AGREEMENT FOR SERVICES

Badawi & Associates - Professional Auditing Services

PREAMBLE

THIS AGREEMENT is by and between TOWN OF LOS GATOS, a California municipal corporation, ("Town") and Badawi & Associates ("Contractor"), a Corporation and whose address is 5901 Christie Avenue, Suite 307 Emeryville CA 94608. This Agreement is made with reference to the following facts.

I. RECITALS

A. Town issued a Request for Proposal for services described in this Agreement.

B. Contractor represents and affirms that it is willing to perform the desired work pursuant to this Agreement.

C. Town desires to engage Contractor to provide professional auditing services.

D. Contractor warrants it possesses the distinct professional skills, qualifications, experience, and resources necessary to timely perform the services described in this Agreement. Contractor acknowledges Town has relied upon these warranties to retain the Contractor.

II. AGREEMENT

A. Scope of Services. Contractor shall provide services as described in the technical proposal, which is hereby incorporated by reference and attached as Exhibit A.

B. Term. The term of this Agreement shall be from February 1 , 2027 to Sunday, March 31, 2030.

C. Compliance with Laws. The Contractor shall comply with all applicable laws, codes, ordinances, and regulations of governing federal, state and local laws. Contractor represents and warrants to Town that it has all licenses, permits, qualifications and approvals of whatsoever nature which are legally required for the Contractor to practice its profession. Contractor shall maintain a Town of Los Gatos business license as required in Chapter 14 of the Code of the Town of Los Gatos.

D. Sole Responsibility. Contractor shall be responsible for employing or engaging all persons necessary to perform the services under this Agreement.

E. Information/Report Handling. All documents furnished to the Contractor by the Town and all reports and supportive data prepared by the Contractor under this Agreement are the Town's property and shall be delivered to the Town upon the completion of services or at the Town's written request. All reports, information, data, and exhibits prepared or assembled by the Contractor in connection with the performance of its services pursuant to this Agreement are confidential until released by the Town to the public, and the Contractor shall not make any of these documents or information available to any individual or organization not employed by the Contractor or the Town without the written consent of the Town before such release. The Town acknowledges that the reports to be prepared by the Contractor 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 Contractor in connection with other projects shall be solely at Town's risk, unless Contractor expressly consents to such use in writing. Town further agrees that it will not appropriate any methodology or technique of Contractor which is and has been confirmed in writing by Contractor to be a trade secret of the Contractor.

F. Compensation: Compensation for services shall **not exceed $168,094.00**, inclusive of all costs subject to appropriation of funds, notwithstanding any other provision in this agreement. Payment shall be based upon Town approval of each task.

G. 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.
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
Email (preferred): AP@losgatosca.gov

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

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

J. Independent Contractor. It is understood that the Contractor, 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 Contractor 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. Contractor agrees to testify in any litigation brought regarding the subject of the work to be performed under this Agreement. Contractor 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 Contractor or is based on allegations of Contractor's negligent performance or wrongdoing.

K. Conflict of Interest. Contractor understands that its professional responsibilities are solely to the Town. The Contractor has and shall not obtain any holding or interest within the Town of Los Gatos. Contractor 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, the Contractor 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. Contractor 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 Contractor discovers it has employed a person with a direct or indirect interest that would conflict with its performance of this Agreement, Contractor shall promptly notify Town of this employment relationship, and shall, at the Town's sole discretion, sever any such employment relationship.

L. Non-Discrimination. Contractor warrants that it is an equal opportunity employer and shall comply with applicable regulations governing equal employment opportunity. Neither the Contractor 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

A. Minimum Scope of Insurance:

1. Contractor 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: two million dollars ($2,000,000) combined single limit per occurrence for bodily injury, personal injury and property damage.
2. Contractor 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.
3. Contractor shall provide to the Town all certificates of insurance, with original endorsements effecting coverage. Contractor agrees that all certificates and endorsements are to be received and approved by the Town before work commences.

B. General Liability:

1. The Town, its elected and appointed officials, employees, and agents are to be covered as insured as respects: liability arising out of activities performed by or on behalf of the Contractor; products and completed operations of the Contractor, premises owned or used by the Contractor.
2. The Contractor's insurance coverage shall be primary insurance as respects the Town, its elected and appointed officials, employees, and agents. Any insurance or self-insurances maintained by the Town, its officers, officials, employees or agents shall be excess of the Contractor's insurance and shall not contribute with it.
3. Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the Town, its officers, officials, employees or agents.
4. The Contractor'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.

C. 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.

D. Workers’ Compensation. In addition to these policies, Contractor 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, Contractor shall ensure that all subcontractors employed by Contractor provide the required Workers' Compensation insurance for their respective employees. As required by the State of California, with Statutory Limits, and Employer’s Liability Insurance with limit of no less than one million dollars ($1,000,000) per accident for bodily injury or disease.

E. Indemnification. The Contractor shall indemnify the Town its elected and appointed officials, employees and agents 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 any act or omissions of the Contractor, or any of the Contractor's officers, employees, or agents or any subcontractor. Contractor shall defend the Town against any such claims.

IV. GENERAL TERMS

A. 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.

B. 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.

C. Mediation. Should any dispute arise out of this Agreement, any party may request that it be submitted to mediation. The parties shall meet in mediation within 30 days of a request. The mediator shall be agreed to by the mediating parties. In the absence of an agreement, the parties shall each submit one name from mediators listed by either the American Arbitration Association, the California State Board of Mediation and Conciliation, or other agreed-upon service. The mediator shall be selected by a blind draw. The cost of mediation shall be borne equally by the parties. Neither party shall be deemed the prevailing party. No party shall be permitted to file a legal action without first meeting in mediation and making a good faith attempt to reach a mediated settlement. The mediation process, once commenced by a meeting with the mediator, shall last until agreement is reached by the parties but not more than 60 days, unless the maximum time is extended by the parties.

D. Termination of Agreement. The Town and the Contractor 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 Contractor shall deliver to the Town all plans, files, documents, reports, performed to date by the Contractor. In the event of such termination, Town shall pay the contractor 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.

E. Amendment. No modification, waiver, mutual termination, or amendment of this Agreement is effective unless made in writing and signed by the Town and the Contractor.

F. 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
5901 Christie Avenue, Suite 307 Emeryville CA 94608

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

G. 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.

H. Entire Agreement. This Agreement, including all Exhibits, constitutes the complete and exclusive statement of the Agreement between the Town and the Contractor. 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 the Contractor have executed this Agreement.

TOWN OF LOS GATOS:

SIGNATURE

Chris Constantin

FULL NAME

Town Manager

TITLE

DATE SIGNED

Badawi & Associates

SIGNATURE

Ahmed Badawi

VENDOR SIGNATORY'S FULL NAME

President

VENDOR SIGNATORY'S TITLE

DATE SIGNED

Approved as to form:

SIGNATURE

Gabrielle Whelan

FULL NAME

Town Attorney

TITLE

DATE SIGNED

The execution date is the date on which the last party has signed.

Town of Los Gatos

TECHNICAL PROPOSAL

For Professional Auditing Services for the Town of Los Gatos
For fiscal years ending June 30, 2027 through 2029, with the option to extend for two (2) additional one-year terms.

June 12, 2026

Contact Person:

Ahmed Badawi, CPA
Badawi & Associates
Certified Public Accountants
5901 Christie Avenue, Suite 307
Emeryville, CA 94608
Phone: (510) 768-8244
Fax: (510) 768-8249
E-mail: abadawi@b-acpa.com

BADAWI & ASSOCIATES
Certified Public Accountants

Exhibit A

Town of Los Gatos

Table of Contents

	Page
Letter of Transmittal	**1**
Firm Qualifications and Experience	**3**
Independence	3
Insurance	3
License to Practice in California	3
Conflict of Interest	3
Firm Qualifications	3
Technical Approach	4
Firm Experience	5
Additional Activities	5
Client Training Seminar	6
GASB 68 Firm Developed Tools and Assistance	6
Flowcharting Documentation	6
Quality Control Review	6
Federal or State Desk Reviews	9
Disciplinary Action	9
Litigations	9
Partner, Supervisory, and Staff Qualifications and Experiences	**10**
Similar Engagements with Other Governmental Entities	**18**
Understanding of Services to be Provided	**24**
Specific Audit Approach	**25**
Objectives of Our Services	25
Audit Approach	25
Technical Approach	26
Use of Technology in the Audit	**29**
Audit Schedule	**31**
Discussion of Relevant Accounting Issues	**34**
Conclusion	**35**
Appendix	**36**
Exceptions to the Contract	36
Prepared by Client (PBC) List	37
RFP Forms and Attachments	43

June 12, 2026

Mr. Eric Lemon
Finance and Accounting Manager
Town of Los Gatos
110 E. Main Street
Los Gatos, CA 95030

Dear Mr. Lemon:

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, 2027 through 2029, with the option to extend for two (2) additional 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 Government Accountability 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
- Optional and additional services:
  - Gann Limit Agreed-upon Procedures
  - Measure G Agreed-upon Procedures
  - Transportation Development Act (TDA) Audit
  - State Controller's Report Preparation
  - Street Report Preparation

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:

Ahmed Badawi, CPA
Badawi & Associates
Certified Public Accountants
5901 Christie Avenue, Suite 307
Emeryville, CA 94608
Telephone: (510)768-8244
E-mail: abadawi@b-acpa.com

We are committed to performing the required work, completing the audit, and issuing the necessary auditors' reports.

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 Town 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

Firm Qualifications and Experience

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.

Insurance

The Firm maintains professional liability insurance and other coverage as part of our comprehensive insurance policy. Upon selection as the Town's independent auditor, the Firm and our insurance provider will provide a certificate of insurance to the 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 the 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 6823.

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

Conflict of Interest

The Firm has no conflicts of interest in connection with providing the services described in this proposal. The Firm does not have any financial, business, or other professional relationships with the Town or any member of Town staff.

Firm Qualifications

Badawi & Associates was founded by Mr. Ahmed Badawi. Mr. Badawi has over 25 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 Emeryville, CA, the Firm serves a variety of cities and towns 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 Emeryville office will be the Engagement Office assigned to the Town.

In addition to specific Town 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.

The Engagement Partner assigned to the Town will be Mr. Ahmed Badawi. Mr. Badawi has over 25 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:

1) **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.

2) **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 Annual Comprehensive Financial Report.**

3) **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.

4) **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 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 Emeryville 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:

- Cities
- Redevelopment Agencies
- Financing Authorities
- Housing Authorities
- Special Districts
- Water Districts
- Waste Management Authorities and Operations
- Pension Plans
- Child Care Operations
- Joint Power Authorities
- Investment Activities
- Landfills
- Enterprise Funds
- Airports
- Transportation Operations
- 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
- Compliance audits
- Tax advice
- Development of financial and accounting policies and procedures
- Investment review and compliance evaluation
- Operational reviews
- Technical guidance on existing and upcoming accounting issues
- Training seminars
- Pension/profit-sharing plans
- 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 the Bay Area.

GASB 68 Firm Developed Tools and Assistance

The Firm has developed tools to assist our clients with preparation of GASB 68 journal entries for the CalPERS' Cost Sharing Plans (for which individualized actuarial valuations are no longer prepared) and the CalPERS' Agent Multiple Employer 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 the GASB 68 journal entries.

Flowcharting Documentation

As part of our risk assessment procedures, we prepare flowcharts for documenting our understanding of the Town's significant accounting and financial processes. Flowcharts are updated annually for any changes in the Town's processes and copies can be provided upon request for the Town's internal use. Flowcharted processes may include:

- Financial Reporting, Closing, and Manual Journal Entries
- Cash Receipts, Billing, and Accounts Receivable/Revenues
- Cash Disbursements, Purchasing, and Accounts Payable/Expenditures
- Payroll and Human Resources

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.

Report on the Firm's System of Quality Control

BADAWI & ASSOCIATES
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 28, 2025. 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 (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a system review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported on in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing and complying with a system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with the requirements of applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported on in conformity with the requirements of applicable professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of and compliance with the firm's system of quality control based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards,* including compliance audits under the Single Audit Act.

As part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

CPAs ▪ Advisors
4120 Concours, Suite 100, Ontario, CA 91764
909.948.9990 / 800.644.0696 / FAX 909.948.9633
gyl@gylcpa.com
www.gylcpa.com

CPAmerica
Member Crowe Global

Peer Review Report
Page 2 of 2

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Badawi & Associates in effect for the year ended February 28, 2025, 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*.

GYL LLP

Ontario, California
July 24, 2025

The Firm has 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 the Firm 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

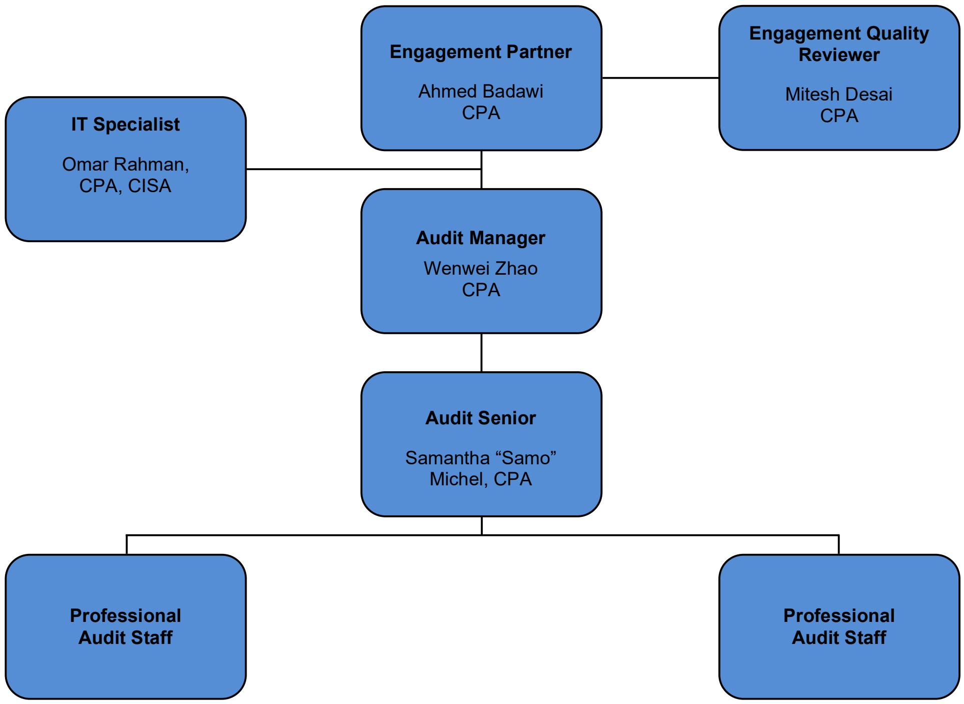
There has not been any state or federal disciplinary actions taken or pending against the Firm nor any findings to report.

Litigations

The Firm has not experienced any lawsuits or legal actions that have been resolved or are currently pending in the prior five years.

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-five years of municipal auditing experience with a special focus on cities. Mr. Badawi is a member of the Government Accounting and Auditing Committee of the California Society of Certified Public Accountants. He has participated in the audits of numerous Town, 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.

The second member of the Engagement Team will be Wenwei Zhao, CPA. Ms. Zhao’s background includes ten years of accounting and auditing experience. She has participated in the audits of numerous governmental entities and assisted in their efforts to publish their financial statements in compliance with various regulations and is a volunteer member of the GFOA Special Review Committee. Ms. Zhao will be the Audit Manager of this engagement.

The third member of the Engagement Team will be Samantha “Samo” Michel, CPA. Ms. Michel’s background includes seven years of accounting and auditing experience. She has participated in the audits of numerous governmental entities and assisted in their efforts to publish their financial statements in compliance with various regulations. Ms. Michel will be the Audit Senior of this engagement.

The fourth member of the Engagement Team will be Omar Rahman, CPA, CISA. Mr. Rahman has over ten years of experience in the field of Information Technology (IT) audit and risk management at the senior and executive management level. He has worked extensively with government agencies, private organizations, and public companies, providing external and internal audit services in support of financial statement audits. Mr. Rahman will serve as the I.T. Specialist of this engagement.

The fifth member of the Engagement Team will be Mitesh Desai, CPA. Mr. Desai's background includes eighteen years of experience in municipal auditing. Mr. Desai has participated in the audits of numerous governmental agencies, assisted in their efforts to publish their Annual Comprehensive Financial Reports in compliance with GASB 34, and a volunteer member of the GFOA Special Review Committee. Mr. Desai is responsible for conducting in-house trainings for staff auditors and is credentialed with the Advanced Single Audit Certificate offered by the AICPA. He will serve as the Engagement Quality Reviewer.

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 Engagement 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. 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 follow.

Ahmed Badawi, Certified Public Accountant – Engagement Partner

Length of Career

- Over twenty-five years of 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	TDA Audit	RDA Audit	Enterprise Fund	Other
Cities/Towns:						
Antioch	x	x	x	x	x	x
Atwater	x	x		x		x
Azusa	x	x		x	x	x
Berkeley	x	x	x	x	x	x
Chino	x	x			x	x
Compton						x
Crescent City	x	x		x	x	x
Dinuba	x	x		x	x	x
Dublin	x	x	x			x
Folsom	x	x		x	x	x
Foster City	x	x		x	x	x
Glendora	x	x		x	x	x
Guadalupe	x	x		x	x	x
Healdsburg	x	x		x	x	x
La Verne	x			x	x	x
Lafayette	x			x	x	x
Larkspur	x	x			x	x
Lathrop	x	x			x	x
Lemon Grove	x	x		x		x
Millbrae	x	x		x	x	x
Mountain View	x	x			x	x
Ontario	x	x		x	x	x
Petaluma	x	x	x	x	x	x
Pomona	x	x		x	x	x
Richmond	x	x	x	x	x	x
San Bruno	x	x	x		x	x
San Carlos	x	x	x	x	x	x
San Luis Obispo	x	x	x			x
Sausalito	x		x		x	x
Scotts Valley	x	x		x	x	x
Wasco	x	x	x	x	x	x
Counties:						
Contra Costa County	x	x		x	x	x
Santa Cruz County	x	x		x	x	x
Special Districts and Other:						
Alameda County Water District	x				x	x
East Bay Regional Park District	x	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 Annual Comprehensive Financial Reports

Education

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

Professional Activities

- 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

Continuing Education

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

Wenwei Zhao, Certified Public Accountant – Professional Audit Manager

Length of Career

- Ten years of experience in auditing
- Certified Public Accountant for the State of California

Professional Experience

- Has performed numerous financial audits, Single Audits, RDA audits, PFA audits, Transportation Development Act audits, and housing audits
- Partial listing of clients served:

	Services Provided					
	Financial Audit	Single Audit	TDA Audit	Gann Limit	SCO Report	Other
Cities/Towns:						
Antioch	x	x	x	x		x
Berkeley	x	x	x	x		x
Crescent City	x	x		x		x
East Palo Alto	x	x		x		x
El Cerrito	x	x		x		
Folsom	x	x		x		x
Lafayette	x	x	x	x	x	x
Larkspur	x	x		x		x
Los Gatos	x			x	x	
Mountain View	x	x		x		x
Millbrae	x	x		x		x
Newark	x	x		x		x
Oakdale	x	x	x	x		x
Pomona	x	x		x	x	x
Richmond	x	x	x	x	x	x
San Luis Obispo	x	x	x	x		x
San Mateo	x	x		x		x
Susanville	x			x		
Union City	x	x	x	x	x	x
Waterford	x			x		x
Yuba City	x	x		x	x	x
Yountville	x			x	x	x
Child Care Programs:						
Contra Costa County Child Care	x					
Special Districts:						
Elk Grove Water District	x				x	
Hayward Area Recreation and Park District	x				x	
Marin Municipal Water District	x					
San Gabriel Valley Council of Governments	x	x			x	
San Mateo County Mosquito and Vector Control District	x					
Santa Cruz Regional 9-1-1	x					

Education

- Master of Accounting from University of Pittsburgh, PA

Professional Activities

- 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

Samantha "Samo" Michel, Certified Public Accountant – Professional Audit Senior

Length of Career

- Seven years of experience in municipal auditing
- Three seasons of experience in personal tax preparation
- Certified Public Accountant for the State of California

Professional Experience

- Has participated in several financial audits, Single Audits, RDA audits, PFA audits, Transportation Development audits, and housing audits
- Partial listing of clients served:

	Services Provided					
	Financial Audit	Single Audit	TDA Audit	Gann Limit	SCO Report	Other
Cities/Towns:						
Antioch	x	x	x	x		x
Barstow	x			x		x
Berkeley	x	x	x	x		x
Buena Park	x	x	x	x		x
Crescent City	x	x		x		x
East Palo Alto	x	x		x		x
Folsom	x	x		x		x
Guadalupe	x	x		x		x
Lathrop	x	x		x	x	x
Los Gatos	x	x		x	x	
Menlo Park	x	x		x		x
Millbrae	x	x		x		x
Pacifica	x	x	x	x	x	x
Pismo Beach	x		x	x	x	
San Bruno	x	x	x	x	x	x
San Carlos	x	x	x	x	x	x
San Luis Obispo	x	x	x	x		x
San Mateo	x	x		x		x
Sausalito	x			x	x	x
Union City	x	x	x	x	x	x
Waterford	x			x		x
Yuba City	x	x		x	x	x
Special Districts and Other:						
Amador County Transportation Commission	x					x
Amador Transit	x					x
Central County Fire District	x					
Elk Grove Water District	x					
Hayward Area Recreation District	x	x			x	x
Port of San Luis Harbor	x					
StopWaste	x				x	

Education

- BS, University of Washington, Seattle, WA
- Accounting, Foothill College, Los Altos Hills, CA

Professional Activities

- Member, California Society of Certified Public Accountants
- Member, Forensic Services Section, California Society of Certified Public Accountants

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

Omar Rahman, Certified Public Accountant, Certified Information System Auditor – Information Technology Specialist

Length of Career

- Over ten years of experience auditing information technology (IT) processes and controls
- Certified Public Accountant for the State of California
- Certified Information System Auditor

Areas of Expertise

- IT risk consulting and audit services for governmental entities, private/public companies, nonprofits, and professional service organizations
- External and internal IT audit services in support of financial statement audits
- Technical guidance/support on IT risks and controls in relation to SOX 404a and SOX 404b compliance, NIST 800-53/171a, Cyber Security Framework, HIPAA Technical Safeguards, CCPA/GDPR compliance, COBIT 2019 Framework
- Managed entire life cycle of IT internal and external audit engagements from planning research, audit program development, fieldwork and reporting
- Assess risks related to IT processes/assets and corresponding applications/tools
- IT control testing over business automated controls, general IT controls, and cyber security controls as well as IT substantive testing over information systems.

Partial list of governmental clients served:

- City of Berkeley
- City of Chino
- City of Dinuba
- City of Dublin
- City of Healdsburg
- City of Jurupa Valley
- City of Lathrop
- City of Laverne
- City of Lemon Grove
- City of Ontario
- City of Mountain View
- City of Pomona
- City of Richmond
- City of San Carlos
- City of Sausalito
- City of San Luis Obispo
- City of Foster City
- City of Victorville
- Sacramento Metropolitan Fire District
- Sacramento Employment and Training Agency
- Union Sanitary District

Presentations

- November 2017 - Institute of Internal Auditors - General IT Controls for Internal Audit
- December 2018 - Institute of Internal Auditors - SDLC Process and Audit/Risk Considerations
- February 2019 - IT Audit for Business Process Professionals
- May 2019 - IT Internal Audit Emerging Technologies: Data Analytics
- September 2019 - Information Systems Audit and Control Association

Education

- B.S. Degree in Economics, University of California, Los Angeles, CA.

Professional Activities

- Certified Public Accountant - California
- Certified Public Accountant - Ohio
- Certified Information System Auditor

Mitesh Desai, Certified Public Accountant – Engagement Quality Reviewer

Length of Career

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

Professional Experience

- Has performed numerous financial audits, Single Audits, RDA audits, PFA audits, Transportation Development Act audits, and housing audits

	Services Provided					
	Financial Audit	Single Audit	TDA Audit	RDA Audit	Enterprise Fund	Other
Cities/Towns:						
Antioch	x	x	x	x	x	x
Azusa	x	x		x	x	x
Albany	x					
Berkeley	x	x	x	x	x	x
Buena Park	x	x	x		x	x
Calimesa	x			x		x
Crescent City	x	x		x	x	x
Dublin	x	x	x			x
East Palo Alto	x	x			x	x
El Cerrito	x	x		x		
Foster City	x	x		x	x	x
Fremont	x	x		x	x	x
Lemon Grove	x	x		x		x
Lindsay	x				x	x
Menlo Park	x	x		x	x	x
Merced	x				x	x
Millbrae	x	x		x	x	x
Newark	x	x		x		x
Oakdale	x	x	x	x	x	x
Pittsburg	x	x		x	x	x
Placerville	x	x			x	x
Scotts Valley	x	x		x	x	x
Sebastopol	x			x	x	x
Solvang	x					x
Union City	x	x	x	x	x	x
Waterford	x			x	x	x
Yuba City	x	x		x	x	x
Child Care Programs:	x					
Contra Costa County Childcare	x					x
Menlo Park Child Care	x					x
Counties:						
Contra Costa	x	x	x	x	x	
Santa Cruz	x	x	x	x	x	
Special Districts and Other:						
Marin Municipal Water District	x					
West County Wastewater District	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

Similar Engagements with Other Governmental Entities

The tables below and on the following page are 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 (in order of audit hours).

* Indicates cities with population over 50,000

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

(A) Indicates audit completed for city that uses Tyler Technologies

	City	Client Since	Hours	Engagement Partner	Principal Contact	Annual Comprehensive Financial Report	GFOA Award	RDA/Successor Agency	Single Audit	TDA	Water Fund	Sewer Fund	SCO Report	Housing Authority	Enterprise Funds	Pension Trust Fund
** (A)	Richmond	2020	2,338	Ahmed Badawi	Jerry Chak Accounting Manager (510) 620-6569 jerry_chak@ci.richmond.ca.us	X		X	X	X		X	X	X	X	X
** (A)	Berkeley	2008	1,505	Mitesh Desai	Henry Oyekanmi Finance Director (510) 981-7300 hoyekanmi@ci.berkeley.ca.us	X	X	X	X	X		X			X	X
** (A)	Victorville	2024	950	Ahmed Badawi	Carmen Cun Finance Director/City Treasurer (760) 955-3170 ccun@victorvilleca.gov	X		X	X		X	X			X	
(A)	San Carlos	2023	865	Ahmed Badawi	Paul Harris Financial Services Manager (650) 802-4217 pharris@cityofsancarlos.org	X	X	X	X	X		X	X		X	
**	Folsom	2019	786	Mitesh Desai	Stacey Tamagni Finance Director (916) 461-6712 stamagni@folsom.ca.us	X	X	X	X		X	X			X	
**	Pomona	2023	756	Ahmed Badawi	Andrew Mowbray Finance Director/City Treasurer (909) 620-2353 Andrew.mowbray@pomonaca.gov	X	X	X	X		X	X	X		X	
**	Mountain View	2024	741	Ahmed Badawi	Derek Rampone Finance & Administrative Services Director (650) 903-6316 derek.rampone@mountainview.gov	X	X		X	X	X	X	X		X	
* (A)	Petaluma	2019	691	Mitesh Desai	Corey Garberolio Assistant Finance Director (707) 778-4357 cgarbero@cityofpetaluma.org	X	X	X	X	X	X	X	X		X	
	La Verne	2023	691	Ahmed Badawi	Christy Lopez Finance Director (909) 596-8752 clopez@cityoflaverne.org	X		X			X	X			X	
(A)	Pittsburg	2024	683	Ahmed Badawi	Elena Adair Finance Director (925) 252-4848 eadair@pittsburgca.gov	X	X	X	X	X	X	X	X	X	X	
*	San Luis Obispo	2019	638	Mitesh Desai	Emily Jackson Finance Director (805) 781-7125 ejackson@slocity.org	X	X		X	X	X	X				

	City	Client Since	Hours	Engagement Partner	Principal Contact	Annual Comprehensive Financial Report	GFOA Award	RDA/Successor Agency	Single Audit	TDA	Water Fund	Sewer Fund	SCO Report	Housing Authority	Enterprise Funds	Pension Trust Fund
(A)	Chino	2023	621	Ahmed Badawi	Kim Sao Director of Finance/City Treasurer (909) 334-3354 ksao@cityofchino.org	X	X		X		X	X			X	
	Lafayette	2020	586	Ahmed Badawi	Tim Przybyla Finance Manager (925) 299-3213 tprzybyla@ci.lafayette.ca.us	X	X	X					X		X	
(A)	Lathrop	2023	585	Ahmed Badawi	Cari James Finance Director (209) 941-7320 cjames@ci.lathrop.ca.us	X			X		X	X	X		X	X
	Sausalito	2023	559	Ahmed Badawi	Angeline Loeffler Finance Director (415) 289-4150 aloeffler@sausalito.gov							X	X		X	
(A)	Pacifica	2024	559	Ahmed Badawi	Lucy Xie Deputy Finance Director (650) 738-7392 lxie@pacifica.gov	X	X		X			X			X	
(A)	Dinuba	2023	556	Ahmed Badawi	Karina Solis Administrative Services Director (559) 591-5900 ksolis@dinuba.ca.gov	X	X	X	X		X	X	X		X	
(A)	Millbrae	2015	550	Mitesh Desai	Mike Sung Finance Director (650) 259-2433 msung@ci.millbrae.ca.us	X	X	X	X		X	X			X	
** (A)	Dublin	2018	546	Mitesh Desai	Jay Baksa Finance Director (925) 833-6648 Jay.Baksa@dublin.ca.gov	X	X		X	X			X			
	Azusa	2017	540	Mitesh Desai	Talika Johnson Administrative Services Director (626) 812-5202 tjohnson@AzusaCa.Gov	X	X	X	X		X	X			X	
	Foster City	2023	540	Ahmed Badawi	Waqas Hassan Assistant Finance Director (650) 286-3204 whassan@fostercity.org	X	X	X	X		X	X			X	
(A)	Jurupa Valley	2023	498	Ahmed Badawi	Susan Paragas Finance Director (951) 332-6464 sparagas@jurupavalley.org	X		X								
(A)	Glendora	2022	487	Ahmed Badawi	Kyle Johnson Finance Director (626) 914-8245 kjohnson@cityofglendora.org	X	X	X	X		X		X	X	X	
(A)	San Bruno	2022	486	Ahmed Badawi	Nick Pegueros Chief Financial Officer (650) 616-7054 NPegueros@sanbruno.ca.gov	X	X		X	X	X	X	X		X	

	City	Client Since	Hours	Engagement Partner	Principal Contact	Annual Comprehensive Financial Report	GFOA Award	RDA/Successor Agency	Single Audit	TDA	Water Fund	Sewer Fund	SCO Report	Housing Authority	Enterprise Funds	Pension Trust Fund
(A)	Healdsburg	2023	452	Ahmed Badawi	Katie Edgar Finance Director (707) 431-3184 kedgar@healdsburg.gov			X	X		X	X	X		X	
*	Yuba City	2017	450	Mitesh Desai	Diona Pope Finance Director (530) 822-4615 dpope@yubacity.net	X	X	X	X		X	X	X		X	
(A)	Larkspur	2019	437	Mitesh Desai	Emilia Gabriele Administrative Services Director (415) 927-5016 Finance@cityoflarkspur.org				X					X	X	
	Wasco	2021	428	Ahmed Badawi	Rocio Mosqueda Accounting Manager (661) 758-7234 romosqueda@cityofwasco.org	X		X	X	X	X	X	X			
	Piedmont	2024	400	Ahmed Badawi	Kiran Bawa Finance Director (510) 420-3045 kbawa@piedmont.ca.gov					X			X		X	
	Pismo Beach	2022	389	Ahmed Badawi	Vanessa Garris Finance Manager (805) 773-7085 VGarris@pismobeach.org	X	X				X	X		X	X	
	Atwater	2021	380	Ahmed Badawi	Anna Nicholas Finance Director (209) 357-6310 anicholas@atwater.org			X	X		X	X	X	X		
	Orinda	2024	378	Ahmed Badawi	Douglas Alessio Assist. City Manager/Admin. Serv. Dir. (925) 253-4220 DAlessio@cityoforinda.org	X	X		X	X			X			
	Lemon Grove	2022	377	Ahmed Badawi	Stacey Tang Finance Director (619) 825-3803 stang@lemongrove.ca.gov	X		X	X				X			
	Scotts Valley	2019	311	Mitesh Desai	Stephanie Hill Administrative Services Director (831) 440-5614 shill@scottsvalley.org	X	X	X					X		X	
	Waterford	2018	311	Mitesh Desai	Tina Envia Finance Manager (209) 874-2328 Ext: 104 tenvia@cityofwaterford.org			X			X	X			X	
(A)	Solvang	2019	308	Mitesh Desai	Wendy Berry Administrative Services Director (805) 688-5575 x 205 wendyb@cityofsolvang.com	X	X		X		X	X	X		X	
	Guadalupe	2017	303	Mitesh Desai	Janice Davis Finance Director (805) 356-3895 Jdavis@ci.guadalupe.ca.us			X	X		X	X			X	

	City	Client Since	Hours	Engagement Partner	Principal Contact	Annual Comprehensive Financial Report	GFOA Award	RDA/Successor Agency	Single Audit	TDA	Water Fund	Sewer Fund	SCO Report	Housing Authority	Enterprise Funds	Pension Trust Fund
	Crescent City	2014	227	Ahmed Badaw i	Linda Leaver Finance Director (707) 464-7483 x224 lleaver@crescentcity.org			X	X		X	X		X	X	

The table below lists all special district engagements (in order of audit hours):

Special District	Client Since	Hours	Engagement Partner	Principal Contact	Annual Comprehensive Financial Report	GFOA Award	Single Audit	Enterprise Funds
San Gabriel Valley Council of Governments	2021	532	Ahmed Badawi	Rey Alimoren Director of Finance (626) 962-9292 ralimoren@sgvcog.org	No	N/A	X	X
Sacramento Metropolitan Fire District	2023	519	Ahmed Badawi	Ronald Empedrad Controller (916) 859-4510 empedrad.ronald@metrofire.ca.gov	Yes	Yes	X	
County of Contra Costa Community Services Bureau Child Development Program	2013	505	Mitesh Desai	Alexandra Heinitz Department Fiscal Officer (925) 608-4948 aheinitz@ehsd.cccounty.us	No	N/A		
El Dorado Irrigation District	2024	403	Ahmed Badawi	Penny Buchman Finance Director (530) 642-4139 pbuchman@eid.org	Yes	Yes	X	X
Union Sanitary District	2023	362	Ahmed Badawi	Mark Carlson, CPA CFO/Business Services Manager (510) 477-7510 markc@unionsanitary.ca.gov	Yes	Yes		X
Florin Resource Conservation District/ Elk Grove Water District	2015	350	Ahmed Badawi	Patrick Lee Finance Manager / Treasurer (916) 685-3556 plee@egwd.org	Yes	Yes		X
Hayward Area Recreation and Park District	2017	350	Mitesh Desai	Anne Maze Administrative Services Director (510) 881-6707 maza@haywardrec.org	No	N/A	X	
San Ramon Valley Fire Protection District	2021	285	Ahmed Badawi	Davina Hatfield Chief Financial Officer (925) 838-6668 dhatfield@srvfire.ca.gov	Yes	Yes	X	
Alameda County Waste Management Authority (StopWaste)	2018	212	Mitesh Desai	Jennifer Luong Finance Services Manager (510) 891-6500 jluong@stopwaste.org	Yes	Yes		
Monterey Bay Unified Air Pollution Control District	2016	225	Mitesh Desai	Rosa Rosales Administrative Services Manager (831) 718-8019 rrosales@mbard.org	No	N/A		
Ross Valley Fire Department	2021	190	Ahmed Badawi	Jeff Zuba Finance & Admin. Services Director (262) 989-2208 jzuba@townofsananselmo.org	No	N/A		
Southern Marin Fire Protection District	2020	160	Ahmed Badawi	Ken Campo Interim Finance Manager (925) 570-4447 accounting@smfd.org	No	N/A		
Central County Fire Department	2012	150	Mitesh Desai	Jan Cooke Finance Director (650) 375-7408 jcooke@hillsborough.net	Yes	Yes		
Central Fire Protection District of Santa Cruz County	2018	150	Mitesh Desai	Nancy Dannhauser Finance Director (831) 479-6842 nancy.dannhauser@centralfiresc.org	No	N/A		

Special District	Client Since	Hours	Engagement Partner	Principal Contact	Annual Comprehensive Financial Report	GFOA Award	Single Audit	Enterprise Funds
Victorville Valley Water District	2024	129	Ahmed Badawi	Carmen Cun Finance Director/City Treasurer (760) 955-3170 ccun@victorvilleca.gov	No	N/A		X
Marin Wildfire Prevention Authority	2021	106	Ahmed Badawi	Ken Campo Interim Finance Manager (SMFPD) (925) 570-4447 accounting@smfd.org	No	N/A		

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, 2027 through 2029, with the option to extend for two (2) additional one-year terms.

The Firm will:

- Express an opinion on the fair presentation of its basic financial statements which includes but is not limited to the financial statements of governmental 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 "in-relation-to" 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 Annual Comprehensive 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 expenditures of federal awards 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
  - 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
  - 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
  - Annual Comprehensive Financial Report following the requirements and guidelines of the GFOA award program
  - Gann Limit Agreed-upon Procedures
  - Measure G Agreed-upon Procedures
  - TDA Audit
  - State Controller’s Report
  - Street Report
- 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's 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 and 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 Planning

   In addition, we will review controls over:

   - Input, processing, output, master data
   - Application interface
   - Data management system interface

   Our information Technology Specialists 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 Town 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. We have included a sample such prepared by client (PBC) list on page 37.

Use of Technology in the Audit

The Firm maintains a variety of specialized software packages during the audit that enable us to perform an efficient, thorough, and timely audit and keeping time demands on Town staff to a minimum.

Trial Balance Management and Financial Statement Preparation

Axcess Engagement allows us to import and manage multiple years of trial balance data including budgetary information, create multiple account groupings, generate reports, post journal entries proposed during the audit (including GASB 34 conversion entries), and link information directly to the financial statements. This gives us the ability to:

- Generate immediate trend and other comparative analysis of trial balance and budget data prior to the start of the audit. This allows us to identify potential issues and make inquiries early in the audit
- Link the financial statements and footnotes prior to the start of the audit allowing us to have majority of the financial statements (including budgetary comparison schedules and other supplementary information) prepared at the time the trial balance is uploaded
- Audit adjustments or Town adjustments provided during the audit are automatically reflected in the financial statements

Audit Request Management and Document Exchange

Teamwork Project Management (“Teamwork”) is a secure, cloud-based collaboration platform that our Firm now uses to manage the “Prepared by Client (PBC) List” that streamlines the process of requesting, receiving, and keeping track of documents. Teamwork helps to facilitate the engagement through seamless collaboration between the Firm and our clients. By utilizing Teamwork, the Town can do all of the following in one secure virtual environment:

- Attach files of any type to document requests
- Easily track the status of document requests
- Access templates and documents from us that require completion
- Have multiple Town staff get involved and assist in the audit process
- Participate in a dialog for questions and notes

We have found that the use of the PBC List in Teamwork has helped our clients be always informed as to the status of their audit, and not be surprised with new requests or follow up on outstanding requests previously provided.

Audit Reporting Phase Management

Teamwork is also used by our Firm to manage the reporting phase of the audit, including timeline, key milestones, draft reviews, and final deliverables. With Teamwork, the entire reporting process and related communications are organized within one centralized project space. Using Teamwork, the Town can:

- View the reporting timeline and track upcoming due dates and milestones
- Easily see which items are pending, under review, or completed.
- Access and review draft versions of reports in a single location
- Receive notifications when new drafts or updated versions are uploaded
- Participate in proof and review workflows for report approvals prior to final issuance.

We have found that managing the reporting phase of the audit using Teamwork has helped our clients always be informed as to the status of their reports and deliverables.

Computer Aided Audit Tools (CAATs)

The Firm's data analytics software enables our Engagement Team to perform more than 150 Computer Aided Audit Tools (or "CAATs"). CCH Teammate Analytics gives us the ability to perform advanced data analysis and increase efficiency. By utilizing this software, we can:

- Immediately visualize and analyze 100% of account populations with graphs, charts and statistics to identify anomalies
- Make fewer sample selections that are targeted to problematic areas
- Quickly analyze transactional data for:
    - Duplicate records
    - Missing transactions
    - Transaction sequence
    - Unusual items
- Compare excel worksheets for changes or differences
- Generate immediate testing samples
- Perform regression analysis
- Filter and extract data from Town reports

Audit Planning, Risk Assessment, and Audit Programs

Our firm utilizes CCH Knowledge Coach, which is an expert system that adapts and customizes our audit approach specifically based on the Town's structure, operating environment, specific transactions, and identified risks or matters to be addressed in the audit. The software is frequently updated for new industry trends and audit requirements. Included in the software is a continuous diagnosis of audit forms that identifies missing information, procedures, or any conflicts that need to be addressed prior to issuance of the audit report. We have found that this audit tool greatly benefits our audit clients in the following ways:

- Removal of standardized audit steps and procedures that do not add value to the audit
- Targeted audit procedures focusing on risks and accounts specific to the Town's operations
- Audit is always performed in accordance with audit standards especially the risk assessment standards
- Maximizing audit efficiency having less Town staff time dedicated to gathering information or responding to inquiries by focusing on material issues
- Automatic self-diagnostics ensure no audit steps are missed, guaranteeing a quality audit

Research Tools

We maintain multiple research software packages that are always kept up to date to ensure compliance with accounting and auditing standards and are also a resources for us to provide guidance to our clients. In addition to accounting and audit literature, we have access to interactive disclosure checklists that include sample footnote disclosures and financial statements.

Audit Schedule

2027 Period		Audit Tasks
April	-	***Planning and Administration***

- Review and obtain copies of key work papers of prior audit firm.
- The entrance conference shall be held with Town staff. The purpose of this meeting will be to discuss prior audits and the interim work to be performed. This meeting will also be used to establish overall liaison for the audits and to make arrangements for workspace and other needs
- 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 the 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 the Town staff
- Send the PBC List to the Town that will include all request items considered to be necessary for the audit

May - ***Internal Control Evaluation***

- Meeting with Town Manager and Department Heads of other departments with large operating budgets or which have significant federal grant expenditures
- Attending Town Council meetings
- Meeting with off-site locations
- Meeting with key Finance Department personnel
- Obtain and document understanding of key internal control systems through walk-throughs, interviews of staff, and review of supporting documentation
    - General ledger system
    - Budgeting system
    - Revenue, 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

2027 Period		Audit Tasks
May	-	***Other Tasks*** ▶ Review minutes of Town Council meetings and other key committees ▶ Perform preliminary substantive procedures, which would include tests of: o Vendor and contractor payments o Payroll expense o Pension and OPEB testing o Capital asset acquisitions o Journal entries o Retrospective review of accounting estimates ▶ Financial statement database management and other setup, in addition to drafting of all necessary report templates ▶ Preliminary Single Audit and other compliance testing ▶ Coordinate with Town staff and prepare of all appropriate confirmation requests including: o Bank accounts o Investment pool accounts o Accounts receivable o Federal grants o Revenue from governmental agencies o Bond and other debts o Pension plan o Attorney letters o Others, as required ▶ Update the PBC List with any additional requests that will be needed for the Town's audit ▶ Provide the Town with audit plan and list of year-end audit schedules ▶ Hold progress conference with Town Management ▶ Hold exit conference with Town Management
September – October	-	***Final Fieldwork*** ▶ Entrance conference with Town Management ▶ Follow-up on all outstanding confirmations ▶ Verify and validate account balances by reviewing supporting documentation including invoices, vouchers, council resolutions, minutes, and other documents, as required ▶ Perform analytical review of revenue and expenditures. Determine reason for material differences between budget and actual ▶ Perform a search for unrecorded liabilities by reviewing disbursements subsequent to June 30, testing terms of contractual obligations, and interviewing Town staff ▶ Perform review of subsequent events by discussions with Town Management and update all minutes of Town Council and key committees

2027 Period	Audit Tasks
	- ***Single Audit Compliance*** ▶ Entrance conference with Town Management ▶ Obtain Federal Financial Assistance Schedule ▶ Determine grants to be considered as major programs including clusters ▶ Perform audit tests of major grant programs and compliance with Federal Law and Regulations ▶ Review grant documents, select sufficient number of transactions to test for compliance of Federal Requirements ▶ Coordinate Single Audit efforts with the Financial Audit efforts ▶ Communicate findings to Town Management ▶ Other Compliance
October – November	- ***Audit Reports*** ▶ Complete drafts of Town's Annual Comprehensive Financial Report ▶ Prepare draft of Single Audit Reports concerning internal control structure, compliance with laws and regulations, and administering of federal financial assistance programs ▶ Prepare other reports as required ▶ Provide revised final drafts of all required reports to the Town for approval
December	- ***Final Town Audit Reports, Financial Statements, Single Audit Reports, and other reports delivered.*** - ***Audit Presentation to Council (if requested)***
January 2027	- ***State Controller's Reports delivered and submitted*** - ***Single Audit Report package submitted to Federal Audit Clearinghouse***

Note: the proposed audit schedule above can be adjusted as necessary based on the needs of the Town.

<u>Estimated Hours by Audit Phase</u>

Position	Planning	Interim Fieldwork	Year End Fieldwork	Reporting	Total
Partner	7	9	18	6	40
Audit Manager	5	24	21	9	59
Audit Senior	2	27	51	14	94
Professional Audit Staff	-	55	104	14	173
IT Specialist	-	7	-	-	7
Administrative Assistant	5	1	8	9	23
Total	19	123	202	52	396

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 Comprehensive Financial Report is in compliance with current reporting and disclosures requirements issued by the GASB and GFOA.
  - Review the Annual Comprehensive Financial Report 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:

2026

- Statement 103 – Financial Reporting Model Improvements
- Statement 104 – Disclosure of Certain Capital Assets

2027

- Statement 105 – Subsequent Events

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

Exceptions to the Contract

With regard to the sample contract, we would like to edit the below paragraphs as follows:

2.5 Information/Report Handling. Unless such property is proprietary in nature, 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 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 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.

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 subconsultant, excluding such damages or liabilities that arise from the sole or willful negligence or misconduct of the Town.

Prepared by Client (PBC) List

The following is the Prepared by Client (PBC) List for the Town. The PBC List may be update as needed prior to the start of fieldwork.

INTERIM

General

- Year-to-date Trial Balance (Balance Sheet and Revenues and Expenditure Reports) for all funds for most recently closed month with comparison to prior year
- Internal policies/guidelines for closing and reporting, payroll check runs, cash receipts, AP processes, and others
- Year-to-date Journal entry report for manual journal entries
- Most recent budget-to-actual financial reports submitted to Town Council or Town Management
- Form 700s from the Council Members and Town Manager
- Conflict of interest codes
- List of any new funds with description (fund name, purpose, how it should be reported in the ACFR, etc.)
- Memo summarizing the FY2027 status of prior year findings (GAGAS and management comments), and processes/controls implemented to address items (if any prior year audit findings)
- Brief memo summarizing management's analysis of new accounting standards to be implemented in FY2027
- Copy of the Town's organizational chart applicable to FY2027
- Any reports provided by Federal or State grantors or other regulators during FY2027 to date on reviews or audits that may impact the FY2027 audit.
- Detail of legal expenses for FY2027 (as of date)
- Copy of the internal timeline used to execute all tasks for closing and report preparation and indicating responsible Town personnel.
- Complete General Ledger for Year-to-Date FY2027 (in excel), if possible
- Prior Year Trial Balance for FY2025
- Prior Year ACFR Account Mapping and Fund Rollup for FY2025
- Prior Year Audit Confirmation Letters
- Chart of Accounts from Accounting System including legend for each part of GL account strings

Budget

- Resolutions for adopting the 2027 budget
- Electronic report of FY2027 budget adjustments to-date (appropriation changes, object/line item transfers etc.)

Component Units/Potential Component Units

- Provide agreement/formation documents for component units and potential component units (agencies or other entities for which the Town is accountable, etc.) (if amended, or new or newly identified)

Cash

- Most recent bank reconciliation for all bank accounts
- List of all bank accounts (Bank Names, Bank Account Numbers and Authorized Signers)

Investments
- Investment Report for the most recent period submitted to Council
- Annually adopted Investment Policy for FY2027
- Agreements with bank and custodians

Loan/Note receivables
- List of new loans given out in FY2027
- Most recent listing of loan receivables outstanding
- Loan agreements

Capital Assets
- Most recent capital asset policy
- Detailed listing of assets additions, including CIPs (if available)
- Detailed listing of assets deletions (if available)

Payroll
- List of locations and number of employees at each location
- Payroll Register for the most recent pay period in June 2027 (with employee detail)
- Payroll calendar for FY2027
- System-generated report of Town employee hires, terminations, promotions during FY2027
- Copies (PDF) of or access to MOU labor agreements, and other benefit agreements applicable to payroll periods covered in FY2027
- FY2027 941 Forms
- Prior Year FY2025 941 Forms (for use in analytics)

Long-term Debt
- Debt/Bond agreements
- Bond payment schedules
- Bond issuance premium or discount amortization schedule
- Journal entries for recording of new debt
- Lease payment schedules

Risk Management
- Agreements with Third Party Claim Administrators
- Detailed claim expenditure reports (General Liability and Workers Comp)
- Listing of attorneys utilized by the Town during FY2027

Computer Controls
- Contingency plans for the IT department, if available
- Policies and procedures manual for the IT department

Revenue
- Revenue transaction detail report for all funds
- Grant revenue reports
- Listing of all sites where cash (and checks) is collected with approximate daily or annual dollar amount

Expenditures

- Expenditure transaction detail report for all funds
- Single excel listing of all Town active contracts during FY2027 (if available). Please ensure the report includes the following fields: contract number, date contract executed, contract amount, and amount spent in FY2027 (if possible)
- Listing of contract change orders executed during FY2027
- Listing of purchase card (i.e. p-card, CalCard, etc.) holders during FY2027 with Credit Limits and single purchase amounts (if applicable)
- Town procurement policy(ies)
- Travel and credit card policy(ies).

Pension

- CalPERS Appointment Status Change Report - instructions for generating are attached.
- List of new hires in FY2025 (note: FY2025 will be actuarial valuation year for FY2027 reporting)
- Census data provided to actuary for Misc. Plan GASB 68 Valuation

Fund Balance

- Fund balance/GASB 54 Policies
- Listing of special revenue funds with fund description and special revenue fund justification (i.e. major revenue source and whether revenue is restricted/committed on what basis (specific law, contract, ordinance/resolution, measure, etc.)

YEAR-END

General

- Final Trial Balance as of 6/30/2027
- Original and Final Budget for revenue and expenditure accounts for FY2027 for RSI schedules
- Detailed by transaction revenue report for FY2027
- Detailed by transaction expenditure report for FY2027
- ACFR rollup (updated for FYE 6/30/2027)
- ACFR Account rollup (i.e. account coding classifications) updated for FYE 6/30/2027
- Any monitoring/audit reports received during FY2027 (from other auditors or agencies)
- List of all manual journal entries posted to the General Ledger for FY2027 (in Excel format, listing JE numbers, date posted, account posted and the amounts)
- Complete General Ledger for FY2027 (in excel), if possible

Cash and Investments

- Cash and investment summary by bank account
- Bank reconciliations as of 6/30/2027 for all bank accounts with support for reconciling items.
- Bank and Investment statements for all Town accounts as of 6/30/2027
- Interest Income Fund Allocation Worksheet for FY2027
- Schedule of investments held with book values and fair value as of 6/30/2027 (GASB 31 Worksheet and Investment rollforward worksheet) along with the credit rating for each investment.
- GASB 72 Levelling information
- Bank statements for all cash with fiscal agents at 6/30/2027
- Bank and Investment Statements for July and August 2027

Accounts Receivable and Revenues

- Allowance for doubtful accounts calculations as of 6/30/2027 (if any for FY2027)
- A/R aging reports by account numbers/names for all billed receivables for each fund as of 6/30/2027 (if any)
- Listing of A/R accruals by account name for each fund (include nature of revenue and when received)
- Property Tax Allocation FY2027

Interest Receivable

- Interest receivable listing with calculations as of 6/30/2027

Taxes Receivable

- Listing of all Taxes Receivable by type of revenues for each fund (please indicate the date that the cash receipt was received for each tax receivable accrual)

Loan Receivable

- Listing of loans receivable by borrower as of 6/30/2027
- Agreements for all loans/notes receivable

Leases Receivable

- Listing of leases by lessee as of 6/30/2027
- Copies of all lease agreements
- Leases receivable calculation as of 6/30/2027 (in accordance with GASB 87)
- Intergovernmental Receivable
- Listing of all Intergovernmental Receivable for each fund (please indicate the date that the cash receipt was received for each revenue accrual)

Other Assets

- Listing of Prepayments as of 6/30/2027
- Listing of Inventory as of 6/30/2027

Capital Assets

- Capital Assets Roll forward Schedule for FY2027, including any right to use leased assets
- Capital Asset Detail Listings as of FY2027
- Depreciation expense by function for FY2027
- Roll forward schedule of Construction in Progress (CIP) from 7/1/2025 to 6/30/2027. Please include schedule showing CIP placed in service (transferred from CIP to asset accounts) during fiscal year
- Detail schedule of CIP Projects by Project number as of 6/30/2027 (accumulated costs by Project)

Interfund Transactions

- Due to/Due from schedule
- Advance to/Advance from schedule
- Interfund Transfers In/Transfers Out schedule
- Resolutions approving all interfund advances with repayment schedules

Accounts Payable and Expenditures

- Accounts Payable Listing as of 6/30/2027 by fund/transaction.
- Check Register for all checks written on and after 7/1/2027 through current date (by fund).
- Listing of payments made by ACH/wire transfer on and after 7/1/2027
- Open encumbrance listing for each fund as of 6/30/2027

Payroll

- Town's calculation of accrued payroll as of 6/30/2027
- Payroll register(s) for last pay period of FY2027 used in accruals

Compensated Absences

- Compensated Absence Payable as of 6/30/2027 by employee
- Roll forward Schedule of Compensated Absences (i.e. list beginning balance as of 7/1/2025, additions, deletions, and ending balance as of 6/30/2027
- Schedule of short-term portion and long-term portion, and calculation of short-term portion.
- For the governmental activities, provide a schedule which details compensated absences by fund and expenditure function. Please reflect prior year amounts by function to determine current year adjustment required in the government-wide statement of activities.

Risk Management

- Actuarial Valuation Reports for claims payable (General Liability, Workers Comp, Others) to be used for FY2027 reporting
- Loss/Run Reports as of June 30, 2027, July 2027, and August 2027 for general liability and workers' compensation
- Memorandum of Coverage for policies in effect for FY2027 (e.g. Workers Compensation and General Liability)

Other Liabilities

- Detailed listing by fund of unearned revenues with description for each as of 6/30/2027
- Detailed listing of all deposits payable for each fund as of 6/30/2027

Leases Payable

- Listing of leases by lessor as of 6/30/2027
- Copies of all lease agreements
- Leases payable calculation as of 6/30/2027 (in accordance with GASB 87)

Pension

- MyCalPERS Billing and Payment Summary for FY2027
- Actuarial Valuation Report for agent-multiple employer Misc. Plan
- GASB 68 Calculation for cost-sharing Safety Plan
- Pension Journal Entries allocating pension amounts to the Town's various funds
- Support for covered payroll amount to support Pension RSI for FY2027. Can use CalPERS' Reported Member Summary Report.

Long-Term Debt

- Long-term Debt roll forward schedule
- Interest payable calculation
- Amortization schedule for bond premiums
- Debt service schedules

Commitments and Contingencies

- Listing of Commitments and Contingencies as of 6/30/2027

Fund Balances/Net Position

- GASB 54 roll forward schedule detailing listing of additions and deletions to fund balance classifications
- Any new agreements/resolutions/ordinances/laws supporting assignments/commitments/restrictions on fund balance
- Net Position worksheet, classifying reported fund balance to Net Assets/Net Position

<u>GANN LIMIT</u>

- FY2028 Appropriation Limit Calculation
- FY2028 Council Resolution and Approval of Appropriation Limit

<u>TDA</u>

- Revenue and expenditure transaction detail for FY2027
- Copies of all reimbursement requests submitted for FY2027

<u>MEASURE G</u>

- Measure G revenue and expenditure transaction detail for FY2027

<u>STREET REPORT</u>

- Login credentials
- Street Report Project Expenditure Summary Report(s) for FY2027

<u>SCO REPORT</u>

- Login credentials
- SCO Report Nonfinancial Info Workbook – to be provided for completion.
- Prior year SCO Report Account Mapping

<u>SINGLE AUDIT</u>

Interim

- Preliminary Schedule of Expenditure of Federal Awards for FY2027 (if available)

Year End

- Schedule of all expenditures of federal awards, state grants, and local grants for FY2027
- General ledger detail expenditure report for all programs (listing of individual transactions that make up the program expenditures)
- Copies of grant agreements and applicable amendments
- Copies of monitoring reports and resulting action plans
- Schedule of sub-recipients expenditures (if applicable)
- Copies of reimbursement requests submitted

RFP Forms and Attachments

In accordance with the Town's Request for Proposals (RFP), the below required form and attachments have been included as part of this proposal submission on the pages that follow.

- RFP Appendix A: Proposer Warranties
- Attachment 1 – Conflict of Interest Statement
- Attachment 2 – Non-Collusion Declaration
- Attachment 3 – References
- Attachment 4 – Statement Regarding Insurance Coverage and Worker's Compensation Insurance Acknowledgement Statement

APPENDIX A: 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 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: ______________________________

Printed Name: Ahmed Badawi

Title: President

Firm: Badawi & Associates

Date: June 12, 2026

ATTACHMENT 1 - CONFLICT OF INTEREST STATEMENT

THIS FORM MUST BE PRINTED OUT, COMPLETED AND SUBMITTED WITH THE PROPOSAL

PROFESSIONAL AUDITING SERVICES

The undersigned declares:

I/We Badawi & Associates (Insert Name) have the following financial, business, or other relationship with Town of Los Gatos that may have an impact upon the outcome of the contract. If none, please specify that no other relationships may have an impact on this contract or Project.

None

I/We Badawi & Associates (Insert Name) have the following current clients who may have a financial interest in the outcome of this contract. If none, please specify that no other clients may have a financial interest with an impact on this contract or Project.

None

Pursuant to Government Code section 1090 and any other laws, rules and regulations that may apply, the Proposer covenants that neither it, its subcontractors nor employees presently have an interest, and shall not acquire any interest, direct or indirect, financial or otherwise that would conflict in any manner or degree with contract awarded from this RFP. Proposer certifies that to the best of its knowledge, no one who has or will have any financial interest in the contract awarded from this RFP is an officer or employee of the Town. Through its submittal of a proposal, Proposer acknowledges that it is familiar with Section 87100 et seq. and Section 1090 et seq. of the Government Code of the State of California and will immediately notify the Town if it becomes aware of any facts concerning the contract to be awarded that constitute a violation of said provisions.

Furthermore, if there is reason to believe that collusion exists among the Proposers, the Town may refuse to consider proposals from participants in such collusion. No person, firm, or corporation under the same or different name, shall make, file, or be interested in more than one proposal for the same work unless alternate proposals are called for. A person, firm, or corporation who has submitted a sub-proposal to a Proposer, or who has quoted prices on materials to a Proposer, is not thereby disqualified from submitting a sub-proposal or quoting prices to other Proposers. Reasonable ground for believing that any Proposer is interested in more than one proposal for the same work will cause the rejection of all proposals for the work in which a Proposer is interested. If there is reason to believe that collusion exists among the Proposers, the Town may refuse to consider proposals from participants in such collusion. Proposers shall submit as part of their proposals documents the completed Non-Collusion Declaration provided herein.

I, on behalf of the Proposer, declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration is executed on June 12, 2026 [date], at Emeryville [city], California [state].

Ahmed Badawi

Proposer Name (Person, Firm, Corp.)

President

Title of Authorized Representative

5901 Christie Ave., Suite 307

Address

Ahmed Badawi

Name of Authorized Representative

Emeryville, CA 94608

City, State, Zip

June 12, 2026

Date

AhmedBadawi

Signed

ATTACHMENT 2 – NON-COLLUSION DECLARATION

THIS FORM MUST BE PRINTED OUT, COMPLETED AND SUBMITTED WITH THE PROPOSAL

PROFESSIONAL AUDITING SERVICES

The undersigned declares:

I am the President____________ [Insert Title] of Badawi & Associates________,[Insert name of company, corporation, LLC, partnership or joint venture] the party making the foregoing proposal.

The proposal is not made in the interest of, or on behalf of, any undisclosed person, partnership, company, association, organization, or corporation. The proposal is genuine and not collusive or sham. The Respondent has not directly or indirectly induced or solicited any other respondent to put in a false or sham proposal. The Respondent has not directly or indirectly colluded, conspired, connived, or agreed with any bidder or anyone else to put in a sham proposal, or to refrain from responding. All statements contained in the proposal are true.

Any person executing this declaration on behalf of a respondent that is a corporation, partnership, joint venture, limited liability company, limited liability partnership, or any other entity, hereby represents that he or she has full power to execute, and does execute, this declaration on behalf of the respondent.

ATTACHMENT 3 - REFERENCES

THIS FORM MUST BE PRINTED OUT, COMPLETED AND SUBMITTED WITH THE PROPOSAL

PROFESSIONAL AUDITING SERVICES

List three (3) references for work of a similar nature to the Services performed within the last five (5) years. Use additional sheets as necessary.

1. City of Lafayette — Name of Agency
   3675 Mount Diablo Blvd., #210, Lafayette, CA 94549 — Agency Address

   Mr. Tim Przybyla — Contact Name
   Finance Manager — Contact Title

   (925) 299-3213 — Contact Telephone
   tprzbyla@ci.lafayette.ca.us — Contact Email Address

   (2020 - Present) — Contract Period
   Approximately $60K — Contract Amount

   City Audit including ACFR, Single Audit, Gann Limit, TDA Audit, State Controller's Report, Lamorinda Fee and Finance Authority Audit, Lamorinda School Bus Transportation Authority Audit

   Description of services performed including costs.

2. City of San Carlos — Name of Agency
   600 Elm Street, San Carlos, CA 94070 — Agency Address

   Mr. Paul Harris — Contact Name
   Financial Services Manager — Contact Title

   (650) 802-4217 — Contact Telephone
   pharris@cityofsancarlos.org — Contact Email Address

   (2023 - Present) — Contract Period
   Approximately $85K — Contract Amount

   City Audit including ACFR, Gann Limit, Measure A/M/W Examinations, C/CAG Audit, C/CAG Single Audit, Commute.org Audit, State Controller's Report

____

Description of services performed including costs.

3. City of Mountain View ____________________ 500 Castro Street, Mountain View, CA 94039

Name of Agency | Agency Address

Mr. Derek Rampone ____________________ Finance and Administrative Services Director

Contact Name | Contact Title

(650) 903-6316 ____________________ derek.rampone@mountainview.gov

Contact Telephone | Contact Email Address

(2024 - Present) ____________________ Approximately $110K

Contract Period | Contract Amount

City Audit including ACFR, Single Audit, Gann Limit, TDA Audit, Shoreline Regional Park Community Audit, Lease Agreed-upon Procedures, Purchasing Card Agreed-upon Procedures

Description of services performed including costs.

I hereby certify that the Proposer performed the work listed above.

[signature]	Ahmed Badawi	June 12, 2026
Signature of Proposer	Name	Date

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration is executed on June 12, 2026, at Emeryville [city], CA [state].

By: [signature]

Name: Ahmed Badawi

Title: President

ATTACHMENT 4 - STATEMENT REGARDING INSURANCE COVERAGE AND WORKER'S COMPENSATION INSURANCE ACKNOWLEDGMENT CERTIFICATE

THIS FORM MUST BE PRINTED OUT, COMPLETED AND SUBMITTED WITH THE PROPOSAL

PROFESSIONAL AUDITING SERVICES

PROPOSER HEREBY CERTIFIES that the Proposer has reviewed and understands the insurance coverage requirements specified in the RFP. Should the Proposer be awarded a contract for Services, Proposer further certifies that the Proposer can meet the specified requirements for insurance, including insurance coverage of any subcontractors, and agrees to name the Town as additional insured for the Services specified.

By certifying this form, the Proposer also understands the Worker's Compensation insurance requirement per the California Labor Code, Sections 1860 and 1861:

> I am aware of the provisions of Section 3700 of the Labor Code, which require every employer to be insured against liability for worker's compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this contract.

Badawi & Associates

Name of Proposer (Person, Firm, or Corporation)

Ahmed Badawi

Signature of Proposer's Authorized Representative

Ahmed Badawi, President

Name & Title of Authorized Representative

June 12, 2026

Date of Signing