

SERVICES AGREEMENT
BETWEEN THE CITY OF RIALTO AND
LANCE, SOLL & LUNGHARD, LLP

THIS SERVICES AGREEMENT (herein "Agreement") is made and entered into this 10th day of August, 2021 by and between the City of Rialto, a municipal corporation ("City"), and Lance, Soll & Lunghard, a Limited Liability Partnership ("Consultant"). City and Consultant are sometimes individually referred to as "Party" or collectively as "Parties".

RECITALS

A. City has sought, by issuance of Request for Proposals No. 21-034 on March 11, 2021, the performance of financial audit services defined and described particularly in Article 1 of this Agreement.

B. Following the submission of a proposal for the performance of the financial audit services defined and described particularly in Article 1 of this Agreement, Consultant was selected by the City to perform those services.

C. Pursuant to Chapter 2.48 of the Rialto Municipal Code, City has authority to enter into and execute this Agreement.

D. The Parties desire to formalize the selection of Consultant for the performance of those financial audit services defined and described particularly in Article 1 of this Agreement and desire that the terms of that performance be as particularly defined and described herein.

OPERATIVE PROVISIONS

NOW, THEREFORE, in consideration of the mutual promises and covenants made by the Parties and contained herein and other consideration, the value and adequacy of which are hereby acknowledged, the parties agree as follows:

ARTICLE 1. SERVICES OF CONSULTANT

1.1 Scope of Services.

In compliance with all terms and conditions of this Agreement, Consultant shall provide those financial audit services specified in the "Scope of Services" attached hereto as Exhibit "A" and incorporated herein by this reference, which services may be referred to herein as the "services" or "work" hereunder. As a material inducement for City to enter into this Agreement, Consultant represents and warrants that it has the qualifications, experience, and facilities necessary to properly perform the services required under this Agreement in a thorough, competent, and professional manner, it meets all local, state, and federal requirements in performing the services, and it is experienced in performing the work and services contemplated herein. Consultant shall at all times faithfully, competently, and to the best of its ability, experience, and talent, perform all services described herein. Consultant covenants that it shall follow the highest professional

standards in performing the work and services required hereunder and that all materials will be of good quality, fit for the purpose intended. For purposes of this Agreement, the phrase “highest professional standards” shall mean those standards of practice recognized by one or more first-class firms performing similar work under similar circumstances.

1.2 Consultant’s Proposal.

This Agreement shall include the Request for Proposal or Invitation for Bids (“Contract Documents”), and the Scope of Services shall include Consultant’s scope of work or Consultant’s accepted bid proposal (“Accepted Bid”). The Contract Documents and Accepted Bid shall be incorporated herein by this reference as though fully set forth herein. In the event of any inconsistency between the Contract Documents, Accepted Bid, and/or this Agreement, the terms of this Agreement shall govern.

1.3 Compliance with Law.

Consultant shall keep itself informed concerning, and shall render all services hereunder in accordance with, all ordinances, resolutions, statutes, rules, and regulations of the City and any federal, state, or local governmental entity having jurisdiction in effect at the time service is rendered.

1.4 Licenses, Permits, Fees, and Assessments.

Consultant shall obtain, at its sole cost and expense, such licenses, permits, and approvals as may be required by law for the performance of the services required by this Agreement. Consultant shall have the sole obligation to pay for any fees, assessments, and taxes, plus applicable penalties and interest, which may be imposed by law and arise from or are necessary for the Consultant’s performance of the services required by this Agreement, and shall indemnify, defend, and hold harmless City, its officers, employees or agents of City, against any such fees, assessments, taxes penalties, or interest levied, assessed, or imposed against City hereunder.

1.5 Familiarity with Work.

By executing this Agreement, Consultant warrants that Consultant (i) has thoroughly investigated and considered the scope of services to be performed, (ii) has carefully considered how the services should be performed, and (iii) fully understands the facilities, difficulties, and restrictions attending performance of the services under this Agreement. If the services involve work upon any site, Consultant warrants that Consultant has or will investigate the site and is or will be fully acquainted with the conditions there existing, prior to commencement of services hereunder. If Consultant discovers any latent or unknown conditions that will materially affect the performance of the services hereunder, then Consultant shall immediately inform the City of such fact and shall not proceed except at City’s risk until written instructions are received from the Contract Officer.

1.6 Care of Work.

Consultant shall adopt reasonable methods during the life of the Agreement to furnish continuous protection to the work, and the equipment, materials, papers, documents, plans, studies, and/or other components thereof, to prevent losses or damages, and shall be responsible for all such damages to persons or property, until acceptance of the work by City, except such losses or damages as may be caused by City's own negligence.

1.7 Prevailing Wages.

Consultant is aware of the requirements of California Labor Code Section 1720, *et seq.* and 1770, *et seq.*, as well as California Code of Regulations, Title 8, Section 1600, *et seq.*, ("Prevailing Wage Laws"), which require the payment of prevailing wage rates and the performance of other requirements on "Public Works" and "Maintenance" projects. It is the understanding of City and Consultant that the Prevailing Wage Laws do not apply to this Agreement because the Agreement does not involve any services subject to prevailing wage rates pursuant to the California Labor Code or regulations promulgated thereunder. Consultant shall defend, indemnify, and hold City, its elected officials, officers, employees and agents free and harmless from any claim or liability arising out of any failure or alleged failure to comply with the Prevailing Wage Laws.

1.8 Further Responsibilities of Parties.

Both Parties agree to use reasonable care and diligence to perform their respective obligations under this Agreement. Both Parties agree to act in good faith to execute all instruments, prepare all documents, and take all actions as may be reasonably necessary to carry out the purposes of this Agreement. Unless specified in this Agreement, neither Party shall be responsible for the service of the other.

1.9 Additional Services.

City shall have the right at any time during the performance of the services, without invalidating this Agreement, to order extra work beyond that specified in the Scope of Services or make changes by altering, adding to, or deducting from said work. No such extra work or change may be undertaken unless a written order is first given by the Contract Officer to the Consultant, describing in detail the extra work or change and the reason(s) therefor and incorporating therein any adjustment in (i) the Contract Sum for the actual cost of the extra work or change, and/or (ii) the time to perform this Agreement, which said adjustments are subject to the written approval of Consultant. Any increase in compensation of up to ten percent (10%) of the Contract Sum or an amount not to exceed a total contract sum of Fifteen Thousand Dollars (\$15,000), whichever is less, or any increase in the time to perform of up to one hundred eighty (180) days, may be approved by the Contract Officer. Any greater increases, taken either separately or cumulatively must be approved by the City Council. Payment for additional services rendered by Consultant under this Agreement requires the submission of the actual costs of Consultant's performance of the extra work with the invoice(s) for the extra work claim(s), as provided in Section 2.4. It is expressly understood by Consultant that the

provisions of this Section shall not apply to services specifically set forth in the Scope of Services. Consultant hereby acknowledges that it accepts the risk that the services to be provided pursuant to the Scope of Services may be more costly or time consuming than Consultant anticipates and that Consultant shall not be entitled to additional compensation therefor. City may in its sole and absolute discretion have similar work done by other contractors.

No claim for an adjustment in the contract amount or time for performance shall be valid unless the procedures established in this Section are followed.

1.10 Special Requirements.

Additional terms and conditions of this Agreement, if any, which are made a part hereof are set forth in the "Special Requirements" attached hereto as Exhibit "B" and incorporated herein by this reference. In the event of a conflict between the provisions of Exhibit "B" and any other provisions of this Agreement, the provisions of Exhibit "B" shall govern.

ARTICLE 2. COMPENSATION AND METHOD OF PAYMENT

2.1 Contract Sum.

Subject to any limitations set forth in this Agreement, City agrees to pay Consultant the amounts specified in the "Schedule of Compensation" attached hereto as Exhibit "C" and incorporated herein by this reference. The total compensation, including reimbursement for actual expenses, shall not exceed two hundred seventeen thousand five hundred and thirty four dollars \$217,534 (the "Contract Sum"), unless additional compensation is approved pursuant to Section 1.9.

2.2 Method of Compensation.

The method of compensation may include: (i) a lump sum payment upon completion; (ii) payment in accordance with specified tasks or the percentage of completion of the services; (iii) payment for time and materials based upon the Consultant's rates as specified in the Schedule of Compensation, provided that time estimates are provided for the performance of sub tasks, but not exceeding the Contract Sum; or (iv) such other methods as may be specified in the Schedule of Compensation.

2.3 Reimbursable Expenses.

Compensation may include reimbursement for actual and necessary expenditures for reproduction costs, telephone expenses, and travel expenses approved by the Contract Officer in advance, or actual subcontractor expenses of an approved subcontractor pursuant to Section 4.5, and only if specified in the Schedule of Compensation. The Contract Sum shall include the attendance of Consultant at all project meetings reasonably deemed necessary by the City. Coordination of the performance of the work with City is a critical component of the services. If Consultant is required to attend additional meetings to facilitate such coordination, Consultant shall not be entitled to any additional compensation for attending said meetings.

2.4 Invoices.

Each month Consultant shall furnish to City an original invoice for all work performed and expenses incurred during the preceding month in a form approved by City's Director of Finance. By submitting an invoice for payment under this Agreement, Consultant is certifying compliance with all provisions of the Agreement. The invoice shall detail charges for all necessary and actual expenses by the following categories: labor (by sub-category), travel, materials, equipment, supplies, and sub-contractor contracts. Sub-contractor charges shall also be detailed by such categories. Consultant shall not invoice City for any duplicate services performed by more than one person.

City may independently review each invoice submitted by the Consultant to determine whether the work performed and expenses incurred are in compliance with the provisions of this Agreement. Except as to any charges for work performed or expenses incurred by Consultant which are disputed by City, or as provided in Section 7.3, City will use its best efforts to cause Consultant to be paid within thirty (30) days of receipt of Consultant's correct and undisputed invoice; however, Consultant acknowledges and agrees that due to City warrant run procedures, the City cannot guarantee that payment will occur within this time period. In the event any charges or expenses are disputed by City, the original invoice shall be returned by City to Consultant for correction and resubmission.

2.5 No Waiver.

Review and payment by City to Consultant of any invoice for work performed by Consultant pursuant to this Agreement shall not be deemed a waiver of any defects in work performed by Consultant or of any rights or remedies provided herein or any applicable law.

ARTICLE 3. PERFORMANCE SCHEDULE

3.1 Time of Essence.

Time is of the essence in the performance of this Agreement.

3.2 Schedule of Performance.

Consultant shall commence the services pursuant to this Agreement upon receipt of a written notice to proceed and shall perform all services within the time period(s) established in the "Schedule of Performance" attached hereto as Exhibit "D" and incorporated herein by this reference. When requested by the Consultant, extensions to the time period(s) specified in the Schedule of Performance may be approved in writing by the Contract Officer but not exceeding one hundred eighty (180) days cumulatively, pursuant to Section 1.9.

3.3 Force Majeure.

The time period(s) specified in the Schedule of Performance for performance of the services rendered pursuant to this Agreement shall be extended because of any

delays due to unforeseeable causes beyond the control and without the fault or negligence of the Consultant, including, but not restricted to, acts of God or of the public enemy, unusually severe weather, fires, earthquakes, floods, epidemics, quarantine restrictions, riots, strikes, freight embargoes, wars, litigation, and/or acts of any governmental agency, including the City, if the Consultant shall, within ten (10) days of the commencement of such delay, notify the Contract Officer in writing of the causes of the delay. The Contract Officer shall ascertain the facts and the extent of delay, and extend the time for performing the services for the period of the enforced delay when and if in the judgment of the Contract Officer such delay is justified. The Contract Officer shall extend the time for performance in accordance with the procedures set forth in Section 1.9. The Contract Officer's determination shall be final and conclusive upon the Parties to this Agreement. In no event shall Consultant be entitled to recover damages against the City for any delay in the performance of this Agreement, however caused, Consultant's sole remedy being extension of the Agreement pursuant to this Section.

3.4 Term.

Unless earlier terminated in accordance with Article 7 of this Agreement, this Agreement shall continue in full force and effect for an initial term for completion of the services related to the annual audit of Fiscal Year 2020-2021, Fiscal Year 2021-2022, and Fiscal Year 2022-2023, except as otherwise provided in the Schedule of Performance (Exhibit "D"). At the mutual agreement of the Parties, following the initial term this Agreement may be extended annually to complete the annual audit of Fiscal Year 2023-2024, and Fiscal Year 2024-2025.

ARTICLE 4. COORDINATION OF WORK

4.1 Representatives and Personnel of Consultant.

The following principals of Consultant ("Principals") are hereby designated as being the principals and representatives of Consultant authorized to act in its behalf with respect to the work specified herein and make all decisions in connection therewith:

Bryan Gruber

Partner

It is expressly understood that the experience, knowledge, capability, and reputation of the foregoing Principals were a substantial inducement for City to enter into this Agreement. Therefore, the Principals shall be responsible during the term of this Agreement for directing all activities of Consultant and devoting sufficient time to personally supervise the services hereunder. All personnel of Consultant, and any authorized agents, shall at all times be under the exclusive direction and control of the Principals. For purposes of this Agreement, the Principals may not be replaced nor may their responsibilities be substantially reduced by Consultant without the express written approval of City. Additionally, Consultant shall utilize only competent personnel to perform services pursuant to this Agreement. Consultant shall make every reasonable effort to maintain the stability and continuity of Consultant's staff and subcontractors, if any, assigned to perform the services required under this Agreement. Consultant shall notify City of any changes in Consultant's staff and subcontractors, if any, assigned to perform the services required under this Agreement, prior to and during any such performance. In the event that City, in its sole discretion, at any time during the term of

this Agreement, desires to reassign any staff or subcontractor of Consultant, Consultant shall, immediately upon a Reassign Notice from City of such desire of City, reassign such persons or persons.

4.2 Status of Consultant.

Consultant shall have no authority to bind City in any manner, or to incur any obligation, debt or liability of any kind on behalf of or against City, whether by contract or otherwise, unless such authority is expressly conferred under this Agreement or is otherwise expressly conferred in writing by City. Consultant shall not at any time or in any manner represent that Consultant or any of Consultant's officers, employees, or agents are in any manner officials, officers, employees or agents of City. Neither Consultant, nor any of Consultant's officers, employees or agents, shall obtain any rights to retirement, health care, or any other benefits which may otherwise accrue to City's employees. Consultant expressly waives any claim Consultant may have to any such rights.

4.3 Contract Officer.

The Contract Officer shall be the City Manager or other such person designated by the City Manager. It shall be the Consultant's responsibility to assure that the Contract Officer is kept informed of the progress of the performance of the services and the Consultant shall refer any decisions which must be made by City to the Contract Officer. Unless otherwise specified herein, any approval of City required hereunder shall mean the approval of the Contract Officer. The Contract Officer shall have authority, if specified in writing by the City Manager, to sign all documents on behalf of the City required hereunder to carry out the terms of this Agreement.

4.4 Independent Contractor.

Neither the City nor any of its employees shall have any control over the manner, mode, or means by which Consultant, its agents or employees, perform the services required herein, except as otherwise set forth herein. City shall have no voice in the selection, discharge, supervision or control of Consultant's employees, servants, representatives, or agents, or in fixing their number, compensation, or hours of service. Consultant shall perform all services required herein as an independent contractor of City and shall remain at all times as to City a wholly independent contractor with only such obligations as are consistent with that role. Consultant shall not at any time or in any manner represent that it or any of its agents or employees are agents or employees of City. City shall not in any way or for any purpose become or be deemed to be a partner of Consultant in its business or otherwise or a joint venturer or a member of any joint enterprise with Consultant.

4.5 Prohibition Against Subcontracting or Assignment.

The experience, knowledge, capability, and reputation of Consultant, its principals and employees were a substantial inducement for the City to enter into this Agreement. Therefore, Consultant shall not contract with any other entity to perform in whole or in part the services required hereunder without the express written approval of the City. In addition, neither this Agreement nor any interest herein may be transferred, assigned,

conveyed, hypothecated, or encumbered voluntarily or by operation of law, whether for the benefit of creditors or otherwise, without the prior written approval of City. Transfers restricted hereunder shall include the transfer to any person or group of persons acting in concert of more than twenty five percent (25%) of the present ownership and/or control of Consultant, taking all transfers into account on a cumulative basis. In the event of any such unapproved transfer, including any bankruptcy proceeding, this Agreement shall be void. No approved transfer shall release the Consultant or any surety of Consultant of any liability hereunder without the express consent of City.

ARTICLE 5. INSURANCE, INDEMNIFICATION AND BONDS

5.1 Insurance Coverages.

The Consultant shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to City, during the entire term of this Agreement including any extension thereof, the following policies of insurance which shall cover all elected and appointed officers, employees, and agents of City:

(a) Comprehensive General Liability Insurance (Occurrence Form CG0001 or equivalent). A policy of comprehensive general liability insurance written on a per occurrence basis for bodily injury, personal injury, and property damage. The policy of insurance shall be in an amount not less than \$1,000,000.00 per occurrence or if a general aggregate limit is used, then the general aggregate limit shall be twice the occurrence limit.

(b) Worker's Compensation Insurance. A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California and which shall indemnify, insure, and provide legal defense for both the Consultant and the City against any loss, claim, or damage arising from any injuries or occupational diseases occurring to any worker employed by or any persons retained by the Consultant in the course of carrying out the work or services contemplated in this Agreement.

(c) Automotive Insurance (Form CA 0001 (Ed 1/87) including "any auto" and endorsement CA 0025 or equivalent). A policy of comprehensive automobile liability insurance written on a per occurrence for bodily injury and property damage in an amount not less than \$1,000,000. Said policy shall include coverage for owned, non-owned, leased, and hired cars.

(d) Professional Liability. Professional liability insurance appropriate to the Consultant's profession. This coverage may be written on a "claims made" basis, and must include coverage for contractual liability. The professional liability insurance required by this Agreement must be endorsed to be applicable to claims based upon, arising out of, or related to services performed under this Agreement. The insurance must be maintained for at least 5 consecutive years following the completion of Consultant's services or the termination of this Agreement. During this additional 5-year period, Consultant shall annually and upon request of the City submit written evidence of this continuous coverage.

(e) Additional Insurance. Policies of such other insurance, as may be required in the Special Requirements.

(f) Subcontractors. Consultant shall include all subcontractors as insureds under its policies or shall furnish separate certificates and certified endorsements for each subcontractor. All coverages for subcontractors shall be subject to all of the requirements stated herein.

5.2 General Insurance Requirements.

All of the above policies of insurance shall be primary insurance and shall name the City, its elected and appointed officers, employees, and agents as additional insureds, and any insurance maintained by City or its officers, employees, or agents shall apply in excess of, and not contribute with, Consultant's insurance. The insurer is deemed hereof to waive all rights of subrogation and contribution it may have against the City, its officers, employees, and agents and their respective insurers. The insurance policy must specify that where the primary insured does not satisfy the self-insured retention, any additional insured may satisfy the self-insured retention. All of said policies of insurance shall provide that said insurance may not be amended or cancelled by the insurer or any Party hereto without providing thirty (30) days prior written notice by certified mail return receipt requested to the City. In the event any of said policies of insurance are cancelled, the Consultant shall, prior to the cancellation date, submit new evidence of insurance in conformance with Section 5.1 to the Contract Officer. No work or services under this Agreement shall commence until the Consultant has provided the City with Certificates of Insurance or appropriate insurance binders evidencing the above insurance coverages and said Certificates of Insurance or binders are approved by the City. City reserves the right to inspect complete, certified copies of all required insurance policies at any time. Any failure to comply with the reporting or other provisions of the policies including breaches or warranties shall not affect coverage provided to City.

City, its respective elected and appointed officers, directors, officials, employees, agents and volunteers are to be covered as additional insureds as respects: liability arising out of activities Consultant performs; products and completed operations of Consultant; premises owned, occupied or used by Consultant; or automobiles owned, leased, hired or borrowed by Consultant. The coverage shall contain no special limitations on the scope of protection afforded to City, and their respective elected and appointed officers, officials, employees or volunteers. Consultant's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

Any deductibles or self-insured retentions must be declared to and approved by City. At the option of City, either the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects City or its respective elected or appointed officers, officials, employees and volunteers or the Consultant shall procure a bond guaranteeing payment of losses and related investigations, claim administration, defense expenses and claims. The Consultant agrees that the requirement to provide insurance shall not be construed as limiting in any way the extent to which the Consultant may be held responsible for the payment of damages to any persons or property resulting from the Consultant's activities or the activities of any person or persons for which the Consultant

is otherwise responsible nor shall it limit the Consultant's indemnification liabilities as provided in Section 5.3.

In the event the Consultant subcontracts any portion of the work in compliance with Section 4.5 of this Agreement, the contract between the Consultant and such subcontractor shall require the subcontractor to maintain the same policies of insurance that the Consultant is required to maintain pursuant to Section 5.1, and such certificates and endorsements shall be provided to City.

5.3 Indemnification.

To the full extent permitted by law, Consultant agrees to indemnify, defend, and hold harmless the City, its officers, employees and agents ("Indemnified Parties") against any and all actions, either judicial, administrative, arbitration or regulatory claims, damages to persons or property, losses, costs, penalties, obligations, errors, omissions or liabilities whether actual or threatened (herein "claims or liabilities") that may be asserted or claimed by any person, firm or entity arising out of or in connection with the negligent performance of the work, operations, or activities provided herein of Consultant, its officers, employees, agents, subcontractors, or invitees, or any individual or entity for which Consultant is legally liable ("indemnitors"), arising from Consultant's reckless or willful misconduct, or arising from Consultant's or indemnitors' negligent performance of or failure to perform any term, provision, covenant, or condition of this Agreement, and in connection therewith:

(a) Consultant will defend any action or actions filed in connection with any of said claims or liabilities and will pay all costs and expenses, including legal costs and attorneys' fees incurred in connection therewith;

(b) Consultant will promptly pay any judgment rendered against the City, its officers, agents, or employees for any such claims or liabilities arising out of or in connection with the negligent performance of or failure to perform such work, operations or activities of Consultant hereunder; and Consultant agrees to save and hold the City, its officers, agents, and employees harmless therefrom;

(c) In the event the City, its officers, agents or employees is made a party to any action or proceeding filed or prosecuted against Consultant for such damages or other claims arising out of or in connection with the negligent performance of or failure to perform the work, operation or activities of Consultant hereunder, Consultant agrees to pay to the City, its officers, agents, or employees, any and all costs and expenses incurred by the City, its officers, agents, or employees in such action or proceeding, including but not limited to, legal costs and attorneys' fees.

Consultant shall incorporate similar, indemnity agreements with its subcontractors and if it fails to do so Consultant shall be fully responsible to indemnify City hereunder therefore, and failure of City to monitor compliance with these provisions shall not be a waiver hereof. This indemnification includes claims or liabilities arising from any negligent or wrongful act, error or omission, or reckless or willful misconduct of Consultant in the performance of professional services hereunder. The provisions of this Section do not apply to claims or liabilities occurring as a result of City's sole negligence or willful acts or omissions, but, to the fullest extent permitted by law, shall apply to claims and liabilities

resulting in part from City's negligence, except that design professionals' indemnity hereunder shall be limited to claims and liabilities arising out of the negligence, recklessness, or willful misconduct of the design professional. The indemnity obligation shall be binding on successors and assigns of Consultant and shall survive termination of this Agreement.

5.4 Sufficiency of Insurer or Surety.

Insurance required by this Agreement shall be satisfactory only if issued by companies qualified to do business in California, rated "A" or better in the most recent edition of Best Rating Guide, The Key Rating Guide or in the Federal Register, and only if they are of a financial category Class VII or better, unless such requirements are waived by the Risk Manager of the City ("Risk Manager") due to unique circumstances. If this Agreement continues for more than 3 years duration, or in the event the Risk Manager determines that the work or services to be performed under this Agreement creates an increased or decreased risk of loss to the City, the Consultant agrees that the minimum limits of the insurance policies may be changed accordingly upon receipt of written notice from the Risk Manager Consultant.

ARTICLE 6. RECORDS, REPORTS, AND RELEASE OF INFORMATION

6.1 Records.

Consultant shall keep, and require subcontractors to keep, such ledgers books of accounts, invoices, vouchers, canceled checks, reports, studies or other documents relating to the disbursements charged to City and services performed hereunder (the "books and records"), as shall be necessary to perform the services required by this Agreement and enable the Contract Officer to evaluate the performance of such services. Any and all such documents shall be maintained in accordance with generally accepted accounting principles and shall be complete and detailed. The Contract Officer shall have full and free access to such books and records at all times during normal business hours of City, including the right to inspect, copy, audit and make records and transcripts from such records. Such records shall be maintained for a period of 3 years following completion of the services hereunder, and the City shall have access to such records in the event any audit is required. In the event of dissolution of Consultant's business, custody of the books and records may be given to City, and access shall be provided by Consultant's successor in interest.

6.2 Reports.

Consultant shall periodically prepare and submit to the Contract Officer such reports concerning the performance of the services required by this Agreement as the Contract Officer shall require. Consultant hereby acknowledges that the City is greatly concerned about the cost of work and services to be performed pursuant to this Agreement. For this reason, Consultant agrees that if Consultant becomes aware of any facts, circumstances, techniques, or events that may or will materially increase or decrease the cost of the work or services contemplated herein or, if Consultant is providing design services, the cost of the project being designed, Consultant shall promptly notify the Contract Officer of said fact, circumstance, technique or event and the estimated increased or decreased cost related thereto and, if Consultant is providing

design services, the estimated increased or decreased cost estimate for the project being designed.

6.3 Ownership of Documents.

All drawings, specifications, maps, designs, photographs, studies, surveys, data, notes, computer files, reports, records, documents and other materials (the “documents and materials”) prepared by Consultant, its employees, subcontractors and agents in the performance of this Agreement shall be the property of City and shall be delivered to City upon request of the Contract Officer or upon the termination of this Agreement, and Consultant shall have no claim for further employment or additional compensation as a result of the exercise by City of its full rights of ownership use, reuse, or assignment of the documents and materials hereunder. Any use, reuse or assignment of such completed documents for other projects and/or use of uncompleted documents without specific written authorization by the Consultant will be at the City’s sole risk and without liability to Consultant, and Consultant’s guarantee and warranties shall not extend to such use, reuse or assignment. Consultant may retain copies of such documents for its own use. Consultant shall have the right to use the concepts embodied therein. All subcontractors shall provide for assignment to City any documents or materials prepared by them, and in the event Consultant fails to secure such assignment, Consultant shall indemnify City for all damages resulting therefrom.

6.4 Confidentiality and Release of Information.

(a) All information gained or work product produced by Consultant in performance of this Agreement shall be considered confidential, unless such information is in the public domain or already known to Consultant. Consultant shall not release or disclose any such information or work product to persons or entities other than City without prior written authorization from the Contract Officer.

(b) Consultant, its officers, employees, agents or subcontractors, shall not, without prior written authorization from the Contract Officer or unless requested by the City Attorney, voluntarily provide documents, declarations, letters of support, testimony at depositions, response to interrogatories or other information concerning the work performed under this Agreement. Response to a subpoena or court order shall not be considered “voluntary” provided Consultant gives City notice of such court order or subpoena.

(c) If Consultant, or any officer, employee, agent or subcontractor of Consultant, provides any information or work product in violation of this Agreement, then City shall have the right to reimbursement and indemnity from Consultant for any damages, costs and fees, including attorney’s fees, caused by or incurred as a result of Consultant’s conduct.

(d) Consultant shall promptly notify City should Consultant, its officers, employees, agents, or subcontractors be served with any summons, complaint, subpoena, notice of deposition, request for documents, interrogatories, request for admissions or other discovery request, court order or subpoena from any party regarding this Agreement and the work performed there under. City retains the right, but has no obligation, to represent Consultant or be present at any deposition, hearing or similar

proceeding. Consultant agrees to cooperate fully with City and to provide City with the opportunity to review any response to discovery requests provided by Consultant. However, this right to review any such response does not imply or mean the right by City to control, direct, or rewrite said response.

ARTICLE 7. ENFORCEMENT OF AGREEMENT AND TERMINATION

7.1 California Law.

This Agreement shall be interpreted, construed, and governed both as to validity and to performance of the Parties in accordance with the laws of the State of California. Legal actions concerning any dispute, claim, or matter arising out of or in relation to this Agreement shall be instituted in the Superior Court of the County of San Bernardino, State of California, or any other appropriate court in such county, and Consultant covenants and agrees to submit to the personal jurisdiction of such court in the event of such action. In the event of litigation in a U.S. District Court, venue shall lie exclusively in the Central District of California, Eastern Division.

7.2 Disputes; Default.

In the event that Consultant is in default under the terms of this Agreement, the City shall not have any obligation or duty to continue compensating Consultant for any work performed after the date of default. Instead, the City may give notice to Consultant of the default and the reasons for the default. The notice shall include the timeframe in which Consultant may cure the default. This timeframe is presumptively thirty (30) days, but may be extended, though not reduced, if circumstances warrant. During the period of time that Consultant is in default, the City shall hold all invoices and shall proceed with payment on the invoices only when the default is cured. In the alternative, the City may, in its sole discretion, elect to pay some or all of the outstanding invoices during the period of default. If Consultant does not cure the default, the City may take necessary steps to terminate this Agreement under this Article. Any failure on the part of the City to give notice of the Consultant's default shall not be deemed to result in a waiver of the City's legal rights or any rights arising out of any provision of this Agreement.

7.3 Retention of Funds.

Consultant hereby authorizes City to deduct from any amount payable to Consultant (whether or not arising out of this Agreement) (i) any amounts the payment of which may be in dispute hereunder or which are necessary to compensate City for any losses, costs, liabilities, or damages suffered by City, and (ii) all amounts for which City may be liable to third parties, by reason of Consultant's acts or omissions in performing or failing to perform Consultant's obligation under this Agreement. In the event that any claim is made by a third party, the amount or validity of which is disputed by Consultant, or any indebtedness shall exist which shall appear to be the basis for a claim of lien, City may withhold from any payment due, without liability for interest because of such withholding, an amount sufficient to cover such claim. The failure of City to exercise such right to deduct or to withhold shall not, however, affect the obligations of the Consultant to insure, indemnify, and protect City as elsewhere provided herein.

7.4 Waiver.

Waiver by any Party to this Agreement of any term, condition, or covenant of this Agreement shall not constitute a waiver of any other term, condition, or covenant. Waiver by any Party of any breach of the provisions of this Agreement shall not constitute a waiver of any other provision or a waiver of any subsequent breach or violation of any provision of this Agreement. Acceptance by City of any work or services by Consultant shall not constitute a waiver of any of the provisions of this Agreement. No delay or omission in the exercise of any right or remedy by a non-defaulting Party on any default shall impair such right or remedy or be construed as a waiver. Any waiver by either Party of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision of this Agreement.

7.5 Rights and Remedies are Cumulative.

Except with respect to rights and remedies expressly declared to be exclusive in this Agreement, the rights and remedies of the Parties are cumulative and the exercise by either Party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other Party.

7.6 Legal Action.

In addition to any other rights or remedies, either Party may take legal action, in law or in equity, to cure, correct, or remedy any default, to recover damages for any default, to compel specific performance of this Agreement, to obtain declaratory or injunctive relief, or to obtain any other remedy consistent with the purposes of this Agreement.

7.8 Termination Prior to Expiration of Term.

This Section shall govern any termination of this Contract except as specifically provided in the following Section for termination for cause. City reserves the right to terminate this Contract at any time, with or without cause, upon thirty (30) days' written notice to Consultant, except that where termination is due to the fault of the Consultant, the period of notice may be such shorter time as may be determined by the Contract Officer. In addition, the Consultant reserves the right to terminate this Contract at any time, with or without cause, upon sixty (60) days' written notice to City, except that where termination is due to the fault of the City, the period of notice may be such shorter time as the Consultant may determine. Upon receipt of any notice of termination, Consultant shall immediately cease all services hereunder except such as may be specifically approved by the Contract Officer. Except where the Consultant has initiated termination, the Consultant shall be entitled to compensation for all services rendered prior to the effective date of the notice of termination and for any services authorized by the Contract Officer thereafter in accordance with the Schedule of Compensation or such as may be approved by the Contract Officer, except as provided in Section 7.3. In the event the Consultant has initiated termination, the Consultant shall be entitled to compensation only for the reasonable value of the work product actually produced hereunder. In the event of termination without cause pursuant to this Section, the terminating Party need not provide the non-terminating Party with the opportunity to cure pursuant to Section 7.2.

7.9 Termination for Default of Consultant.

If termination is due to the failure of the Consultant to fulfill its obligations under this Agreement, City may, after compliance with the provisions of Section 7.2, take over the work and prosecute the same to completion by contract or otherwise, and the Consultant shall be liable to the extent that the total cost for completion of the services required hereunder exceeds the compensation herein stipulated (provided that the City shall use reasonable efforts to mitigate such damages), and City may withhold any payments to the Consultant for the purpose of set-off or partial payment of the amounts owed the City as previously stated.

ARTICLE 8. CITY OFFICERS AND EMPLOYEES: NON-DISCRIMINATION

8.1 Non-liability of City Officers and Employees.

No officer or employee of the City shall be personally liable to the Consultant, or any successor in interest, in the event of any default or breach by the City or for any amount which may become due to the Consultant or to its successor, or for breach of any obligation of the terms of this Agreement.

8.2 Conflict of Interest.

Consultant covenants that neither it, nor any officer or principal of its firm, has or shall acquire any interest, directly or indirectly, which would conflict in any manner with the interests of City or which would in any way hinder Consultant's performance of services under this Agreement. Consultant further covenants that in the performance of this Agreement, no person having any such interest shall be employed by it as an officer, employee, agent or subcontractor without the express written consent of the Contract Officer. Consultant agrees to at all times avoid conflicts of interest or the appearance of any conflicts of interest with the interests of City in the performance of this Agreement.

No officer or employee of the City shall have any financial interest, direct or indirect, in this Agreement nor shall any such officer or employee participate in any decision relating to the Agreement which effects his financial interest or the financial interest of any corporation, partnership or association in which he is, directly or indirectly, interested, in violation of any State statute or regulation. The Consultant warrants that it has not paid or given and will not pay or give any third party any money or other consideration for obtaining this Agreement.

Additionally, pursuant to Rialto Municipal Code section 2.48.145, Consultant represents that it has disclosed whether it or its officers or employees is related to any officer or employee of the City by blood or marriage within the third degree which would subject such officer or employee to the prohibition of California Government Sections 87100 et. seq., Fair Political Practices Commission Regulation Section 18702, or Government Code Section 1090. To this end, by approving this Agreement, Consultant attests under penalty of perjury, personally and on behalf of Consultant, as well its officers, representatives, that it/they have no relationship, as described above, or financial interests, as such term is defined in California Government Section 87100 et. seq., Fair Political Practices Commission Regulation Section 18702, or Government Code Section

1090, with any City of Rialto elected or appointed official or employee, except as specifically disclosed to the City in writing.

8.3 Covenant Against Discrimination.

Consultant covenants that, by and for itself, its heirs, executors, assigns, and all persons claiming under or through them, there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, gender, sexual orientation, gender identity, marital status, national origin, ancestry, or other protected class in the performance of this Agreement. Consultant shall take affirmative action to insure that applicants are employed and that employees are treated during employment without regard to their race, color, creed, religion, sex, sexual orientation, gender, gender identity, marital status, national origin, ancestry, or other protected class.

8.4 Unauthorized Aliens.

Consultant hereby promises and agrees to comply with all of the provisions of the Federal Immigration and Nationality Act, 8 U.S.C.A. §§ 1101, *et seq.*, as amended, and in connection therewith, shall not employ unauthorized aliens as defined therein. Should Consultant so employ such unauthorized aliens for the performance of work and/or services covered by this Agreement, and should any liability or sanctions be imposed against City for such use of unauthorized aliens, Consultant hereby agrees to and shall reimburse City for the cost of all such liabilities or sanctions imposed, together with any and all costs, including attorney's fees, incurred by City.

ARTICLE 9. MISCELLANEOUS PROVISIONS

9.1 Facilities and Equipment.

Except as otherwise provided, Consultant shall, at its own cost and expense, provide all facilities and equipment necessary to perform the services required by this Agreement. City shall make available to Consultant only physical facilities such as desks, filing cabinets, and conference space ("City Facilities"), as may be reasonably necessary for Consultant's use while consulting with City employees and reviewing records and the information in possession of City. The location, quality, and time of furnishing of City Facilities shall be in the sole discretion of City. In no event shall City be required to furnish any facilities that may involve incurring any direct expense, including but not limited to computer, long distance telephone, network data, internet, or other communication charges, vehicles, and reproduction facilities.

9.2 Payment of Taxes.

Consultant is solely responsible for the payment of employment taxes incurred under this Agreement and any federal and state taxes.

9.3 Notices.

All notices or other communications required or permitted hereunder shall be in writing, and shall be personally delivered, sent by pre-paid First Class U.S. Mail, registered or certified mail, postage prepaid, return receipt requested, or delivered or sent

by facsimile with attached evidence of completed transmission, and shall be deemed received upon the earlier of (i) the date of delivery to the address of the person to receive such notice if delivered personally or by messenger or overnight courier; (ii) three (3) business days after the date of posting by the United States Post Office if by mail; or (iii) when sent if given by facsimile. Any notice, request, demand, direction, or other communication sent by facsimile must be confirmed within forty-eight (48) hours by letter mailed or delivered. Other forms of electronic transmission such as e-mails, text messages, instant messages are not acceptable manners of notice required hereunder. Notices or other communications shall be addressed as follows:

If to City: City of Rialto
 150 S. Palm Ave.
 Rialto, CA 92376
 Attn: City Manager
 Tel: (909) 820-2525
 Fax: (909) 820-2527

With copy to: Burke, Williams & Sorensen, LLP
 1770 Iowa Avenue, Suite 240
 Riverside, CA 92507
 Attn: Eric S. Vail, City Attorney
 Tel: (951) 788-0100
 Fax: (951) 788-5785

Either Party may change its address by notifying the other Party of the change of address in writing.

9.4 Interpretation.

The terms of this Agreement shall be construed in accordance with the meaning of the language used and shall not be construed for or against either Party by reason of the authorship of this Agreement or any other rule of construction which might otherwise apply.

9.5 Counterparts.

This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

9.6 Integration; Amendment.

This Agreement including the attachments hereto is the entire, complete and exclusive expression of the understanding of the Parties. It is understood that there are no oral agreements between the Parties hereto affecting this Agreement and this Agreement supersedes and cancels any and all previous negotiations, arrangements, agreements and understandings, if any, between the Parties, and none shall be used to interpret this Agreement. No amendment to or modification of this Agreement shall be valid unless made in writing and approved by the Consultant and by the City. The Parties agree that this requirement for written modifications cannot be waived and that any attempted waiver shall be void.

9.7 Severability.

In the event that any one or more of the phrases, sentences, clauses, paragraphs, or sections contained in this Agreement shall be declared invalid or unenforceable by a valid judgment or decree of a court of competent jurisdiction, such invalidity or unenforceability shall not affect any of the remaining phrases, sentences, clauses, paragraphs, or sections of this Agreement which are hereby declared as severable and shall be interpreted to carry out the intent of the Parties hereunder unless the invalid provision is so material that its invalidity deprives either Party of the basic benefit of their bargain or renders this Agreement meaningless.

9.8 Corporate Authority.

The persons executing this Agreement on behalf of the Parties hereto warrant that (i) such Party is duly organized and existing, (ii) they are duly authorized to execute and deliver this Agreement on behalf of said Party, (iii) by so executing this Agreement, such Party is formally bound to the provisions of this Agreement, and (iv) the entering into this Agreement does not violate any provision of any other Agreement to which said Party is bound. This Agreement shall be binding upon the heirs, executors, administrators, successors and assigns of the Parties.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have executed and entered into this Agreement on the date first written above.

CITY:

CITY OF RIALTO, a municipal corporation

By: _____
Marcus Fuller, City Manager

CONSULTANT:

Lance, Soll & Lunghard, LLP

By: _____
Signature

ATTEST:

By: _____
Barbara A. McGee, City Clerk

Name

Title

APPROVED AS TO FORM:

Burke, Williams & Sorensen, LLP

By: _____
Eric S. Vail, City Attorney

By: _____
Signature

Name

Title

****Two signatures are required if a corporation****

EXHIBIT "A"

SCOPE OF SERVICES

- I. Consultant will perform the following Services:**
 - A. Audit all funds of the City of Rialto (including agency funds, etc.).
 - B. Prepare the city's Comprehensive Annual Financial Report and issue an opinion on the basic financial statements.
 - C. Review MD&A and RSI
 - D. Attend audit related City Council and budget committee meetings by a Principal of the audit firm.

- II. As part of the Services, Consultant will prepare and deliver the following tangible work products to the City:**
 - A. Comprehensive Annual Financial Report
 - B. Single Audit and Related Reports
 - C. GANN Limit AUP
 - D. Successor Agency Report
 - E. AB2766 Air Quality Management District Financial Report

- III. All work product is subject to review and acceptance by the City, and must be revised by the Consultant without additional charge to the City until found satisfactory and accepted by City.**

- IV. Consultant will utilize the following personnel to accomplish the Services:**
 - A. Frank North - CPA
 - B. Krystal Cabrera - CPA
 - C. Maggie Wu – Senior Auditor

More specifically, the Scope of Services in accordance with RFP 21-034 shall include the following:

1. Audit all funds of the City of Rialto (including agency funds, etc.), prepare the City's Comprehensive Annual Financial Report (CAFR) in compliance with Generally Accepted Accounting Principles established by the Governmental Accounting Standards Board and issue an opinion on the basic financial statements. The audit firm will also review the Management's Discussion and Analysis (MD&A) and Required Supplementary Information (RSI) for consistency with the audited financial reports.
2. Assist in meeting deadlines and content review for CSMFO and GFOA CAFR award programs.
3. Conduct a financial and compliance audit of the City of Rialto Successor Agency and Air Quality Management District AB2766 and issue an opinion on the basic financial statements and an auditors' report on compliance.
4. Perform a single audit on the expenditures of federal grants in accordance with the Uniform Guidance and render appropriate reports on compliance, a schedule of expenditures of federal awards, footnotes, findings, and questioned costs, and follow up on prior audit findings, where required.
5. Perform agreed-upon procedures pertaining to the City's compliance with Proposition 111, Article XIII.B of the California Constitution – Review of Appropriation Limit Calculations (GANN Limit).
6. Issue a separate "management letter" or equivalent that conforms to audit standards and includes recommendations for accounting systems and improvements in internal controls that are considered to be non-reportable conditions.
7. Validate compliance with the City's Utility Users Tax ordinance.
8. Attend audit related City Council and budget committee meetings by a Principal of the audit firm.
9. Examine other reports or perform other services as required, (i.e. review of various agreements, new programs and/or services and debt obligations), based on financial and audit implications.
10. Provide any training and assistance needed to fully implement any future GASB requirements.
11. Conduct annual strategic audit planning with City staff to prepare for Prepared by Client (PBC) documents and interim and final audit timelines.

12. Perform applicable audit work will be required on all debt issues, to review accounting treatment and determine compliance with all bond covenants. Note: The financial statements will be City property and the City will retain the right to distribute the financial statements as it deems necessary, for the purposes of bond covenant compliance and new issue official statements, or any other purposes.

Auditors shall assure that the City Manager and the Director of Finance are informed of the each of the following:

- a. The auditor’s responsibility under generally accepted auditing standards
- b. Significant accounting policies
- c. Management judgments and accounting estimates
- d. Significant audit adjustments
- e. Other information in documents containing audited financial statements
- f. Disagreements with management
- g. Management consultation with other accountants
- h. Difficulties encountered in performing the audit

Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the auditor’s expense, for a minimum of three (3) years, unless the firm is notified in writing by the City of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the following parties or their designees:

- Parties designated by the Federal or State governments or by City as part of an audit quality review process;
- Auditors or entities of which the City is a sub recipient of grant funds. In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

Current Fund Structure

Governmental Fund Types

- General Fund (1 Fund)
- Special Revenue Funds (35 Funds)
- Debt Service Funds (1 Funds)

Proprietary Fund Types

- Enterprise Funds (4 Funds)
- Internal Service Funds (5 Funds)
- Rialto Utility Authority (2 Funds)

Fiduciary Fund Types

- Agency Fund Types (4 Funds)
- Redevelopment Successor Agency Funds (5 Funds)
- OPEB Trust Fund (1 Fund)

Consultant's Scope of Work follows this page.

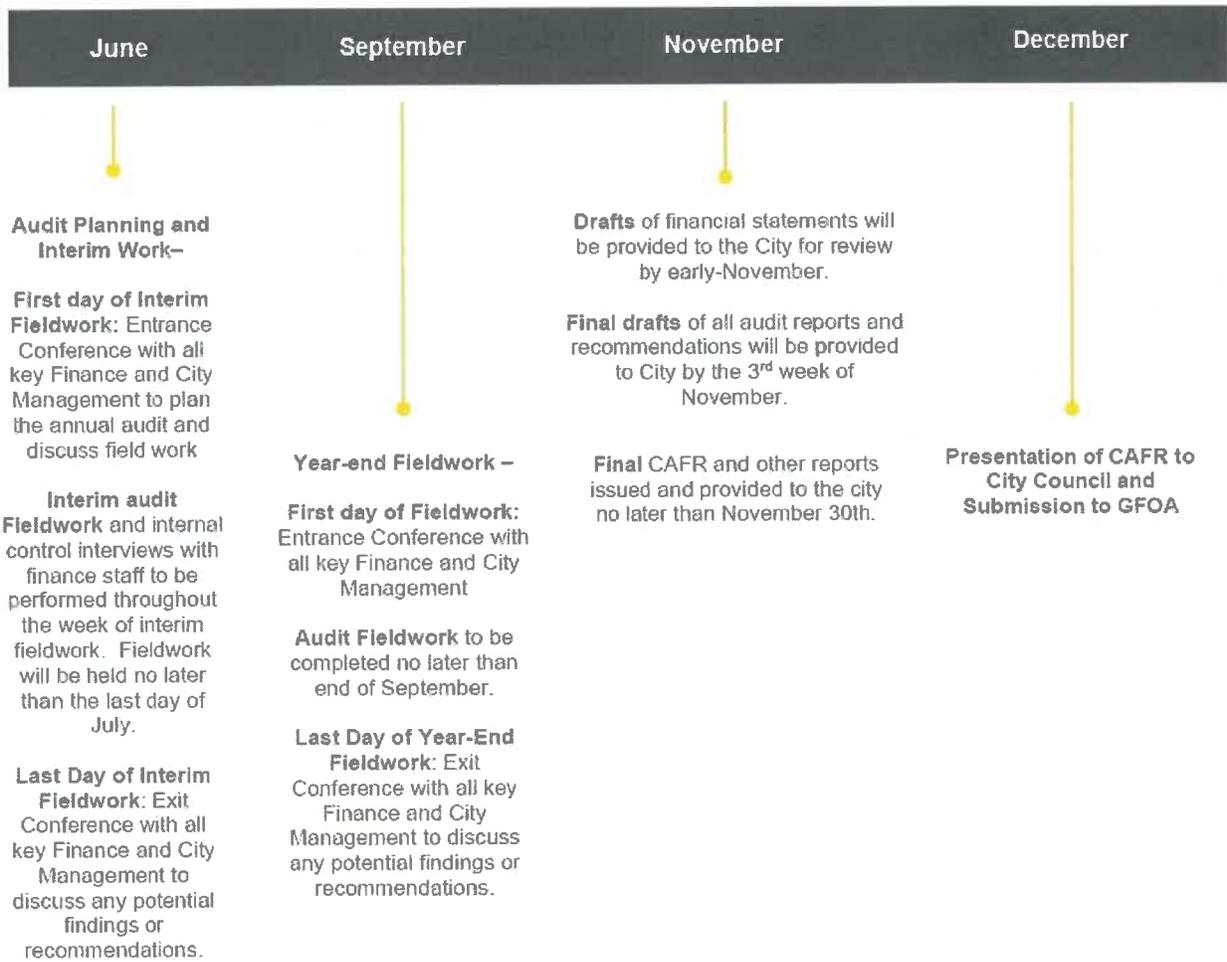


AUDIT APPROACH

We utilize a governmental audit program which we will tailor to the City's operations. The tailoring is necessary to accommodate specific client circumstances and to recognize differences in the organizational structure. Our audit programs are organized by financial statement category. This approach takes full advantage of our accumulated experience. The primary benefit is that the risk of omitting important procedures is substantially reduced. We believe that this approach tends to be the most effective and efficient for an entity such as the City. The audit procedures are listed in the most logical sequence which improves efficiency. The savings in effort and time gained by using our audit program can free an auditor's attention for unusual or difficult situations that may arise. The audit programs are designed to increase audit efficiency by linking financial statement assertions, audit objectives, and procedures that are basic to most governmental audit engagements.

SCHEDULE FOR THE 2021 FISCAL YEAR AUDIT

The Proposed Timeline for the 2021 Fiscal year is as follows. The Engagement Team will be available for any audit discussions or concerns at any time throughout the Contract.





AUDIT APPROACH (continued)

PROPOSED SEGMENTATION

The services will be divided into three segments.

Segment 1 - Planning and Obtaining an Understanding: LSL will provide an annual audit communication letter, engagement letter, and Government Audit Quality Center information letter. The audit communication letter is to be provided to the City Council. In addition, this can be communicated orally to the City Council or audit-committee, if requested. This communication will discuss the planning stages, the responsibilities of the City Council, auditors, and management, and provide an opportunity for communication with us as the auditors.

An entrance conference will be scheduled ahead of the on-site visit that is used to obtain an understanding of the City's internal controls. This meeting helps to ensure that the transition to new auditors is as seamless as possible. Discussions in this meeting include, but are not limited to, the following: Understanding of reports and key milestones for deliverables, prior audit reportable conditions and issues, and "Prepared by Client" (PBC) schedules.

LSL's audit team will meet before our initial on-site visit to brainstorm and discuss economic conditions, industry elements, and new standards that will affect the City. A trial balance is requested for our planning meeting to assist the LSL team in obtaining knowledge and preparing expectations for the audit year. We will compile a list of PBC items based on our review of the prior year's financial statements and the information gathered. This will be provided to the City one month prior to our visit or earlier if requested. We operate on a paperless software system and provide a secured cloud-based portal for all clients. The City will have a separate folder that can be customized to organize, and upload requested schedules, support documents, etc.

If available, a current Schedule of Expenditures of Federal Awards (SEFA) will be evaluated during this segment to make a preliminary determination of the City's major programs. This allows us to properly plan and schedule the timing of the Single Audit with the appropriate finance personnel as well as appropriate grant managers. LSL will make every effort to be proactive in our network of federal grants during the interim stages of the audit.

After our interim on-site visit, we will have an exit meeting to discuss potential weaknesses, if any, and provide any feedback for improvements or valuable information we have gathered from our outside clientele that would benefit the City.

Segment 2 - Financial Audit Testing: Based on the information gathered each year thus far, we will utilize a customized audit program based on the risk assessment developed during our assessment of the City's internal controls and *Government Auditing Standards*. The primary benefit of a tailored program is a focused set of procedures to address relevant areas. We believe that this approach will be the most effective and efficient by linking financial statement assertions, audit objectives, and procedures that are basic to most governmental audit engagements and critical to compliance with other material laws and regulations. We will annually compile another customized PBC list for the year-end on-site visit provided at least one month prior or earlier if requested. We will request a trial balance for our analytical review to be provided one week before our arrival.

Year-end fieldwork will include testing of the balance sheet, revenue and expenditures accounts, confirmation of selected balances, analytical procedures, evaluation of the internal controls, and preparation of reports and letters.

Segment 3 - Conclusion: Based on our year-end exit meeting we will schedule a plan to finalize the CAFR according to the timetable of the City. We will schedule dates for the initial and final drafts including time for the City review and approval of the financial statements. This period will also account for the review of the engagement partner and quality assurance partner. After the review and receipt of the signed representation letter from the City, we will provide the final report by **November 30th** of each year.



AUDIT APPROACH (continued)

SAMPLE SIZE AND EXTENT OF STATISTICAL SAMPLING

Our approach may be to utilize statistical sampling in the areas of receipts, disbursements, utility billing, and payroll. Here we develop a statistical conclusion based upon an initial computer selected random sample which is based on the population and other risk factors identified. If errors are noted in the sample, the sample size will be expanded. We believe that a random selection can be efficient while providing each item in the population an equal chance of being selected. Additionally, we may select a stratified sample of all transactions over a specified dollar limit for review. This allows us to cover all high dollar value transactions not otherwise selected in the random sample. Our samples are selected randomly utilizing IDEA data analysis software.

TYPE AND EXTENT OF ANALYTICAL PROCEDURES

For the audits of the financial statements, we will use analytical procedures as an overall review of the financial information in the preliminary and final stages of the audits. These procedures are designed to assist us in planning our audits and in assessing the propriety of the conclusions reached and evaluating the overall financial statement presentation. The procedures to be utilized consist of determining expectations for changes to significant revenue, expenditure, and balance sheet accounts, reading the financial statements and related notes, reviewing the budget and related material, and focusing on overall relationships within the financial statements. Once determined, these are reviewed to evaluate if the changes appear reasonable or require further analysis. For all significant differences, explanations are obtained as to why the situation occurred and additional substantive procedures may be applied, and related evidence gathered to resolve concerns and questions.

We ask that the City provide a check register electronically for July 1st forward (period after the audit year), so we can pre-select our sample for accounts payable cut-off test work and provide that information ahead of time. Our PBC list will detail out schedules we would like provided, which is directed straight from the audit report. Support requested and sampling for these schedules will be assessed each year based on the strengths and weaknesses of the internal control processes of the City, and the materiality level of the account. We will discuss our analytical variances with the City and obtain documentation that provides support for the accounts.

APPROACH TO UNDERSTANDING THE CITY'S INTERNAL CONTROL STRUCTURE

To gain an understanding of the internal control structure over the financial statements, we will perform procedures as required by SAS 122-125. This will include a review of internal controls in the areas of financial reporting, cash, revenues and receivables, utility billing, expenses, accounts payable, payroll, capital assets, long-term debt, and grant reporting, as applicable.

Based on the result of our review, we will issue a management letter (SAS 115 Letter) that will identify any significant deficiencies and/or material weaknesses noted. This report is required by the *Government Auditing Standards* issued by the Comptroller General of the United States. Auditing Standards require auditors to obtain an understanding of the entity and its environment along with assessing the risks of material misstatements. LSL obtains an understanding through a variety of ways throughout the year, but the most pertinent time each year is during our interim on-site visit. We will conduct interviews with the management of finance along with each audit section responsible party (e.g., cashier, accounts payable clerk, payroll clerk, etc.) to review the processes and controls through observation and discussions. Based on our observations, we will sample transactions as part of a "walk-through" to verify the system of control is working in accordance with policies and procedures. Each year, we will provide a list of randomly selected City employees to interview for SAS 99 fraud interviews. This list will consist of all levels and across all departments within the City.



AUDIT APPROACH (continued)

DETERMINING LAWS AND REGULATIONS SUBJECT TO AUDIT TEST WORK

The laws and regulations that will be subject to audit test work are determined from the applicable laws, regulations, contracts, and grant agreements which we identify through the understanding we obtain of the City and our extensive experience with governmental entities.

DRAWING AUDIT SAMPLES

For tests of controls, we use audit sampling. Tests of controls are procedures directed towards determining the effectiveness of the design or operation of an internal structure policy or procedures. Normally, audit sampling is used for tests of controls and tests of compliance that involve inspection of documents and reports indicating the performance of the applicable policy or procedures and compliance with the applicable laws and regulations. These sampling procedures test the operating effectiveness of an internal control structure policy or procedures by determining how the policy or procedure was applied, the consistency with which it was applied during the audit period, and by whom it was applied. To achieve this goal, we will draw samples for disbursements, receipts, and payroll when applicable. Each document selected will be tested for various attributes that are designed to verify compliance with different aspects of internal controls and applicable laws and regulations. Additionally, each sample item will be tested for coding to the proper accounts and posting to the general ledger. Sample sizes vary based on the population and risk-based calculations.

LEVEL OF STAFF AND NUMBER OF HOURS TO BE ASSIGNED

Segment/Task	TOTAL PROPOSED HOURS (Continued)						Total
	Senior Partners	Senior Manager	Senior Manager	Senior	Semi Senior	Staff	
CAFR							
Interim Testwork	10	10	15	40	30	30	135
Year-End Testwork	10	15	15	60	30	120	250
Report/Review/Supervision	5	10	20	40	-	-	75
Subtotal	25	35	50	140	60	150	460
Single Audit and Related Reports *							
Testwork	-	-	-	14	14	-	28
Report/Review/Supervision	2	3	10	10	-	-	25
Subtotal	2	3	10	24	14	-	53
GANN Limit AUP							
Testwork	-	-	-	-	-	1	1
Report/Review/Supervision	-	-	2	-	-	2	4
Subtotal	-	-	2	-	-	3	5
Successor Agency report							
Testwork	-	-	-	-	5	-	5
Report/Review/Supervision	1	-	2	2	2	-	7
Subtotal	1	-	2	2	7	-	12
AB2766 Air Quality Management District Fin. Report							
Testwork	-	-	-	-	3	-	3
Report/Review/Supervision	1	-	3	-	2	-	6
Subtotal	1	-	3	-	5	-	9
TOTAL PROPOSED HOURS:	29	38	67	166	86	153	539



AUDIT APPROACH (continued)

DISCUSSION OF RELEVANT ACCOUNTING ISSUES

The most recent relevant accounting issue impacting the City is the implementation of GASB Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*. This statement postponed several key GASB pronouncements as a temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The two major pronouncements that could impact the City being delayed are GASB Statement No. 84, *Fiduciary Activities*, and GASB Statement No. 87, *Leases*. These statements are now effective in fiscal years 2021 and 2022, respectively.

Regarding how these pronouncements could impact the presentation of the City's financial reports, GASB Statement No. 84 will require all current fiduciary activities to be identified and analyzed. Agency Funds will no longer be valid and will be replaced with Custodial Funds that are required to present assets, liabilities, and equities in the Statement of Fiduciary Net Position. This statement could require the change in classification of some Fiduciary Funds to Special Revenue Funds, and vice versa, depending on the relationship to the City.

GASB Statement No. 87 will require all leases the City currently is under contract for, both as the lessor and lessee, to be analyzed and recorded on the City's financial statements. The term "operating", and "capital" leases will no longer be relevant, and all leases the City is under contract for will now be recorded and disclosed in some form.

IDENTIFICATION OF ANTICIPATED POTENTIAL AUDIT PROBLEMS

With our familiarity with similar government agencies, we do not anticipate unusual audit problems. The primary challenge we anticipate in general is the new audit landscape we have been put into given the current COVID-19 related pandemic. Audits are now being performed primarily remotely, and we plan on this remaining in place for the future. This challenge will be alleviated by frequent communication between the audit team and the City, a secure upload system to provide all documents, and clear expectations as far as fieldwork dates and timing of reports. The only special assistance requested from City staff would be the need to possibly scan documents that are currently not available in electronic form, as well as potentially read-only access to the City's financial reporting system to view items and information remotely.



EXAMPLE PBC LISTS

CITY OF EXAMPLE
INTERIM AUDIT PBC LIST
YEAR ENDED JUNE 30, 2021

Fieldwork confirmed for week starting: 5/17/2021

Item #	Audit Area	Description	Date Required
1	General	Financial Statement Tie-Out for the year ended June 30, 2020 (Provided by Previous Auditors)	5/10/2021
2	General	Fiscal year ended June 30, 2020 trial balance in excel format (Exported from Accounting Software)	5/10/2021
3	General	Trial balance as of March 31, 2021 in excel format (or latest reconciled trial balance)	5/10/2021
4	General	Detail of manual journal entries recorded from July 1, 2020 through the date of trial balance provided (please include account number, DR/CR)	5/10/2021
5	General	Original budget in excel format for year ended June 30, 2021 (Exported from Accounting Software)	5/10/2021
6	General	Budget Book adopted by City Council in detail by budgetary control levels for the fiscal year June 30, 2021	Available for fieldwork*
7	General	Access to City Council meeting minutes for the period July 1, 2020 through date of trial balance provided (if not published online)	5/10/2021
8	General	General ledger detail in PDF format from July 1, 2020 through date of trial balance provided	5/10/2021
9	General	General ledger detail in PDF format of all Legal Expenditures in the current fiscal year	5/10/2021
10	General	Access to all Statements of Economic Interest Forms (Form 700s) - preferably in electronic format	Available for fieldwork*
11	General	2020 GFOA Comments, if received	5/10/2021
12	General	A Detail list of all City Departments, off site locations, and addresses	5/10/2021
13	General	A Detail list of all City Related Parties. Please include all Service Organizations and Service Concession Arrangements	5/10/2021
14	General	Copy of the City's Financial Close checklist/Policy and Procedures, if applicable	5/13/2021
15	General	Copy of all Joint Power Agreements and all joint venture agreements, if any.	5/13/2021
16	General	City's General Fund five-year financial plan	Available for fieldwork*
17	General	Changes in Reporting Entity (i.e. GASB 61 changes in blended and discretely presented component units)	5/13/2021
18	General	Listing of all blended and discretely presented component units.	5/13/2021
19	General	Detail of New Funds and disposal of funds	5/13/2021
20	General	Please identify any government activities or departments that were discontinued during the fiscal year.	5/13/2021
21	General	Access to City Council Members AB 1234 Ethics certifications	Available for fieldwork*
22	General	Location of Data Center(s) and in charge IT personnel contact information	5/13/2021
23	General	High level schematic of IT resources and type of environment used (mainframe / client - server, internet / cloud) for each major resource.	5/13/2021
24	General	Policies and procedures for physical and logical access to IT resources, data backup and warehousing policies and procedures.	5/13/2021
25	General	Please complete confirmation log identifying all legal counsel, cash and debt arrangements, notes receivable, & insurance policies	5/13/2021
26	Cash	Copy of the City latest Investment Policy	5/13/2021
27	Cash	Copy of the City's latest Treasurer's Report	5/13/2021
28	Cash	Copy of all City policies surrounding cash transfers and wires, and cash handling procedures	5/13/2021
29	Cash	Detail listing of all City cash and investment accounts, please include account number, type of account, and signors for each account	5/13/2021
30	Cash	Copies of the last three (3) Bank reconciliations performed for each cash and investment account	Available for fieldwork*
31	Cash	Copy of the City's latest interest allocation worksheet	5/13/2021
32	Cash	Listing of all locations where cash is collected	5/13/2021
33	Capital Assets	Capital Assets Policy/Manual for Fixed Asset Management	5/13/2021
34	Capital Assets	Most up to date capital asset rollforward and listing.	Available for fieldwork*
35	Capital Assets	Land held for resale schedule as of date of trial balance provided that includes current year purchases and disposals.	5/14/2021
36	Payroll	Copies of All Memorandums of Understanding and/or Employee Union Agreements	5/14/2021
37	Payroll	Copies of Employment Contract with Contracted Employees	5/14/2021
38	Payroll	Listing of Employees that include position and department as of date of trial balance provided (please identify employees that were hired/terminated during fiscal year)	5/7/2021
39	Payroll	Copy of employee handbook	5/14/2021
40	Payroll	Copy of employee termination checklist	5/14/2021
41	Payroll	Copy of the City Compensated Absences, Deferred Compensation (i.e. termination benefits, pension) Policies, etc.	5/14/2021
42	Payroll	Copies of any updated pension plan agreements and/or amendments to contracts between the City and CalPERS.	5/14/2021
43	Payroll	Documentation of any on-behalf payments are made between City entities (debt, fringe benefits, other items.)	5/14/2021
44	Payroll	PERS submission reports for fiscal year 7/1/2020 through date of trial balance provided (electronically).**	Available for fieldwork*
45	Payroll	Listing of payroll dates occurring FY 2021 (We will be selecting a sample of 3 pay periods and 25 employees and requesting additional items)	5/14/2021
46	Payroll	Quarterly DE-9s and 941s	5/14/2021
47	Purchasing/AP	Copy of the City's Purchasing Policy (as amended)	5/14/2021

48	Purchasing/AP	Copy of the City's Delegation of Authority Matrix for each department (as amended)	5/14/2021
49	Purchasing/AP	Copy of the City's credit card/purchasing card policy (as amended), and a listing of all purchasing card holders	5/14/2021
50	Purchasing/AP	A listing of the top 10 Vendors to date for the current year, along with amount spent for FY2021	5/14/2021
51	Purchasing/AP	Latest approved cost allocation plan for all internal service funds (or fee for service plan)	Available for fieldwork*
52	Insurance	Copy of the most recent insurance Policy and Procedures	5/14/2021
53	Debt	Copies of any updated operating and capital lease agreements. Also include schedules of future minimum payments on all operating leases.	5/14/2021
54	Debt	Copy of all official statements and debt amortization schedules for debt.	5/14/2021
55	Debt	Amortization schedules for all debt discounts/premiums and deferred charges on refundings.	5/14/2021
56	Debt	Details on all recorded pollution remediation obligations including copies of any settlement agreements.	5/14/2021
57	Debt	Listing of any debt with compliance or covenant requirements and most recent calculation of those requirements.	5/14/2021
58	Fund Equity	Please provide details on restatements recorded to date in the current year.	Available for fieldwork*
59	Fund Equity	Please provide copies of all GASB 54 related resolutions for committed fund balances carried forward from previous years.	5/10/2021
60	Revenue	Details on all operating lease arrangements in which the City is the lessor	5/14/2021
61	Receivables	Detail list of Loans Receivable as of date of trial balance provided	5/14/2021
62	GANN	City worksheets used in developing the fiscal year 2020-2021 appropriations limit. (Include the source document used in developing the allowable property tax administration fee charged by the County).	5/10/2021
63	GANN	City Council Resolution establishing the City appropriations limit for fiscal year 2020-2021.	5/10/2021
64	GANN	Letter from State of California, Department of Finance presenting the price and population information for the City for fiscal year 2020-2021.	5/10/2021
65	Grants/Single Audit	Schedule of Expenditures of Federal and State Awards for the fiscal year through date of trial balance provided.	Available for fieldwork*
66	Grants/Single Audit	Corrective action plan status update on Financial Statement Findings for June 30, 2020 Single Audit, if any.	5/14/2021
67	Grants/Single Audit	Copy of agreements for all federal and state grants in excess of \$50,000	5/14/2021
68	Grants/Single Audit	Please provide contact information for the City employees responsible for compliance of each grant. Also, provide the Funding Source Grant Manager Contact information.	5/14/2021
69	Internal Controls	Provide and fill out 'Internal Controls Interviews' on 2nd tab with times available for each transaction cycle listed	5/10/2021

*Available for fieldwork = we are flexible to work on the schedules during interim fieldwork scheduled.

** To assist in obtaining CalPERS info, we suggest providing us read-only access to the CalPERS website. Please contact your HR administrator for business partner login access.

CITY OF EXAMPLE
YEAR-END AUDIT PBC LIST
YEAR ENDED JUNE 30, 2021

Fieldwork confirmed for week starting: 10/4/2021

Item #/Audit Area	Description	Date Required	Date Provided
3 General	Final TB, Revenue & Expenditure summary report in excel for year ending	9/24/2021	
4 General	GL Detail for entire fiscal year	9/24/2021	
5 General	Detail of manual journal entries recorded from July 1, 2020 through June 30, 2020 (please include account number, DR/CR) (LSL will make a selection of journal entries to examine)	9/24/2021	
6 General	Final amended budget in excel	9/24/2021	
7 General	Please return signed confirmations on the City's letterhead once received	Once Available	
8 Cash	Copy of your latest investment policy, if a new one has been adopted since our interim fieldwork.	9/30/2021	
9 Cash	Bank, investment and fiscal agent account reconciliations and statements for June of the current audit year and July of the following fiscal year.	9/30/2021	
10 Cash	Copy of your GASB 31 adjustment (i.e., investments booked to fair value) and supporting schedules, if applicable.	9/30/2021	
11 Cash	Provide support for the classes of the investments in accordance with GASB 72 (Levels 1, 2, 3). For footnote purposes, we will need to disclose the inputs used to determine what level the investment should be categorized in. You may need to inquire with your custodian(s).	9/30/2021	
12 Revenue & Receivables	Taxes receivable reconciliation/schedule for all funds.	9/30/2021	
13 Revenue & Receivables	Special Assessments receivable reconciliation/schedule for all funds.	9/30/2021	
14 Revenue & Receivables	Due from Other Governments reconciliation/schedule for all funds.	9/30/2021	
15 Revenue & Receivables	Interest reconciliation/schedule for all funds.	9/30/2021	
16 Revenue & Receivables	Due From Successor Agency reconciliation & Support	9/30/2021	
17 Revenue & Receivables	Unearned Revenue reconciliation/schedule, if applicable	9/30/2021	
18 Revenue & Receivables	Property tax analysis/reconciliation that ties to GL.	9/30/2021	
19 Revenue & Receivables	Sales tax analysis/reconciliation that ties to GL.	9/30/2021	
20 Revenue & Receivables	Construction Permit Analysis: Please provide number of construction permits issued for FY19 and FY20	9/30/2021	
21 Revenue & Receivables	Street & Curb Permit Analysis: Please provide number of street & curb permits	9/30/2021	
22 Inventories	Provide us with access to an inventory listing as of fiscal year end showing quantity on hand, unit costs and total inventory valuation. If the listing does not agree to the general ledger, please provide us with an explanation of the variances.	9/30/2021	
23 Capital Assets	Capital asset listing for year end. (Similar to the footnote; The listing should be sub-totaled by asset type and by Governmental & Internal Service function , and	9/27/2021	
24 Capital Assets	Listing of capital asset additions and access to supporting documentation (e.g., invoices, calculations, etc.), subtotaled same as above.	9/27/2021	
25 Capital Assets	Listing of capital asset deletions and any adjustments; and access to supporting documentation (e.g., listing of surplus equipment, council minutes, information regarding sales proceeds, costs, accumulated depreciation, any gain or loss, etc.), subtotaled same as above. (If CIP deletions include transfers out to capitalized	9/27/2021	
26 Capital Assets	Depreciation reports showing depreciation expense for the year (by function) and the accumulated depreciation at year end (by asset type), subtotaled same as above.	9/27/2021	
27 Capital Assets	Listing of fully depreciated assets, with original cost of asset, as of 7/1/20	9/27/2021	
28 Capital Assets	Listing of construction in progress additions and deletions. Please include date purchased and fund recorded in.	9/27/2021	
29 Payroll	Payroll registers last pay period in FY21 & first pay period in FY22	9/30/2021	
30 Payroll	Leave benefits registers that support your compensated absences accrual calculations. Provide short and long term allocation for compensated absences. Identify which functions (e.g., general government, public safety, etc.) the change in compensated absences should be recorded to on the government-wide statements.	9/30/2021	
31 Payroll	PERS - # of covered employees for PERS, by plan (safety, misc., etc), if City has different plans. This is per City's payroll/benefits records NOT the actuarial.	9/30/2021	
32 Payroll	OPEB - # of covered employees for Other Post Employment Benefits (OPEB), by plan. This is per City's payroll/benefits records NOT the actuarial.	9/30/2021	
33 Payroll	941(Federal) and DE-9(State) quarterly reports, and any applicable reconciliation to the G/L for FY20	9/30/2021	
34 GASB 68	GASB 68- All Accounting Valuation Reports with a measurement date of 6/30/20	9/30/2021	
35 GASB 68	Pension expense by plan (employee vs. employer)	9/30/2021	
36 GASB 68	Pension - Covered Payroll for FY21, broken out by plan	9/30/2021	
37 GASB 68	Does the City intend to terminate any of the pension plans?	9/30/2021	
38 GASB 68	Please provide any recent pension plan amendments	9/30/2021	

39 GASB 68	Does the City have a Replacement Benefit Plan (IRC 415 (b))? (Meaning, the employee's salary exceeds the maximum allowance of the plan, and the Entity is just paying a check for the benefits separately in addition to the normal plan costs)	9/30/2021	
40 GASB 68	Do you have any assets that are being held specifically for pension benefit payments that are NOT in an irrevocable trust fund? If so, where are they held? (i.e. special revenue funds, agency fund, etc.)	9/30/2021	
41 GASB 75	GASB 75 Valuation Report	9/30/2021	
42 GASB 75	Census data provided to Actuary	9/30/2021	
43 GASB 75	OPEB expense by plan (employee vs. employer)	9/30/2021	
44 GASB 75	OPEB - Covered-Employee Payroll for FY21	9/30/2021	
45 Purchasing/AP	Check registers processed after July 1st broken out by fund (if electronic payments are included on a separate register, please be sure to provide this as well)	9/27/2021	
46 Purchasing/AP	A/P reconciliation/schedule	9/27/2021	
47 Purchasing/AP	Refundable Deposits Payable reconciliation/schedule	9/30/2021	
48 Purchasing/AP	Other Accrued Liabilities reconciliation/schedule	9/30/2021	
49 Purchasing/AP	Please provide us with your "cut-off" date used for recording your payables.	9/30/2021	
50 Encumbrances	Listing of open purchase orders at year end.	9/30/2021	
51 Debt	Schedule that identifies all long-term debt items with the account numbers that are used for the principal and interest payments for each debt item. Subtotaled	9/30/2021	
52 Debt	Listing of new bond issuances since interim, and any bond defeasances (Please also include Official Statements)	9/30/2021	
53 Debt	Lease agreements and amortization schedules for any new capital leases.	9/30/2021	
54 Debt	Agreements and amortization schedules for any new notes payable.	9/30/2021	
55 Debt	Agreements and amortization schedules for any unused lines of credit.	9/30/2021	
56 Debt	A schedule that identifies any debt for which the City is not obligated (e.g., special assessment debt, CFD debt, mortgage revenue bonds, etc.). Also provide us with the outstanding principal balances as of year end (for footnote disclosure).	9/30/2021	
57 Debt	A schedule that identifies any defeased bond debt and the outstanding principal balances as of year end (for footnote disclosure).	9/30/2021	
58 Debt	For GASB #34 purposes, for any new debt that is issued, provide us with a calculation that computes and amortizes issuance costs, premiums/discounts and gains/losses on defeasances during the current year.	9/30/2021	
59 Debt	Interest payable calculation	9/30/2021	
60 Fund Equity	Supporting documentation for any adjustments to opening fund balance, if applicable	9/30/2021	
61 Fund Equity	Fund balance schedule detailing unavailable, restricted, committed and assigned amounts	9/30/2021	
62 Fund Equity	For the Committed amounts, please provide the appropriate Resolutions from Council	9/30/2021	
63 Fund Equity	For the assigned amounts, please have responsible official designated by Council sign the document indicating their approval.	9/30/2021	
64 Insurance	General Liability Report, Workers Comp Report, Workers Comp Active Claims Listed by Allocation	9/30/2021	
65 Insurance	Footnote information specific to the City of Example, i.e. changes to coverage limits	9/30/2021	
66 Insurance	Schedule of changes in general liability claims and workers' compensation liabilities	9/30/2021	
67 Insurance	Declaration pages for all insurance policies (if not received during interim)	9/30/2021	
68 Grants/Single Audit	Completed SEFA (Federal and Non-Federal)	9/30/2021	
69 Grants/Single Audit	For all Federal grants received during the fiscal year, provide us with copies of the applicable sections of the grant agreement and/or award letter that identifies the grantor name, grant name, award amount and period covered.	9/30/2021	
70 Grants/Single Audit	Access to reimbursement requests, drawdowns and grant reconciliations.	9/30/2021	
71 Other Reconciliations and Analysis	Provide a reconciliation of all transfers for the fiscal year (With a description of purpose for all transfers that involve a major fund)	9/30/2021	
72 Other Reconciliations and Analysis	Provide a reconciliation of due to/due from other funds (With a description of purpose for all due to/from's that involve a major fund)	9/30/2021	
73 Other Reconciliations and Analysis	Provide a reconciliation of advances to/from other funds and their purpose. Provide agreements/resolutions for any new advances between component units and advances between funds.	9/30/2021	
74 Other Reconciliations and Analysis	Explanations for any significant changes in revenues and expenditures from budget and prior year.	Once Available	
75 Other Reconciliations and Analysis	Agency Funds - Schedule of Additions and Deletions	9/30/2021	
76 GASB #34 Related Information	If you prepare any GASB #34 related journal entries, provide us with copies of these entries and any supporting documentation.	9/30/2021	

77 GASB #34 Related Information	Internal Service Fund Allocation- Provide us with an allocation of the internal service fund(s) excess surplus or deficit to governmental functions (e.g., general government, public safety, etc.) and business activities, as applicable.	9/30/2021	
78 Financial Statement Disclosures	Prior year GFOA comments, if applicable	Once available	
79 Financial Statement Disclosures	Listing of all related party transactions (please indicate any new related parties this fiscal year)	9/30/2021	
80 Financial Statement Disclosures	Please provide information on related party transactions that may include: Sale, purchase, exchange, or leasing of property	9/30/2021	
81 Financial Statement Disclosures	Please provide information on related party transactions that may include: Receiving or furnishing of goods, services, or facilities	9/30/2021	
82 Financial Statement Disclosures	Please provide information on related party transactions that may include: Transfer or receipt of income or assets	9/30/2021	
83 Financial Statement Disclosures	Please provide information on related party transactions that may include: Maintenance of bank balances as compensating balances for the benefit of another	9/30/2021	
84 Financial Statement Disclosures	Have any related parties been indebted to the City or had receivables from the City (not including advances with component units)?	9/30/2021	
85 Commitments	Please provide information on commitments that may include: Future purchases at specified prices or specified quantities, Contracts for construction projects, Please provide a list of construction contracts over \$500,000, including the contract amount and total expenditures as of June 30, for governmental funds. (Please include original purchase orders as well as any change orders)	9/30/2021	
86 Commitments	Commitments under operating leases	9/30/2021	
87 Commitments	Contracts entered into with other governmental entities that require annual payments (eg. Metropolitan water, sewer, similar projects)	9/30/2021	
88 Contingencies	Please provide information on contingencies that may include: Significant claims that the governmental entity is responsible for Pollution remediation obligations and Termination benefits	9/30/2021	
89 Subsequent Events	Please provide information on subsequent events that may include: Long term debt issuance, Land purchases and sales, Settlement of litigation, Loans given out	9/30/2021	

EXHIBIT "B"

SPECIAL REQUIREMENTS

(Superseding Contract Standard Language)

NONE

EXHIBIT "C"

SCHEDULE OF COMPENSATION

I. Consultant shall perform the following tasks at the following rates:

LANCE, SOLL & LUNGHARD, LLP

REQUIRED SERVICES			
Service	2020/21	2021/22	2022/23
CAFR	\$ 60,000	\$ 61,200	\$ 62,424
Single Audit and Related Reports *	\$ 7,390	\$ 7,538	\$ 7,689
GANN Limit AUP	\$ 600	\$ 612	\$ 624
Successor Agency report	\$ 1,700	\$ 1,734	\$ 1,769
AB2766 Air Quality Management District Fin. Report	\$ 1,390	\$ 1,418	\$ 1,446
Out-of-Pocket Expenses	Included	Included	Included
TOTAL FOR FISCAL YEAR - (Not to Exceed)	\$ 71,080	\$ 72,502	\$ 73,952

**Single Audit fee assumes two major programs. Each additional major program is \$2,500.

- II. Within the budgeted amounts for each Task, and with the approval of the Contract Officer, funds may be shifted from one Task sub-budget to another so long as the Contract Sum is not exceeded per Section 2.1, unless Additional Services are approved per Section 1.9.**
- III. The City will compensate Consultant for the Services performed upon submission of a valid invoice. Each invoice is to include:**
 - A. Line items for all personnel describing the work performed, the number of hours worked, and the hourly rate.
 - B. Line items for all materials and equipment properly charged to the Services.
 - C. Line items for all other approved reimbursable expenses claimed, with supporting documentation.
 - D. Line items for all approved subcontractor labor, supplies, equipment, materials, and travel properly charged to the Services.

- IV. The total compensation for the Services shall not exceed \$217,534 as provided in Section 2.1 of this Agreement.**
- V. The Consultant's billing rates for all personnel are attached as Exhibit C-1 following this page.**

Exhibit C-1



LANCE, SOLL & LUNGHARD, LLP

COST PROPOSAL

For the purpose of this proposal, Bryan Gruber, CPA, Engagement Partner, is authorized to make representations for our firm, empowered to submit this bid and authorized to sign a contract with the City of Rialto. The fees quoted in this proposal are valid for **90 days**. I can be reached by phone at (714) 672-0022 or through email at bryan.gruber@lslcpas.com

Bryan Gruber, CPA

LANCE, SOLL & LUNGHARD, LLP

REQUIRED SERVICES			
Service	2020/21	2021/22	2022/23
CAFR	\$ 60,000	\$ 61,200	\$ 62,424
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Out-of-Pocket Expenses	Included	Included	Included
TOTAL FOR FISCAL YEAR - (Not to Exceed)	\$ 71,080	\$ 72,502	\$ 73,952

**Single Audit fee assumes two major programs. Each additional major program is \$2,500.

Any additional work agreed to between the City of Rialto and LSL shall be performed at the same rate set forth in the schedule of fees and expenses as follows: +

Auditor's Standard Billing Rates	2020/21	2021/22	2022/23
Partner	\$ 290	\$ 290	\$ 290
Manager	\$ 180	\$ 180	\$ 180
Supervisor	\$ 160	\$ 160	\$ 160
Senior Accountant	\$ 130	\$ 130	\$ 130
Staff Accountant	\$ 110	\$ 110	\$ 110
Clerical	\$ 70	\$ 70	\$ 70



The fees above are considered to be all-inclusive. There are no additional charges for out-of-pocket expenses such as travel, lodging, meals, or printing.

Manner of Payment: Progress payments will be made on the basis of hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the firm's proposal. Interim billings shall cover a period of not less than a calendar month. The final ten percent (10%) of the total all-inclusive maximum price will be paid upon delivery of the firm's final reports.

COST PROPOSAL (CONTINUED)

Level of Staff Assigned and Number of Hours to be Assigned

Segment/Task	TOTAL PROPOSED HOURS (Continued)						Total
	Partners	Senior Manager	Manager	Senior	Semi Senior	Staff	
CAFR							
Interim Testwork	10	10	15	40	30	30	135
Year-End Testwork	10	15	15	60	30	120	250
Report/Review/Supervision	5	10	20	40	-	-	75
Subtotal	25	35	50	140	60	150	460
Single Audit and Related Reports *							
Testwork	-	-	-	14	14	-	28
Report/Review/Supervision	2	3	10	10	-	-	25
Subtotal	2	3	10	24	14	-	53
GANN Limit AUP							
Testwork	-	-	-	-	-	1	1
Report/Review/Supervision	-	-	2	-	-	2	4
Subtotal	-	-	2	-	-	3	5
Successor Agency report							
Testwork	-	-	-	-	5	-	5
Report/Review/Supervision	1	-	2	2	2	-	7
Subtotal	1	-	2	2	7	-	12
AB2766 Air Quality Management District Fin. Report							
Testwork	-	-	-	-	3	-	3
Report/Review/Supervision	1	-	3	-	2	-	6
Subtotal	1	-	3	-	5	-	9
TOTAL PROPOSED HOURS:	29	38	67	166	86	153	539

EXHIBIT "D"

SCHEDULE OF PERFORMANCE

- I. Consultant shall perform all Services timely in accordance with the schedule to be developed by Consultant and subject to the written approval of the Contract Officer and the City Attorney's office.**
- II. Consultant shall deliver the following tangible work products to the City in a timely manner.**
- III. The Contract Officer may approve extensions for performance of the services in accordance with Section 3.2.**