | • Child Care Operations | • Enterprise Funds |
| • Housing Authorities | • Joint Power Authorities | • Airports |
| • Special Districts | | • Transportation Operations |
| • Water Districts | | • Federal and State Grants |

Additional Activities

We offer a full range of accounting and finance services to the governmental sector. These services include:

- | | |
|---|---|
| • Financial audits | • Operational reviews |
| • Compliance audits | • Technical guidance on existing and upcoming accounting issues |
| • Tax advice | • Training seminars |
| • Development of financial and accounting policies and procedures | • Pension/profit-sharing plans |
| • Investment review and compliance evaluation | • Performance audits |
| | • Business consulting |

Consequently, Firm personnel are well qualified to perform the services expected by the Town.

Client Training Seminar

The Firm hosts an annual update on recent technical accounting and finance issues affecting the governmental area. This all day session reviews new and anticipated pronouncements from GASB, discusses future issues under consideration by GASB, reviews accounting treatment of various transactions where issues may arise, and provides a general overview of state and federal compliance issues. All of our clients are invited to attend, free of charge. The one day session qualifies for CPE under the rules of the State Board of Accountancy and is held in locations throughout the Bay Area.

CSMFO Training

The Firm provides a one-day training session entitled "Introduction to Governmental Accounting" to members of CSMFO. Firm personnel developed the class materials and teach the sessions. Approximately 10 sessions are held annually at various locations throughout the State. The Firm provides these sessions for only the cost of materials to CSMFO in keeping with its philosophy to support the industry in which it serves.

GASB 68 Firm Developed Tools and Assistance

The Firm has developed tools to assist our clients with GASB 68 implementation or preparation of journal entries for the CalPERS' Plans. In addition to providing our clients with these tools and instructions on how to use them, we are available to answer any questions on how to prepare and complete your GASB 68 journal entries.

Quality Control Review

According to Government Auditing Standards, firms who perform audits under the Yellow Book are required to have a peer review once every three years. We received a report with a rating of pass with no deficiencies which we attached for your review.



JOHN LERIAS, CPA
 STEPHEN C. WILLIAMS, CPA
 JOSEPH O. ROMERO, CPA

System Review Report

Badawi & Associates

Oakland, California;

and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Badawi & Associates (the firm) in effect for the year ended February 29, 2016. 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 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 Badawi & Associates in effect for the year ended February 29, 2016, 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*. Badawi & Associates has received a peer review rating of *pass*.

4120 Concours
 Suite 100
 Ontario, CA 91764

909.948.9990
 800.644.0696
 FAX 909.948.9633

gyl@gyldcauwer.com
 www.gyldcauwer.com

your
Success
 is our
 DESTINATION

GYL Decauwer LLP

Ontario, California

May 20, 2016

CPA AMERICA
 INTERNATIONAL
 Crowe Horwath International

B&A have policies and procedures to ensure it hires only qualified people, that it properly supervises them and provides professional training, that it advances them to responsibilities they are capable of handling, and that it provides them with necessary technical resources. All members of B&A are very familiar with the stringent quality control standards established by the AICPA.

The Firm is a member of the AICPA Government Audit Quality Center.

The Firm is a member of the AICPA Private Companies Practice Section.

Federal or State Desk Reviews

The Firm has had no negative federal or state reviews in the past three (3) years.

Disciplinary Action

There has not been any state or federal disciplinary actions taken or pending against the Firm nor any findings to report.

Lost Clients and Pending Litigations:

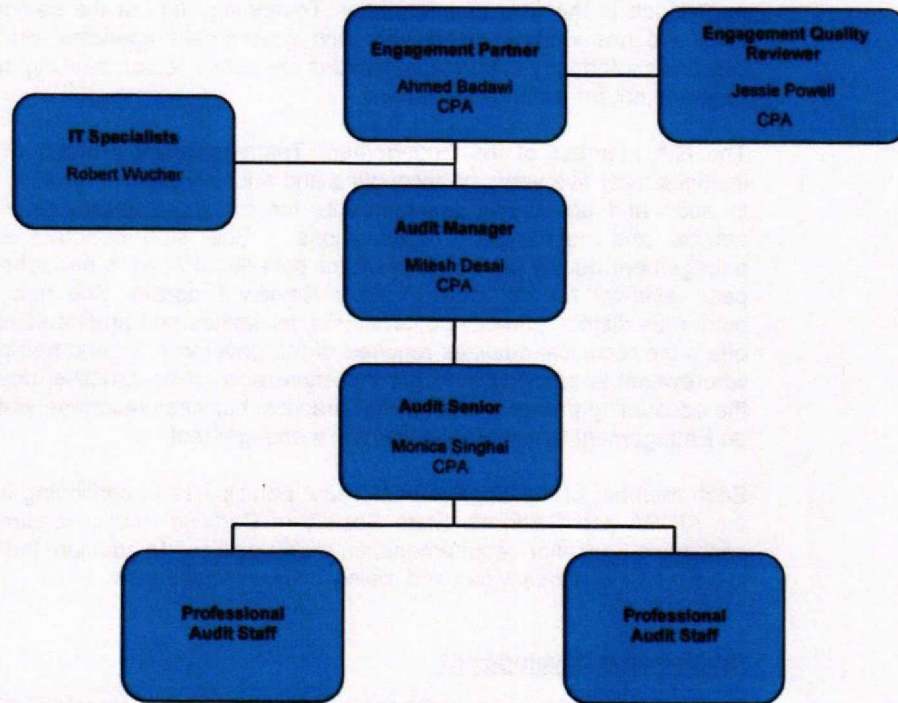
The Firm has not experienced termination of any contracts before completion, and has not experienced any lawsuits or legal actions that have been resolved or are currently pending in the prior five years.

Conflict of Interest :

The Firm does not have a conflict of interest with any officials or employees of the Town of Los Gatos. If a conflict of interest were to become known, the firm would immediately divulge such facts to the Town.

**Partner,
Supervisory,
and Staff
Qualifications
and
Experiences**

The Engagement Team will normally consist of seven individuals who provide a broad business perspective and significant experience in governmental auditing. This team will provide access to a wide range of technical capabilities which will provide the Town with not only the technical support necessary to perform the audit, but also the broad business background to interpret findings and observations to offer effective solutions to issues, and the personal involvement of the Engagement and Compliance Partners of the Firm.



The Engagement Team will be led by Ahmed Badawi, CPA. Mr. Badawi's background includes over twenty years of municipal auditing and accounting experience with a special focus on cities. He is the instructor of the CSMFO "Introduction to Governmental Accounting" training classes. Mr. Badawi is a member of the Government Accounting and Auditing Committee, the Accounting Principles and Auditing Standards Committee and the State Technology Committee of the California Society of Certified Public Accountants. He has participated in the audits of numerous city, county and special district governments, as well as non-profit entities. His diversified background offers the technical qualities required of the governmental and non-profit areas and the necessary wherewithal to properly evaluate the entire accounting process, develop opportunities to improve the accounting process, and to offer practical business recommendations. Mr. Badawi is licensed as a CPA with the ability to attest an opinion on an audit.

The second member of the Engagement Team is Mitesh Desai, CPA. Mr. Desai's background includes ten years of experience in municipal auditing with a special focus on cities. Mr. Desai has participated in the audits of numerous governmental agencies, assisted in their efforts to publish their CAFRs in compliance with GASB 34, and a volunteer member of the GFOA Special Review Committee. Mr. Desai has also achieved the Advanced Single Audit Certificate offered by the AICPA. He will serve as the Audit Manager.

The third member of the Engagement Team is Monica Singhai, CPA. Mrs. Singhai's background includes over fourteen years of experience in municipal auditing experience. She has participated in the audits of numerous governmental agencies and assisted in their efforts to publish their financial statements in compliance with various regulations. Mrs. Singhai will be the Senior of this engagement.

The fourth member of the Engagement Team is Robert Wucher. Mr. Wucher has 30 years of experience in the field of Information Technology (IT) at the senior and executive management level. He has worked extensively with government agencies, private organizations and public companies. Industry experience includes the public sector, banking, manufacturing, Internet, health care and not-for-profit organizations.

The fifth member of the Engagement Team is Jessie Powell, CPA. Ms. Powell background includes thirty five years of accounting and auditing experience. She has an extensive background in audit and accounting engagements for small businesses and specializing in governmental entities and not-for-profit organizations. She also performs second partner reviews and engagement quality control reviews for several CPA firms throughout California and is an active peer reviewer for the CalCPA Peer Review Program. She has participated in the audits of numerous district, and city governments, as well as non-profit entities. Her diversified background offers the technical qualities required of the governmental and non-profit areas and the necessary wherewithal to properly evaluate the entire accounting process, develop opportunities to improve the accounting process, and to offer practical business recommendations. Ms. Powell will serve as an Engagement Quality Reviewer of this engagement.

Each member of the Engagement Team participates in continuing education programs offered by the AICPA and California State Society of Certified Public Accountants, and each has met the continuing education requirements for municipalities. In addition, the firm offers at least 60 hours of in-house CPE annually focused mainly on municipal audits.

Professional Development:

The Firm maintains a comprehensive training program targeted at appropriate professional staff levels. It utilizes in-house developed educational programs, AICPA and California CPA Foundation educational programs, and on-the-job training.

The Firm's annual training schedule which officially begins in April for all professional staff and administrative staff includes comprehensive in-house training sessions on such topics as:

- Review of principles of accounting and financial reporting for state and local governments.
- Review of governmental fund types and account groups.
- Review of newly issued generally accepted auditing standards and GAO auditing standards.
- Review of Internal Control evaluation approaches including COSO principles.
- Updates on recent governmental accounting and reporting guidelines.
- Review of Single Audit requirements and approaches.
- Review of financial audit approaches.
- Overview of audit and internal control work paper techniques.
- Review of GASB reporting requirements.
- Review of current issues facing the governmental community.

During the year, professional staff members are sent to various educational sessions sponsored by the AICPA and California State Society of CPAs, as considered appropriate for the level and need of the individual. These classes include, among others:

- Governmental Financial Reporting Standards and Practices.
- Yellow Book: Government Auditing Standards.
- Financial Accounting Standards: Comprehensive Review.
- Single Audit.
- Governmental Auditing & Accounting Update.
- Governmental Accounting Principles.
- Comprehensive Review of Generally Accepted Auditing Standards

The result of the Firm's training program is the production of a highly educated and competent municipal audit group capable of performing an efficient and effective audit for the Town.

The Team members will continue their professional development efforts.

Staff Retention and Continuity:

The Firm's policy on providing service to our clients includes a commitment to maintaining continuity of audit personnel. We cannot guarantee that our staff will remain with the Firm. However, to encourage our staff to remain with us, we pay competitive wage rates; offer promotional opportunities; provide state-of-the-art equipment and excellent working conditions; and offer various benefits, such as retirement plans, medical plans, profit sharing programs, educational benefits, and other such benefits. Additionally, we will guarantee that any staff member assigned to this engagement will return to the Town in subsequent years if he or she is still with the Firm. We can also guarantee that the partner will be involved in future years. Continuity of audit staff is of prime concern to us and because of the hands-on involvement of the partner; we can assure you that future years' audits will be conducted in an efficient and effective manner with qualified and experienced professionals.

The Firm is an Equal Opportunity employer and complies with all Federal and State hiring requirements. The Firm also supports Affirmative Action philosophies and works hard to provide disadvantaged groups with opportunities for self enhancement.

Resumes of each member of the Engagement Team are as follows.

Resumes of Engagement Team

Ahmed Badawi, Certified Public Accountant – Engagement Partner

Length of Career

- Twenty years' experience in municipal auditing and accounting with a special focus on cities.
- Certified Public Accountant for the State of California.

Professional Experience

- Partial listing of clients served:

	Services Provided					
	Financial Audit	Single Audit	RDA Audit	PFA Audit	Enterprise Fund	Other
Cities:						
Antioch	X	X		X	X	X
Albany	X	X	X			X
Berkeley	X	X	X		X	X
Burlingame	X				X	X
Dublin	X	X				X
Fremont	X	X	X			X
Pleasanton	X	X		X		X
Redwood City	X	X	X		X	X
Richmond	X	X	X	X	X	X
San Bruno	X	X	X		X	X
San Leandro	X	X	X			X
San Mateo	X	X	X		X	X
Turlock	X	X	X	X	X	X
Union City	X	X	X		X	X
Walnut Creek	X	X	X		X	X
Counties:						
Santa Cruz County	X	X	X	X	X	X
Contra Costa County	X	X	X	X	X	X
County of Lassen	X	X			X	X
Special Districts and Other:						
Port of Redwood City	X	X				X
Marin Municipal Water District	X					X
Coastside Fire Protection District	X					X
Alameda County Water District	X				X	X
Cosumnes Community Services District	X					X
East Bay Regional Park District	X	X				X
Metropolitan Transportation Commission						X
South Bayside System Authority	X					X
Stanislaus County Childcare	X					X
West County Wastewater District	X					X
Health Care:						
Alameda County Medical Center	X	X				X
Family HealthCare Network	X					X

- Has performed numerous financial audits, Single Audits, Transportation Development Act audits, housing audits, electrical utility audits, RDA audits, PFA audits, and Trust Fund audits, and has prepared numerous CAFRs.

Education

- BS Degree in Accounting from the University of Alexandria, Egypt.

Professional Activities

- Instructor, CSMFO's "Introduction to Governmental Accounting" training class.
- Member, CALCPA Government Accounting and Auditing Committee
- Member, American Institute of Certified Public Accountants.
- Member, California Society of Certified Public Accountants.
- Member, Government Finance Officers Association.
- Member, California Society of Municipal Finance Officers.
- Chair, Audit Committee, San Francisco SPCA, a CA nonprofit organization

Continuing Education

Has met the current CPE educational requirements to perform audits on governmental agencies

Mitesh Desai, Certified Public Accountant – Professional Audit Manager

Length of Career

- Ten years' experience in municipal auditing with a special focus on cities.
- Certified Public Accountant for the State of California.

Professional Experience

- Has participated in several financial audits, Single Audits, RDA audits, PFA audits, Transportation Development Act audits, and housing audits

	Services Provided					
	Financial Audit	Single Audit	RDA Audit	PFA Audit	Enterprise Fund	Other
Cities:						
Antioch	X				X	X
Albany	X					
Barstow	X	X			X	X
Berkeley	X	X	X		X	X
Buena Park	X	X			X	X
Foster City	X	X	X		X	X
Fremont	X	X	X		X	X
East Palo Alto	X	X			X	X
Lemon Grove	X				X	
Newark	X	X	X			X
Menlo Park	X				X	X
Oakdale	X	X			X	X
Pittsburg	X	X	X		X	X
Placerville	X	X			X	X
Redwood City	X	X			X	X
Rio Vista	X		X		X	X
San Mateo	X	X	X		X	X
Susanville	X					
Turlock	X				X	X
Union City	X				X	X
Vacaville	X	X	X	X		X
Yountville	X				X	X
Counties:						
Contra Costa	X	X	X	X	X	X
Glenn		X				
Santa Cruz	X	X	X	X	X	X
Other:						
Alameda County Water District	X					X
Alameda County Medical Center	X	X				X
Castro Valley Sanitary District	X					
Cosumnes Community Services District	X					
Golden Valley Health Centers	X					X
Marin Municipal Water District	X					
West County Wastewater District	X					X
Contra Costa Child Development Programs	X					X
Stanislaus County Childcare	X					X

Education

- BS Degree in Business Economics with an emphasis in Accounting from University of California, Santa Barbara

Professional Activities

- * Member, American Institute of Certified Public Accountants.
- * Member, California Society of Certified Public Accountants.
- * Volunteer Member, GFOA Special Review Committee

Continuing Education

- Various municipal accounting courses offered by the California Society of CPAs and local universities including:
 - Governmental Financial Reporting Standards and Practices
 - Yellow Book: Government Auditing Standards
 - Municipal Accounting
 - Single Audit
- Has met the current CPE educational requirements to perform audits on governmental agencies.

Monica Singhai, Certified Public Accountant – Professional Audit Senior

Length of Career

- Fourteen years' experience in auditing with special focus on municipalities.
- One year experience in accounting related position.
- Certified Public Accountant for the State of California.

Professional Experience

- Has participated in several financial audits, Single Audits, RDA audits and PFA audits

	Services Provided				
	Financial Audit	Single Audit	RDA Audit	PFA Audit	Enterprise Fund
Cities:					
City of Berkeley	X	X			X
City of East Palo Alto	X				X
City of Menlo Park	X	X			X
City of Redwood City	X	X			X
Special District:					
Alameda County Fire District	X				
Alameda County Law Library	X				
Burbank Sanitary District	X				X
Lions Gate Community Service District	X				
Los Medanos Community Health Care District	X				
Oakland-Alameda County Coliseum Authority	X				
School District:					
Bayshore Elementary School District	X				
Belmont-Redwood Shores School District	X	X		X	
Brisbane School District	X				
Jefferson Elementary School District	X	X			
La Honda-Pescadero Unified School District	X	X		X	
Pacifica School District	X	X			
Ravenswood City School District	X	X			X
Redwood City School District	X	X			
San Mateo-Foster City School District	X	X			X
Charter schools:					
Oakland Military Institute College Preparatory Academy	X	X			
Sacramento Valley Charter School	X				
West Sacramento College Prep Charter School	X				
First 5:					
First 5 Alameda County	X	X			
First 5 Inyo County	X				
First 5 Marin County	X				
First 5 Monterey County	X				
First 5 Santa Cruz County	X				
Others:					
Alameda County Housing Community Development Agency	X	X			X
Alameda County Redevelopment Agency	X		X		
Alameda County Successor Agency	X				
City of Oakland - Measure C	X				
City of Oakland - Measure Y	X				
City of Oakland - Child Care and Development Program	X				
City of Oakland - Wildfire Prevention Assessment District	X				

Education

- Bachelor of Science in Accounting from Jabalpur University, India.

Professional Activities

- Member, California Society of Certified Public Accountants.
- Member, Institute of Chartered Accountants of India.

Continuing Education

- Various local governments and not for profit accounting courses offered by the California Society of CPAs and AICPA including:
 - Governmental Financial Reporting Standards and Practices
 - Yellow Book: Government Auditing Standards
 - Single Audit

Has met the current CPE educational requirements to perform audits on governmental agencies.

Robert Wucher – Information Technology Specialist**Length of Career**

- Thirty years' experience in information technology (IT)
- Worked extensively with government agencies, private organizations and public companies
- Industry experience includes public sector, banking, manufacturing, internet, healthcare, and not-for profit organizations

Areas of Expertise

- Systems Auditing and Controls Review (SEC AU-314, SAS-109, SAS-94)
- Sarbanes-Oxley, Section 404 IT Compliance Consulting and Auditing
- Journal Entry Analysis in Support of SAS-99 using IDEA by Caseware
- SSAE-16 (SOC 1, 2 & 3), Type I & II Reporting (Formerly SAS-70)
- ERP/MRP System Reviews and Workflow Analysis
- Software as a Service (SaaS) Cloud Computing Technologies
- International and Multinational Company IT Audit Expertise
- Forensic Data Analysis and Litigation Support in Support of Fraud Auditing
- Systems Selection and Request-for-Proposal (RFP) Development
- Systems Programming and Data Conversion
- Systems Failure Analysis and Quality Improvement
- E-Commerce and EDI Systems
- Information Technology Strategic Planning
- System Process/Procedures Development and Implementation
- Disaster Recovery and Business Continuity Planning

Publications

- Author, The Top Five Tips Every Technology Executive Needs to Know About Sarbanes-Oxley, Published 2007, Aspatore Books
- Author, Winning Legal Strategies for Technology & E-Business, An Overview of IT Controls Under Sarbanes-Oxley Published 2005, Aspatore Books

Presentations

- IT Security Trends
- Data Privacy and Cloud Computing
- IT Trends and Red Flag Rule
- IT Controls for NFP Organizations

Education

- B.S. degree in Business Administration, Finance, Old Dominion University, Norfolk, VA.

Professional and Civic Associations

- Member, Information Systems Audit and Control Association (IASCA)
- MAS-90 Accounting Application Suite Qualified Installer, SAGE Systems
- Former Board Member, Pets are Wonderful Support (PAWS), San Francisco, CA

Jessie Powell, CPA – Engagement Quality Reviewer**Length of Career**

- Thirty-five years of accounting and auditing experience.
- Extensive background in audit and accounting engagements for small businesses and specializes in governmental entities and not-for-profit organizations
- Performs second partner reviews and engagement quality control reviews
- Active peer reviewer for the CalCPA Peer Review Program
- Participates in the audits of numerous district, and city governments, as well as non-profit entities.

Education

- B.S, Business Administration, California State University, Long Beach

Professional Activities

- * Board Member, Kimberly-Shirk Association
- * Board Member, YMCA of the East Valley
- * Member, American Institute of Certified Public Accountants
- * Member, California Society of Certified Public Accountants
- * Member, CalCPA Governmental Accounting & Auditing Committee
- * Committee Member, CalCPA Accounting Principles and Auditing Standards Committee
- * Member, Redlands Chapter of the American Association of University Women
- * Former Member, CalCPA Peer Review Committee
- * Former team captain, AICPA Peer Review Program
- * Former President, Inland Empire Chapter of CalCPA
- * Former President, YMCA of the East Valley
- * Former President, Soroptimist International of Redlands
- * Former Treasurer, Kimberly-Shirk Association
- * Former Treasurer, CalCPA Group Insurance Trust
- * Former Treasurer, Redlands Community Music Association
- * Former Treasurer, Family Service Association of Redland
- * Former Treasurer, Soroptimist International of Redlands
- * Former Committee Chair, CalCPA Accounting Principles and Auditing Standards Committee
- * Former Member, California State Board of Accountancy Administrative Committee
- * Former Lecturer on Governmental and Non-Profit Accounting at university level

Similar Engagements with Other Governmental Entities

The table on the following page is a partial listing of our clients similar to the Town, and illustrates the many different types of components involved in each audit engagement that present very difficult and complex auditing and accounting challenges.

- * Indicates cities with population over 50,000
- ** Indicates cities with governmental revenues over 100 million and population over 50,000

	City	Client Since	Hours	Engagement Partner	Principal Contact	CAFR	GFOA Award	RDA/ Successor Agency	Single Audit	TDA	Child Care Audit	Housing Authority	Enterprise Funds
**	Berkeley	2008	1800	Ahmed Badawi	Mr. Henry Oyekanmi Finance Director (510)981-7300 hoyekanmi@ci.berkeley.ca.us	Yes	Yes	X	X	X			X
**	Redwood City	2006	600	Ahmed Badawi	Mr. Derek Rampone Financial Services Manager (650)780-7071 drampone@redwoodcity.org	Yes	Yes	X	X	X			X
**	San Mateo	2004	500	Ahmed Badawi	Mr. Drew Corbett Finance Director (650)522-7104 dcorbett@cityofsanmateo.org	Yes	Yes	X	X	X			X
**	Vacaville	2008	600	Ahmed Badawi	Mrs. Davina Hatfield Accounting Manager (707)449-5104 dhatfield@cityofvacaville.com	Yes	Yes	X	X	X		X	X
*	Union City	2006	600	Ahmed Badawi	Ms. Gayle Okada Supervising Accountant (510)675-5352 gayleo@unioncity.org	Yes	Yes	X	X	X			X
*	Antioch	2005	470	Ahmed Badawi	Ms. Dawn Merchant Finance Director (925)779-6135 Dmerchant@ci.antioch.ca.us	Yes	Yes	X	X	X			X
	Menlo Park	2014	514	Ahmed Badawi	Mr. Rosendo Rodriguez Finance Director (650)330-6640 RRodriguez@menlopark.org	Yes	Yes	X	X	X	X		X
	Newark	2009	550	Ahmed Badawi	Ms. Susie Woodstock Director of Administrative Services (510)578-4804 susie.woodstock@newark.org	Yes	Yes	X	X	X			
	Albany	2008	380	Ahmed Badawi	Mr. David Glasser Finance & Administrative Service Director (510)528-5730	Yes	Yes	X		X			X
	Rio Vista	2009	480	Ahmed Badawi	Ms. Mary Lee Sharer Finance Manager (707)374-6451 Ext. 1118 msharer@ci.rio-vista.ca.us	No	N/A	X	X	X			X
	Barstow	2012	550	Ahmed Badawi	Ms. Cindy Prothro Finance Director (760)255-5115 cprothro@barstow.ca.org	Yes	Yes	X	X				X
	Buena Park	2013	500	Ahmed Badawi	Mr. Sung Hyun Finance Director (714)562-3717 shuyn@buenapark.com	Yes	Yes	X	X				X
	Susanville	2013	450	Ahmed Badawi	Mr. Jared Hancock City Administrator (530)252-5100 jhancock@cityofsusanville.org	Yes	CSMFO						X
	East Palo Alto	2014	450	Ahmed Badawi	Ms. Brenda Olwin Finance Director (650)853-3122 bolwin@cityofepa.org	Yes	Yes	X	X				X
	Milbrae	2015	400	Ahmed Badawi	Mr. Kenneth Spray Finance Director (650)259-2433 kspray@ci.milbrae.ca.us	Yes	N/A	X					X
	Calimesa	2013	350	Ahmed Badawi	Ms. Bonnie Johnson Finance Director (909)795-9801 ext 231 bjohnson@cityofcalimesa.net	No	N/A						
	Yountville	2015	300	Ahmed Badawi	Mrs. Maria Ojeda Finance Director (707)944-8851 marrow@yville.com	No	N/A						X
	Lemon Grove	2013	350	Ahmed Badawi	Mr. Gilbert Rojas Finance Director (619)825-3803 grojas@lemongrove.ca.gov	No	N/A	X					X
	Crescent City	2014	300	Ahmed Badawi	Ms. Linda Leaver Finance Director (707)464-7483 x224 lleaver@crescentcity.org	No	N/A	X	X			X	X

The table below lists all special district engagements:

Special District	Client Since	Hours	Engagement Partner	Principal Contact	CAFR	GFOA Award	Single Audit	Enterprise Funds
Florin Resource Conservation District/ Elk Grove Water District	2015	350	Ahmed Badawi	Mr. Jim Malberg Finance Manager/Treasurer (916)685-3556 jmalberg@egw.d.org	Yes	Yes		X
Marin Municipal Water District	2010	350	Ahmed Badawi	Mrs. Mkyung Pustelnik Finance Manager (415)945-1410 mpustelnik@marinwater.org	Yes	Yes	X	X
Cosumnes Community Services District	2008	350	Ahmed Badawi	Mr. Jeff Ramos General Manager (916)405-7150 jefframos@yourcsd.com	Yes	Yes		
Monterey Bay Unified Air Pollution Control District	2016	200	Ahmed Badawi	Ms. Joyce Giuggre Administrative Services Manager (831)-718-8019 jgiuffre@mbard.org	No	N/A		
Port of Redwood City	2006	200	Ahmed Badawi	Mr. Rajesh Sewak Manager of Finance & Admin. (650)306-4150 rsewak@redwoodcityport.com	No	N/A	X	X
Central County Fire Department	2012	150	Ahmed Badawi	Ms. Jan Cooke Finance Director (650)375-7408 jcooke@hillsborough.net	Yes	Yes		
Aptos La Selva Fire District	2016	120	Ahmed Badawi	Ms. Tracy New Director of Business Services 6934 Soquel Drive Aptos, CA 95003 (831)-685-6690	No	N/A		

What Our Clients Say About Us

In addition to the references provided in Appendix A, we have also provided contact information for all our clients on the previous page if you would like to speak to any of them about their experience with us. These are some of the things our clients have said about us.

"I would recommend Badawi & Associates to anyone seeking professional and knowledgeable audit services"

**Sung Hyun
Finance Director
City of Buena Park**

"This was the District's first year with Badawi & Associates and I found the entire team to be responsive, thorough, detailed and professional. Not only was this a first year audit, but we also implemented GASB 68 and completed a major restatement of the District's Capital Assets. With all of those moving pieces, this was by far the smoothest first year audit that I have ever participated in."

**Jim Malberg
Finance Manager
Florin Resource Conservation District/
Elk Grove Water District**

Understanding of Services to be Provided

The Town desires an audit of the financial records for the Town and an expression of an opinion in accordance with generally accepted accounting principles on the fairness of presentation of financial statements for the fiscal years ending June 30, 2017 to 2019 with option to extend for two subsequent one-year terms.

The Firm will:

- Express an opinion on the fair presentation of its basic financial statement which includes but is not limited to the financial statements of governmental activities, the business-type activities, each major fund and all aggregate remaining fund information in conformity with generally accepted accounting principles in the United States of America.
- Express an opinion on the fair presentation of its combining and individual non-major and fiduciary fund financial statements and schedules in conformity with generally accepted accounting principles. The Firm will provide an "in-relation-to" report on the supporting schedules contained in the comprehensive annual financial report based on the auditing procedures applied during the audit of the basic financial statements and schedules.
- Provide an "in-relation-to" report on the schedule of federal financial assistance based on the auditing procedures applied during the audit of the financial statements.
- Perform the audit in accordance with generally accepted auditing standards accepted in the United States of America, applicable to the financial audit contained in the Government Auditing Standards issued by the Comptroller General of the United States and the provisions of the Uniform Guidance, Audits of States, Local Governments and Non-Profit Organizations.
- Perform limited procedures on supplementary information required by the Government Accounting Standards Board.
- Issue the following reports, following the completion of the audit of the fiscal year's financial statements:
 - Independent Auditor's Report on Financial Statements and Schedule of Expenditure of Federal awards
 - Town's Comprehensive Annual Financial Report
 - Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
 - Management Letter comments on Internal Controls
 - Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with the Uniform Guidance
 - Schedule of findings and questioned costs
 - Auditor's Communication with Those Charged with Governance
 - Single Audit (*if required*)
 - GANN Limit Report
 - Audit Report for Pension Trust Fund (*optional*)
 - Annual State Controller's Reports (*optional*)
- Provide special assistance to the Town as needed.
- Retain all working papers and reports at the audit firm's expense for a minimum of 7 years. In addition, make working papers available to the Town and/or any government agency as appropriate.

Should any conditions be discovered requiring corrective action, the Firm will provide a detailed description of the findings and recommended actions as to their resolution.

The Firm will submit a report to the Town Council and management detailing auditor's responsibility under generally accepted auditing standards, significant accounting policies, management judgments and accounting statements, significant audit adjustments, other information in documents containing audited financial statements, disagreements with management, management consultations with other accountants, major issues discussed with management prior to retention, difficulties encountered during the audit, and any significant deficiencies or material weaknesses found during the audit. Non-material instances of noncompliance will be reported in a separate management letter, if appropriate, along with any other observations or recommendations determined to be informative to Town management.

The Firm will be available to provide advice and counsel regarding significant matters during the year.

The Firm's Partner and Staff welcome the opportunity to make presentations to the Town Council and will be ready to respond to questions from the Council and citizens of the Town.

Specific Audit Approach

Objectives of Our Services

The basic objective of our audit of the Town is to conduct an examination of the financial statements in accordance with generally accepted auditing standards and to express our opinion on the fairness of presentation of such financial statements in conformity with generally accepted accounting principles.

Additionally, we believe that another real value of our audit lies in meeting other objectives at no additional cost. The following are other objectives of our services that have important benefits to the Town:

- To offer substantive observations and recommendations relating to accounting and operating control policies and procedures.
- To identify opportunities for operating efficiencies and isolate candidate activities for cost reduction opportunities.
- To perform a professional audit in an efficient and effective way to minimize disruption to the office operations.
- To offer ongoing advisory services to assist in the running of the operation and implementation of improved operating procedures.

The engagement will be conducted within the framework of the Firm's quality control program which includes the use of audit programs, careful planning, use of computerized audit software and internal control evaluation & documentation software, and objective review procedures. On-site staff will use Firm supplied portable computers and printers.

Audit Approach

The specific audit approach has been designed to efficiently and effectively address the audit requirements of the Town, to perform the audit of the Town's financial records in a timely manner with minimal disruptions to office operations, and to meet the Town's timeline.

The audit will be conducted in accordance with:

- 1) Generally accepted auditing standards established by the AICPA.
- 2) The standards contained in Government Auditing Standards issued by the GAO.
- 3) Provisions of the Single Audit Act and the Uniform Guidance.
- 4) Requirements issued by the California State Controller's office.
- 5) Other requirements as required.

We will conduct the necessary audit steps to perform:

- Planning of the engagement.
- Evaluation of the existing internal control environment to determine degree of risk of material misstatement.
- Determination of degree of compliance with laws, regulations, grant provisions, and Town approved policies.
- Assessment of potential fraudulent issues.
- Validation of account balances.
- Verification of reasonableness of management estimates.

Technical Approach

We use an industry specific audit approach tailored to governmental entities. Our governmental audit approach addresses the special risks and circumstances of local governments. As a result, the audit is conducted efficiently and effectively with minimal disruption to your staff.

The core of our governmental technical audit approach can be summarized as follows:

1. **Planning, Understanding and Communication:**

Based on our previous audit experience, using the budget, organizational charts, manuals and other financial information systems and our knowledge of how governments work, we will obtain an insight to the specific concerns and sensitivities of the Town. Our understanding is updated continuously through our year-round contact and communication efforts. We will agree on common audit objectives and expectations with management before audit work begins and, throughout the audit, will meet regularly with management to discuss audit issues and to gather feedback.

2. **In-Depth Review of Systems and Controls:**

We have developed diagnostic reviews which enable us to evaluate your systems and controls, and to provide management with constructive feedback. Combined with our knowledge of the Town and understanding and experience with the Town's accounting software, our control review will form the basis of our audit risk assessment. We will utilize the COSO approach in our evaluation of the Town's internal processes to identify potential control deficiencies. In future years, we will update our understanding through similar procedures.

3. **Risk-Based Customized Testing Program:**

Our audit approach is tailored to governmental applications. We will use audit programs specifically designed to address the operational environment of governmental entities. Our approach will identify potential control risks and the opportunities for risk of material misstatements and fraud. We will evaluate the various risk assessments and identify the potential risks relating to the:

- Balance Sheets/ Statement of Net Position
- Statement of Revenues and Expenditures / Statement of Activities
- Presentation
- Disclosure

Our audit procedures will then be developed to address these risk areas.

4. **Expanded Interim Fieldwork:**
Timeliness and audit efficiency is enhanced by performing extensive interim work. Partners, managers and senior staff work with Town staff to identify and resolve potential audit issues early. Accordingly, the amount of audit work to perform at year end is minimized. Because our audit staff is familiar with the operations before year-end fieldwork begins, disruption of accounting staff is minimized.
5. **Smooth Transition:**
Our testing program focuses on audit risks identified by our understanding of the Town's operations. We will work with the accounting staff to identify the most effective ways to address our objectives. Communication between the members of the audit engagement team and Town staff will be fluid and continuous.
6. **Sample Size and Sampling Techniques:**
Our audit approach will include sampling activities. Population size and the level of assurance to be derived from a particular test will dictate the sample size. We use sampling in our audit approach to compliment skilled judgment and knowledge of the particular situation. Our sample size will range normally from 25 to 60 items.
7. **Automated Systems:**
We will evaluate controls over the IT functions to assess control risk. We intend to test controls for purposes of reliance. Our review procedures will evaluate controls over:
 - Security Management
 - Logical and Physical Access
 - Configuration Management
 - Segregation of Duties
 - Contingency PlanningIn addition, we will review controls over:
 - Input, processing, output, master data
 - Application interface
 - Data management system interfaceOur Information Technology Specialists Group will evaluate the IT operating control environment.
8. **Analytical Procedures:**
We use analytical procedures in several aspects of our audit. Extensive knowledge and industry background are required for effective analytics, and our staff possesses the appropriate experience and knowledge for the Town to benefit from these procedures.
9. **Approach to be Taken in Determining Laws and Regulations Subject to Audit Test Work:**
We continuously refer to specific regulations, compliance supplements, state guidelines and contracts currently in force. We perform the procedures required related to laws and regulations, using inquiries, observations and sampling techniques. Some of the laws and regulations that we believe may be applicable to the Town are the requirements of the California Public Utilities Commission, 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, Child Care Program compliance requirements, etc.

10. **Report Format:**
We will meet with Town Management to review report formats. Any report format changes will be made in conjunction with approval from the Town's management.
11. **Work Plans:**
The detailed work plans will be designed to efficiently and effectively address the audit requirements of the Town in accordance with generally accepted auditing standards, to perform the audit of the Town's financial records in a timely manner with minimal disruptions to office operations, and to meet the Town's timeline.
12. **Adjusting Journal Entries:**
We will discuss and explain proposed audit adjusting entries with the Town's designated Finance Department personnel prior to recording. Audit adjusting entries will be provided in a format showing the lowest level of posting detail needed for data entry on the Town's general ledger system.
13. **Listing of Schedules and Tables (anticipated to be prepared by the Town):**
Based on preliminary inquiries made with management and Town staff and review of documents, we will tailor a list of schedules, tables, and other reconciliations required for the audit. We will take into account as much as possible reconciliations already prepared by the Town for day to day operations and reporting, as well as any reports that are system generated to limit the need for additional Town staff hours.

The following is a listing of significant reconciliations that we would normally expect the Town to provide to us in assisting us in conducting our fieldwork.

- Trial Balance
- CAFR and Account Roll Up Schedule
- Budget to Actual Reports
- Bank Reconciliations
- Listing of manually prepared journal entries posted
- Summary of Investments held by the Town
- Capital Asset Schedules
- Long Term Debt Schedules
- Debt amortization schedules & Calculations of deferred amounts
- Calculations of any debt covenants amounts or percentages
- Schedule of Operating Leases
- Schedule of Expenditures of Federal Awards
- Analysis of Deferred Inflows of Resources and Deferred Outflows of Resources
- Reconciliation of Receivables to subsidiary ledgers
- Calculations for estimate of allowance for uncollectible accounts
- Loans Receivable Schedules
- Reconciliation of Significant Revenue Accounts
- Utility billing Registers and Fee schedules
- Compensated Absences and Early Retirement Obligation Schedules and Copies of Related Policies
- Claims Payable schedules
- Pension and OPEB Roll Forward & Supporting Schedules
- GASB 54 Fund Balance Roll Forward Schedule
- Interfund Transaction Schedules

14. Computer Software:

The firm maintains a variety of software packages in the audit and financial statement compilation process, which include MS Office (Word, Excel, etc.), Prosystem fx Engagement, PPC Checkpoint and Checkpoint Tools, and Single Audit SMART Tool. Our I.T. Specialist also has the ability to run reports using IDEA (data analysis software).

Our audit software enables us to link our audit trial balance to the financial statements, for efficient financial statement compilation. It also allows us to create various analytical reports easily (e.g. year to year comparisons, budget to actual comparisons, trend analysis, ratio analysis, etc.).

Our research tools are always kept up to date to ensure compliance with accounting and auditing standards, and are also a resource for us to provide guidance to our clients.

We also use Prosystem electronic portal, which allows our clients to easily upload requested audit schedules and testing selections. The portal is very helpful in the audit process as it reduces duplicated audit requests, and allows our engagement team to review uploaded schedules prior to beginning audit fieldwork.



Audit Schedule

2017 Period	Audit Tasks
	Award of Contract
	Interim Audit Procedures:
June	<p>- Planning and Administration</p> <ul style="list-style-type: none"> ▸ Review and obtain copies of key work papers of prior audit firm. ▸ Entrance conference with Town Management to discuss audit approach, timing, assistance, and issues ▸ Review and evaluate the Town's accounting and financial reporting. Prepare an overall memo of recommendations, potential issues, and suggestions for improvements. ▸ Prepare overall memo to Town confirming audit procedures, timing, and assistance. ✓ ▸ Prepare detailed audit work plan and audit programs, audit budget and staffing schedule, and list of schedules to be prepared by Town staff, and provide it to Town Management.
June	<p>- Internal Control Evaluation</p> <ul style="list-style-type: none"> ▸ Meeting with key Finance Division personnel. ▸ Obtain and document understanding of key internal control systems through walk-throughs, interviews of staff, and review of supporting documentation: <ul style="list-style-type: none"> General ledger system. Budgeting system. Revenue, utility billing, accounts receivable, and cash collections. Purchasing, expenditures, accounts payable, and cash disbursements. Payroll. Federal Financial Assistance. Other systems. ▸ Identify control risks. ▸ Evaluate IT control environment. ✓ ▸ Perform testing of the internal control system and evaluate the effectiveness of the Town's systems. Select large dollar and random samples of transactions in key operating systems. Sample size to meet required level for determined degree of risk. Review supporting documentation of selected transactions, evaluate adequacy of support and approvals, and conclude on degree of adherence to accuracy and compliance with Town policies. ▸ Conduct fraud assessment procedures. ✓ ▸ Assess degree of risk for material misstatement. ✓ ▸ Provide to the Town's management a memo concerning management letter points and identify issues, if any. ✓

2017 Period	Audit Tasks
June	<p data-bbox="551 412 674 438">- Other Tasks</p> <ul style="list-style-type: none"> <li data-bbox="571 470 1169 495">* Review minutes of Town Council meetings and other key committees. <li data-bbox="571 500 1281 576">* Preliminary testing, verify and validate account balances by reviewing supporting documentation including invoices, vouchers, council resolutions, minutes, and other documents, as required. <li data-bbox="571 580 1034 606">* Preliminary Single Audit and other compliance testing <li data-bbox="571 610 1334 636">* Coordinate with Town staff and prepare of all appropriate confirmation requests including: <ul style="list-style-type: none"> <li data-bbox="607 668 736 693">Bank accounts. <li data-bbox="607 697 827 723">Investment pool accounts. <li data-bbox="607 727 783 753">Accounts receivable. <li data-bbox="607 757 736 783">Federal grants. <li data-bbox="607 787 931 812">Revenue from governmental agencies. <li data-bbox="607 817 794 842">Bond and other debts. <li data-bbox="607 846 723 872">Pension plan. <li data-bbox="607 876 740 902">Attorney letters. <li data-bbox="607 906 773 932">Others, as required. <li data-bbox="571 927 1136 953">* Provide Town with audit plan and list of year end audit schedules. <li data-bbox="571 957 1020 983">* Hold progress conference with Town Management. <li data-bbox="571 987 976 1012">* Hold exit conference with Town Management.
September - October	<p data-bbox="551 1038 712 1064">- Final Field work</p> <ul style="list-style-type: none"> <li data-bbox="571 1095 981 1121">* Entrance conference with Town Management. <li data-bbox="571 1125 948 1151">* Follow-up on all outstanding confirmations. <li data-bbox="571 1155 584 1181">* <li data-bbox="591 1176 1311 1229">Verify and validate account balances by reviewing supporting documentation including invoices, vouchers, council resolutions, minutes, and other documents, as required. <li data-bbox="571 1234 1311 1287">* Perform analytical review of revenue and expenditures. Determine reason for material differences between budget and actual. <li data-bbox="571 1291 1351 1344">* Perform a search for unrecorded liabilities by reviewing disbursements subsequent to June 30, testing terms of contractual obligations, and interviewing Town staff. <li data-bbox="571 1349 1344 1389">* Perform review of subsequent events by discussions with Town Management and update all minutes of Town Council and key committees.
September - October	<p data-bbox="551 1453 786 1478">- Single Audit Compliance</p> <ul style="list-style-type: none"> <li data-bbox="571 1510 981 1536">* Entrance conference with Town Management. <li data-bbox="571 1540 987 1566">* Obtain Federal Financial Assistance Schedule. <li data-bbox="571 1570 1202 1596">* Determine grants to be considered as major programs including clusters. <li data-bbox="571 1600 1281 1653">* Perform audit tests of major grant programs and compliance with Federal Law and Regulations. <li data-bbox="571 1657 1351 1710">* Review grant documents, select sufficient number of transactions to test for compliance of Federal Requirements. <li data-bbox="571 1715 1113 1740">* Coordinate Single Audit efforts with the Financial Audit efforts. <li data-bbox="571 1744 981 1770">* Communicate findings to Town Management. <li data-bbox="571 1774 750 1800">* Other Compliance

Audit Schedule, Continued

2017 Period	Audit Tasks
October - November	<p>- Audit Reports</p> <ul style="list-style-type: none"> * Prepare draft of the Town's financial statements * Prepare draft of Single Audit Reports concerning internal control structure, compliance with laws and regulations, and administering of federal financial assistance programs. (if required) * Prepare other reports as required. * Provide drafts of reports to Town Management for review. * Provide revised final drafts of all required reports to the Town for approval
December	<p>- Final Audit Reports, Financial Statements, Single Audit, and Other Reports delivered</p>

**Discussion of
Relevant
Accounting
Issues****Identification of Anticipated Potential Audit Problems**

We do not anticipate that there will be any audit problems at the Town. However, the following are some areas that we will carefully investigate and monitor during our audit procedures:

- Financial Reporting:
 - Review and evaluate that the Town's Annual Financial Reports are in compliance with current reporting and disclosures requirements issued by the GASB and GFOA.
 - Review Annual Financial Reports for financial reporting conformance awards issued by CSMFO and GFOA.
 - Review and evaluate degree of compliance with the various GASBs in effect.
 - Review degree of compliance with infrastructure obligations and regulatory provisions.
- Internal Control Structure:
 - Review and evaluate the Town's internal control functions and ascertain compliance with proper internal control philosophies.
 - Review computer system processes and controls and evaluate adequacy of the control environment.

Several new GASB pronouncements will become effective over the time period of this proposal. As such, specific attention will be provided to determine the proper implementation of these new pronouncements. A list of known new pronouncements with implementation dates that fall within this proposal period are as follows:

2017

- Statement 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans
- Statement 77 – Tax Abatement Disclosures
- Statement 78 – Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans
- Statement 80 – Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14
- Statement 82 – Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73

2018

- Statement 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pension
- Statement 81 – Irrevocable Split-Interest Agreements
- Statement 85 – Omnibus 2017

2019

- Statement 83 – Certain Asset Retirement Obligations

2020

- Statement 84 – Fiduciary Activities

Conclusion

A client relationship with the Town will be of great value to our Firm and we welcome the opportunity to develop a long-term relationship with the Town. We are committed to:

- Rendering the highest standard of service.
- Developing a long-term working relationship dedicated to meeting the needs of the Town.
- Assisting the Town in operational issues.
- Producing a quality end-product.

We have the technical qualifications and experience to provide the level of service desired and expected by the Town and stand ready to provide our knowledge and experience for the benefit of your organization.

We would like to express our appreciation to the Town and to its Staff for allowing us the opportunity to submit a proposal to perform professional auditing services. We are available, at your convenience, to discuss any aspects of our proposal.

Thank you for allowing us to present our Firm to you.

Appendix A

References

- 1) City of Berkeley
 - Scope of Work: Comprehensive Annual Financial Report, Gann Limit, SAS114, Measure B (Alameda County), Vehicle Registration Fee Audit (Alameda County), Due Diligence Reviews for the RDA Successor Agency
 - Contract Amount: \$188,000
 - Engagement Partner: Ahmed Badawi
 - Principal Contact:
Mr. Henry Oyekanmi
Finance Director
(510)981-7300
hoyekanmi@ci.berkeley.ca.us

- 2) City of Newark
 - Scope of Work: Comprehensive Annual Financial Report, Single Audit, Gann Limit, SAS114, Utility Users Tax, Vehicle Registration Fee Audit (Alameda County), Measure B (Alameda County), Transportation Development Act, Newark Betterment Corporation Audit, Newark Betterment Corporation 990 Tax Return, Due Diligence Reviews for the RDA Successor Agency
 - Contract Amount: \$55,000
 - Engagement Partner: Ahmed Badawi
 - Address: 37101 Newark Blvd, Newark, CA 94560
 - Principal Contact:
Mrs. Susie Woodstock
Director of Administrative Services
Phone: (510)578-4804
Fax: (510)578-4358
susie.woodstock@newark.org

- 3) City of San Mateo
 - Scope of Work: Comprehensive Annual Financial Report, Gann Limit, SAS114, Measure A (San Mateo County), Due Diligence Reviews for the RDA Successor Agency
 - Contract Amount: \$60,000
 - Engagement Partner: Ahmed Badawi
 - Address: 330 W 20th Avenue, San Mateo, CA 94403
 - Principal Contact:
Mr. Drew Corbett
Director of Finance
Phone: (650)522-7102

- 4) City of East Palo Alto
 - Scope of Work: Comprehensive Annual Financial Report, Single Audit, Gann Limit, SAS114, Measure C, Measure A Report (San Mateo County),
 - Contract Amount: \$60,000
 - Engagement Partner: Ahmed Badawi
 - Address: 2415 University Avenue, East Palo Alto, CA 94303
 - Principal Contact:
Mrs. Brenda Olwin
Finance Director
Phone: (650) 853-3122
bolwin@cityofepa.org

- 5) City of Buena Park
- Scope of Work: Comprehensive Annual Financial Report, Single Audit, Gann Limit, SAS 114, Buena Park Foundation
 - Contract Amount: \$30,735
 - Engagement Partner: Ahmed Badawi
 - Address: 6650 Beach Boulevard, 1st Floor, Buena Park, CA 90622
 - Principal Contact:
Mr. Sung Hyun
Finance Director
Phone: (714)562-3713
shyun@buenapark.com
- 6) City of Calimesa
- Scope of Work: Basic Financial Statements, Gann Limit, SAS 114
 - Contract Amount: \$25,462
 - Engagement Partner: Ahmed Badawi
 - Address: 908 Park Avenue, Calimesa, CA 92320
 - Principal Contact:
Ms. Bonnie Johnson
City Manager
Phone: (909)795.9801
bjohnson@cityofcalimesa.net
- 7) City of Barstow
- Scope of Work: Comprehensive Annual Financial Report, Single Audit, Gann Limit, SAS 114, Barstow Fire Protection District, Odessa Water District
 - Contract Amount: \$71,152
 - Engagement Partner: Ahmed Badawi
 - Address: 220 E. Mountain View Street, Ste. A, Barstow, CA 92311
 - Principal Contact:
Mrs. Cindy Prothro
Finance Director
Phone: (760)255-5115
cprothro@barstowca.org

Appendix B

PROPOSER WARRANTIES

The proposer warrants that it can and will provide and make available, at a minimum, all of the services and deliverables set forth in this RFP.

The proposer warrants that it is willing and able to obtain an errors and omissions insurance policy providing a prudent amount of coverage for the willful or negligent acts or omissions of any officers, employees, or agents in conjunction with the services to be provided. Coverage limits shall be \$2,000,000 or more per occurrence, without reduction for claims paid during the policy period. The carrier should be duly insured and authorized to issue similar insurance policies for this nature in the State of California.

The proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the prior written permission of the Town.

The proposer warrants that all information provided by it in connection with this proposal is true and accurate.

Signature: _____

Ahmed Badawi

Printed Name: Ahmed Badawi

Title: President

Firm: Badawi & Associates

Date: March 31, 2017

Town of Los Gatos

SEALED DOLLAR COST BID

For Professional Auditing Services for the Town of Los Gatos

*For the fiscal years ending June 30, 2017 to 2019 with the
option to extend for two subsequent one-year terms.*

March 31, 2017

Contact Person:

Ahmed Badawi, CPA
Badawi & Associates
Certified Public Accountants
180 Grand Avenue, Suite 1500
Oakland, CA 94612
Phone: (510) 768-8244
Fax: (510) 768-8249
E-mail: abadawi@b-acpa.com



Town of Los Gatos



For information regarding the
Town of Los Gatos
the town website is www.townoflosgatos.org
or call the town office at (408) 354-1234.

Page 1 of 1

Los Gatos
Town Office
10000 Los Gatos Blvd
Los Gatos, CA 95030
Phone: (408) 354-1234
Fax: (408) 354-1235
www.townoflosgatos.org

Name of Firm and Certification

The undersigned declares that he or she has carefully examined the Request for Proposal document and is thoroughly familiar with its contents and is authorized to represent the proposing firm; and hereby agrees to perform the specified work for the cost quoted below in full.

Firm Name: Badawi & Associates
 Firm Address: 180 Grand Avenue, Suite 1500
Oakland, CA 94612
 Contact Name: Ahmed Badawi
 Contact Title: President
 Contact Phone: (510) 768-8244
 Contact E-mail: abadawi@b-acpa.com

Signature of Authorized Representative:

Ahmed Badawi

Signature: _____
 Print Name: Ahmed Badawi
 Title: President
 Date: March 31, 2017

Schedule of All-Inclusive Maximum Price by Report

All-Inclusive Maximum Price by Report	June 30, 2017	June 30, 2018	June 30, 2019	Optional Years	
				June 30, 2020	June 30, 2021
Town Audit*	\$ 24,040	\$ 25,590	\$ 26,115	\$ 26,115	\$ 26,115
Single Audit	2,420	2,730	2,940	2,940	2,940
CAFR Preparation	2,690	1,640	1,745	1,745	1,745
Gann limit	395	440	475	475	475
Management Letter	325	360	390	390	390
Total Requested Services	29,870	30,760	31,665	31,665	31,665
Optional Services:					
State Controllers Report	2,145	2,415	2,600	2,600	2,600
Audit of Pension Trust Fund*	-	-	-	-	-
Total All Services	\$ 32,015	\$ 33,175	\$ 34,265	\$ 34,265	\$ 34,265

*Audit of the Pension Trust Fund (if created by the Town) will be included as part of our audit of the Town's financial statements.

Schedule of Professional Fees and Expenses by Deliverable for FY2017 to FY2019

Town Audit (FY2017)

	Hours	Quoted Hourly Rate	Quoted Total
Partners	28	\$ 135	\$ 3,780
Managers	61	105	6,405
Supervisory staff	85	85	7,225
Staff	91	70	6,370
I.T. Specialist	2	100	200
Clerical	1	60	60
Out-of-pocket expenses:			
Meals & lodging			-
Transportation			-
Other (specify):			-
Total all-inclusive maximum			\$ 24,040

208

Town Audit (FY2018)

	Hours	Quoted Hourly Rate	Quoted Total
Partners	27	\$ 155	\$ 4,185
Managers	58	110	6,380
Supervisory staff	83	95	7,885
Staff	86	80	6,880
I.T. Specialist	2	100	200
Clerical	1	60	60
Out-of-pocket expenses:			
Meals & lodging			-
Transportation			-
Other (specify):			-
Total all-inclusive maximum			\$ 25,590

Town Audit (FY2019)

	Hours	Quoted Hourly Rate	Quoted Total
Partners	25	\$ 170	\$ 4,250
Managers	54	115	6,210
Supervisory staff	77	105	8,085
Staff	86	85	7,310
I.T. Specialist	2	100	200
Clerical	1	60	60
Out-of-pocket expenses:			
Meals & lodging			-
Transportation			-
Other (specify):			-
Total all-inclusive maximum			\$ 26,115

Single Audit (FY2017)

	Hours	Quoted Hourly Rate	Quoted Total
Partners	2	\$ 135	\$ 270
Managers	2	105	210
Supervisory staff	8	85	680
Staff	18	70	1,260
I.T. Specialist	-	100	-
Clerical	-	60	-
Out-of-pocket expenses:			
Meals & lodging			-
Transportation			-
Other (specify):			-
Total all-inclusive maximum			\$ 2,420

20

Single Audit (FY2018)

	Hours	Quoted Hourly Rate	Quoted Total
Partners	2	\$ 155	\$ 310
Managers	2	110	220
Supervisory staff	8	95	760
Staff	18	80	1,440
I.T. Specialist	-	100	-
Clerical	-	60	-
Out-of-pocket expenses:			
Meals & lodging			-
Transportation			-
Other (specify):			-
Total all-inclusive maximum			\$ 2,730

Single Audit (FY2019)

	Hours	Quoted Hourly Rate	Quoted Total
Partners	2	\$ 170	\$ 340
Managers	2	115	230
Supervisory staff	8	105	840
Staff	18	85	1,530
I.T. Specialist	-	100	-
Clerical	-	60	-
Out-of-pocket expenses:			
Meals & lodging			-
Transportation			-
Other (specify):			-
Total all-inclusive maximum			\$ 2,940

306

Schedule of Professional Fees and Expenses by Deliverable for FY2017 to FY2019 (Continued)

CAFR (FY2017)

CAFR (FY2018)*

CAFR (FY2019)*

	Hours	Quoted Hourly Rate	Quoted Total
Partners	2	\$ 135	\$ 270
Managers	3	105	315
Supervisory staff	7	85	595
Staff	19	70	1,330
I.T. Specialist	-	100	-
Clerical	3	60	180
Out-of-pocket expenses:			
Meals & lodging			-
Transportation			-
Other (specify):			-
Total all-inclusive maximum			\$ 2,690

	Hours	Quoted Hourly Rate	Quoted Total
Partners	1	\$ 155	\$ 155
Managers	2	110	220
Supervisory staff	3	95	285
Staff	10	80	800
I.T. Specialist	-	100	-
Clerical	3	60	180
Out-of-pocket expenses:			
Meals & lodging			-
Transportation			-
Other (specify):			-
Total all-inclusive maximum			\$ 1,640

	Hours	Quoted Hourly Rate	Quoted Total
Partners	1	\$ 170	\$ 170
Managers	2	115	230
Supervisory staff	3	105	315
Staff	10	85	850
I.T. Specialist	-	100	-
Clerical	3	60	180
Out-of-pocket expenses:			
Meals & lodging			-
Transportation			-
Other (specify):			-
Total all-inclusive maximum			\$ 1,745

*CAFR preparation estimated hours for 2018 and 2019 are assuming this service was provided in FY2017

Gann Limit (FY2017)

Gann Limit (FY2018)

Gann Limit (FY2019)

	Hours	Quoted Hourly Rate	Quoted Total
Partners	1	\$ 135	\$ 135
Managers	1	105	105
Supervisory staff	1	85	85
Staff	1	70	70
I.T. Specialist	-	100	-
Clerical	-	60	-
Out-of-pocket expenses:			
Meals & lodging			-
Transportation			-
Other (specify):			-
Total all-inclusive maximum			\$ 395

	Hours	Quoted Hourly Rate	Quoted Total
Partners	1	\$ 155	\$ 155
Managers	1	110	110
Supervisory staff	1	95	95
Staff	1	80	80
I.T. Specialist	-	100	-
Clerical	-	60	-
Out-of-pocket expenses:			
Meals & lodging			-
Transportation			-
Other (specify):			-
Total all-inclusive maximum			\$ 440

	Hours	Quoted Hourly Rate	Quoted Total
Partners	1	\$ 170	\$ 170
Managers	1	115	115
Supervisory staff	1	105	105
Staff	1	85	85
I.T. Specialist	-	100	-
Clerical	-	60	-
Out-of-pocket expenses:			
Meals & lodging			-
Transportation			-
Other (specify):			-
Total all-inclusive maximum			\$ 475

Schedule of Professional Fees and Expenses by Deliverable for FY2017 to FY2019

Management Letter (FY2017)

	Hours	Quoted Hourly Rate	Quoted Total
Partners	1	\$ 135	\$ 135
Managers	1	105	105
Supervisory staff	1	85	85
Staff	-	70	-
I.T. Specialist	-	100	-
Clerical	-	60	-
Out-of-pocket expenses:			
Meals & lodging			-
Transportation			-
Other (specify):			-
Total all-inclusive maximum			\$ 325

Management Letter (FY2018)

	Hours	Quoted Hourly Rate	Quoted Total
Partners	1	\$ 155	\$ 155
Managers	1	110	110
Supervisory staff	1	95	95
Staff	-	80	-
I.T. Specialist	-	100	-
Clerical	-	60	-
Out-of-pocket expenses:			
Meals & lodging			-
Transportation			-
Other (specify):			-
Total all-inclusive maximum			\$ 360

Management Letter (FY2019)

	Hours	Quoted Hourly Rate	Quoted Total
Partners	1	\$ 170	\$ 170
Managers	1	115	115
Supervisory staff	1	105	105
Staff	-	85	-
I.T. Specialist	-	100	-
Clerical	-	60	-
Out-of-pocket expenses:			
Meals & lodging			-
Transportation			-
Other (specify):			-
Total all-inclusive maximum			\$ 390

State Controllers Report (FY2017)

	Hours	Quoted Hourly Rate	Quoted Total
Partners	1	\$ 135	\$ 135
Managers	2	105	210
Supervisory staff	8	85	680
Staff	16	70	1,120
I.T. Specialist	-	100	-
Clerical	-	60	-
Out-of-pocket expenses:			
Meals & lodging			-
Transportation			-
Other (specify):			-
Total all-inclusive maximum			\$ 2,145

State Controllers Report (FY2018)

	Hours	Quoted Hourly Rate	Quoted Total
Partners	1	\$ 155	\$ 155
Managers	2	110	220
Supervisory staff	8	95	760
Staff	16	80	1,280
I.T. Specialist	-	100	-
Clerical	-	60	-
Out-of-pocket expenses:			
Meals & lodging			-
Transportation			-
Other (specify):			-
Total all-inclusive maximum			\$ 2,415

State Controllers Report (FY2019)

	Hours	Quoted Hourly Rate	Quoted Total
Partners	1	\$ 170	\$ 170
Managers	2	115	230
Supervisory staff	8	105	840
Staff	16	85	1,360
I.T. Specialist	-	100	-
Clerical	-	60	-
Out-of-pocket expenses:			
Meals & lodging			-
Transportation			-
Other (specify):			-
Total all-inclusive maximum			\$ 2,600

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Manner of Payment:

Billing Sequence:

We will submit our bill for services on a progress basis:

- Interim fieldwork (Progress Billing 1)
- Year-end fieldwork (Progress Billing 2)
- Report issuance (Final Billing)

Rates for Additional Professional Services:

Any services outside the scope of our engagement will be promptly identified before the services are rendered. Upon mutual agreement, the out-of-scope services will be separately billed at our standard hourly rates. While it can be difficult to simply state hourly rates, as often times the needs of the client and the specific tasks directly impact the billing rates for our services, we want to provide the following information regarding our published billing rates:

Position	Hourly Rate
Partner	\$ 200
EQR	200
Manager	150
Senior	125
Staff	100
IT	150
Admin.	75

Our Standard Hourly Rates are adjusted annually by 3% for Cost of Living and Inflation Adjustments

A client relationship with the Town will be of great value to our Firm and we welcome the opportunity to develop a long-term relationship with the Town. We are committed to:

- Rendering the highest standard of service.
- Developing a long-term working relationship dedicated to meeting the needs of the Town.
- Assisting the Town in operational issues.
- Producing a quality end-product.

We have the technical qualifications and experience to provide the level of service desired and expected by the Town and stand ready to provide our knowledge and experience for the benefit of your organization.

We would like to express our appreciation to the Town and to its Staff for allowing us the opportunity to submit a proposal to perform professional auditing services. We are available, at your convenience, to discuss any aspects of our proposal.

Thank you for allowing us to present our Firm to you.

