CITY OF STOCKTON

REQUEST FOR PROPOSALS (RFP)
TO PROVIDE PROFESSIONAL AUDITING SERVICES
FOR THE CITY OF STOCKTON, CALIFORNIA
(PUR 15-032)

Stockton All-America City 2004 1999

PROPOSALS WILL BE RECEIVED UNTIL THE HOUR OF
2:00 O'CLOCK P.M., THURSDAY, APRIL 7, 2016,
IN THE OFFICE OF THE CITY CLERK,
FIRST FLOOR, CITY HALL, 425 NORTH EL DORADO STREET,
STOCKTON, CALIFORNIA 95202-1997

CITY OF STOCKTON
REQUEST FOR PROPOSAL (RFP)
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NOTICE INVITING PROPOSALS

NOTICE IS HEREBY GIVEN that Request for Proposals (RFP) are invited by the City of Stockton, California for specifications for **PROFESSIONAL AUDITING SERVICES (PUR 15-032)** in strict accordance with the specifications.

The City of Stockton is requesting proposals from qualified firms of Certified Public Accountants to audit its financial statements for the fiscal years ending June 30, 2016, 2017, and 2018 with two one-year options to review for the fiscal years ending June 30, 2019 and 2020. These audits are to be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the U.S. Government Accountability Office's (GAO) Government Auditing Standards (GAS), the provisions of the Federal Single Audit Act and U.S. Office of Management and Budget (OMB) Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations (A-133).

Proposal forms and specifications are available on the City's web site at www.stocktongov.com/bidflash and must be delivered to the Office of the City Clerk, City Hall, 425 North El Dorado Street, Stockton, up to but not later than, **Thursday, APRIL 7, 2016, at 2:00 p.m.**

The City reserves the right to reject any and/or all proposals received.

Information on Technical Data
Claire Tyson, Assistant CFO
(209) 937-8398
e-mail: Claire.Tyson@stocktonca.gov

Information on RFP Process/Clarification
Alan Montanelli, Purchasing
(209) 937-8350
e-mail: Alan.Montanelli@stocktonca.gov

DISCLAIMER: The City does not assume any liability of responsibility for errors/omissions in any document transmitted electronically.

Dated: MARCH 17, 2016

//s//BONNIE PAIGE
CITY CLERK OF THE CITY OF STOCKTON

CITY OF STOCKTON
REQUEST FOR PROPOSALS (RFP)
TO PROVIDE PROFESSIONAL AUDITING SERVICES
(PUR 15-032)

PROPONENT'S CHECKLIST
CITY OF STOCKTON / PURCHASING DIVISION

Did You:

*___ Complete the following proposal documents (FROM THIS PACKET ONLY SUBMIT PAGES 34 to 36 AND PLACE IN THE FRONT OF YOUR PROPOSAL):

- *___ Sign and notarize by jurat certificate the "Non-Collusion Affidavit" form. An "All-Purpose Acknowledgment" form will not be sufficient.
- *___ Complete and sign the "Proponent's Fee Schedule" form, (under separate cover).
- *___ Sign the "Proponent's Agreement" form. **Include (with proposal) name and e-mail address for City contact, if different from signatoree.**
- *___ Include your proposal, as outlined in these specifications.
- *___ Include proof of insurance, as outlined in these specifications.
- *___ Submit one (1) ORIGINAL (unbound, no staples) and SIX (6) COPIES of all proposal documents. Additionally, submit one (1) CD with an electronic version of the proposal.

*___ Review all clarifications/questions/answers on the City's website at www.stocktongov.com/bidflash

*___ Comply with Affirmative Action and Equal Employment Opportunity guidelines

*___ Deliver sealed proposal to City Hall, City Clerk's Office (1st floor), 425 North El Dorado Street, Stockton, CA 95202, before **April 7 2016, at 2:00 p.m**. Sealed proposal shall be marked "Proposal" and indicate project name, number, and proposal opening date (in the same format below). **Please note that some overnight delivery services do not deliver directly to the City Clerk's Office. This could result in the proposal arriving in the City Clerk's Office after the proposal opening deadline and therefore not being accepted.**

A) RFP – TO PROVIDE PROFESSIONAL AUDITING SERVICES
B) PUR 15-032
C) April 7, 2016

CONTACT INFORMATION:

Information on Technical Data	Information on Bid Process/Clarification
Claire Tyson, Assistant CFO (209) 937-8398 e-mail: Claire.Tyson@stocktonca.gov	Alan Montanelli (209) 937-8350 e-mail: Alan.Montanelli@stocktonca.gov

*If not completed as required, your proposal may be rejected.
*DISCLAIMER: The City does not assume any liability or responsibility for errors/omissions in any document transmitted electronically.

CITY OF STOCKTON
REQUEST FOR PROPOSALS (RFP)
TO PROVIDE PROFESSIONAL AUDITING SERVICES
(PUR 15-032)

1.0 GENERAL INFORMATION

1.1 REQUEST FOR PROPOSAL (RFP) PROCESS

The City of Stockton (City) is soliciting qualified firm(s) with experience and interest to present their qualifications and capabilities to provide **PROFESSIONAL AUDITING SERVICES (PUR 15-032)**.

The evaluation process shall include review of qualifications by a panel of City staff designated by the City. Oral interviews may be scheduled and the City may request further information and/or expansion on the qualifications of one or more firms responding to this RFP.

Please note that the City of Stockton is simultaneously soliciting proposals for Professional Audit Services for an independent audit of Measures A and B (Professional Auditing Services PUR 15-026) to be performed by a separate firm. Firms may submit proposals in response to both requests, but may not be awarded both contracts.

1.2 INVITATION TO SUBMIT A PROPOSAL

Proposals shall be submitted no later than 2:00 p.m., on Thursday, APRIL 7, 2016, in the office of:

CITY CLERK
CITY OF STOCKTON
425 NORTH EL DORADO STREET
STOCKTON, CA 95202-1997

One (1) original (unbound and no staples) and six (6) copies of the proposal shall be submitted. Additionally, submit one (1) CD with an electronic version of the proposal. The proposal should be firmly sealed in an envelope which shall be clearly marked on the outside, "**RFP – TO PROVIDE PROFESSIONAL AUDITING SERVICES (PUR 15-032)**." Any proposal received after the due date and time indicated may not be accepted and may be rejected and returned, unopened, to the proponent.

Proponent may submit more than one proposal provided the proposal meets the functional requirements.

1.3 AVAILABLE DOCUMENTS

The following documents will be available on the City's website at http://www.stocktongov.com/government/departments/adminServices/finRep.htm

- Comprehensive Annual Financial Report (CAFR) 2015
- Single Audit Report (2015) *
- Memorandum on Internal Control and Required Communications (2015) *
- Annual Budget (2015-2016)

*These items are in the process of being finalized contact staff for more information.

1.4 AFFIRMATIVE ACTION

In compliance with the Code of Federal Regulations Title 24 Part 85.36 (24 CFR 85.36), respondents who will be sub-contracting must make good faith efforts to contract with small and minority firms, and women's business enterprises. Efforts must include:

- Placing qualified small and minority businesses and women's business enterprises on solicitations lists;
- Assuring that small and minority businesses and women's business enterprises are solicited whenever they are potential sources;
- Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority businesses, and women's business enterprises;
- Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority businesses, and women's business enterprises; and
- Using the services and assistance of the Small Business Administration and the Minority Business Development Agency of the Department of Commerce.

Respondents must submit a letter with their proposals certifying that they solicited subcontracts in compliance with 24 CFR 85.36.

1.5 EQUAL EMPLOYMENT OPPORTUNITY

Respondents must submit a letter stating they are in compliance with all Equal Employment Opportunity regulations.

1.6 CONSEQUENCE OF SUBMISSION OF PROPOSAL

A. The City shall not be obligated to respond to any proposal submitted nor be legally bound in any manner by the submission of a proposal.

B. Acceptance by the City of a proposal obligates the proponent to enter into an agreement with the City.

C. An agreement shall not be binding or valid against the City unless or until it is executed by the City and the proponent.

D. Statistical information contained in proponent's documents is for informational purposes only. The City shall not be responsible for the accuracy of said data.

E. City reserves the right to increase or decrease the project scope.

1.7 ACCEPTANCE OR REJECTION OF PROPOSAL

The City reserves the right to select the successful proposal and negotiate an agreement as to the scope of services, the schedule for performance and duration of the services with proponent(s) whose proposal(s) is/are most responsive to the needs of the City. Further, the City reserves the right to reject any and all proposals, or alternate proposals, or waive any informality or irregularity in the proposal as is in the City's best interest.

The City reserves the right to reject any and all proposals, or portions thereof, received in response to the Request or to negotiate separately with any source whatsoever, in any manner necessary, to serve the best interests of the City. Additionally, the City may, for any reason, decide not to award an agreement(s) as a result of this Request.

Non-acceptance of any proposal shall not imply that the proposal was deficient. Rather, non-acceptance of any proposal will mean that another proposal was deemed to be more advantageous to the City or that the City decided not to award an agreement as a result of this Request.

1.8 RIGHT TO CHANGE OR AMEND REQUEST

The City reserves the right to change the terms and conditions of this Request. The City will notify potential proponent(s) of any material changes by posting on the City's website. No one is authorized to amend any of the Request requirements in any respect, by an oral statement, or to make any representation or interpretation in conflict with its provisions. If necessary, supplementary information and/or clarifications/questions/answers will be posted on the City's website at **www.stocktongov.com/bidflash**. Failure of any proponent to not have received such information and/or clarifications/questions/answers shall not relieve such proponent from any obligation under his/her proposal as submitted.

Any exceptions to this Proposal shall be clearly stated in writing.

1.9 CANCELLATION

The City reserves the right to rescind award of the contract at any time before execution of the contract by both parties if rescission is deemed to be in City's best interest. In no event shall City have any liability for the rescission of award. The proponent assumes the sole risk and responsibility for all expenses connected with the preparation of its proposal.

1.10 EXAMINATION OF PROPOSAL MATERIALS

The submission of a proposal shall be deemed a representation and warranty by the proponent that it has investigated all aspects of the Request, that it is aware of the applicable facts pertaining to the Request process and its procedures and requirements, and that it has read and understands the Request. No request for modification of the provisions of the proposal shall be considered after its submission on the grounds the proponent was not fully informed as to any fact or condition. Statistical information which may be contained in the Request or any addendum is for informational purposes only. The City disclaims any responsibility for this information which may subsequently be determined to be incomplete or inaccurate.

1.11 ADDENDA AND INTERPRETATION

The City will not be responsible for, nor be bound by, any oral instructions, interpretations, or explanations issued by the City or its representatives. Any request for clarifications/questions/answers of this Request shall be made in writing/e-mail and deliverable to:

CITY OF STOCKTON
ATTN: CLAIRE TYSON
ADMINISTRATIVE SERVICES DEPT
425 NORTH EL DORADO STREET
STOCKTON, CA 95202-1997
Claire.Tyson@stocktonca.gov

CITY OF STOCKTON
ATTN: ALAN MONTANELLI
PURCHASING DIVISION
425 NORTH EL DORADO STREET
STOCKTON, CA 95202-1997
Alan.Montanelli@stocktonca.gov

Such request for clarifications/questions/answers shall be delivered to the City by end of business on March 24, 2016. Any City response to a request for clarifications/questions/answers will be posted on the City's website at **www.stocktongov.com/bidflash** (by 5:00 PM on March 31, 2016), and will become a part of the Request. The proponent should await responses to inquires prior to submitting a proposal.

1.12 DISQUALIFICATION

Any of the following may be considered cause to disqualify a proponent without further consideration:

A. Evidence of collusion among proponents;

B. Any attempt to improperly influence any member of the evaluation panel;

C. Any attempt to communicate in any manner with a City of Stockton elected official during the RFP process will, and shall be, just cause for disqualification/rejection of proponent's proposal/Proponent's bid submittal and considered non-responsive.

D A proponent's default in any operation of a professional services agreement which resulted in termination of that agreement; and/or

E. Existence of any lawsuit, unresolved contractual claim, or dispute between proponent and the City.

1.13 PROPOSAL DEFECTS

A proposal shall be prepared and submitted in accordance with the provisions of these Request instructions and specifications. Any alteration, omission, addition, variance, or limitation of, from, or to a proposal may be sufficient grounds for rejection of the proposal. The City has the right to waive any defects in a proposal if the City chooses to do so. The City may not accept a proposal if any document or item necessary for the proper evaluation of the proposal is incomplete, improperly executed, indefinite, ambiguous, or missing.

1.14 CONDITIONS TO BE ACCEPTED IF ANY WORK IS SUBCONTRACTED

A. The proponent assumes full responsibility, including insurance and bonding requirements, for the quality and quantity of all work performed.

B. If proponent's supplier(s) and/or subcontractor's involvement requires the use of a licensed, patented, or proprietary process, the proponent of the process is responsible for assuring that the subcontractor, supplier, and/or operator have been properly authorized to use the process or for providing another process which is comparable to that which is required prior to submission of a proposal.

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1.15 LICENSING REQUIREMENTS

Any professional certifications or licenses that may be required will be the sole cost and responsibility of the Firm. (See Section 2.6.1.4)

A City of Stockton Business License is required for this project. Please contact the City of Stockton Business License Division at (209) 937-8313.

1.16 INSURANCE REQUIREMENTS

Proponent, at proponent's sole cost and expense and for the full term of the resultant agreement or any extension, shall obtain and maintain at least all of the insurance requirements listed in Exhibit A.

All policies, endorsements, and certificates shall be subject to approval by the Risk Manager of the City of Stockton as to form and content. These requirements are subject to amendment or waiver if so approved in writing by the Risk Manager. Proponent agrees to provide City with a copy of said policies, certificates, and/or endorsements.

The proponent shall satisfy these insurance requirements concurrently with the signing of the contract prior to commencement of work. Please contact City of Stockton Risk Services Division at (209) 937-5037.

The City of Stockton shall be named an additional insured by separate endorsement. Carrier shall provide notice to the City of any change in or limitation of coverage or of cancellation no less than 30 days prior to the effective date. Proof of worker's compensation coverage pursuant to California statutory requirements shall also be provided.

All coverage shall be provided by a carrier authorized to transact business in California and shall be primary.

1.17 HOLD HARMLESS DEFENSE CLAUSE

To the fullest extent permitted by law, Firm shall hold harmless, defend at its own expense, and indemnify the City of Stockton, its Mayor, Council, officers, representatives, agents, employees and volunteers, against any and all liability, claims, losses, damages, or expenses, including reasonable attorney's fees, arising from all acts or omissions to act of firm or its officers, agents, or employees in rendering services under this contract; excluding, however, such liability, claims, losses, damages, or expenses arising from the City of Stockton's sole negligence or willful acts. The duty to defend and the duty to indemnify are separate and distinct obligations. The City's acceptance of the insurance certificates required under this Agreement does not relieve the Firm from its obligation under this paragraph. The indemnification obligations of this section shall survive the termination of this agreement.

1.18 APPLICABLE LAW

This agreement shall be governed by the laws of the State of California. Venue shall be proper in the Superior Court of the State of California, County of San Joaquin, Stockton Branch, or, for actions brought in Federal Court, the United States District Court for the Eastern District of California, Sacramento Division.

1.19 METHOD OF PAYMENT

Payment will be made within thirty (30) days after invoices are received and accepted by the City Manager. Invoices are to be rendered monthly and include supporting detail of the daily work in process hours by staff member and title.

1.20 NOTICE TO OUT-OF-STATE VENDOR

It is the policy of the City of Stockton to pay all applicable California sales/use tax directly to the State Board of Equalization (BOE) pursuant to California Revenue and Taxation Code 7051.3. The City of Stockton will self-accrue all sales/use tax on purchases made from out-of-state vendors.

Sales and use tax on purchases made by the City of Stockton from all companies located outside California and whose products are shipped from out of state will be remitted to the BOE directly by the City under permit number **SR KHE 28-051174 DP**. **Please do not include sales/use tax on the invoice that you submit to the City of Stockton.**

Questions regarding the City of Stockton's payment of sales/use tax can be directed to the City of Stockton's Purchasing Division at (209) 937-8357.

1.21 TERM

Three years (FY 2016, FY 2017, FY 2018) with two one-year options to renew for FY 2019 and 2020.

1.22 COMPETITIVE PRICING

Proponent warrants and agrees that each of the charges, economic or product terms or warranties granted pursuant to this Contract are comparable to or better than the equivalent charge, economic or product term or warranty being offered to any similarly situated commercial or other government customer of proponent. If proponent enters into any arrangements with another customer of proponent to provide product under more favorable charges, economic or product terms or warranties, proponent shall immediately notify CITY of such change and this Contract shall be deemed amended to incorporate the most favorable charges, economic or product terms or warranties.

1.23 FUNDING

Any contract which results from this Request will terminate without penalty at the end of the fiscal year in the event funds are not appropriated for the next fiscal year. If funds are appropriated for a portion of the fiscal year, this contract will terminate without penalty, at the end of the term for which funds are appropriated.

1.24 UNCONDITIONAL TERMINATION FOR CONVENIENCE

The City may terminate the resultant agreement for convenience by providing sixty (60) calendar day advance notice unless otherwise stated in writing.

1.25 AUDITING OF CHARGES AND SERVICES

The City reserves the right to periodically audit all charges and services made by the successful proponent to the City for services provided under the contract. Upon request, the proponent agrees to furnish the City with necessary information and assistance.

1.26 CONTRACT AMENDMENTS

The City's Representative has the authority to review and recommend or reject contract amendments and cost proposals submitted by the proponent or as recommended by the proponent's project manager.

1.27 PRODUCT OWNERSHIP

Any documents, products or systems resulting from the contract will be the property of the City of Stockton.

1.28 CONFIDENTIALITY

If proponent believes that portions of a proposal constitute trade secrets or confidential commercial, financial, geological, or geophysical data, then the proponent must so specify by, at a minimum, stamping in bold red letters the term **"CONFIDENTIAL"** on that part of the proposal which the proponent believes to be protected from disclosure. The proponent must submit in writing specific detailed reasons, including any relevant legal authority, stating why the proponent believes the material to be confidential or a trade secret. Vague and general claims as to confidentiality will not be accepted. The City will be the sole judge as to whether a claim is general and/or vague in nature. All offers and parts of offers that are not marked as confidential may be automatically considered public information after the contract is awarded. **The proponent is hereby put on notice that the City may consider all or parts of the offer public information under applicable law even though marked confidential.**

1.29 OTHER GOVERNMENTAL AGENCIES

If mutually agreeable to all parties, the use of any resultant contract/purchase order may be extended to other political subdivisions, municipalities, or tax supported agencies.

Such participating governmental bodies shall make purchases in their own name, make payment directly to successful bidder and be liable directly to the successful bidder, holding the City of Stockton harmless.

1.30 INDEPENDENT CONTRACTORS

It is understood that Firm will not act hereunder in any manner as an employee of City, but solely under this Agreement as an independent firm, and City shall not under any circumstances be liable to Firm or any person or persons acting for or under it, or to any person injured, for any deaths, injuries, or property damage received or claimed, unless any such liability arises by virtue of negligence by City, its officers, agents, or employees, and Firm agrees to defend and hold City free and harmless from liability therefore which is not due to any fault of City, its officers, agents, or employees.

2.0 INTRODUCTION – SCOPE OF SERVICES

2.1 GENERAL INFORMATION

The City of Stockton (City) was incorporated July 25, 1850 and under the charter adopted in 1923, operates under a Council-Manager form of government. The City is situated 345 miles north of Los Angeles and 78 miles east of San Francisco Bay Area. It is the seat of San Joaquin County and serves an area of 60.8 square miles with a diverse population of approximately 307,000. The City government is divided into 13 departments. These City departments provide services ranging from police and fire services to public works, parks, recreation, and library services.

The City of Stockton has a June 30 fiscal year end. The Fiscal Year 2015-2016 annual adopted budget for the City of Stockton is approximately $610 million ($491 million operating, $54 million debt, and $65.5 million capital). There are approximately 1,593 full time positions budgeted in fiscal year 2015-2016.

The City maintains on average from $375 million to $425 million in its total pooled cash and investments throughout the year. The long term portion of the City's pooled investment portfolio, with a current market value of $290 million, is managed by Chandler Investment Advisors. The City has over 150 bank accounts, including trustee held accounts, which make up its overall portfolio of accounts.

The City receives a number of Federal and State grants each year. Although the number and dollar amount of grants vary from year to year, the City had $93.4 million in Federal grant expenditures in fiscal year 2014-2015 under eleven (11) different CFDA numbers, included in the total for Single Audit testing in that year. The City has continuing compliance requirements over its Housing loan portfolio under Department of Housing and Urban Development of approximately $64.3 million, which is included in the total of $93.4 million. The City's most recent Single Audit for the fiscal year ended June 30, 2015 reported no current year findings and no material weaknesses and significant deficiencies compared to prior years.

The audit findings were carryovers from prior years. It also noted that recommendations to close the findings are in the process of being implemented.

As a result of severe financial difficulties in its general fund and related funds, on June 28, 2012 the City filed a petition seeking relief under chapter 9 of title 11 of the United States Code with the United States Bankruptcy Court for the Eastern District of California (the "Court"). Following a trial held before Chief United States Bankruptcy Judge Christopher Klein, the Court determined on April 1, 2013 that the City was eligible for relief under chapter 9. The City's plan

of adjustment and the related disclosure statement were mailed to creditors in December 2013 (as subsequently amended and supplemented, the "Plan"). All classes of creditors voted to accept the Plan; however, one creditor, Franklin High Yield Tax-Free Income Fund and Franklin California High Yield Municipal Fund (collectively, "Franklin"), filed an objection to the Plan, triggering extensive discovery and litigation relating to confirmation thereof. At a hearing on October 30, 2014, Judge Klein announced his oral decision to confirm the Plan. Subsequently, the Court filed an order confirming the Plan on February 4, 2015, and the Plan went effective on February 25, 2015.

Franklin appealed the confirmation order to the Bankruptcy Appellate Panel of the Ninth Circuit (the "BAP"), which on December 11, 2015, dismissed as equitably moot the portion of the appeal that sought reversal of the confirmation order. In its opinion, the BAP also held that because some relief might be available to Franklin (such as increased payments), it needed to address Franklin's challenges based on such bankruptcy issues as classification of claims and satisfaction of the best interests of creditors test. Each of the contentions was rejected, and the confirmation order was affirmed. January 11, 2016, was the deadline for Franklin to appeal the BAP's decision to the United States Court of Appeals for the Ninth Circuit. Franklin chose not to file such a notice, and in fact did not file one. Thus the bankruptcy court order confirming the City's plan of adjustment is now final and no longer subject to further appeal.

The City's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2015 was issued on December 31, 2015. All findings were carried over from prior years and recommendations to close the findings are in the process of being implemented.

2.2 NATURE OF SERVICES REQUIRED

2.2.1 Scope of Work to be Performed

The City of Stockton is requesting proposals from qualified firms of Certified Public Accountants to audit its financial statements, to express an opinion on the fair presentation of the City's basic financial statements in conformity with generally accepted accounting principles, to provide an "in-relation-to" report on the additional information based on the auditing procedures applied during the audit of the combining and individual fund statements and schedules for the fiscal year ending June 30, 2016 and two (2) subsequent fiscal years. The firms may exercise two one-year options to continue providing auditing services.

These audits are to be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the U. S. Government Accountability Office's (GAO) *Government Auditing Standards* (GAS), the provisions of the Federal Single Audit Act and U.S. Office of

Management and Budget (OMB) Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations (A-133).

- The proponent is not required to audit the introductory section.

- The proponent shall be responsible for performing certain limited procedures involving management's discussion and analysis and required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.

- The proponent shall provide opinions as to the compliance with the Federal Single Audit Act and OMB Circular A-133. The proponent is not required to audit the Schedule of Expenditures of Federal Awards. However, the proponent is to provide an "in-relation-to" report on that schedule based on the auditing procedures applied during the audit of the financial statements.

- The proponent shall test compliance with the Single Audit Act and applicable laws and regulations. The proponent will prepare and publish a Single Audit Report including the appropriate schedules; report on internal control when federal expenditures meet or exceed the threshold requiring a Single Audit. The City will prepare the Schedule of Expenditures of Federal Awards.

- The proponent shall test compliance with Article XIIIB pertaining to the City's appropriation limit, and prepare a letter to the City Council regarding compliance.

- Proponent shall audit the schedule of revenues, expenditures and changes in fund balance of the Measure W Public Safety Tax Fund of the City. Measure W is a ¼ cent sales tax measure approved by voters in 2004.

- Proponent shall review core revenues in accordance with the agreed upon procedures required by the Bankruptcy Agreement with the Assured Guarantee.

- Proponent shall prepare Management Letter that includes non-reportable recommendations for improvements to internal controls.

- Proponent may also be asked to examine or prepare other reports or perform other services as required.

2.2.2 Auditing Standards to be followed

To meet the requirements of this request for proposal, the audit shall be performed in accordance with:

- Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants (AICPA),
- Standards for financial audits set forth in the U.S. Government Accountability Office's *Government Auditing Standards*,
- Provisions of the Single Audit Act,
- Provisions of U.S. Office of Management and Budget Circular A-133*, Audits of States, Local Governments, and non-Profit Organizations*, and
- Applicable State of California audit guidelines.

2.2.3 Required Reporting

2.2.3.1 Comprehensive Annual Financial Report

The City will prepare a draft of the fund financial statements, notes, statistical information and supplementary required information. In addition, the City will prepare GASB Statement No. 34 conversion entries to be used to compile the Government Wide Statements. The Auditor shall assist in preparing the Government Wide Statement and will be responsible for the final report preparation, formatting and editing. Printing shall be the responsibility of the City.

Signed Independent Auditors' Report on auditor letterhead (electronic copy).

The City of Stockton will send its comprehensive annual financial report to the Government Finance Officers Association of the United States and Canada for review in its Certificate of Achievement for Excellence in Financial Reporting program. Except for during the time the City was in Bankruptcy (2011-2015), the City received certificates for the last twenty-two consecutive years. It is anticipated that the proponent will be required to provide assistance to the City of Stockton to meet the requirements of this program.

2.2.3.2 Report on Internal Control

Independent Auditors' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards (electronic copy).

2.2.3.3 Single Audit Report

Single Audit Report including appropriate schedules and auditors' reports and Data Collection Form.

The proponent shall provide thirty (30) bound copies of the Report, one (1) unbound original, and one (1) electronic copy.

2.2.3.4 Appropriations Limit (Article XIIIB)

Independent Auditors' Report on Agreed-Upon Procedures Applied to Appropriations Limit Calculation (electronic copy).

2.2.3.5 Measure W

Signed Independent Auditors' Report on auditor letterhead for the Measure W Public Safety Fund.

2.2.3.6 Management Letter

A Management Letter addressed to the City Council recommending improvements to the City's internal control that are otherwise non-reportable (electronic copy).

2.2.3.7 Agreed Upon Procedures

Signed Independent Auditor's review of major revenues required by the Bankruptcy Agreement with Assured Guarantee

2.2.3.8 Communication of Internal Control Related Matters

The proponent shall communicate in a Report to management and the Audit Committee any deficiencies in internal control identified as a significant deficiency or material weakness during the audit. Other matters not meeting that criteria and discovered by the auditor shall be communicated in the Management Letter as noted above.

The Report to the City Council shall also include the status of prior year findings and recommendations. During the first year, the proponent shall follow-up on material weaknesses and significant deficiencies made in connection with the June 30, 2015 audit.

The proponent will provide twenty-five (25) bound Reports to the Audit Committee, one (1) unbound original, and one (1) electronic copy.

The proponent shall be required to make immediate written notification to the City Council, Audit Committee, City Manager, Chief Financial Officer and City Attorney of all irregularities and illegal acts or indications of illegal acts of which the auditor becomes aware.

2.2.3.9 Audit Committee

Annually, the proponent shall assure himself or herself that the City of Stockton's Audit Committee is informed of each of the following:

- The auditor's responsibility under generally accepted auditing standards,
- Significant accounting policies,
- Management judgments and accounting estimates,
- Significant audit adjustments and uncorrected misstatements,
- Other information in documents containing audited financial statements,
- Disagreements with management,
- Management consultation with other accountants,
- Major issues discussed with management prior to retention,
- Difficulties encountered in performing the audit, and
- Errors, irregularities, and illegal acts.

The proponent must be available to present the audit plan to the Audit Committee prior to beginning fieldwork. In addition, the proponent must be available to present all final reports to the Audit Committee, once the audit is completed.

2.2.4 Additional Optional Services

The proponent may include a proposal to prepare the following State Controller's Office regulatory filings for the City. The deadline for the filing of these reports is stated below. The response should be included in a separate section of the proposal and include an outline of the process, as well as the all-inclusive cost for each report.

- Cities Annual Financial Transactions Report (90 days after the close of the fiscal year (110 days if filing in the electronic format report prescribed by the California State Controller)

- Annual Street Report to the State Controller (By October 1)

The City will consider responses to these additional optional services separate and apart from the responses for professional audit services. The City reserves the right to reject any and all responses to these additional optional services.

2.2.5 Special Considerations

2.2.5.1 The City of Stockton currently anticipates it may prepare one or more official statements in connection with the sale of debt securities that will contain the basic financial statements and the proponent's report thereon. The proponent shall be required, if requested by the fiscal advisor and/or the underwriter, to issue a "consent and citation of expertise" as the external auditor and any necessary "comfort letters."

2.2.5.2 The City of Stockton has determined that the U.S. Department of Housing and Urban Development functions as the cognizant agency in accordance with the provisions of the Single Audit Act and OMB Circular A-133.

2.2.5.3 The City of Stockton anticipates the need for assistance from the proponent to comply with GASB pronouncements that take effect during the term of the contract. The level of assistance to be provided will be discussed on a case by case basis and mutually agreed upon by proponent and Chief Financial Officer.

2.2.5.4 The City establishes materiality levels for posting year end transactions at the commencement of the audit to assist with year-end closing. A schedule of unposted transactions will be provided to the auditor.

2.2.5.5 It is the City of Stockton's desire and intent to issue fiscal year 2016 financial statements no later than December 31, 2016, in order to provide timely financial results as it emerges from bankruptcy and prior fiscal emergencies. On an ongoing basis, the City is striving to issue the statements within six (6) months after the end of the fiscal year. Careful planning by both the proponent and the City will be required to accomplish this goal. Proponent should propose an audit staffing and work plan in order to meet those filing requirements.

2.2.5.6 The City of Stockton obtains grants from various State of California agencies and desires to meet the audit requirements in the most cost efficient method possible. This may require some additional audit services as mutually agreed upon by the proponent and the City of Stockton.

2.2.5.7 The City contracts with SMG for management of the City's Arena, Ballpark (for times when the Ballpark is not operated by the Ports), Events Center Common Areas, Bob Hope Theater, and Oak Park Ice Center, all owned by the City. The City needs to ensure the revenue and expenses for each facility are included in the annual financial statements and subsequent audit. A separate report is issued by SMG and audited by other auditors as of June 30 for these operations. The agreement provides the proponent complete access to the facilities' books and records. Should the City receive other than an "unqualified" opinion as a result of deficiencies with any facility, the City may require some additional audit services as mutually agreed upon by the proponent and the City. In addition, the City contracts with WestRec for

management of its Downtown Marina. The City also needs to ensure the transactions related to this property are included in the annual financial statements and subjected to audit. There are no separate audits of these financial transactions.

2.2.6 Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the proponent's expense, for a minimum of five (5) years, unless the firm is notified in writing by the City of Stockton of the need to extend the retention period. The working papers are subject to review by federal and state agencies and other individuals designated by the City of Stockton. Accordingly, the work papers shall be made available upon request.

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers.

2.3 DESCRIPTION OF FINANCE

The accounting and financial reporting functions of the City are centralized in the Administrative Services Department.

2.3.1 Principal Contact

The proponent's principal contact with the City of Stockton will be Claire Tyson, Assistant Chief Financial Officer, or a designated representative, who will coordinate the assistance to be provided by the City of Stockton to the proponent. Names and phone numbers of key contacts are:

Claire Tyson, Assistant Chief Financial Officer	(209) 937-8398
Edwin Gato, Accounting Manager	(209) 937-5435

2.3.2 Computer Systems

The City implemented its current financial system in 1989 and runs on an AS400 IBM operating system. Software for the City of Stockton's general ledger and other integrated financial systems was developed by SunGard HTE, Inc.

File management and email is accomplished using Microsoft Outlook.
Application software includes Word, Excel, Access, On Base, and Omniforms.

2.3.3 Fund Structure

The City of Stockton uses the following fund types in its financial reporting:

Fund Type	Number of Individual Funds	Number Included in Legally Adopted Annual Budget
General fund	1	1
Special revenue funds	33	33
Debt service funds	35	4
Capital projects funds	57	33
Enterprise funds	19	19
Internal service funds	12	12
Permanent Funds	13	9
Trust (Special Revenue) funds	13	6
Agency Funds	8	1

2.3.4 Magnitude of Finance Operations

The Administrative Services Department consists of approximately 73 full-time and 8 part-time budgeted positions. The principal functions performed and the number of employees assigned to each function are as follows:

- Administering, coordinating and directing activities of the Department (6 full-time, 1 part-time)
- Financial Reporting / Accounting (11 full-time)
- Debt/Investments/Cash Management (2 full-time and 1 part-time consultant)
- Budget (5 full-time)
- Disbursements – Payroll/Accounts Payable (9 full-time, 1 part-time).
- Purchasing (4 full-time)
- Finance Operations including treasury, cashiering, licensing, utility billing, collections, revenue auditing, and miscellaneous accounts receivable (36 full-time, 5 part-time)

2.3.5 Internal Audit Function

Article XV of the City of Stockton Charter establishes the City Auditor and defines the Auditor's authority. By ordinance, the City Auditor performs audits

in accordance with Government Auditing Standards. Until September 2012, the City Auditor was an employee of the City and appointed by the City Council. In the fall 2012, the City issued a request for proposal to engage a contract firm into the position of the City Internal Auditor function. The City of Stockton hired Moss Adams LLP in March 2013 at the completion of the proposal process. The firm completed its latest peer review and received a passing report from another nationally recognized firm, Clifton Gunderson LLP, dated August 26, 2011. Moss Adams LLP reports directly to the City Council under the City's charter. Moss Adams is in the process, under its internal audit plan and risk assessment, of identifying and improving the City's key controls, systems policies, and procedures.

Audit reports issued by the Office of the City Auditor are available on the City's website,
http://stocktongov.com/government/departments/auditor/default.html

2.3.6 Availability of Prior Report and Working Papers

Review of working papers may be arranged with the firm that conducted the audit for the fiscal years 2011-2012 to 2014-2015:

The Pun Group LLP
200 E. Sandpoint Avenue
Santa Ana, CA 92707
(949) 777-8801

2.4 TIME REQUIREMENTS

2.4.1 Proposal Calendar

The following is a list of key dates up to and including the date proposals are due to be submitted:

Requests for proposal issued	03-17-16
Due Date for questions by bidders	03-24-16
Responses to questions posted by City of Stockton	03-31-16
Due Date for proposals	04-07-16

2.4.2 Interviews and Contract Award

Oral interviews may be scheduled and the City may request further information and/or expansion on the qualifications of one or more proponents responding to this RFP.

Selected Firm Notified	04-15-16
Contract award	05-03-16

2.4.3 Audit Calendar

Below is the City's tentative timing for FY 2016:

	FY 2016
CAFR, Single Audit, Measure W, GANN:: Preliminary audit work prior to the closing of the accounts may commence after the award of the contract.	May 20, 2016
Proponents are to deliver to the Assistant Chief Financial Officer a camera ready copy of the CAFR and Single Audit Report by the due date.	November 10, 2016
Proponents are to deliver to the Assistant Chief Financial Officer a final draft of the Report to the Audit Committee by the due date	Dec 1, 2016

2.5 ASSISTANCE TO BE PROVIDED TO THE PROPONENT AND REPORT PREPARATION

2.5.1 Administrative Services Department and Professional and Clerical Assistance

The Administrative Services Department staff will be available during the audit to assist the firm by providing information, documentation and explanations. The City will prepare first drafts of the City's CAFR from the City's general ledger for review by the audit firm. The audit firm selected under this RFP will be responsible to prepare all other first draft of financial statements (e.g. Measure W, GANN Limit). The City will assemble and print the City's CAFR with the Independent Auditor's Report.

2.5.2 Information Technology (IT) Assistance

Through a process mutually agreed to by both parties, IT personnel will be available to provide systems documentation and explanations. The proponent will be provided access to the computer for viewing purposes.

2.5.3 Statements and Schedules to be Prepared by Staff of the City of Stockton

The staff of the City will prepare the statements and schedules necessary to support the individual fund statements. Additional statements and schedules will be prepared by the City upon mutual consent of the City and the proponent. The date the final trial balance will be available will be mutually agreed upon between Accounting and the proponents during the audit pre-planning meeting.

2.5.4 Work Area, Telephone, Photocopying and FAX Machines

The City of Stockton will provide the proponent with reasonable workspace, desks and chairs. The proponent will also be provided with access to internet, telephone lines, photocopying machines and FAX machines.

2.5.5 Report Preparation

Refer to Section 2.2.5.

2.6 PROPOSAL REQUIREMENTS

The following material is required to be received by April 7, 2016 for a proponent's firm to be considered.

2.6.1 Technical Proposal

An original, unbound copy (so marked) of a Technical Proposal and six (6) copies, in addition to the CD electronic copy to include the following:

2.6.1.1 Title Page

Show the RFP subject, the name of proponent's firm, local address, telephone number, name of a contact person, and proposal date.

2.6.1.2 Table of Contents

Include a clear identification of material by section and by page number.

2.6.1.3 Letter of Transmittal

Briefly state the proponent's understanding of the work to be done and make a positive commitment to perform the work within the time period. Give the

names of the persons who will be authorized to make representations for the proponent, their titles, addresses, telephone numbers and e-mail address.

2.6.1.4 License to Practice in the State of California

The proponent must be properly licensed for public practice as a Certified Public Accountant in the State of California.

2.6.1.5 Independence

The proponent should provide an affirmative statement that it is independent of the City of Stockton and the Stockton Public Financing Authority as defined by GAS.

2.6.1.6 Business License Required at the Time of Contract Award

The proponent selected must possess a City of Stockton business license while conducting any work under this contract.

2.6.1.7 Insurance

The proponent shall provide proof of insurance as an addendum to the proposal in amounts as listed in Section 1.16 of this RFP. The City of Stockton shall be named as an additional insured, by separate endorsement on the proponent's general liability policy and no insurance policy shall be canceled except after thirty (30) days' notice in writing to the City of Stockton. All insurance requirements must be satisfied before commencement of work.

2.6.1.8 Affirmative Action

The proponent must comply with Section 1.4 and Section 1.5.

2.6.1.9 Non-Collusion Affidavit

The proposal must include a completed, signed non-collusion affidavit form.

2.6.1.10 Firm Qualifications and Experience

The proposal should state the size of the firm, the size of the firm's governmental audit staff, the location of the office from which the work on this engagement is to be performed and the number and nature of the professional staff to be employed in this engagement on a full-time basis and the number and nature of the staff to be so employed on a part-time basis.

If the proponent is a joint venture, qualifications of each firm comprising the joint venture should be separately identified and the firm that is to serve as the principal proponent should be noted, if applicable.

If the proponent will be subcontracting any portion of the audit to another individual or firm, the proposal must include a list of all subcontractors to be used. No substitutions of subcontractors may be made without prior written consent of the City of Stockton.

The proponent is also required to submit a copy of the report on its most recent external quality control review, with a statement whether that the quality control review included a review of specific government engagements.

The proponent shall also provide information on the results of any federal or state desk reviews or field reviews of its audits during the past three (3) years. In addition, the proponent shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm, or any firm principal, during the past five (5) years with state regulatory bodies or professional organizations.

2.6.1.11 Partner, Supervisory and Staff Qualifications and Experience

Identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists who would be assigned to the engagement and indicate whether each such person is licensed to practice as a certified public accountant in California. Also, provide information on the government auditing experience of each person, including compliance with continuing professional education requirements set forth in GAS for the past three (3) years and membership in professional organizations relevant to the performance of this audit.

Provide as much information as possible regarding the number, qualifications, experience and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement. Indicate how the quality and continuity of staff will be assured over the term of the agreement.

Provide staff turnover rates for the past three years, both for the firm and for the office that will serve as in-charge on the engagement.

Principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists may be changed during the course of the agreement; however, the City of Stockton reserves the right to approve or reject replacements. Other audit personnel may be changed at the discretion of the proponent provided that replacements have substantially the same or better qualifications or experience.

2.6.1.12 Prior Engagements with the City of Stockton

The proponent should list separately all engagements within the last five (5) years, ranked on the basis of total staff hours, for the City of Stockton by type of engagement (i.e., audit, management advisory services, other). For each engagement, the proponent should indicate the scope of work, date, engagement partners, total hours, location of proponent's office from which engagement was performed, and the name of the principal client contact.

2.6.1.13 Similar Engagements with Other Government Entities

For the firm's office that will be assigned responsibility for the audit, list significant engagements (maximum of 7) performed in the last five years that are most similar to the engagement described in this request for proposal. These engagements should be ranked on the basis of total staff hours.

Indicate the scope of work, date, engagement partners, total hours, and the name, telephone number and e-mail address of the principal client contact.

2.6.1.14 Audit Approach, Techniques and Schedules to be Used

The proposal should set forth a work plan and proposed audit timing, including an explanation of the audit methodology to be followed, to perform the services required in Section II of this request for proposal.

Proponents will be required to provide the following information on their audit approach:

- Proposed major segmentation of the engagement,
- Level of staff and number of hours to be assigned to each proposed major segment of the engagement,
- Sampling methodology and the extent to which statistical sampling is to be used in the engagement,
- Extent of use of electronic audit software in the engagement,
- Type and extent of analytical procedures to be used in the engagement,
- Approach to be taken to gain and document an understanding of the City of Stockton's internal control structure,
- Use of the City's information technology resources in terms of computer time, operator time and programmer time,

- Approach to be taken in determining laws and regulations that will be subject to audit test work, and

- Approach to be taken in drawing audit samples for purposes of tests of compliance.

2.6.1.15 Scope Section

Define and describe the scope of services to be provided, in terms of the matters discussed in the following:

The examination will be made in accordance with generally accepted auditing standards. Generally accepted auditing standards are included in Statements on Auditing Standards published by the AICPA and in GAS issued by GAO. The primary purpose of the examination is to express an opinion on the financial statements and that such an examination is subject to the inherent risk that errors or irregularities may not be detected.

If conditions are discovered which lead to the belief that material error, defalcations or other irregularities may exist, or if any other circumstances are encountered that require extended services, the proponent will promptly advise the City Management and Chief Financial Officer.

Fees for any extended procedures must be requested in writing, and authorized in advance by the City Council in excess of purchasing policy limits established in the Stockton Municipal Code, currently $75,000.

2.6.1.16 Additional Data

Since data not specifically requested must not be included in the foregoing proposal sections, give any additional information considered essential to the proposal in this section. If there is no additional information to present, state in this section, "There is no additional information we wish to present."

2.6.2 Sealed Dollar Cost Proposal

The proponent shall submit one copy of a sealed dollar cost proposal in a separate sealed envelope marked as follows:

SEALED DOLLAR COST PROPOSAL
FOR CITY OF STOCKTON
FOR PROFESSIONAL AUDITING SERVICES
(PUR 15-032)
April 7, 2016

ALL INFORMATION REGARDING FEES MUST BE SUBMITTED IN SEALED SEPARATE ENVELOPE. NO MENTION OF FEES IS TO BE MADE IN THE BODY OF THE PROPOSAL.

For providing the services proposed, submit maximum fee proposals for all requested services. Include the estimated total hours, the estimated out-of-pocket costs, and the resulting all-inclusive maximum fee. An appendix stating the hourly rates to be charged for any additional work for each staff classification for each year of the proposed contract is required.

3.0 EVALUATION PROCEDURES

3.1 SELECTION COMMITTEE

The City of Stockton uses a qualifications-based selection process in obtaining these services. In order for the City to properly evaluate the proponent's qualifications to perform this work, an evaluation panel of staff and any other persons designated by the City will conduct the process.

3.2 REVIEW OF WRITTEN PROPOSALS

3.2.1 Identify Proponents Who Meet Minimum Qualifications

The Committee will review proposals and determine which firms meet the following minimum qualifications:

- Independence
- License to Practice
- CPE requirements for Government Audits
- External Quality Review
- Affirmative Action Requirements

3.2.2 Select Top Proposals

Select up to five (5) proponents who best meet the technical qualifications using, but not limited to the following criteria:

- Relevant Experience
- Quality of Personnel
- Computer Audit Experience
- Adequacy of staffing plan
- Adequacy of sampling techniques
- Adequacy of analytical procedures
- Adequacy of audit plan for IS controls

3.3 ORAL PRESENTATIONS

Those proponents selected as best qualified on the basis of written proposals may be invited to make an oral presentation to the selection committee. In addition to any prepared presentation, the proponent will have an opportunity to answer any questions that the selection committee may have on the proposal.

3.4 NEGOTIATION WITH PROPONENTS

After oral presentations are completed, the selection committee will place, in order of rank, the names of the proponents under consideration. The first ranking proponent will be notified in writing to meet with the selection committee or the committee's designated representative(s) at a certain time and place to negotiate specific scope of services, terms, conditions, and price for work.

NOTE: After the selection committee has ranked the proposals, envelopes containing fees will be opened. Fees will not be used to change the ranking of any proposals.

If the committee and the first ranking proponent cannot reach an agreement, negotiations may be terminated in writing by either party. Once terminated, negotiations cannot be resumed. The committee will then begin negotiations with the second ranking proponent. This process will continue until the committee and a proponent can reach an agreement, except that the City reserves the right to reject any and all proposals. Fees for any proponent rejected after negotiations will not be discussed with any other proponent.

The proposal of the successful firm will be incorporated as part of the contract.

After the three year contract period, this contract may be renewed on a year to year basis, up to a total of two (2) years, at the sole discretion of the City of Stockton. Should the City choose to terminate the contract, the proponent will be notified in writing by December 31 of the year subject to audit.

3.5 AWARD

The City Council will award the contract to a firm based upon the recommendation of the selection committee.

It is anticipated that a firm will be selected by April 27, 2016. Following notification of the firm selected, it is expected a contract will be executed between both parties by May 20, 2016.

The City reserves the right to select the successful proponent and to negotiate terms of a contract with the proponent(s) whose proposal(s) is/are most responsive to the needs of the City. Further, the City reserves the right to reject any and all proposals, or alternate proposals, or waive any informality in the proposal as is in the City's best interest.

3.6 PROPOSAL DEVELOPMENT COSTS

The cost of preparing and submitting a proposal is the sole responsibility of the proponent and shall not be chargeable in any manner to the City of Stockton.

3.7 PROPONENT CONTACT

Proponent shall provide the name, address, telephone number and e-mail address of an individual in their organization to whom notices and inquiries by the City should be directed as part of this proposal.

PROPOSAL DOCUMENTS

A) RFP – TO PROVIDE PROFESSIONAL AUDITING SERVICES

B) PUR 15-032

C) April 7, 2016

COMPANY NAME: _____

CONTACT NAME: _____

ADDRESS: _____

_____

TELEPHONE NUMBER: _____

EMAIL: _____

REQUEST FOR PROPOSAL (RFP)
TO PROVIDE PROFESSIONAL AUDITING SERVICES
FOR THE CITY OF STOCKTON, CALIFORNIA
(PUR 15-032)

PROPONENT'S AGREEMENT

In submitting this proposal, as herein described, the proponent agrees that:

1. They have carefully examined the Scope of Work and all other provisions of this document and understand the meaning, intent and requirements of same.

2. They will enter into contract negotiations and furnish the services specified.

3. They have signed and notarized the attached Non-Collusion Affidavit form, whether individual, corporate or partnership. Must be 'A Jurat' notarization.

4. Included proof of insurance that meet the requirements as outlined in these specifications.

5. They have reviewed all clarifications/questions/answers on the City's website at www.stocktongov.com/services/business/bidflash/default.html.

6. Confidentiality: Successful Proponent hereby acknowledges that information provided by the City of Stockton is personal and confidential and shall not be used for any purpose other than the original intent outlined in the Request for Proposal. Breach of confidentiality shall be just cause for immediate termination of contract agreement.

FIRM	ADDRESS
SIGNED BY	TITLE OR AGENCY
TELEPHONE NO./FAX NO.	DATE
E-MAIL ADDRESS	

NON-COLLUSION AFFIDAVIT
FOR INDIVIDUAL PROPONENT

No. 1

STATE OF CALIFORNIA,_____)ss.
County of _____)
(insert)

_____being first duly sworn, deposes and says: That on behalf of any person not named herein; that said Proponent has not colluded, conspired, connived or agreed, directly or indirectly with, or induced or solicited any other bid or person, firm or corporation to put in a sham bid, or that such other person, firm or corporation shall or should refrain from bidding; and has not in any manner sought by collusion to secure to themselves any advantage over or against the City, or any person interested in said improvement, or over any other Proponent.

_____
(Signature Individual Proponent)

Subscribed and sworn to (or affirmed) before me on this _____ day of _____, 20_____
by _____, proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

Seal _____

Signature _____

AFFIDAVIT FOR CORPORATION PROPONENT

No. 2

STATE OF CALIFORNIA,_____)ss.
County of _____)
(insert)

_____being first duly sworn, deposes and says: That they are the_____ of _____ a corporation, which corporation is the party making the foregoing bid, that such bid is genuine and not sham or collusive, or made in the interest or behalf of any person not named herein; that said Proponent has not colluded, conspired, connived or agreed, directly or indirectly with, or induced or solicited any other bid or person, firm or corporation to put in a sham bid, or that such other person, firm or corporation shall or should refrain from bidding; and has not in any manner sought by collusion to secure to themselves any advantage over or against the City, or any person interested in said improvement, or over any other Proponent.

_____
(Signature Corporation Proponent)

Subscribed and sworn to (or affirmed) before me on this _____ day of _____, 20_____
by _____, proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

Seal _____

Signature _____

AFFIDAVIT FOR FIRM, ASSOCIATION, OR CO-PARTNERSHIP

No. 3

STATE OF CALIFORNIA,_____)ss.
County of _____)
(insert)

_____,
each being first duly sworn, depose and say: That they are a member of the firm, association or co-partnership,

designated as _____who is the party making the foregoing bid; that the other partner, or partners, are _____that such bid is genuine and not sham or collusive, or made in the interest or behalf of any person not named herein; that said Proponent has not colluded, conspired, connived or agreed, directly or indirectly with, or induced or solicited any other bid or person, firm or corporation shall or should refrain from proposing; and has not in any manner sought by collusion to secure to themselves any advantage over or against the City, or any person interested in said improvement, or over any other Proponent.

_____
(Signature)

_____
(Signature)

Subscribed and sworn to (or affirmed) before me on this _____ day of _____, 20_____
by _____, proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

Seal _____

Signature _____

EXHIBIT 'A' – INSURANCE REQUIREMENTS

FIRM

FIRM shall procure and maintain for the duration of the Agreement, insurance against all claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the FIRM, its agents, representatives, volunteers, or employees.

1. **INSURANCE** Throughout the life of this Contract, the Firm shall pay for and maintain in full force and effect with an insurance company admitted by the California Insurance Commissioner to do business in the State of California and rated not less than "A: VII" in Best Insurance Key Rating Guide, the following policies of insurance:

   A. **AUTOMOBILE LIABILITY** insurance, endorsed for "any auto" with the following limits of liability: Bodily Injury $250,000 each person, and $500,000 each occurrence. Property Damage $100,000 each occurrence.

   B. **WORKERS' COMPENSATION** insurance as required under the California Labor Code and Employers Liability Insurance with limits not less than $1,000,000 per accident/injury/disease.

   C. **COMMERCIAL OR COMPREHENSIVE GENERAL LIABILITY AND MISCELLANEOUS SUPPLEMENTARY INSURANCE;**

   FOR **ADDITIONAL** REQUIREMENT(S):

   (i) **COMMERCIAL OR COMPREHENSIVE GENERAL LIABILITY** insurance which shall include Contractual Liability, Products and Completed Operations coverage's, Bodily Injury and Property Damage Liability insurance with combined single limits of not less than $1,000,000 per occurrence, and if written on an Aggregate basis, $2,000,000 Aggregate limit.

   (ii) **PROFESSIONAL LIABILITY**, Not less than $1,000,000 per Claim/$2,000,000 Aggregate (3 yr discovery and reporting tail period coverage). Certificate of Insurance only required.

Deductibles and Self-Insured Retentions must be declared and are subject to approval by the CITY.

The Policy(s) shall also provide the following:

1 The Commercial General Liability insurance shall be written on ISO approved occurrence form with additional insured endorsement naming: *City of Stockton, its Mayor, Council, officers, representatives, agents, employees and volunteers are additional insureds*.

2. All insurance required by this Agreement shall be with a company acceptable to the CITY and issued and executed by an admitted insurer authorized to transact insurance business in the State of California. Unless otherwise specified by this Agreement, all such insurance shall be written on an occurrence basis, or, if the policy is not written on an occurrence basis, such policy with the coverage required herein shall continue in effect for a period of three years following the date FIRM completes its performance of services under this Agreement.

3. For any claims related to services or products provided under this contract, the Firm's insurance coverage shall be primary insurance as respects the City of Stockton its officers, agents, and employees. Any coverage maintained by the CITY shall be excess of the Firms's insurance and shall not contribute with it. Policy shall waive right of recovery (waiver of subrogation) against the CITY.

4. Each insurance policy required by this clause shall have a provision that coverage shall not be cancelled by either party, except after thirty (30) days' prior to written notice by certified mail, return receipt requested, has been given to the CITY. Further, the thirty (30) day notice shall be unrestricted, except for workers' compensation, or non-payment of premium, which shall permit ten (10) days advance notice. The insurer and/or the contractor and/or the contractor's insurance agent shall provide the CITY with notification of any cancellation, major change, modification or reduction in coverage.

5. Regardless of these contract minimum insurance requirements, the Firm and its insurer shall agree to commit the Firm's full policy limits and these minimum requirements shall not restrict the Firm's liability or coverage limit obligations.

6. Coverage shall not extend to any indemnity coverage for the active negligence of the additional insured in any case where an agreement to indemnify the additional insured would be invalid under Subdivision (b) of Section 2782 of the California Civil Code.

7. The Firm shall furnish the City of Stockton with the Certificates and Endorsement for all required insurance, prior to the CITY's execution of the Agreement and start of work.

8. Proper address for mailing certificates, endorsements and notices shall be:

   City of Stockton
   Attention: Risk Services
   425 N. El Dorado Street
   Stockton, CA 95202

9. Upon notification of receipt by the CITY of a Notice of Cancellation, major change, modification, or reduction in coverage, the Firm shall immediately file with the CITY a certified copy of the required new or renewal policy and certificates for such policy.

Any variation from the above contract requirements shall only be considered by and be subject to approval by the CITY's Risk Manager (209) 937-8617. Our fax is (209) 937-8558.

If at any time during the life of the Contract or any extension, the Firm fails to maintain the required insurance in full force and effect, all work under the Contract shall be discontinued immediately. Any failure to maintain the required insurance shall be sufficient cause for the CITY to terminate this Contract.

If the Firm should subcontract all or any portion of the work to be performed in this contract, the Firm shall cover the sub-contractor, and/or require each sub-contractor to adhere to all subparagraphs of these Insurance Requirements section. Similarly, any cancellation, lapse, reduction or change of sub-contractor's insurance shall have the same impact as described above.

BID ABSTRACT

DEPT/PROJECT NO: **AS / PUR 15-032**

BID OPENING DATE: **APRIL 7, 2016**

BID TITLE: **RFP – ASD AUDITING SERVICES**

ESTIMATE: _____

For information regarding this project, please contact Claire Tyson at (209) 937-7999 or Alan Montanelli at (209) 937-8350 the day following the bid opening.

No.	Bidder	Affirm Action	Bond	Check			
1.	Chavan + Associates						
2.	Vasquez & Co						
3.	Pun Group						
4.	APR 7 '16 PM 2:02						
5.							
6.							
7.							
8.							
9.							
10.							
11.							

ACCOUNT NUMBER (PUBLICATION): 010-1901-510.20-65

ACCOUNT NUMBER (STAFF): 010-1901-510.20-65

CONTRACT AWARDED TO: _____

COUNCIL MEETING DATE: _____

MOTION/RESO #: _____

UNSUCCESSFUL BONDS RETURNED: _____

CONTRACT #: _____ OB DOC #: _____

SUCCESSFUL BOND RETURNED: _____

Note: Affirmative Action required for federally funded projects only

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PROPOSAL FOR CONDUCTING

THE ANNUAL INDEPENDENT AUDIT

OF THE

CITY OF STOCKTON

Submitted April 7, 2016

Chavan & Associates, LLP
Certified Public Accountants
1475 Saratoga Ave., Suite 180
San Jose, CA 95129
Phone: (408) 217-8749
Fax: (408) 872-4159
E-mail: sheldon@cnallp.com
Contact: Sheldon Chavan, Partner

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April 7, 2016

City Clerk
City of Stockton
425 North El Dorado Street
Stockton, CA 95202-1997

We are pleased to have this opportunity to submit our proposal to provide auditing services for the City of Stockton (the "City"). Our understanding of the work outlined in the request for proposal is that we will audit the financial statements of the governmental activities, business-type activities, component units, each major fund, and aggregate remaining fund information of the City for fiscal year ending June 30, 2016, 2017, and 2018 with the option to extend for two additional audit years.

Our audits will be performed in accordance with auditing standards generally accepted in the United States of America, the standards set forth for financial audits in the United States General Accounting Office's (GAO) *Government Auditing Standards*, the provisions of the Federal Single Audit Act, the United States Office of Management and Budget Subpart F of the OMB Supercircular, *Audits of State and Local Governments,* and relevant GASB statements. We will also apply the necessary procedures to prepare the reports as requested in the RFP.

As a result of our audit, we will express an opinion on the fair presentation of the basic financial statements of the City and other entities and grants as listed in the RFP in accordance with GAAP. We will also issue a report on the City's internal controls over financial reporting, the City's compliance with applicable laws and regulations, the City's internal control structure used in administering federal financial assistance programs and the City's compliance with general and specific requirements related to major and non-major federal financial assistance programs in accordance with *Government Auditing Standards* and OMB Subpart F.

Throughout the contract period, we will provide consultation on accounting and compliance issues and attend City meetings to discuss the audit and management comments. It is our commitment to the City that we will complete the work within the agreed time frame.

We are confident Chavan & Associates LLP ("C&A") is the best-qualified firm to serve as your independent auditors. A brief list of reasons includes:

- We specialize in the audits of local governments and non-profit organizations.
- Sheldon Chavan, Managing Partner, will supervise and run the audit in the field and has been auditing local governments and non-profit organizations for 19 years.
- Our Managing Partner has performed similar audits for the City of San Rafael, the City of Pittsburg, and the City of Berkeley.

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- Our firm and key professionals are properly licensed to practice in the state of California.
- Our service will be dependable, reliable and timely.
- We will be sensitive to your workload. We understand you and your staff must keep up with your current work as well as deal with the audit.
- We are available twelve months of the year to serve our audit clients. You are important to our firm and we promise a high level of involvement and enthusiasm at all levels.

We are secure in our belief that our firm is the best qualified to meet your needs. Once you have examined our proposal and contacted our references, we feel you will agree.

Staffing for the City's audit will include 1 Engagement Partner, 1 Associate Partner, 1 Manager, 2 Senior Auditors, and 3 Professional Staff.

Sheldon Chavan (1475 Saratoga Ave, Suite 180, San Jose, CA 95129, 650-346-1329, Sheldon@cnallp.com) is the partner authorized to sign and obligate the firm contractually and represent the firm. He is empowered to submit the bid and authorized to sign a contract with the City. This proposal is a firm and irrevocable offer until for 90 days.

We look forward to being of service to you.

Very truly yours,

C & A LLP

Sheldon Chavan, C.P.A., Partner
Chavan & Associates, LLP

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SECTION A

FIRM QUALIFICATIONS AND EXPERIENCE

Contractor Identification and Introduction

Company Name:	Chavan & Associates, LLP (C&A)
Address:	1475 Saratoga Ave, Suite 180, San Jose, CA 95129
Office:	408-217-8749
Fax:	408-872-4159
E-mail:	Sheldon@cnallp.com
CA File Number:	202009218003
FEIN:	27-0630496
Authorized to Sign:	Sheldon Chavan, CPA, Partner

Our Managing and Engagement Partner, **Sheldon Chavan**, has performed audits under Government Auditing Standards, the **Single Audit Act** and the State Controller's Office Minimum Audit Requirements since **1998**. In August of 2009, Sheldon established C&A as a limited liability partnership specializing in local government auditing and consulting. Sheldon has audited and prepared Comprehensive Annual Financial Reports **(CAFRs)** and basic financial statements as required by the Government Finance Officers Association **(GFOA)** and the Governmental Accounting Standards Board **(GASB)** for cities, fire districts, water districts, sanitation districts, JPAs and other types of special districts. He has also been a reviewer of CAFRs for the **GFOA**. Most recently, C&A **prepared or reviewed the CAFRs** of the Town of Los Gatos, the City of Saratoga, the City of Oroville, City of Rocklin, City of Pacific Grove, the Los Altos School District and the Central Marin Sanitation Agency for the year ending June 30, 2015. Our goal at C&A is to provide premium audit services at a reasonable fee. We believe that continuous partner involvement helps us achieve our goal, which is why our partners are constantly in the field. Ultimately, minimizing on-the-job training allows us to focus exclusively on servicing our clients.

Single Audit Experience

After starting the firm with only 9 clients in 2009, we currently have **78 government**, nonprofit and grant clients, 44 of which were required to have a single audit (OMB Subpart F) in 2014-15. Our firm's experience includes numerous audits under state and federal compliance audit guides, including the Minimum Audit Requirements and Reporting Guidelines for special districts as required by the State Controller's Office. **What makes us unique from other audit firms** is that we eliminate "on-the-job" training through intensive in-house training, audit planning, and by having partners in the field throughout the entire engagement (not just "spot-checking"). The daily interaction with our Engagement Partner has been invaluable to our clients as it provides the opportunity for immediate feedback and the chance to ask questions related to accounting, account coding, grant requirements, CAFR requirements, budgeting, and much more. Auditing is the main focus of our practice and we are available to start as early as April 4, however our calendar is flexible. Having an early start date has great returns for our clients in that control deficiencies can be corrected before reports have been submitted and the year has been closed.

C&A is also a member of the **AICPA's Government Audit Quality Center** which promotes the importance of quality governmental audits and the value of such audits to purchasers of governmental audit services. GAQC is a voluntary membership center for CPA firms and state audit organizations that perform governmental audits.

Firm Size, Staff Size, Location and Staffing

We also have **eight** professional, full-time staff in addition to our three partners and one administrative person that will be available to assist as needed throughout the engagement. As the Managing Partner,

Sheldon will perform the work directly with assistance from other professional staff as needed. Our central office is located in San Jose, CA. Staffing for the City's audit will include the following professionals (audit experience):

Staffing

Sheldon Chavan, Engagement Partner (19 yrs)
Michael Djurovic, Manager (11 yrs)
Michael Copher, Senior Auditor I (5 yrs)
Nick Underwood, Prof. Staff (4 yrs)
Matthew Ojeda, Prof. Staff (1 yr.)
Bryan Kwon, Associate Partner (3 yrs.)
Paul Pham, Senior Auditor I (7 yrs)
Greg Metz, Prof. Staff (3 yrs)
Daniel Garaycochea, Prof. Staff (2 yrs.)
Jennie Tran, Prof. Staff (1 yr.)

One of the professional staff could change from year to year. The City will be notified of any staff changes prior to field work. The Engagement Partner will be the same during each year of the engagement. See our work plan by segment on **page 8** for detailed staff responsibilities.

Range of Services

The following summarizes the range of services we provide:

	Percent by Entity	GAS Audit	Single Audit	Accounting	Management Services	Tax	Total
School Districts	30%	26%	71%	0%	3%	0%	100%
Charter Schools	11%	90%	0%	0%	0%	10%	100%
Non-profit Organizations	20%	67%	23%	0%	0%	10%	100%
Cities and Towns	8%	60%	40%	0%	0%	0%	100%
Special Districts	23%	77%	13%	5%	5%	0%	100%
Private (OMB A-133)	8%	30%	60%	0%	0%	10%	100%
		GAS Audit	Single Audit	Accounting	Management Services	Tax	Total
Percent by Service Type		55%	38%	1%	1%	5%	100%

Contract Terminations and Affirmation Concerning Substandard Audit Work

C&A and all assigned personnel do not have any record of substandard work, contract failures, outstanding claims, litigation, investigations, or other unsatisfactory performance issues against us or pending with the State Board of Accountancy or any other entity. In addition, we have not had any federal or state desk review or field reviews of our audits. C&A has no record of lost clients or contract failures.

Equal Opportunity Employer

C&A is an equal opportunity employer and is in compliance with the Civil Rights Act of 1964, the State Fair Employment Practice Act, and all applicable federal and state laws and regulations relating to equality.

Independence

C&A is independent of the City and all of its component units as defined by generally accepted auditing standards and the U.S. GAO's *Government Auditing Standards*. *In all matters relating to the audit work, the audit organization and individual auditors, whether government or public, should be free from*

personal and external impairments to independence, should be fiscally independent, and should maintain an independent attitude and appearance.

C&A did not have any professional relationships involving the City of Stockton, or any of its agencies and component units, for the past five (5) years that would cause a conflict of interest relative to the scope of services identified in the request for proposal.

Subcontractor

C&A will not be engaged with any subcontractors during this engagement.

Business Licenses

C&A will obtain and maintain a valid business license with the City throughout the duration of the contract.

License to Practice in the State of California

C&A and all key professionals are properly licensed to practice as certified public accountants in the State of California and do not have any record of substandard work or unsatisfactory performance pending with the State Board of Accountancy.

Insurance

C&A maintains the following insurance:

- Commercial General Liability Insurance (bodily injury and property damage) is $4,000,000 per occurrence. The carrier is Hartford Insurance Company.
- Automobile Bodily Injury and Property damage liability insurance is $2,000,000 per occurrence. The carrier is Hartford Insurance Company.
- Professional Liability Insurance carrier is Philadelphia Insurance Company. The per claim/aggregate limit of the liability is $3,000,000.
- Workers Compensation Insurance carrier is Twin City Insurance Company. The per claim/aggregate limit of the liability is $1,000,000.

See **Attachment B** for the Certificate of Liability Insurance naming City of Stockton as an additional insured.

Quality Control Review

We are enrolled in the AICPA quality control peer review program. Our most recent peer review was performed and submitted by Chaing, Hammon and Co. on June 30, 2014 and included the audits completed for the June 30, 2013 fiscal year and December 31, 2013 calendar year. We passed our peer review without exception. **See Attachment A for a copy of our most recently available peer review report from June 30, 2014.**

C&A has an exceptional record of quality control. Our audits substantially complied with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in the U.S. General Accounting Office's Standards for Audits of Governmental Agencies, Programs, Activities, and Functions; issued by the U.S. General Accounting Office; the provisions of the Single Audit Act Amendments of 1996; and the provisions of *Subpart F of the OMB Supercircular*, *Audits of States, Local Governments, and Non-Profit Organizations.*

Discussion of Relevant Accounting Issues & GASB 68

The Governmental Accounting Standards Board (GASB) continues to issue new statements in an effort to make financial information accounted for, and reported by, local governments more reliable. Often, the statements issued by GASB are confusing and difficult to apply. Therefore, it is our goal to keep our clients informed about upcoming standards and how they may affect their future. Our technical expertise and guidance in the implementation and interpretation of GASB statements will be available throughout the year. We offer inclusive consultation throughout the term of our contract. We also offer in-house training via internally developed seminars. For example, we have given presentations and training on compliance requirements for specific grants and the key controls needed to meet those requirements. Generally these sessions provide about 8 hours of training, in addition to year-round consultation, and are included in the audit. **Any training related to single audit compliance reporting requirements is included in our all-inclusive maximum price.**

In relation to **GASB 68**, in addition to our general training and consultation noted in the previous paragraph, we generally discuss the changes required by GASB 68, and the impact it will have, with management during our exit conferences and in our city council presentations. As we do with any new accounting pronouncement, we identify the new accounting and reporting requirements at the end of the audit the year before the year of implementation. For example, since GASB 68 is required for the June 30, 2015 fiscal year, we have addressed its implementation during interim and year-end exit conferences for the fiscal year ended June 30, 2014. This gives us ample time to prepare for the implementation. In addition, we will send periodic e-mails and newsletters when significant new accounting pronouncements are issued, at the time they are issued. The most important factors we have discussed include: The potential impact of unfunded liability on net position, the impact on annual required contributions, PEPRA's impact, the due date and the changes in the reporting presentation. We have also prepared template note disclosures and updated our template financial statements to meet the reporting standards of GASB 68.

We offer accounting and reporting guidance year round in support of GASB 68 and any other new accounting standards that may impact our clients. We include all relevant new standards in the CAFR note disclosures each year as well.

Tax Resource

Chavan & Associates, LLP has over 19 years of tax experience that will be available to the City. C&A's experience includes returns provided for governmental, municipal, non-profit, individual, corporate, and payroll taxes. Our partners, managers, and staff will be fully available and capable of answering and addressing any concerns the City may have in regards to tax matters.

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SECTION B

SPECIFIC AUDIT APPROACH

The C&A audit approach begins with an entrance conference between Sheldon Chavan and management to gather information for risk assessment and audit planning. Upon the conclusion of the entrance conference, Sheldon will plan and schedule C&A's **three phase audit** approach and prepare a list of items to be provided for Phase I of the audit. Significant aspects of each phase are outlined as follows:

Three Phase Audit Approach

Phase I - Planning and Risk Assessment

This phase is designed to evaluate your operating and accounting procedures and will provide the basis for a significant portion of our letter to management. The results of our work during this phase will determine our audit approach for significant accounts and compliance.

At the conclusion of this phase, we intend to provide the City with a list detailing the information that will be needed in order to facilitate the completion of the audit in a timely manner. Having all items on the list are available prior to the beginning of Phase II will allow us to complete the audit within the allotted time frame or earlier. We will also begin the testing of federal compliance for major programs during this phase and **discuss the impact of new GASB's, such as GASB 67, 68 and 71**, with management. GASB 68 requires a local government to report its share of the unfunded pension liability for retirement plans such as PERS and are required to be implemented as of June 30, 2015. During our entrance conference, we plan to discuss the plans offered by the City and identify the reporting requirements, information available, and the remaining steps required for the City to implement these pronouncements.

We plan the audit and obtain our understanding of the internal control structure, control environment, and accounting system through:

Internal Controls Documentation

- Inquiries of appropriate management and staff personnel.
- Inspection of the City's documents, records, budget and related materials, organizational charts, manuals and programs.
- Observation of the City's activities and operations to corroborate the results of inquiries.
- Testing of the controls to determine they are operating as planned.
- Performance of preliminary analytical review on interim financials. The analytical review entails comparing similar information for the same time frame from the prior year and also comparing current year-to-date information to the budget to determine areas that may need additional attention during Phase II.
- Review and evaluation of the City's financial and other management information system controls and procedures. Our staff has gained invaluable experience with systems such as HTE, MOM, Springbrook, Pentamation**,** QuickBooks, Digital Schools, SunGuard, Escape, FUND$, CECC, SACS, Financial 2000, SASi, Quicken, Edusoft, Minisoft, Infinite Campus, Aeries, Power School, Quick School, Blue Bear, Genesis, as well as many others. It is our goal to maximize the usage of your computer system during the audit.

This phase constitutes approximately 40% of all non-clerical hours of the engagement and may be combined with Phase II if desired. At the completion of Phase I, an exit conference will be held to discuss findings and recommendations and prepare for Phase II.

Phase II - Substantive Audit Procedures and Compliance

This phase is designed to complete our substantive and compliance audit procedures on the accounts of the City. The approach for Phase II will be based on the results of Phase I. Audit programs will be tailored for your City's needs. This work will begin after the closing of your books.

Sample size and selection is based on our assessment of risk and planned or actual deviations. A typical **sample size will be 25 to 60** items and be randomly selected. Our sampling methods vary depending on the type of tests we perform. Sample selection for compliance work will be based on the respective compliance and audit guides, KC, our experience and judgment, and other various sources. We use Knowledge Coach (KC) audit programs by Commerce Clearing House (CCH) to assist in our risk determination and sampling selection. We also use **ProSystems fx Engagement paperless audit,** Microsoft Excel, and Microsoft Word on laptops to perform the audit. Generally, we prefer information provided in electronic format, however we use production scanners in the office and portable scanners in the field for information that is unavailable in electronic format.

Sampling Methods

Analytical procedures during Phase II involve comparing current data to prior year and budget data, calculating dollar and percentage variances and investigating differences. We also analyze trends and relationships of the various financial statement components and ratios.

Analytical Procedures & Laws and Regulations

Laws and regulations subject to audit will be determined based on inquiry and familiarity we gain with the City and with state and federal compliance requirements. We also attend seminars and webinars related to state and federal regulations to keep abreast of new requirements.

Phase II will take approximately 40% of the engagement hours. At this time, an exit conference will be held to discuss findings and recommendations, the status of new accounting principles and reporting requirements, and prepare for Phase III.

Phase III - Financial Statement Preparation and Review

This phase consists of preparing or assisting with the preparation of your financial statements, **as required in the RFP**, in conformity with accounting principles generally accepted in the United States of America. We will also prepare all other financial and compliance reports required of us as listed on the RFP. The required reports and management letter will be submitted to management as noted in the timeline on **page 11**, unless otherwise agreed. We will also ensure that new GASB pronouncements identified in phase I and II have been appropriately accounted for and disclosed in the financial statements and that the impact of these statements is sufficiently presented in our audit reports. The most efficient way to ensure we meet the reporting deadlines is to have the audited trial balance and final adjustment completed by the last day of field work, and to have a draft of the CAFR ready by the first day of field work. This, in combination of the automation provided by Prosystems engagement will reduce the lag time from the completion of field-work and report issuance.

Our reporting process is automated through our audit software. Once we obtain the City's trial balance in electronic format, we can import that into our system, which will automatically code and update all financial statements and most note disclosures in the financial statements and notes. We can also auto link tables, charts and other documents the City would like to generate. **All of this information can be**

shared through our online secure lockbox/fileshare website at www.cnallp.com. All agreed upon adjustments will be linked in our audit software. This greatly reduces the report preparation time and involvement of City staff and creates more opportunity for review of information systems, internal controls and management recommendations. At the end of this phase we will provide a summary of audit adjustments and uncorrected misstatements (passed adjustments).

We anticipate that Phase III will comprise approximately 20% of the engagement hours, including the majority of the clerical hours. The timing of each phase of the audit is estimated based on the assumption that the City will meet their close schedule and responsibilities as noted in the request for proposal.

Please note that we generally hold entrance conferences at the beginning of Phase I and II and exit conferences at the end of Phase I, II and III. However, we are available to meet with the City at any time.

Compliance and Program Specific Auditing

Included in all phases are specific procedures required to complete individual compliance items. Analytic and sampling procedures generally follow those described in the preceding phase, but are modified, when needed, to meet specific guidelines of the programs audited.

Recommendations for Improved Operations

We feel we have accumulated valuable knowledge in accounting and auditing which has allowed us to offer a wide range of specific recommendations to increase the efficiency and effectiveness of our audit clients. With our background, we can provide services that may be very beneficial to you presently and in the future. As our client, you can look to us for informed support **year-round in all areas of interest or concern**. In the course of our engagement with the City, we will provide prompt, knowledgeable answers to your questions regarding all aspects of accounting, finance, management, and operations.

It is our policy to discuss discrepancies and recommendations with City staff directly involved and then with management, as necessary. If an item warrants inclusion in the report as a finding, we will obtain management's responses to each finding. All responses will be reviewed with the Financial Director and City Manager before they are presented to the City Council.

Irregularities and Illegal Acts

We will make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which we become aware to the City Manager, City Attorney and the Administrative Services Director. Our firm has not occurred any disciplinary action(s) taken or pending against the firm during the past three years with regulatory agencies or professional organizations.

Control Risk Assessment

As part of our audit approach, we use KC forms, narratives, questionnaires and summary schedules to gain an understanding of the control environment and assess its overall effectiveness. This helps us identify the types of potential misstatements and factors that affect the risk of material misstatement and their impact on the audit plan.

Analytical Procedures

Analytical procedures are used at three points of time during our audit; planning, substantive testing, and final review of the completed financial statements. Analytical procedures are used to obtain

knowledge of conditions and events, to indicate the presence of possible misstatements, to provide substantive evidence of balances and to assess the financial condition of the City.

As we obtain knowledge about the City, we will be able to direct our attention to areas requiring greater audit emphasis as well as provide substantive evidence in support of recorded account balances.

Identification of Potential Audit Problems

Each year we approach the audit objectively and use a risk based approach to anticipate any potential audit problems. If anything were to come to our attention during the course of the audit, it would be reported to the proper management level depending on the nature of the problem and as noted in the RFP.

Resources Available for Standards Interpretations

In addition to the items published by GFOA, AICPA, FASB, and GASB, we use RIA checkpoint and Thompsons as our main online reference material. As our client, the City will have access to all our resources.

Work Plan by Segment

Phase I (Planning, Risk Assessment and Internal Controls) **May through June**						
Key Component	Engagement Partner	Associate Partner	Manager	Senior Staff	Prof. Staff	Admin. Staff
Entrance Conference	2					
List of Items Required for the Interim Audit	4	4	4	4		3
Planning, Risk Assessment and Preliminary Analytics	32	24	24	24	16	
Preliminary Identification of Major Programs (Single Audit)	32	32	26	26		
Materiality and Major Fund Determination	5	5		5		
Initial SAS 114 Letter	3	3				3
Internal Control Documentation & Testing	40	40	120	140	360	
Status of Prior Year Findings	5	4	4	5	5	
Update Initial List of Confirmations	4		2		8	
Summary of Potential Findings	5	2	4	5	5	
Phase I Review, Clean-up and C&A Team Meetings	16	16	16	16	16	4
Exit Conference	2					
Subtotal	150	130	200	225	410	10

Roles of C&A Staff (Partial List):
The Engagement Partner will be responsible the overall planning, scheduling, review and coordination of Phase I.
The Associate Partner will provide fieldwork support when necessary and help maintain quality control.
The Manager will review workpapers, letters and reports and help maintain quality control.
The Senior Professional Staff will focus on the more complex areas of controls and support the Engagement Partner.
The Professional Staff will focus on detail of tests of controls over financial, federal compliance and other areas as needed.

Roles of City Staff:
During this phase, City staff will be expected to provide a preliminary balance sheet and revenues and expenditures by fund, policies and procedures for key controls, a preliminary summary of federal grants, the original budget, contact information for departments and confirmations, and generally provide the information included in the lists of items for interim. We also plan to interview various staff to document and test controls. Testing controls will include sampling for significant areas. Our documentation of internal controls will be done in person and via interviews, unless otherwise requested.

Note:
The above hours were estimated and allocated based on information in the City's most recent basic financial statements, budget, the City's website and other information obtained during the RFP process.

Phase II (Substantive Testing and Final Compliance) **September through October**						
Key Component	Engagement Partner	Associate Partner	Manager	Senior Staff	Prof. Staff	Admin. Staff
List of Items Required for Substantive Testing	1		5	3	2	
General Audit Procedures and Set-up	24	24	16	8		
Finalize Major Program Determination	5	5	5	5		
Finalize Major Fund Determination	5	5	5	5		
Prepare Audit Programs	24	24	24	24		
Confirmations	2	2	1		3	3
Entrance Conference	2					
Trial Balance and Leads	5	5	4	10	10	
Substantive Tests of Accounts	60	45	120	150	375	
Summary of Potential Findings and Audit Adjustments	4	4	4	4	4	
Phase II Review, Clean-up and C&A Team Meetings	16	16	16	16	16	7
Exit Conference	2					
Subtotal	150	130	200	225	410	10

Roles of C&A Staff (Partial List):
The Engagement Partner's focus will include finalizing the audit programs, substantive analytics, and overseeing the audit.
The Associate Partner will provide fieldwork support when necessary and help maintain quality control.
The Manager will review workpapers, letters and reports and help maintain quality control.
The Senior Professional Staff will focus on substantive tests for significant accounts.
The Professional Staff will focus on substantive tests for significant accounts, federal compliance, and other required audits.

Roles of City Staff:
During this Phase, City staff will be expected to provide the final balance sheet and revenue expenditures by fund and account. We will prepare leadsheets in our audit software, but the City should have adequate support for significant accounts. We will perform a review of journal entries at this time and again before the final reports are issued, thus we will need access to the City's journal entries. We will request reports for major grant programs, certain City programs, and business type activities. We will also perform a number of analytical procedures which will require staff responses, and this will be done in person in most cases.

Note:
The above hours were estimated and allocated based on information in the City's most recent basic financial statements, budget, the City's website and other information obtained during the RFP process.

Phase III (Reporting) October **through December**						
Key Component	Engagement Partner	Associate Partner	Manager	Senior Staff	Prof. Staff	Admin. Staff
Review/Finalize GASB 34 Conversion Entries	4		2			
Finalize Audit Adjustments	4		2			
Management Letter	4	4	2			1
Report preparation and assistance as needeed	80	90	40	60	70	8
Final WP Review and Clean-up	4	5	13	30	30	
Final SAS 114 Report to the Board	1	1	1			1
Board Presentation, Exit Conferences	3					2
Subtotal	100	100	60	90	100	12

Roles of C&A Staff (Partial List):
The Engagement Partner's focus will be on overall reporting, guidance and working with City staff to complete the reporting phase.
The Associate Partner will assist in report prepartion and client communication.
The Manager will review workpapers, letters and reports, and help maintain quality control.
The Senior Professional Staff will focus on report preparation and assisting the engagement partner and guiding our staff.
The Professional Staff will act in a support role during this phase.

Roles of City Staff:
We expect the City staff to review and respond to all reports required to complete the audit. We anticipate the City will provide or assist us in gathering information needed for the CAFR and note disclosures .
Management will be required to sign a representation letter which will be provided by us. Management will be required to provide responses to any and all recommendations and findings included in the management letter. Report preparation will be completed as outlined in the RFP, unless otherwise agreed prior to Phase III of the audit.

Note:
The above hours were estimated and allocated based on information in the City's most recent basic financial statements, budget, the City's website and other information obtained during the RFP process.

Summary of Staff Hours by Phase

Level of Staff	Phases I	Phases II	Phases III	Total Hours
Engagement Partner	150	150	100	400
Associate Partner	130	130	100	360
Manager	200	200	60	460
Senior Staff	225	225	90	540
Professional Staff	410	410	100	920
Administrative Staff	10	10	12	32
Totals	1,125	1,125	462	2,712

Summary Timeline

Segment	FYE 2015/16	Phase
Entrance Conference	May 6, 2016	I
Audit Planning C&A's Office	May 6, 2016	I
Interim List of Items and Audit Plan	May 9, 2016	I
Interim Testing	June 6, 2016	I
Interim Exit Conference	July 1, 2016	I
Initial List of Findings and Recommendations	July 1, 2016	I
Preparation and Mailing of Confirmation Letters to 3rd Parties	July 5, 2016	II
Year-end Field Work Planning Meeting C&A	July 11, 2016	II
List of Items Required by Client Year-end	July 12, 2016	II
Year-end Field Work	September 6, 2016	II
Exit Conference	October 14, 2016	II
Final List of Findings and Recommendations	October 14, 2016	II
Audit Adjustments	October 14, 2016	II
SCO Annual Street Report	October 15, 2016	III
SCO Annual Financial Transactions Reports	October 15, 2016	III
Draft Reports, Financials and Management Letters	November 1, 2016	III
Final Reports, Financials and Management Letters	November 10, 2016	III
Final Exit Conference	December 1, 2016	III
Council, Committee & Public Presentations	As Needed	III

(1) The estimated dates are flexible based on the City's needs and City staff availability

Audit Scope

We understand the scope of our services to be as follows:

A. C&A will perform an audit of all funds of the City of Stockton. The audit will be conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller of the United States. The City's Comprehensive Annual Financial Report (CAFR) will be prepared by the City, but the drafts of the financial statements and the Independent Auditor's Report will be prepared by C&A. C&A will render their auditors' report on the basic financial statements which will include both Government-Wide Financial Statements and Fund Financial Statements. C&A will also apply limited audit procedures to Management's Discussion and Analysis and required supplementary information pertaining to the General Fund and each major fund of the City.

B. C&A will perform a single audit on the expenditures of federal grants in accordance with Subpart F of the OMB Supercircular and render the appropriate audit reports on Internal Control over Financial Reporting based upon the audit of the City's financial statements in accordance with Government Auditing Standards and the appropriate reports on compliance with Requirements Applicable to each Major Program, and Internal Control over Compliance in Accordance with Subpart F of the OMB Supercircular. The single audit report will include an appropriate schedule of expenditures of federal awards, footnotes, findings and questioned costs, including reportable conditions and material weaknesses, and follow up on prior audit findings where required.

C. C&A shall issue a separate "management letter" for each audit that includes recommendations for improvements in internal control, accounting procedures and other significant observations that are considered to be non-reportable conditions. Management letters shall be addressed to the City Council.

D. At the City's option, C&A will prepare lead schedules and assist with closing journal entries, audit adjustments and closing of the City's books.

E. C&A will also provide agreed-upon procedures related to the City's GANN limit and prepare the required report in compliance with Article XIIIB.

F. C&A will audit the schedule of revenues, expenditures and changes in fund balance of the Measure W Public Safety Fund of the City. C&A will audit and prepare the required report.

G. C&A will review core revenues in accordance with the agreed upon procedures required by the Bankruptcy Agreement with the Assured Guarantee.

H. C&A will be available to present and to discuss the draft and final annual financial statements and results of operations with the City Council, City Staff, and other public meetings as needed throughout the year.

I. C&A has reviewed and considered all of the special considerations included in RFP Section 2.2.5 and the services required. The area that has been included in the scope of our services and our all-inclusive maximum price addresses the City's needs in this respect.

J. We shall retain all working papers and reports at the auditor's expense for a minimum of seven (7) years, unless the firm is notified in writing by the City of the need to extend the retention period. The working papers are subject to review by federal and state agencies and other individuals designated by the City. Additionally, we shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers.

Additional Optional Services

K. At the City's option, C&A will prepare and submit the California State Controller's Cities Annual Financial Transactions Report.

L. At the City's option, C&A will prepare and submit the Annual Street Report to the State Controller.

SECTION C

ADDITIONAL DATA/PROPOSAL EXCEPTIONS

Current Client List

Client	Level of Report
Cities/Towns	
City of Oroville	CAFR
City of Pacific Grove	CAFR
City of Point Arena	GASB Financial
City of Rocklin	CAFR
City of Saratoga	CAFR
City of Tracy	Forensic
Town of Los Gatos	CAFR
Special Districts/JPA's	
Bay Area Water Supply Conservation Agency	GASB Financial
Central Marin Sanitation Agency	CAFR
East Bay Dischargers Authority	GASB Financial
Fairfield-Suisun Sewer District	CAFR
Midpeninsula Regional Open Space District	GASB Financial
Oro Loma Sanitary District	CAFR
San Lorenzo Valley Water District	GASB Financial
Santa Clara County Regional Open Space Auth	GASB Financial
Saualito-Marin City Sanitation District	GASB Financial
Silicon Valley Clean Water	Single Audit
The Cities' Group	GASB Financial
Valley of the Moon Fire District	GASB Financial
West Bay Sanitary District	GASB Financial
Westborough Water District	GASB Financial
Local Education Agencies	
Antelope School District	Single Audit
Burlingame School District	Single Audit
Cabrillo Unified School District & Bond Audit	Single Audit
Cotati-Rohnert Park Unified School District	Single Audit
Delano Union School District	Single Audit
Golden Valley Unified School District	Single Audit
Hillsborough City School District	Single Audit
Las Lomitas School District & Bond Audit	GASB Financial
Lassen View Union Elementary School District	GASB Financial
Los Altos School District & Bond Audit	CAFR
Luther Burbank School District	GASB Financial
Millbrae School District & Bond Audit	Single Audit
Mountain View Whisman School District & Bond	Single Audit
Napa Valley Unified School District	Single Audit
Orchard School District & Bond Audit	GASB Financial
Pacifica School District	Single Audit
Portola Valley School District	GASB Financial
Red Bluff Union Elementary School District	Single Audit
Sequoia Union High School District & Bond	Single Audit

Client	Level of Report
Local Education Agencies (Cont'd)	
San Bruno Park School District	Single Audit
San Carlos School District & Bond Audit	Single Audit
San Lorenzo Valley Unified School District & Bond	Single Audit
Scotts Valley Unified School District & Bond Audit	Single Audit
Sonoma Valley Unified School District & Bond	Single Audit
South San Francisco Unified School District	Prequalification
Union School District & Bond Audit	Single Audit
West County Transportation Agency	GASB Financial
Woodside Elementary School District & Bond Audit	GASB Financial
Charter Schools	
Credo High School	FASB Financial
Charter School of Morgan Hill	FASB Financial
Mission Preparatory School	FASB Financial
Orange County Conservation Corps Charter School	FASB Financial
San Jose Conserv Corps Charter School	GASB Financial
Stone Bridge Charter School	FASB Financial
Woodland Star Charter School	FASB Financial
Privately Held Companies	
A Bright Future	FASB Financial
Diagnostics for the Real World	Single Audit
Halcyon Molecular	FASB Financial
Pathway to Choices	FASB Financial
Proheatlh Homecare	401k Audit
Sociometrics	Single Audit
R&B Wholesale Distribution	401k Audit
Not for Profit Entities	
Black Adoption Placement and Research Center	FASB Financial
Boys and Girls Clubs of Central Sonoma County	Single Audit
Boys and Girls Clubs of Sonoma Valley	Single Audit
Center for Empowering Refugees & Immigrants	FASB Financial
Charter School of Morgan Hill Foundation	FASB Financial
Children of Grace	FASB Financial
Collective Roots	FASB Financial
Foothill Community Health Center	FASB Financial
Hidaya Foundation	FASB Financial
Mission Language and Vocational School	FASB Financial
Pyramid Alternatives	FASB Financial
Redwood City Education Foundation	FASB Financial
San Jose Conservation Corps	Single Audit
Singularity University	FASB Financial
work2future Foundation	Single Audit

Technology in the Audit

C&A is a paperless firm and we use a secure cloud server for file sharing. We have Lenovo laptops and Fujitsu and Plustek scanners that we use in the field. Our laptops are synchronized to our cloud server every day to avoid loss of data. The scanners allow for flexibility during the audit since it is not feasible to expect every document in electronic format.

Our secure online lockbox provides for a better option over e-mailing electronic files. Each of our clients has an account login username and password through our website that allows them to upload files. This is especially helpful with sensitive information such as payroll data as it is much more secure than e-mail.

While we have an office, we pride ourselves on our mobility. Our office has become a meeting place and printing center. We have invested in high-end HP black/white and color printers and have established a printing and binding shop for report processing.

Our audit software is **ProSystems fx Engagement** which we compliment with ProSystem fx Knowledge Coach (KC) audit programs and workpapers. These programs allow us to roll-forward audit information without having to replace the audit programs in the binder because they automatically update with changes in auditing and accounting standards every month.

Finally, we have purchased data extraction software for each of our laptops that convert Adobe and other file types to Word and Excel.

All of the above mentioned technological innovations make the audit more efficient and provides us the opportunity to spend time in areas that are more meaningful to the City, such as having the financial statements completed by the deadline each year. It also reduces the time and effort required by City staff to provide information and almost entirely eliminates redundancy from year to year in the audit.

Proposal Exceptions

C&A did **not** have any exceptions or requested changes to the City's RFP conditions or requirements.

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SECTION D

PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS AND EXPERIENCE

We are aware of the need for continuity of personnel on the engagement and promise that the Engagement Partner and Manager will be directly involved in the audit **during each year** of the contract. We believe that extensive partner involvement provides continuity that could not be achieved in any other way. All staff committed in this proposal will be available for the entire June 30, 2016 audit and are available 12 months a year for questions, comments and implementation support. We understand that the Engagement Partners, managers and other supervisory staff and specialists may be changed only with the express prior written permission of the City. Other audit personnel may be changed at our discretion as long as the replacements have substantially the same or better qualifications or experience. The City retains the right to approve or reject replacements.

Note that **Sheldon Chavan** will be your key contact throughout the audit and Paul Pham and Bryan Kwon will be his support. They will help implement new accounting standards and facilitate ongoing support and maintenance.

Sheldon Chavan, CPA

Engagement Partner (Member CalCPA, AICPA, GFOA, CSMFO, GAQC)

Sheldon holds a B.S. in Accounting from San Jose State University. He began his career in public accounting in **1998** and has been auditing local governments and nonprofit organizations ever since. Sheldon is a CPA licensed in California and a member of AICPA, CalCPA, CSMFO, GAQC and GFOA. **He has also been a member of the GFOA Special Review Committee, with responsibility for reviewing CAFR's for award of the Certificate of Excellence in Financial Reporting.** Sheldon has prepared CAFR's for the City of Berkeley, City of Sunnyvale, City of Pittsburg and many others over his career. Most recently, Sheldon prepared the CAFR of the City of Oroville, City of Saratoga and the Town of Los Gatos for the fiscal years ended June 30, 2015.

CAFR Preparation

Sheldon has been managing audits his entire 19 year career, which includes the technical review of all work papers, staffing, scheduling, reporting, state compliance, federal compliance, state controllers reports and much more. He is responsible for running the audit in the field and providing accounting and auditing technical support to other partners and staff, primarily in the areas of compliance with auditing standards generally accepted in the United States of America, the standards set forth for financial audits in the United States General Accounting Office's (GAO) *Government Auditing Standards*, and the provisions of the Federal Single Audit Act and the United States Office of Management and Budget Subpart F of the OMB Supercircular, *Audits of State and Local Government and Nonprofit Organizations.* Sheldon also ensures that each staff has met the continuing professional education requirements under these standards and teaches several in-house seminars a year. He also administers our firm's quality control system as required by GAAS and Yellow Book standards. Sheldon has been performing audits under OMB Subpart F and the Single Audit Act his entire career. Understanding the complexities of the various federal programs is one of his specialties. Over the years, Sheldon has audited major programs such as CDBG, Shelter Plus Care, Home Investment in Affordable Housing, HUD Section 8, Highway Planning and Construction, Medi-Cal, Low-income Low Energy Assistance, IDEA Local Assistance, ARRA, and many more.

Sheldon has extensive experience auditing government bond programs and can assist the city with bond covenant calculations, bond compliance, tax filings, bond arbitrage issues and any other general reporting requirements. In addition, we currently have ten clients for which we complete special bond performance audits each year. We also provide contractor prequalification services for some clients who use restricted bond funds for modernization and infrastructure improvements.

Sheldon's recent continuing professional education:

Description of Program/Training
Fraud in Exempt Organizations: GAGAS, Preventing Fraud, and Audit Committees
Fraud in Exempt Organizations: Government & NPO Environment' plus 'Fraudulent Financial Reporting
Ethics: Pointer Electronics, Inc. - You Are the Audit Partner
Ethics: BAN&K Advisory Services LLC - You Are the Audit Partner
Frequent Government and NPO Frauds: Misuse of Assets
2015 Governmental and Nonprofit Annual Update: Federal Government Activities
2016 Qrtly Update-Gov/NFP-#1 (Winter): SAS and GASB Nos. 68 & 71
Qrtly Update-Gov/NFP-#2 (Spring): OMB A-133 Developments and SASs 118, 119, & 120
2016 Governmental and Nonprofit Annual Update: Federal Government Activities
2016 Qrtly Update-Gov/NFP-#1 (Winter): SAS No. 117 and GASB Nos. 67 & 68
OMB A-133: 'Program-Specific Audits' plus 'Audit Tools and Guidance'
Applying Risk Assessment Standards: Understanding the Entity and Its Environment
How to conduct a peer review
Governmental Accounting and Auditing Conference Webcast - 5121266C
Not-for-Profit Organizations Conference Webcast - 5121343C
Cases in NFP Acct. & Auditing: 'Financial Statement Requirements' plus 'Net Asset Classifications'
Fraud in Exempt Organizations: Applying AU Sec. 316 in Governmental and Not-for-Profit Environments
Ethics: AA&C LLP - Accounting Firm Practice Development Committee
Ethics: Precious Mining Inc.- You Are the Audit Committee Chair
Cases in NFP Acct. & Auditing: Contributions
Field Work Documentation: Preparation, Maintenance, Types of Workpapers
School District Update Including LCFF and LCAP Compliance
School Districts Conference Webcast - 5121445C
Comprehending OMB A-133: Overview plus 'Federal Awards'
Comprehending OMB A-133: 'Pass-Through Awards and Subrecipients' plus 'Meet the SEFA'
Comprehending OMB A-133: 'Major Program Determination' plus 'Types of Compliance Requirements'
Comprehending OMB A-133: Compliance Supplement, Cost Circulars, and Testing Internal Control
Comprehending OMB A-133: 'Testing Compliance' plus 'Reporting Requirements'
Comprehending OMB A-133: The Current OMB A-133 Environment
Basic Governmental Accounting: 'Reporting Entity' plus 'Government-Wide Statements'

The following is a **partial list** of Sheldon's clients over the years:

Cities and Towns	Special Districts/JPA's	School Districts/COE's	Nonprofits and Other
City of Berkeley	Bay Area Water Services & Cons	Antelope Elementary	2006 Washington St.
City of Campbell	Central Marin Sanitation Agency	Belmont Redwood Shores	Bay Area Special Education JPA
City of Marina	East Bay Dischargers Authority	Burlingame	Bay Area Water Users Association
City of Millbrae	Fairfield-Suisan Sanitation District	Cabrillo Unified	Black Adoption Placement
City of Novato	Half Moon Bay Fire Protection	Campbell Union	Boys and Girls Clubs of Sonoma
City of Oroville	Hayward Area Parks and Rec	Cloverdale Unified	Center for Empowering Refugees
City of Pacific Grove	Highland Recreation District	Cotati Rohnert Park	Children of Grace
City of Pittsburg	Los Trancos Water District	Hillsborough City	Collective Roots
City of Point Arena	Mckinney Water District	La Honda Pescadero	Credo High School
City of Redwood City	Menlo Park Fire Protection	Lakeside	Hidaya Foundation
City of Rocklin	Midpen Regional Open Space Auth	Las Lomitas Elementary	Livebooks
City of Salinas	Oro Loma Sanitary District	Lassen View Elementary	Mashery
City of San Carlos	Pleasant Hill Parks and Rec	Los Altos Elementary	Mission Charter
City of San Rafael	Point Montara Fire Protection District	Luther Burbank	Mission Language and Vocational School
City of Saratoga	Santa Clara Regional Open Space Auth	Manton Joint Union	Morgan Hill Charter Foundation
City of Scotts Valley	Saratoga Cemetery District	Menlo Park City	Morgan Hill Charter School
City of Sonoma	South Bayside System Authority	Millbrae Elementary	Nob Hill Home Owners Assoc.
City of South San Francisco	South San Francisco Conf. Ctr.	Mineral	O'Conner Water
City of Sunnyvale	Suasalito-Marin City Sanitation District	Mountain View Whisman	One Million Lights
City of Tracy	Tahoe Reqional Planning Agency	Orchard	Orange County Charter School
Town of Los Gatos	The Cities Group	Pacifica	Pathway to Choices
Town of Windsor	Valley of the Moon Fire	Plum Valley	Pyramid Alternatives
	West Bay Sanitary District	Portola Valley Elementary	Redwood City Education Foundation
	West County Wastewater District	Red Bluff	San Jose Conservation Charter
	Westborough Water District	Salinas Union High	San Jose Conservation Corps
	Woodside Fire Protection District	San Bruno Park	Singularity University
		San Carlos Elementary	Sociometrics
		San Lorenzo Valley Unified	South Tahoe Area Transit Authority
		San Mateo County Office	Stone Bridge Charter School
		San Mateo Union High	Woodside Atherton Authority
		Scotts Valley Unfied	work2future Foundation
		Sequoia Union High	
		Sonoma Valley Unified	
		Soquel Elementary	
		Union School District	
		West County Agency (LEA)	
		Windsor Unified	
		Woodside Elementary	

Bryan Kwon, CPA

Associate Partner

Bryan graduated from University of California, Santa Cruz, with a Bachelor of Science in Business Management Economics. Bryan is a CPA licensed in California and a member of AICPA and CalCPA. Bryan has been working in public and private accounting since 2009, and has completed three seasons of governmental auditing. Bryan has performed tests of controls, substantive tests, state compliance testing and Federal compliance testing for various local governments during his past year. Besides the standard control documentation and substantive testing required for GAAS audits, Bryan has performed audits and prepared reports under OMB Subpart F and the Single Audit Act, performed audits on PCAOB, which requires separate internal control audits. We have found that this combination of experience has made Bryan very proficient in identifying control deficiencies and offering solutions to areas of controls that need improvement. He has audited Federal grants from various agencies, including FEMA, HUD, FTA, the Department of Education, ARRA grants and much more.

Bryan's recent continuing professional education:

Description of Program/Training	
GAGAS - Ethical Principles In Government Auditing	Government Auditing
GAGAS - Field Work and Reporting Standards	Major Changes to Auditing Standards
GAGAS - Field Work Standards For Financial Audits	Limiting Auditor Liability
GAGAS - General Field Work And Reporting Standards	Auditor Communications: Critical New Requirements
GAGAS - General Standards	School Districts Conference
GAGAS - Reporting Standards For Financial Audits	Governmental Accounting, Reporting, and Auditing Update
GAGAS - Use and Application of GAGAS	GASB Basic Financial Statements for State and Local Governments

The following is a list of Bryan's clients over the years:

Cities and Towns	Special Districts	School Districts/COE's	Nonprofits and Other
City of Oroville	Bay Area Water Supply Conserv. Agency	Antelope Elementary	Credo Charter
City of Pacific Grove	Central Marin Sanitation Agency	Cabrillo Unified	DRW Limited
City of Point Arena	East Bay Dischargers Authority	Cotati Rhonert Park	Hidaya Foundation
City of Rocklin	Half Moon Bay Fire Protection	Hillsborough City	Mission Charter
City of Saratoga	Los Trancos Water District	Lassen View Elementary	Morgan Hill Charter
City of Tracy	Menlo Park Fire Protection	Las Lomitas Elementary	Orange County Charter School
Town of Los Gatos	Oro Loma Sanitary District	Los Altos Elementary	Pathway to Choices
	Pleasant Hill Parks and Rec	Manton Joint Union	San Jose Conservation Charter
	Point Montara Fire Protection District	Mineral	San Jose Conservation Corps
	South Bayside Systems Authority	Millbrae Elementary	
	South San Francisco Conf. Ctr.	Mountain View Whisman	
	Tahoe Regional Planning Agency	Orchard School District	
	The Cities Group	Pacifica	
	West Bay Sanitary District	Plum Valley	
	West County Wastewater District	Portola Valley Elementary	
	Westborough Water District	Red Bluff	
	Woodside Fire Protection District	San Bruno Park	
		San Carlos Elementary	
		San Lorenzo Valley Unified	
		San Mateo County Office	
		Sequoia Union High	
		Sonoma Valley Unified	
		Soquel Elementary	
		Union Elementary	
		West County Agency (LEA)	
		Windsor Unified	
		Woodside Elementary	

Michael Djurovic

Manager, CPA Candidate

Michael graduated from the University of California, Santa Cruz, with a B.S. in Information Systems Management. He has been working in public accounting since **2005**, performing audits for local governments, nonprofit organizations, non-public companies and publicly held companies. In addition to Michael's experience performing audits under GAGAS, OMB Subpart F, and the Single Audit Act, he has performed audits on PCAOB, which requires separate internal control audits. We have found that this combination of experience has made Michael very proficient in identifying control deficiencies and offering solutions to areas of controls that need improvement. Michael has performed audits and prepared reports under OMB Subpart F/Single Audit Act and California's RDA audit guide for most of the entities listed below. He has audited Federal grants from various agencies, including Highway Planning and Construction, HUD, and more. Most recently, Michael assisted in the preparation of the CAFR of the Los Altos School District and the Town of Los Gatos for the fiscal year ended June 30, 2015.

Mike's recent continuing professional education:

Description of Program/Training	
GAGAS - Ethical Principles In Government Auditing	Government Auditing
GAGAS - Field Work and Reporting Standards	Major Changes to Auditing Standards
GAGAS Field Work Standards For Financial Audits	Limiting Auditor Liability
GAGAS - General Field Work And Reporting Standards	Internal Fraud: Analytical Techniques
GAGAS - General Standards	School Districts Conference
GAGAS Reporting Standards For Financial Audits	Yellow Book: General, Field Work and Reporting Standards
GAGAS - Use and Application of GAGAS	GASB Basic Financial Statements for State and Local Governments

The following is a list of Michael's clients over the years:

Cities and Towns	Special Districts	School Districts/COE's	Nonprofits and Other
City of Oroville	Bay Area Water Supply Conserv. Agency	Antelope Elementary	Credo Charter
City of Pacific Grove	Central Marin Sanitation Agency	Cabrillo Unified	DRW Limited
City of Point Arena	East Bay Dischargers Authority	Cotati Rhonert Park	Hidaya Foundation
City of Rocklin	Half Moon Bay Fire Protection	Hillsborough City	Mission Charter
City of Saratoga	Los Trancos Water District	Lassen View Elementary	Morgan Hill Charter
City of Tracy	Menlo Park Fire Protection	Las Lomitas Elementary	Orange County Charter School
Town of Los Gatos	Oro Loma Sanitary District	Los Altos Elementary	Pathway to Choices
	Pleasant Hill Parks and Rec	Manton Joint Union	San Jose Conservation Charter
	Point Montara Fire Protection District	Mineral	San Jose Conservation Corps
	South Bayside Systems Authority	Millbrae Elementary	
	South San Francisco Conf. Ctr.	Mountain View Whisman	
	Tahoe Regional Planning Agency	Orchard School District	
	The Cities Group	Pacifica	
	West Bay Sanitary District	Plum Valley	
	West County Wastewater District	Portola Valley Elementary	
	Westborough Water District	Red Bluff	
	Woodside Fire Protection District	San Bruno Park	
		San Carlos Elementary	
		San Lorenzo Valley Unified	
		San Mateo County Office	
		Sequoia Union High	
		Sonoma Valley Unified	
		Soquel Elementary	
		Union Elementary	
		West County Agency (LEA)	
		Windsor Unified	
		Woodside Elementary	

Paul Pham

Senior Auditor I, CPA Candidate

Paul received his Bachelor of Science from Pacific University and hopes to pursue a Master of Accountancy in the near future. He is currently preparing to sit for the CPA exam and plans to complete his CPA certification by the end of the year. Paul has been working in public and private accounting since 2007 and has completed **seven** governmental audit seasons. He has completed financial and compliance audits for the entities (including LEA's) listed below since 2007. Besides the standard control documentation and substantive testing required for GAAS audits, Paul has performed audits and prepared reports under OMB Subpart F and the Single Audit Act for most of the entities listed below. He has audited Federal grants from various agencies, including FEMA, HUD, FTA, the Department of Education (Title I, Special Education, Title II, Adult Ed) and much more.

Paul's recent continuing professional education:

Description of Program/Training	
GAGAS - Ethical Principles In Government Auditing	Government Auditing
GAGAS - Field Work and Reporting Standards	Major Changes to Auditing Standards
GAGAS - Field Work Standards For Financial Audits	Limiting Auditor Liability
GAGAS - General Field Work And Reporting Standards	Internal Fraud: Analytical Techniques
GAGAS - General Standards	School Districts Conference
GAGAS - Reporting Standards For Financial Audits	Yellow Book: General, Field Work and Reporting Standards
GAGAS - Use and Application of GAGAS	GASB Basic Financial Statements for State and Local Governments

The following is a partial list of Paul's clients over the years:

Cities and Towns	Special Districts	School Districts/COE's	Nonprofits and Other
City of Oroville	Bay Area Water Supply Conserv. Agency	Antelope Elementary	Credo Charter
City of Pacific Grove	Central Marin Sanitation Agency	Cabrillo Unified	DRW Limited
City of Point Arena	East Bay Dischargers Authority	Cotati Rhonert Park	Hidaya Foundation
City of Rocklin	Half Moon Bay Fire Protection	Hillsborough City	Mission Charter
City of Saratoga	Los Trancos Water District	Lassen View Elementary	Morgan Hill Charter
City of Tracy	Menlo Park Fire Protection	Las Lomitas Elementary	Orange County Charter School
Town of Los Gatos	Oro Loma Sanitary District	Los Altos Elementary	Pathway to Choices
	Pleasant Hill Parks and Rec	Manton Joint Union	San Jose Conservation Charter
	Point Montara Fire Protection District	Mineral	San Jose Conservation Corps
	South Bayside Systems Authority	Millbrae Elementary	
	South San Francisco Conf. Ctr.	Mountain View Whisman	
	Tahoe Regional Planning Agency	Orchard School District	
	The Cities Group	Pacifica	
	West Bay Sanitary District	Plum Valley	
	West County Wastewater District	Portola Valley Elementary	
	Westborough Water District	Red Bluff	
	Woodside Fire Protection District	San Bruno Park	
		San Carlos Elementary	
		San Lorenzo Valley Unified	
		San Mateo County Office	
		Sequoia Union High	
		Sonoma Valley Unified	
		Soquel Elementary	
		Union Elementary	
		West County Agency (LEA)	
		Windsor Unified	
		Woodside Elementary	

Michael Copher, CPA

Senior Auditor I

Mike holds a Masters in Accountancy, a B.S. in Accountancy, a B.S. in Finance (Investment Banking) and a minor in Computer Science. He has three years of auditing experience and two years of accounting consulting experience since graduating from Illinois in 2005. He has two years of auditing experience at KPMG in Silicon Valley/San Francisco and one year at Arminino McKenna in San Jose. Mike contributed to KPMG annual audit engagements, quarterly reviews and SOX404 testwork with large cap client such as Apple, Infineon and SVB Financial Group. In addition, Mike contributed to the audit engagement at the State Compensation Insurance Fund in San Francisco, gaining experience with Yellow Book government compliance. Mike also has experience from Arminino McKenna with ETR Associates, a non-for-profit client in Scotts Valley.

Mike is proficient with the IDEA auditing software tool, Microsoft Excel and Access as well as HTML and C++ programming. His skill of data analysis combined with reengineering audit procedures earned him the Exceptional Performer Award in 2007 at KPMG placing him in the top 5% of his class.

Michael's recent continuing professional education:

Description of Program/Training	
GAGAS - Ethical Principles In Government Auditing	Government Auditing
GAGAS - Field Work and Reporting Standards	Major Changes to Auditing Standards
GAGAS - Field Work Standards For Financial Audits	GAGAS - General Standards
GAGAS - General Field Work And Reporting Standards	GAGAS - Reporting Standards For Financial Audits
GASB Basic Financial Statements for Local Governments	GAGAS - Use and Application of GAGAS

The following is a list of Michael's clients over the years:

Cities and Towns	Special Districts	School Districts/COE's	Nonprofits and Charter Schools
City of Point Arena	Bay Area Water Supply Conserv. Agency	Cabrillo Unified	Boys and Girls Clubs of Sonoma
City of Saratoga	Central Marin Sanitation Agency	Cotati Rhonert Park	Credo Charter
Town of Los Gatos	South Bayside Systems Authority	Las Lomitas Elementary	Mission Charter
	The Cities Group	Los Altos Elementary	Morgan Hill Charter
	West Bay Sanitary District	Millbrae Elementary	Pathway to Choices
		Mountain View Whisman	San Jose Conservation Charter
		San Mateo County Office	San Jose Conservation Corps
		Seqouia Union High	
		Sonoma Valley Unified	
		West County Agency (LEA)	
		Windsor Unified	
		Woodside Elementary	

Greg Metz

Professional Staff

Greg graduated from California State University, Chico with a Bachelor of Science in Business Administration. New to public accounting in 2011, he has completed **three** seasons of governmental auditing. Greg has performed tests of controls, substantive tests, state compliance testing and Federal compliance testing for various local governments during his past two years. Besides the standard control documentation and substantive testing required for GAAS audits, Greg has performed audits and prepared reports under OMB A-133 and the Single Audit Act. He has audited Federal grants from various agencies, including ARRA Special Education, ARRA grants, Department of Education and others.

Greg's recent continuing professional education:

Description of Program/Training	
GAGAS - Ethical Principles In Government Auditing	Government Auditing
GAGAS - Field Work and Reporting Standards	Major Changes to Auditing Standards
GAGAS - Field Work Standards For Financial Audits	Limiting Auditor Liability
GAGAS - General Field Work And Reporting Standards	Internal Fraud: Analytical Techniques
GAGAS - General Standards	School Districts Conference
GAGAS - Reporting Standards For Financial Audits	Yellow Book: General, Field Work and Reporting Standards
GAGAS - Use and Application of GAGAS	GASB Basic Financial Statements for State and Local Governments

The following is a list of Greg's clients over the years:

Cities and Towns	Special Districts	School Districts/COE's	Nonprofits and Other
City of Oroville	Bay Area Water Supply Conserv. Agency	Antelope Elementary	Credo Charter
City of Pacific Grove	Central Marin Sanitation Agency	Cabrillo Unified	DRW Limited
City of Point Arena	East Bay Dischargers Authority	Cotati Rhonert Park	Hidaya Foundation
City of Rocklin	Half Moon Bay Fire Protection	Hillsborough City	Mission Charter
City of Saratoga	Los Trancos Water District	Lassen View Elementary	Morgan Hill Charter
City of Tracy	Menlo Park Fire Protection	Las Lomitas Elementary	Orange County Charter School
Town of Los Gatos	Oro Loma Sanitary District	Los Altos Elementary	Pathway to Choices
	Pleasant Hill Parks and Rec	Manton Joint Union	San Jose Conservation Charter
	Point Montara Fire Protection District	Mineral	San Jose Conservation Corps
	South Bayside Systems Authority	Millbrae Elementary	
	South San Francisco Conf. Ctr.	Mountain View Whisman	
	Tahoe Regional Planning Agency	Orchard School District	
	The Cities Group	Pacifica	
	West Bay Sanitary District	Plum Valley	
	West County Wastewater District	Portola Valley Elementary	
	Westborough Water District	Red Bluff	
	Woodside Fire Protection District	San Bruno Park	
		San Carlos Elementary	
		San Lorenzo Valley Unified	
		San Mateo County Office	
		Sequoia Union High	
		Sonoma Valley Unified	
		Soquel Elementary	
		Union Elementary	
		West County Agency (LEA)	
		Windsor Unified	
		Woodside Elementary	

Daniel Garayacochea

Professional Staff

Daniel graduated from San Jose State University with a Bachelor of Science in Legal Studies. He has successfully completed two seasons of governmental auditing. Daniel has performed tests of controls, substantive tests, state compliance testing and Federal compliance testing for various special districts and school districts. Besides the standard control documentation and substantive testing required for GAAS audits, Daniel has performed audits and prepared reports under OMB Subpart F and the Single Audit Act. He has audited Federal grants from various agencies, including Special Education, National School Lunch, Title I, Department of Education grants and others.

Recent continuing professional education*:*

Description of Program/Training	
GAGAS - Ethical Principles In Government Auditing	Government Auditing
GAGAS - Field Work and Reporting Standards	Major Changes to Auditing Standards
GAGAS - Field Work Standards For Financial Audits	Limiting Auditor Liability
GAGAS - General Field Work And Reporting Standards	Internal Fraud: Analytical Techniques
GAGAS - General Standards	School Districts Conference
GAGAS - Reporting Standards For Financial Audits	Yellow Book: General, Field Work and Reporting Standards
GAGAS - Use and Application of GAGAS	GASB Basic Financial Statements for State and Local Governments

The following is a list of Daniel's clients over the years:

Cities and Towns	Special Districts	School Districts/COE's	Nonprofits and Other
City of Oroville	Bay Area Water Supply Conserv. Agency	Antelope Elementary	Credo Charter
City of Pacific Grove	Central Marin Sanitation Agency	Cabrillo Unified	DRW Limited
City of Point Arena	East Bay Dischargers Authority	Cotati Rhonert Park	Hidaya Foundation
City of Rocklin	Half Moon Bay Fire Protection	Hillsborough City	Mission Charter
City of Saratoga	Los Trancos Water District	Lassen View Elementary	Morgan Hill Charter
City of Tracy	Menlo Park Fire Protection	Las Lomitas Elementary	Orange County Charter School
Town of Los Gatos	Oro Loma Sanitary District	Los Altos Elementary	Pathway to Choices
	Pleasant Hill Parks and Rec	Manton Joint Union	San Jose Conservation Charter
	Point Montara Fire Protection District	Mineral	San Jose Conservation Corps
	South Bayside Systems Authority	Millbrae Elementary	
	South San Francisco Conf. Ctr.	Mountain View Whisman	
	Tahoe Regional Planning Agency	Orchard School District	
	The Cities Group	Pacifica	
	West Bay Sanitary District	Plum Valley	
	West County Wastewater District	Portola Valley Elementary	
	Westborough Water District	Red Bluff	
	Woodside Fire Protection District	San Bruno Park	
		San Carlos Elementary	
		San Lorenzo Valley Unified	
		San Mateo County Office	
		Sequoia Union High	
		Sonoma Valley Unified	
		Soquel Elementary	
		Union Elementary	
		West County Agency (LEA)	
		Windsor Unified	
		Woodside Elementary	

Matthew Ojeda

Professional Staff

Matthew graduated from the San Jose State University, with a B.S. in Accounting. He has successfully completed two seasons of governmental auditing. Matthew has performed tests of controls, substantive tests, state compliance testing and Federal compliance testing for various special districts and school districts. Besides the standard control documentation and substantive testing required for GAAS audits, Matthew has performed audits and prepared reports under OMB Subpart F and the Single Audit Act. He has audited Federal grants from various agencies, including Special Education, National School Lunch, Title I, Department of Education grants and others.

Recent continuing professional education:

Description of Program/Training	
GAGAS - Ethical Principles In Government Auditing	Government Auditing
GAGAS - Field Work and Reporting Standards	Major Changes to Auditing Standards
GAGAS - Field Work Standards For Financial Audits	Limiting Auditor Liability
GAGAS - General Field Work And Reporting Standards	Internal Fraud: Analytical Techniques
GAGAS - General Standards	School Districts Conference
GAGAS - Reporting Standards For Financial Audits	Yellow Book: General, Field Work and Reporting Standards
GAGAS - Use and Application of GAGAS	GASB Basic Financial Statements for State and Local Governments

The following is a list of Matthew's clients over the years:

Cities and Towns	Special Districts	School Districts/COE's	Nonprofits and Other
City of Oroville	Bay Area Water Supply Conserv. Agency	Antelope Elementary	Credo Charter
City of Pacific Grove	Central Marin Sanitation Agency	Cabrillo Unified	DRW Limited
City of Point Arena	East Bay Dischargers Authority	Cotati Rhonert Park	Hidaya Foundation
City of Rocklin	Half Moon Bay Fire Protection	Hillsborough City	Mission Charter
City of Saratoga	Los Trancos Water District	Lassen View Elementary	Morgan Hill Charter
City of Tracy	Menlo Park Fire Protection	Las Lomitas Elementary	Orange County Charter School
Town of Los Gatos	Oro Loma Sanitary District	Los Altos Elementary	Pathway to Choices
	Pleasant Hill Parks and Rec	Manton Joint Union	San Jose Conservation Charter
	Point Montara Fire Protection District	Mineral	San Jose Conservation Corps
	South Bayside Systems Authority	Millbrae Elementary	
	South San Francisco Conf. Ctr.	Mountain View Whisman	
	Tahoe Regional Planning Agency	Orchard School District	
	The Cities Group	Pacifica	
	West Bay Sanitary District	Plum Valley	
	West County Wastewater District	Portola Valley Elementary	
	Westborough Water District	Red Bluff	
	Woodside Fire Protection District	San Bruno Park	
		San Carlos Elementary	
		San Lorenzo Valley Unified	
		San Mateo County Office	
		Sequoia Union High	
		Sonoma Valley Unified	
		Soquel Elementary	
		Union Elementary	
		West County Agency (LEA)	
		Windsor Unified	
		Woodside Elementary	

Jennie Tran

Professional Staff

Jennie graduated from the San Jose State University, with a B.S. in Accounting. New to public accounting in 2014, she has successfully completed one full season of governmental auditing. Jennie has performed tests of controls, substantive tests, state compliance testing and Federal compliance testing for various special districts and school districts. Besides the standard control documentation and substantive testing required for GAAS audits, Jennie has performed audits and prepared reports under OMB Subpart F and the Single Audit Act. He has audited Federal grants from various agencies, including Special Education, National School Lunch, Title I, Department of Education grants and others.

Recent continuing professional education:

Description of Program/Training	
GAGAS - Ethical Principles In Government Auditing	Government Auditing
GAGAS - Field Work and Reporting Standards	Major Changes to Auditing Standards
GAGAS - Field Work Standards For Financial Audits	Limiting Auditor Liability
GAGAS - General Field Work And Reporting Standards	Internal Fraud: Analytical Techniques
GAGAS - General Standards	School Districts Conference
GAGAS - Reporting Standards For Financial Audits	Yellow Book: General, Field Work and Reporting Standards
GAGAS - Use and Application of GAGAS	GASB Basic Financial Statements for State and Local Governments

The following is a list of Jennie's clients over the years:

Cities and Towns	Special Districts	School Districts/COE's	Nonprofits and Other
City of Oroville	Bay Area Water Supply Conserv. Agency	Cabrillo Unified	Boys and Girls Clubs of Sonoma
City of Point Arena	Central Marin Sanitation Agency	Cotati Rhonert Park	Credo Charter
City of Saratoga	East Bay Dischargers Authority	Las Lomitas Elementary	Mission Charter
City of Tracy	Half Moon Bay Fire Protection	Los Altos Elementary	Morgan Hill Charter
Town of Los Gatos	Los Trancos Water District	Millbrae Elementary	Pathway to Choices
	Menlo Park Fire Protection	Mountain View Whisman	San Jose Conservation Charter
	Pleasant Hill Parks and Rec	Orchard School District	San Jose Conservation Corps
	Point Montara Fire Protection District	Pacifica	
	South Bayside Systems Authority	Plum Valley	
	South San Francisco Conf. Ctr.	Portola Valley Elementary	
	Tahoe Regional Planning Agency	Red Bluff	
	The Cities Group	San Bruno Park	
	West Bay Sanitary District	Seqouia Union High	
	West County Wastewater District	Union Elementary	
	Westborough Water District	West County Agency (LEA)	
	Woodside Fire Protection District	Woodside Elementary	

Nick Underwood

Professional Staff

Nick graduated from the San Jose State University, with a B.S. in Accounting. He has been working in public accounting since 2010 and was an accounting associate at Arminino McKenna before Joining C&A in 2012. Nick has performed audits for local governments, nonprofit organizations and non-public companies. Some of his responsibilities included testing of controls over financial reporting and compliance, year-end substantive testing and drafting financial statements and note disclosures. Nick is accustom to meeting deadlines and has worked closely with clients to do so. Nick has audited Federal grants from various agencies, including ARRA Special Education, ARRA grants, Highway Planning and Construction, HUD, the Department of Education and others.

Nick's recent continuing professional education:

Description of Program/Training	
GAGAS - Ethical Principles In Government Auditing	Government Auditing
GAGAS - Field Work and Reporting Standards	Major Changes to Auditing Standards
GAGAS - Field Work Standards For Financial Audits	Limiting Auditor Liability
GAGAS - General Field Work And Reporting Standards	Internal Fraud: Analytical Techniques
GAGAS - General Standards	School Districts Conference
GAGAS - Reporting Standards For Financial Audits	Yellow Book: General, Field Work and Reporting Standards
GAGAS - Use and Application of GAGAS	GASB Basic Financial Statements for State and Local Governments

The following is a list of Nick's clients over the years:

Cities and Towns	Special Districts	School Districts/COE's	Nonprofits and Other
City of Oroville	Bay Area Water Supply Conserv. Agency	Cabrillo Unified	Boys and Girls Clubs of Sonoma
City of Point Arena	Central Marin Sanitation Agency	Cotati Rhonert Park	Credo Charter
City of Saratoga	East Bay Dischargers Authority	Las Lomitas Elementary	Mission Charter
City of Tracy	Half Moon Bay Fire Protection	Los Altos Elementary	Morgan Hill Charter
Town of Los Gatos	Los Trancos Water District	Millbrae Elementary	Pathway to Choices
	Menlo Park Fire Protection	Mountain View Whisman	San Jose Conservation Charter
	Pleasant Hill Parks and Rec	Orchard School District	San Jose Conservation Corps
	Point Montara Fire Protection District	Pacifica	
	South Bayside Systems Authority	Plum Valley	
	South San Francisco Conf. Ctr.	Portola Valley Elementary	
	Tahoe Regional Planning Agency	Red Bluff	
	The Cities Group	San Bruno Park	
	West Bay Sanitary District	Seqouia Union High	
	West County Wastewater District	Union Elementary	
	Westborough Water District	West County Agency (LEA)	
	Woodside Fire Protection District	Woodside Elementary	

Professional Education and Training

Our professionals complete 80 hours of continuing professional education every two years in auditing and accounting which includes 80 hours of governmental auditing and accounting training. We use a combination of in-house seminars, self-study and outside seminars sponsored by the AICPA, the GFOA, the California Education Foundation and other recognized groups.

SECTION E

REFERENCES AND SIMILAR ENGAGEMENTS

Client References and Similar Engagements

The following projects were completed by C&A in the last three years and are current clients:

Entity Name	City of Saratoga	Town of Los Gatos	City of Pacific Grove
Contact Person	Tony McFarlane	Steve Conway	Patricia Maitland
Title	Finance Manager	Finance Director	Finance Director
Address	13777 Fruitvale Ave, Saratoga, CA 95070	110 E. Main St, Los Gatos, CA 95030	300 Forest Ave, Pacific Grove, CA 93950
Phone	408-868-1227	408-354-6828	831-648-3181
E-mail	tmcfarlane@saratoga.ca.us	sconway@losgatosca.gov	pmaitland@cityofpacificgrove.org
Audit Period	6/30/2015	6/30/2015	6/30/2015
Hours	420	420	360
Engagement Partner	Sheldon Chavan	Sheldon Chavan	Sheldon Chavan
GFOA Award	Yes	Yes	Yes
Entity Type	City	City	City
Scope of Work	CAFR Prep & Review GAGAS Audit Single Audit/OMB SAS 114 Report Management Letter TDA Audit GANN Limit AUP Year Round Consultation	CAFR Prep GAGAS Audit Single Audit/OMB SAS 114 Report Management Letter GANN Limit AUP TDA Audit Successor Agency Audit Year Round Consultation	CAFR Prep GAGAS Audit Single Audit/OMB GANN Limit AUP SAS 114 Report Management Letter Year Round Consultation

Entity Name	City of Oroville	City of Rocklin	City of Tracy
Contact Person	Ruth Wright	Mary Rister	Jenny Haruyama
Title	Director of Finance	Finance Officer	Assistant City Manager
Address	1735 Montgomery St, Oroville, CA	3970 Rocklin Road, Rocklin, CA 95677	1052 S. Livermore Ave, Livermore, CA 94550
Phone	530-538-2413	916-625-5024	925-960-4040
E-mail	wrightr@cityoforoville.org	mary.rister@rocklin.ca.us	jhharuyama@cityoflivermore.net
Audit Period	6/30/2015	6/30/2015	7/1/2008-1/31/2014
Hours	240	200	150
Engagement Partner	Sheldon Chavan	Sheldon Chavan	Sheldon Chavan
GFOA Award	Yes	No	N/A
Entity Type	City	City	City
Scope of Work	CAFR Prep GAGAS Audit Single Audit/OMB GANN Limit AUP SAS 114 Report Year Round Consultation	CAFR Prep Single Audit/OMB SAS 114 Report Management Letter GANN Limit AUP Year Round Consultation	Credit Card Policy Review Evaluation and Recommendations Agreed-upon Procedures Report Credit Card Fraud Audit GANN Limit AUP Year Round Consultation

ATTACHMENTS

Attachment A

CHIANG, HAMMON & COMPANY
Certified Public Accountants
2007 W. Hedding Street, Suite 209 San Jose, CA 95128
(408) 244-2002 (408) 244-2333 Fax

System Review Report

June 10, 2014

To the Members of Chavan & Associates LLP
and the Peer Review Committee of the CalCPA

We have reviewed the system of quality control for the accounting and auditing practice of Chavan & Associates LLP in effect for the year ended December 31, 2013. Our peer review was conducted in accordance with the Standards for Performing and reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm reasonable assurance of conforming with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on my review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards.*

In our opinion, the system of quality control for the accounting and auditing practice of Chavan & Associates LLP. in effect for the year ended December 31, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of conforming with applicable professional standards in all material respects. Firms can receive a rating of *pass, pass with deficiency(ies)* or *fail.* Chavan & Associates LLP has received a peer review rating of *pass.*

Chiang, Hammon & Company

Attachment B

CHAVA-1 OP ID: AX

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY) 04/06/2016

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER
R. C. Fischer & Co.
P.O. Box 8101
Walnut Creek, CA 94596-8101
S Totah-Edward

CONTACT NAME: S Totah-Edward
PHONE (A/C, No, Ext): 925-932-7823 FAX (A/C, No): 925-932-0962
E-MAIL ADDRESS:

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A : Valley Forge Insurance Company	20508
INSURER B : Hartford Underwriters Ins Co	
INSURER C : Philadelphia Indemnity Ins. Co	18058
INSURER D :	
INSURER E :	
INSURER F :	

INSURED
Chavan & Associates, LLP
Sheldon Chavan
1475 Saratoga Ave #180
San Jose, CA 95129

COVERAGES CERTIFICATE NUMBER: REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	GENERAL LIABILITY COMMERCIAL GENERAL LIABILITY CLAIMS-MADE X OCCUR X Business Owners GEN'L AGGREGATE LIMIT APPLIES PER: X POLICY PRO-JECT LOC	X		4030637077	04/26/2015	04/26/2016	EACH OCCURRENCE DAMAGE TO RENTED PREMISES (Ea occurrence) MED EXP (Any one person) PERSONAL & ADV INJURY GENERAL AGGREGATE PRODUCTS - COMP/OP AGG	$ 2,000,000 $ 300,000 $ 10,000 $ 2,000,000 $ 4,000,000 $ 4,000,000 $
A	AUTOMOBILE LIABILITY ANY AUTO ALL OWNED AUTOS X HIRED AUTOS SCHEDULED AUTOS X NON-OWNED AUTOS			4030637077	04/26/2015	04/26/2016	COMBINED SINGLE LIMIT (Ea accident) BODILY INJURY (Per person) BODILY INJURY (Per accident) PROPERTY DAMAGE (PER ACCIDENT)	$ 1,000,000 $ $ $ $
	UMBRELLA LIAB EXCESS LIAB DED RETENTION $						EACH OCCURRENCE AGGREGATE	$ $ $
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? Y / N (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N / A		57WECER8244	01/31/2016	01/31/2017	X WC STATU-TORY LIMITS OTH-ER E.L. EACH ACCIDENT E.L. DISEASE - EA EMPLOYEE E.L. DISEASE - POLICY LIMIT	 $ 1,000,000 $ 1,000,000 $ 1,000,000
C	Professional E&O Claims Made			PHSD1070089	10/01/2015	10/01/2016	Limit Ded	3,000,000 5,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

The City of Stockton is named as additional insured per the attached SB146932E0611.

CERTIFICATE HOLDER STOCK-1

City of Stockton
425 N El Dorado Street
Stockton, CA 95202-1997

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

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The ACORD name and logo are registered marks of ACORD

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

BLANKET ADDITIONAL INSURED – LIABILITY EXTENSION

This endorsement modifies insurance provided under the following:

BUSINESSOWNERS LIABILITY COVERAGE FORM

Coverage afforded under this extension of coverage endorsement does not apply to any person or organization covered as an additional insured on any other endorsement now or hereafter attached to this Policy.

1. ADDITIONAL INSURED – BLANKET VENDORS

WHO IS AN INSURED is amended to include as an additional insured any person or organization (referred to below as vendor) with whom you agreed, because of a written contract or agreement to provide insurance, but only with respect to "bodily injury" or "property damage" arising out of "your products" which are distributed or sold in the regular course of the vendor's business, subject to the following additional exclusions:

1. The insurance afforded the vendor does not apply to:

a. "Bodily injury" or "property damage" for which the vendor is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages that the vendor would have in the absence of the contract or agreement;

b. Any express warranty unauthorized by you;

c. Any physical or chemical change in the product made intentionally by the vendor;

d. Repackaging, except when unpacked solely for the purpose of inspection, demonstration, testing, or the substitution of parts under instructions from the manufacturer, and then repackaged in the original container;

e. Any failure to make such inspections, adjustments, tests or servicing as the vendor has agreed to make or normally undertakes to make in the usual course of business, in connection with the distribution or sale of the products;

f. Demonstration, installation, servicing or repair operations, except such operations performed at the vendor's premises in connection with the sale of the product;

g. Products which, after distribution or sale by you, have been labeled or relabeled or used as a container, part or ingredient of any other thing or substance by or for the vendor; or

h. "Bodily injury" or "property damage" arising out of the sole negligence of the vendor for its own acts or omission or those of its employees or anyone else acting on its behalf. However, this exclusion does not apply to:

(1) The exceptions contained in Subparagraphs **d.** or **f.;** or

(2) Such inspections, adjustments, tests or servicing as the vendor has agreed to make or normally undertakes to make in the usual course of business, in connection with the distribution or sale of the products.

2. This insurance does not apply to any insured person or organization, from whom you have acquired such products, or any ingredient, part or container, entering into, accompanying or containing such products.

3. This provision **2.** does not apply to any vendor included as an insured by an endorsement issued by us and made a part of this Policy.

4. This provision **2.** does not apply if "bodily injury" or "property damage" included within the "products-completed operations hazard" is excluded either by the provisions of the Policy or by endorsement.

2. MISCELLANEOUS ADDITIONAL INSUREDS

WHO IS AN INSURED is amended to include as an insured any person or organization (called additional insured) described in paragraphs **2.a.** through **2.h.** below whom you are required to add as an additional insured on this policy under a written contract or agreement but the written contract or agreement must be:

1. Currently in effect or becoming effective during the term of this policy; and

2. Executed prior to the "bodily injury," "property damage" or "personal and advertising injury," but

Only the following persons or organizations are additional insureds under this endorsement and coverage provided to such additional insureds is limited as provided herein:

a. Additional Insured – Your Work

That person or organization for whom you do work is an additional insured solely for liability due to your negligence specifically resulting from your work for the additional insured which is the subject of the written contract or written agreement. No coverage applies to liability resulting from the sole negligence of the additional insured.

The insurance provided to the additional insured is limited as follows:

(1) The Limits of Insurance applicable to the additional insured are those specified in the written contract or written agreement or in the Declarations of this policy, whichever is less. These Limits of Insurance are inclusive of, and not in addition to, the Limits of Insurance shown in the Declarations.

(2) The coverage provided to the additional insured by this endorsement and paragraph **F.9.** of the definition of "insured contract" under **Liability and Medical Expenses Definitions** do not apply to "bodily injury" or "property damage" arising out of the "products-completed operations hazard" unless required by the written contract or written agreement.

(3) The insurance provided to the additional insured does not apply to "bodily injury," "property damage," or "personal and advertising injury" arising out of the rendering or failure to render any professional services.

b. State or Political Subdivisions

A state or political subdivision subject to the following provisions:

(1) This insurance applies only with respect to the following hazards for which the state or political subdivision has issued a permit in connection with premises you own, rent, or control and to which this insurance applies:

(a) The existence, maintenance, repair, construction, erection, or removal of advertising signs, awnings, canopies, cellar entrances, coal holes, driveways, manholes, marquees, hoistaway openings, sidewalk vaults, street banners, or decorations and similar exposures; or

(b) The construction, erection, or removal of elevators; or

(2) This insurance applies only with respect to operations performed by you or on your behalf for which the state or political subdivision has issued a permit.

This insurance does not apply to "bodily injury," "property damage" or "personal and advertising injury" arising out of operations performed for the state or municipality.

c. Controlling Interest

Any persons or organizations with a controlling interest in you but only with respect to their liability arising out of:

(1) Their financial control of you; or

(2) Premises they own, maintain or control while you lease or occupy these premises.

This insurance does not apply to structural alterations, new construction and demolition operations performed by or for such additional insured.

d. Managers or Lessors of Premises

A manager or lessor of premises but only with respect to liability arising out of the ownership, maintenance or use of that specific part of the premises leased to you and subject to the following additional exclusions:

This insurance does not apply to:

(1) Any "occurrence" which takes place after you cease to be a tenant in that premises; or

(2) Structural alterations, new construction or demolition operations performed by or on behalf of such additional insured.

e. Mortgagee, Assignee or Receiver

A mortgagee, assignee or receiver but only with respect to their liability as mortgagee, assignee, or receiver and arising out of the ownership, maintenance, or use of a premises by you.

This insurance does not apply to structural alterations, new construction or demolition operations performed by or for such additional insured.

f. Owners/Other Interests – Land is Leased

An owner or other interest from whom land has been leased by you but only with respect to liability arising out of the ownership, maintenance or use of that

specific part of the land leased to you and subject to the following additional exclusions:

This insurance does not apply to:

(1) Any "occurrence" which takes place after you cease to lease that land; or

(2) Structural alterations, new construction or demolition operations performed by or on behalf of such additional insured.

g. Co-owner of Insured Premises

A co-owner of a premises co-owned by you and covered under this insurance but only with respect to the co-owners liability as co-owner of such premises.

h. Lessor of Equipment

Any person or organization from whom you lease equipment. Such person or organization are insureds only with respect to their liability arising out of the maintenance, operation or use by you of equipment leased to you by such person or organization. A person's or organization's status as an insured under this endorsement ends when their written contract or agreement with you for such leased equipment ends.

With respect to the insurance afforded these additional insureds, the following additional exclusions apply:

This insurance does not apply:

(1) To any "occurrence" which takes place after the equipment lease expires; or

(2) To "bodily injury," "property damage" or "personal and advertising injury" arising out of the sole negligence of such additional insured.

Any insurance provided to an additional insured designated under paragraphs **b.** through **h.** above does not apply to "bodily injury" or "property damage" included within the "products-completed operations hazard."

3. The following is added to **Paragraph H.** of the **BUSINESSOWNERS COMMON POLICY CONDITIONS:**

H. Other Insurance

4. This insurance is excess over any other insurance naming the additional insured as an insured whether primary, excess, contingent or on any other basis unless a written contract or written agreement specifically requires that this insurance be either primary or primary and noncontributing.

4. LEGAL LIABILITY – DAMAGE TO PREMISES

A. Under B. Exclusions, 1. Applicable to Business Liability Coverage, Exclusion **k. Damage To Property,** is replaced by the following:

k. Damage To Property

"Property damage" to:

1. Property you own, rent or occupy, including any costs or expenses incurred by you, or any other person, organization or entity, for repair, replacement, enhancement, restoration or maintenance of such property for any reason, including prevention of injury to a person or damage to another's property;

2. Premises you sell, give away or abandon, if the "property damage" arises out of any part of those premises;

3. Property loaned to you;

4. Personal property in the care, custody or control of the insured;

5. That particular part of any real property on which you or any contractors or subcontractors working directly or indirectly in your behalf are performing operations, if the "property damage" arises out of those operations; or

6. That particular part of any property that must be restored, repaired or replaced because "your work" was incorrectly performed on it.

Paragraph 2 of this exclusion does not apply if the premises are "your work" and were never occupied, rented or held for rental by you.

Paragraphs 1, 3, and 4, of this exclusion do not apply to "property damage" (other than damage by fire or explosion) to premises:

(1) rented to you:

(2) temporarily occupied by you with the permission of the owner, or

(3) to the contents of premises rented to you for a period of 7 or fewer consecutive days.

A separate limit of insurance applies to Damage To Premises Rented To You as described in Section D – Liability and Medical Expenses Limits of Insurance.

Paragraphs 3, 4, 5, and 6 of this exclusion do not apply to liability assumed under a sidetrack agreement.

Paragraph 6 of this exclusion does not apply to "property damage" included in the "products-completed operations hazard."

B. Under **B. Exclusions, 1. Applicable to Business Liability Coverage,** the last paragraph of 2. Exclusions is deleted and replaced by the following:

Exclusions **c, d, e, f, g, h, i, k, l, m, n, and o,** do not apply to damage by fire to premises while rented to you or temporarily occupied by you with permission of the owner or to the contents of premises rented to you for a period of 7 or fewer consecutive days. A separate limit of insurance applies to this coverage as described in **Section D. Liability And Medical Expenses Limits Of Insurance.**

C. The first Paragraph under item **5. Damage To Premises Rented To You Limit of Section D. Liability And Medical Expenses Limits Of Insurance** is replaced by the following:

The most we will pay under Business Liability for damages because of **"property damage" to any one premises,** while rented to you, or temporarily occupied by you, with the permission of the owner, including contents of such premises rented to you for a period of 7 or fewer consecutive days, is the Damage to Premises Rented to You limit shown in the Declaration.

5. Blanket Waiver of Subrogation

We waive any right of recovery we may have against:

a. Any person or organization with whom you have a written contract that requires such a waiver.

6. Broad Knowledge of Occurrence

The following items are added to **E. Businessowners General Liability Conditions** in the **Businessowners Liability Coverage Form:**

e. Paragraphs **a.** and **b.** apply to you or to any additional insured only when such "occurrence," offense, claim or "suit" is known to:

(1) You or any additional insured that is an individual;

(2) Any partner, if you or an additional insured is a partnership;

(3) Any manager, if you or an additional insured is a limited liability company;

(4) Any "executive officer" or insurance manager, if you or an additional insured is a corporation;

(5) Any trustee, if you or an additional insured is a trust; or

(6) Any elected or appointed official, if you or an additional insured is a political subdivision or public entity.

This paragraph **e.** applies separately to you and any additional insured.

7. Bodily Injury

Section **F. Liability and Medical Expenses Definitions,** item 3. "Bodily Injury" is deleted and replaced with the following:

"Bodily injury" means bodily injury, sickness or disease sustained by a person, including death, humiliation, shock, mental anguish or mental injury by that person at any time which results as a consequence of the bodily injury, sickness or disease.

8. Expanded Personal and Advertising Injury Definition

a. The following is added to **Section F. Liability and Medical Expenses Definitions, item 14. Personal and Advertising Injury, in the Businessowners General Liability Coverage Form:**

h. Discrimination or humiliation that results in injury to the feelings or reputation of a natural person, but only if such discrimination or humiliation is:

1. Not done intentionally by or at the direction of:

a. The insured; or

b. Any "executive officer," director, stockholder, partner, member or manager (if you are a limited liability company) of the insured; and

2. Not directly or indirectly related to the employment, prospective employment, past employment or termination of

employment of any person or person by any insured.

b. The following is added to Exclusions, **Section B.:**

(15) Discrimination Relating to Room, Dwelling or Premises

Caused by discrimination directly or indirectly related to the sale, rental, lease or sub-lease or prospective sale, rental, lease or sub-lease of any room, dwelling or premises by or at the direction of any insured.

(16) Fines or Penalties

Fines or penalties levied or imposed by a governmental entity because of discrimination.

c. This provision **(Expanded Personal and Advertising Injury)** does not apply if **Personal and Advertising Injury Liability** is excluded either by the provisions of the Policy or by endorsement.

9. Personal and Advertising Injury Re-defined

Section F. Liability and Medical Expenses Definitions, item 14, Personal Advertising Injury, Paragraph c. is replaced by the following:

c. The wrongful eviction from, wrongful entry into, or invasion of the right of private occupancy of a room dwelling or premises that a person or organization occupies committed by or on behalf of it's owner, landlord or lessor.

PROPOSAL DOCUMENTS

A) RFP – TO PROVIDE PROFESSIONAL AUDITING SERVICES

B) PUR 15-032

C) April 7, 2016

COMPANY NAME: The Pun Group, LLP

CONTACT NAME: Kenneth H. Pun, CPA, CGMA

ADDRESS: 200 East Sandpointe Avenue, Suite 600

Santa Ana, CA 92707

TELEPHONE NUMBER: (949)777-8800

EMAIL: ken.pun@pungroup.com

REQUEST FOR PROPOSAL (RFP)
TO PROVIDE PROFESSIONAL AUDITING SERVICES
FOR THE CITY OF STOCKTON, CALIFORNIA
(PUR 15-032)

PROPONENT'S AGREEMENT

In submitting this proposal, as herein described, the proponent agrees that:

1. They have carefully examined the Scope of Work and all other provisions of this document and understand the meaning, intent and requirements of same.

2. They will enter into contract negotiations and furnish the services specified.

3. They have signed and notarized the attached Non-Collusion Affidavit form, whether individual, corporate or partnership. Must be 'A Jurat' notarization.

4. Included proof of insurance that meet the requirements as outlined in these specifications.

5. They have reviewed all clarifications/questions/answers on the City's website at www.stocktongov.com/services/business/bidflash/default.html.

6. Confidentiality: Successful Proponent hereby acknowledges that information provided by the City of Stockton is personal and confidential and shall not be used for any purpose other than the original intent outlined in the Request for Proposal. Breach of confidentiality shall be just cause for immediate termination of contract agreement.

The Pun Group, LLP	200 East Sandpointe Avenue, Suite 600, Santa Ana, CA 92707
FIRM	ADDRESS
	Managing Partner, CPA, CGMA
SIGNED BY	TITLE OR AGENCY
(949)777-8801	April 7, 2016
TELEPHONE NO./FAX NO.	DATE
ken.pun@pungroup.com	
E-MAIL ADDRESS	

NON-COLLUSION AFFIDAVIT FOR INDIVIDUAL PROPONENT

No. 1

STATE OF CALIFORNIA,_____)ss.
County of OR **)**
(insert)

_____being first duly sworn, deposes and says: That on behalf of any person not named herein; that said Proponent has not colluded, conspired, connived or agreed, directly or indirectly with, or induced or solicited any other bid or person, firm or corporation to put in a sham bid, or that such other person, firm or corporation shall or should refrain from bidding; and has not in any manner sought by collusion to secure to themselves any advantage over or against the City, or any person interested in said improvement, or over any other Proponent.

_____
(Signature Individual Proponent)

Subscribed and sworn to (or affirmed) before me on this _____ day of _____, 20_____
by _____, proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

Seal _____

Signature _____

AFFIDAVIT FOR CORPORATION PROPONENT

No. 2

STATE OF CALIFORNIA,_____)ss.
County of _____)
(insert)

_____being first duly sworn, deposes and says: That they are the_____ of _____ a corporation, which corporation is the party making the foregoing bid, that such bid is genuine and not sham or collusive, or made in the interest or behalf of any person not named herein; that said Proponent has not colluded, conspired, connived or agreed, directly or indirectly with, or induced or solicited any other bid or person, firm or corporation to put in a sham bid, or that such other person, firm or corporation shall or should refrain from bidding; and has not in any manner sought by collusion to secure to themselves any advantage over or against the City, or any person interested in said improvement, or over any other Proponent.

_____
(Signature Corporation Proponent)

Subscribed and sworn to (or affirmed) before me on this _____ day of _____, 20_____
by _____, proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

Seal _____

Signature _____

AFFIDAVIT FOR FIRM, ASSOCIATION, OR CO-PARTNERSHIP

No. 3

STATE OF CALIFORNIA,_____)ss.
County of ORANGE **)**
(insert)

KENNETH HING-KWONG PUNG,
each being first duly sworn, depose and say: That they are a member of the firm, association or co-partnership,

designated as MANAGING PARTNER who is the party making the foregoing bid; that the other partner, or partners, are MEMBERS OF THE FIRM that such bid is genuine and not sham or collusive, or made in the interest or behalf of any person not named herein; that said Proponent has not colluded, conspired, connived or agreed, directly or indirectly with, or induced or solicited any other bid or person, firm or corporation shall or should refrain from proposing; and has not in any manner sought by collusion to secure to themselves any advantage over or against the City, or any person interested in said improvement, or over any other Proponent.

_____
(Signature)

_____
(Signature)

Subscribed and sworn to (or affirmed) before me on this _____ day of _____, 20_____
by _____, proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

Seal _____

Signature _____

NOTARIAL JURAT ATTACHED

JURAT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of ORANGE

Subscribed and sworn to (or affirmed) before me on this 6TH day of APRIL,

20 16 by KENNETH HING KWONG PUN,

proved to me on the basis of satisfactory evidence to be the person(~~s~~) who appeared before me.

Signature (Seal)

JUDI LOWENTHAL
COMM. # 2095215
NOTARY PUBLIC - CALIFORNIA
ORANGE COUNTY
MY COMM. EXP. JAN. 25, 2019

OPTIONAL INFORMATION

DESCRIPTION OF THE ATTACHED DOCUMENT

NON-COLLUSION AFFIDAVIT
(Title or description of attached document)

(Title or description of attached document continued)

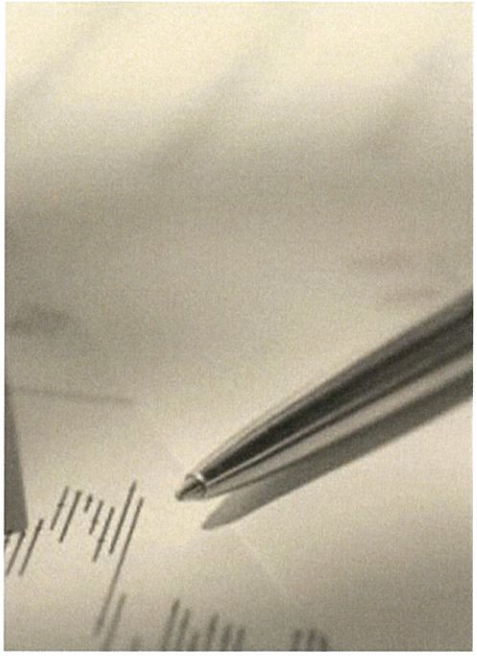
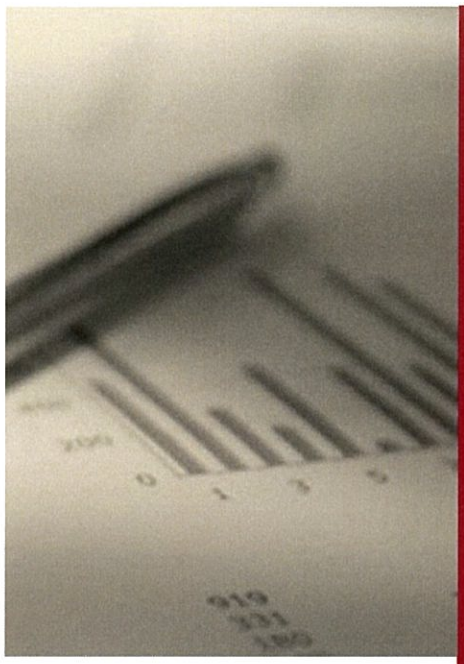
Number of Pages _____ Document Date_____

Additional information

INSTRUCTIONS

The wording of all Jurats completed in California after January 1, 2015 must be in the form as set forth within this Jurat. There are no exceptions. If a Jurat to be completed does not follow this form, the notary must correct the verbiage by using a jurat stamp containing the correct wording or attaching a separate jurat form such as this one with does contain the proper wording. In addition, the notary must require an oath or affirmation from the document signer regarding the truthfulness of the contents of the document. The document must be signed AFTER the oath or affirmation. If the document was previously signed, it must be re-signed in front of the notary public during the jurat process.

- State and county information must be the state and county where the document signer(s) personally appeared before the notary public.
- Date of notarization must be the date the signer(s) personally appeared which must also be the same date the jurat process is completed.
- Print the name(s) of the document signer(s) who personally appear at the time of notarization.
- Signature of the notary public must match the signature on file with the office of the county clerk.
- The notary seal impression must be clear and photographically reproducible. Impression must not cover text or lines. If seal impression smudges, re-seal if a sufficient area permits, otherwise complete a different jurat form.
  - Additional information Is not required but could help to ensure this jurat is not misused or attached to a different document.
  - Indicate title or type of attached document, number of pages and date.
- Securely attach this document to the signed document with a staple.

TECHNICAL PROPOSAL

CITY OF STOCKTON

STOCKTON, CALIFORNIA

Proposal to Perform Professional Auditing Services
(PUR 15-032)

For fiscal years ending June 30, 2016, 2017, and 2018 with two one-year options to extend for the fiscal years ending June 30, 2019 and 2020

APRIL 7, 2016

Kenneth H. Pun, CPA, CGMA
Managing Partner
200 East Sandpointe Avenue, Suite 600, Santa Ana, CA 92707
Phone: (949) 777-8801 | **Fax:** (949) 777-8850 | **Email:** ken.pun@pungroup.com

California CPA License Number: PAR 7601
Federal Identification Number: 46-4016990

THE PUN GROUP
ACCOUNTANTS & ADVISORS

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THE PUN GROUP
ACCOUNTANTS & ADVISORS

April 7, 2016

City of Stockton
Attn: City Clerk
425 North El Dorado Street
Stockton, CA 95202

Dear Sir/Madam:

Please allow us to introduce our Firm and share our qualifications and proposed audit plan for the City of Stockton (the "City") pursuant to your Request for Proposal for Professional Auditing Services for fiscal years ending June 30, 2016, 2017, and 2018 with two one-year options to extend for the fiscal years ending June 30, 2019 and 2020. The Pun Group, LLP, formerly known as Pun & McGeady LLP (the "Firm"), due to consolidation, has the knowledge and experience necessary to ***continue*** as the City's public accounting firm, and the work plan to ensure a smooth audit process.

This letter is an acknowledgement of the Firm's understanding of the work to be performed. **We hereby offer our commitment to perform all of the required work, complete the audit, and issue the necessary auditor's report within the time periods outlined by the City.** We are secure in affirming our commitment because we have:

1. A lengthy legacy of serving California cities
2. Prodigious experience serving governmental entities, including the City of Stockton
3. An efficient, lower-cost approach to auditing that focuses on high-risk areas

The Firm has no exceptions to the RFP (PUR-15-032) issued by the City of Stockton.

I will serve as your primary contact for contract negotiations. I am the managing partner of the Firm and have been authorized to legally bind the Firm. My contact information follows:

Name:	Mr. Kenneth H. Pun, CPA, CGMA
Position:	Managing Partner
Address:	200 East Sandpointe Avenue, Suite 600 Santa Ana, California 92707
Telephone:	(949) 777-8801
Email:	ken.pun@pungroup.com

You may also contact the following partner, who is authorized to represent the Firm:

Name:	Mr. Gary M. Caporicci, CPA, CGFM, CFF
Position:	Partner
Address:	200 East Sandpointe Avenue, Suite 600 Santa Ana, California 92707
Telephone:	(949) 777-8802
Email:	gary.caporicci@pungroup.com

The Pun Group is the right choice for the City of Stockton because we are experienced and focused in your industry.

- We have audited and consulted many California cities, including the City of Stockton.
- We have assisted many clients, including the City, in earning the GFOA Certificate of Achievement for Excellence in Financial Reporting.

- Our depth of resources and specific government experience are substantial, and we are committed to deploying these resources and our experience on behalf of the City. Simply put, the City will continue being one of our most important clients, and will receive the priority service it deserves.
- We have assigned Gary Caporicci, our GASB Implementation Specialist, who is appointed to the State Retirement Advisory Committee by the State Controller, in assisting the City in the implementation of GASB's new standards.

Our goal for this audit is to complete the process in accordance with regulations while minimizing disruption to the City's daily operations. The Firm will:

- Take advantage of its solid familiarity with the City's operations.
- Create a detailed audit plan during initial stages of the audit.
- Maintain an open communication line between the Engagement Team and the City's Management.
- Assign duties to qualified staff members.

This method ensures that the audit process will be performed steadily, communicated clearly, and completed efficiently.

The Firm is an Equal Opportunity Employer and complies with all Federal and State hiring requirements.

This proposal meets the requirements of the City's Request for Proposal. This letter and the accompanying proposal represent a *firm and irrevocable offer valid for a period of 180 days.*

The Firm hereby acknowledges the receipt of the Q&A dated March 31, 2016.

If you have any questions about the proposal or the Firm, do not hesitate to contact us. We look forward to speaking with you.

Sincerely,

The Pun Group, LLP
Certified Public Accountants and Business Advisors

Kenneth H. Pun, CPA, CGMA
Managing Partner

SECTION I – LICENSE TO PRACTICE IN CALIFORNIA

The Firm and all key professional staff are licensed by the State of California to practice as Certified Public Accountants, and meet the Continuing Professional Education requirements under U.S. GAO's *Government Auditing Standards* to perform the proposed audits.

State of California
Department of Consumer Affairs
California Board of Accountancy
Pursuant to the provisions of Chapter 1, Division 3 of the Business and Professions Code, the firm of
THE PUN GROUP, LLP
is duly registered and entitled to practice as a partnership of
Certified Public Accountants
in the State of California
In Witness Whereof, the President and Secretary-Treasurer affix their hands and the seal of the California Board of Accountancy
on this seventeenth day of December, 2013
PRESIDENT
SECRETARY-TREASURER
PAR 7601

SECTION II – INDEPENDENCE

The Pun Group, LLP (the "Firm") requires all employees to adhere to strict independence standards in relation to the Firm's clients. These independence standards exceed, in many instances, the standards promulgated by the American Institute of Certified Public Accountants (AICPA).

The Pun Group, LLP certifies that it is independent of the City of Stockton (the "City") and the Stockton Public Financing Authority. The Firm meets independence requirements defined by the United States Government Accountability Office's (U.S. GAO's) *Government Auditing Standards*, and the American Institute of Certified Public Accountants (AICPA).

SECTION III – BUSINESS LICENSE

The Firm currently has a valid Business License with the City of Stockton. If awarded the contract, the Firm will continue with its possession of a valid license while conducting work for the City.

SECTION IV – INSURANCE

Proof of current General Liability, Business Auto Liability, Professional Liability, and Workers' Compensation insurance can be found at the Appendices section under this proposal. We will provide a copy of our Certificate of Insurance with coverages and amounts specified in the contract with the City within 10 calendar days after the notice of contract award.

SECTION V – AFFIRMATIVE ACTION

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

SECTION VI – NON-COLLUSION AFFIDAVIT

The Non-Collusion Affidavit has been properly executed and notarized and it has been placed in front of this proposal, per City's RFP instructions.

SECTION VII – FIRM QUALIFICATIONS AND EXPERIENCE

About The Pun Group, LLP

The Pun Group, LLP, *formerly known as* Pun & McGeady LLP, Certified Public Accountants and Business Advisors, founded in 2012, is a limited liability partnership. We are a full-service accounting firm that is comprised of forty (40) professionals who work on a *full-time basis* and provide auditing, accounting, and advisory services. **Our Partners Group have served governmental agencies since 1989**, under the umbrella of its predecessor firm, Caporicci & Larson, where all key personnel assigned provided outstanding services to governmental entities throughout California. Out of the forty (40) professionals, thirty (30) of them are focused in the Government Assurance Practice. The Firm has offices in Orange County, San Diego, Palm Desert, and Walnut Creek (California) and Phoenix (Arizona).

The combination of hands-on experience and practical knowledge exercised by our audit professionals makes the Firm unique in our field. Our technical knowledge and thorough understanding of current regulations and issues—along with the Firm's commitment to hard work, integrity, and teamwork on every engagement—enable us to help our clients succeed.

Our Governmental Partners Group—which include Kenneth H. Pun, Gary M. Caporicci, Paul J. Kaymark, Lisa B. Lumbard and Jack F. Georger—provide auditing, accounting, and advisory services to numerous governmental entities throughout the United States. With more than one hundred-fifty (150) years of combined experience in the governmental industry we have become a trusted business partner, and well-respected as one of the most socially responsible accounting firms.

In addition to annual financial audits, team members undertake special studies in financial management, accounting, cost-accounting-system analysis, internal audit services, and internal control documentation and testing. By participating in industry associations and activities, we are always up to date on the latest industry changes and the impact they will have on your operations. We will keep you and our colleagues in the Firm, fully informed of these developments. Our team is committed to bringing the full breadth and depth of our expertise to the audit of the City offering an outstanding value.

Our *Orange County* office, located at 200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707 will perform the requested services for the City. In this location we count on 6 partners, 2 senior managers, 1 manager, 2 supervisors, 4 seniors, 6 professional staff and 4 administrative staff. However, we may assign additional staff from our San Diego or Palm Desert (California) offices to the engagement, at no additional cost to the City. No subcontractors will be used.

While many accounting Firms can perform an audit, not all can build a great working relationship with their clients. The Pun Group, LLP prides itself on developing lasting, personal relationships with our clients. Our hands-on partner involvement and low personnel turnover are crucial tools to our success and highly beneficial to the City.

Our Firm has:

- Extensive experience in audits of local governments as well as experience with preparation of Comprehensive Annual Financial Reports, and comprehensive assistance with the implementation of new GASB Pronouncements.
- Strong work ethic and willingness to respond to the City of Stockton requirements and needs.

Staff Consistency

The Firm is committed to maintaining staff continuity throughout audit engagements. While we cannot guarantee that our staff members will stay with the Firm, we encourage loyalty by paying competitive wages, offering opportunities for promotion, using state-of-the-art equipment, and providing excellent working conditions. We also offer benefits including retirement plans, medical plans, profit-sharing programs, and continuing education. The Firm is an equal-opportunity employer and complies with all federal and state hiring requirements. **The Firm also supports affirmative-action philosophies and works hard to provide opportunities for self-enhancement to members of disadvantaged groups.**

We guarantee that the partners assigned to this audit will be involved throughout the entire engagement term, and that assigned staff members will return to the City in future years if they are still with the firm. One of our primary audit concerns is staff continuity, and our hands-on partner involvement ensures that qualified and experienced professionals will perform audits efficiently and effectively every year of the engagement.

Most Recent External Quality Control Review

The Firm participates in the AICPA Peer Review Program, which is designed to identify weaknesses in accounting-service policies, practices, and procedures.

In 2015, an independent reviewer assessed the Firm's quality-control policies, reviewed administrative records, interviewed professional personnel, and inspected the Firm's working papers and reports from a representative sample of accounting and auditing engagements, including governmental audits. The reviewer concluded that the Firm fully complies with the AICPA's stringent standards for quality control.

A quality-control reviewer considers, among other things, a firm's policies regarding hiring, training, supervision, delegation of responsibilities, and access to technical resources.

The reviewer determined that the Firm's accounting and auditing work and internal quality-control system meet the AICPA's guidelines for professional standards.

The Firm's participation in the Peer Review Program demonstrates our commitment to quality. We also affirm our dedication to excellent client service through our voluntary memberships in the AICPA—including the AICPA's Governmental Audit Quality Center—and CalCPA.

GYL Decauwer LLP
Certified Public Accountants Business Consultants

John Lebias, CPA
Stephen C. Williams, CPA
Joseph O. Romero, CPA

System Review Report

The Pun Group, LLP
Santa Ana, California;
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of The Pun Group, LLP (the firm) in effect for the year ended December 31, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included an engagement performed under *Government Auditing Standards*.

In our opinion, the system of quality control for the accounting and auditing practice of The Pun Group, LLP in effect for the year ended December 31, 2014, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass, pass with deficiency(ies)* or *fail*. The Pun Group, LLP has received a peer review rating of *pass*.

GYL Decauwer LLP
Ontario, California
October 13, 2015

4120 Concours
Suite 100
Ontario, CA 91764

909.948.9990
800.644.0696
FAX 909.948.9633

gyld@gyldecauwer.com
www.gyldecauwer.com

your Success is our DESTINATION

CPAMERICA INTERNATIONAL
Crowe Horwath International

CalCPA Peer Review Program

California Society of CPAs
1800 Gateway Dr., Ste. 200
San Mateo, CA 94404

February 4, 2016

Kenneth Hing-Kwong Pun
The Pun Group LLP
200 E Sandpointe Ave
Suite 600
Santa Ana, CA 92707

Dear Mr. Pun:

It is my pleasure to notify you that on January 27, 2016 the California Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is June 30, 2018. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Sincerely,

Linda McCrone

Linda McCrone, CPA
Director, Peer Review Program

cc: John Lerias

Firm Number: 8192426 Review Number 372240

AICPA Peer Review Program
Administered in California by the California Society of CPAs

T: (650) 522-3094 | F: (650) 522-3080 | peerreview@calcpa.org

Federal or State Desk Review

No federal or state desk reviews or field reviews have been undertaken of any audits performed by the Firm or any of its partners, managers, or professionals during the past three (3) years.

Disciplinary Action

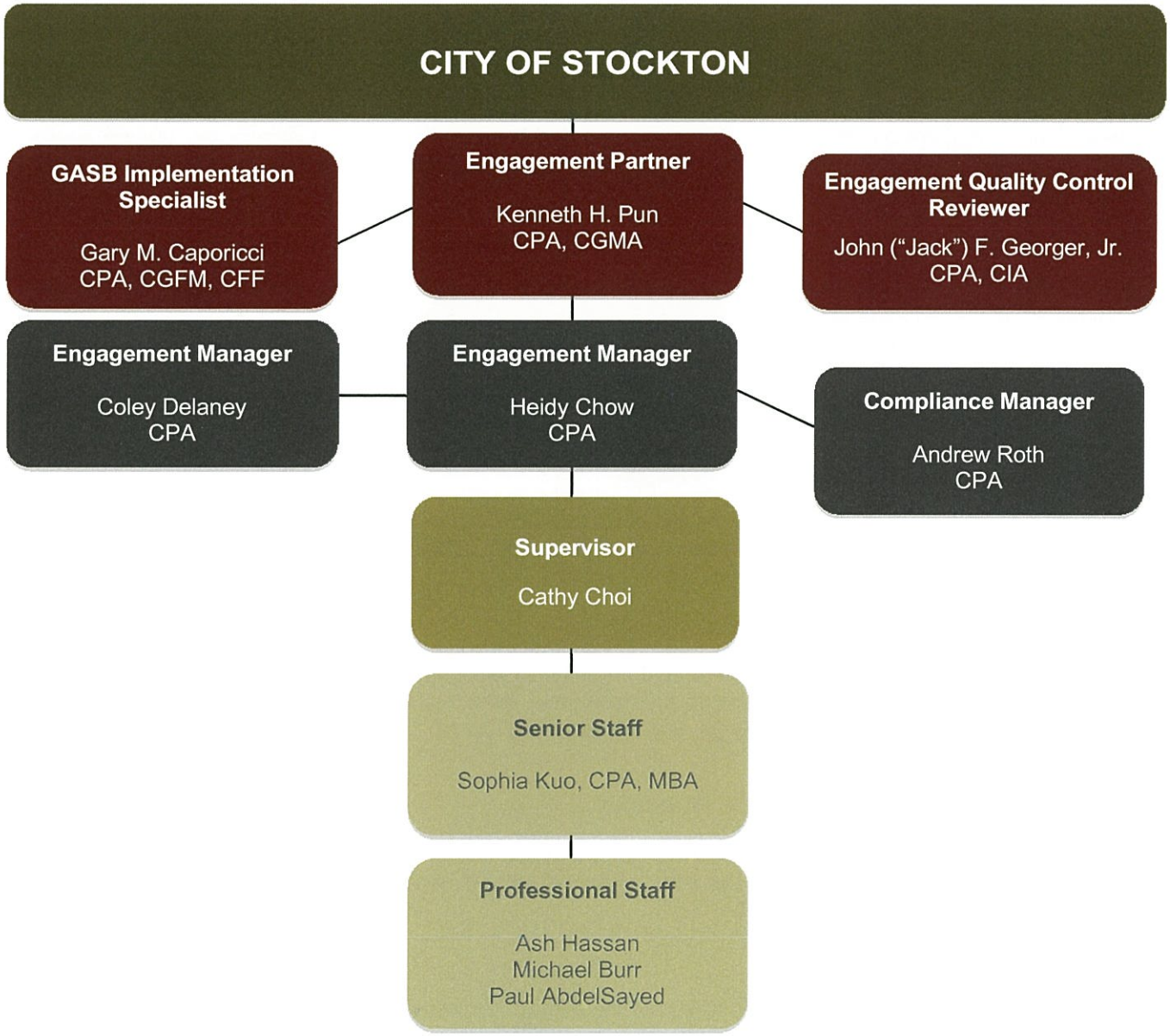
No disciplinary action has been taken by state regulatory bodies or professional organizations against the Firm or any of its partners, managers, or professionals during the past five (5) years.

The Firm has no conditions such as bankruptcy, pending litigations, planned office closures, mergers or any organizational conflict of interest that may affect the ability of the Firm to perform the required duties requested by the City of Stockton.

SECTION VIII – PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS AND EXPERIENCE

Proposed Engagement Team

The Engagement Team is carefully chosen to provide the City with all the services needed to successfully complete the audit. The Engagement and Concurring Partners are personally involved in the audit, and the Engagement Team has significant experience in governmental auditing. Our broad experience and technical capabilities allow us to provide technical support, interpret findings, and offer effective solutions to any issues that may arise.



The personnel assigned to this engagement are fully qualified to perform an efficient audit of the City, and their extensive experience will be critical to the audit process. Our professionals are familiar with the complexities of governmental accounting, auditing, and financial reporting, including but not limited to, all GASB pronouncements, the Single Audit Act, Uniform Grant Guidance (formerly known as OMB Circular A-133), and fund operations.

If the Firm changes key personnel we will provide the City with a written notification. Engagement personnel will only be changed with the express prior written permission from the City. Audit personnel may be replaced only by those with similar or better qualifications and experience.

Kenneth H. Pun, CPA, CGMA | *Engagement Partner*

With over fifteen years of public accounting experience, Kenneth Pun is the Assurance Partner and the Partner In-Charge of the Governmental and Not-for-Profit Practice at the Firm. He specializes in audits and management consulting for governmental organizations. Ken will actively act as the Engagement Partner with the assigned task of directly overseeing the Engagement Team. He will be responsible for the speedy delivery of services for the City of Stockton. In addition, he will manage engagement planning and fieldwork, review for quality and approve work papers and reports.

John ("Jack") F. Georger, Jr., CPA, CIA | *Engagement Quality Control Reviewer*

Throughout his forty years of experience, Jack has worked diligently alongside numerous governmental municipalities, including cities, counties, and transportation agencies, as well as not-for-profit entities, providing clients with financial and compliance auditing as well as consultation services. As an Assurance Partner in our Firm, he advises clients with their complex accounting questions, and supports the engagement team with audit issues. Jack is responsible for the review of all reports issued by the Firm to ensure the utmost quality and compliance with professional standards. He is responsible for the final quality-control review within the engagement.

Gary M. Caporicci, CPA, CGFM, CFF | *GASB Implementation Specialist*

Gary Caporicci is an ***appointed member of the State Controller's Retirement Advisory Committee***. Mr. Caporicci will utilize his expertise in providing advice and consultation during the implementation of the new GASB standards. As an assurance partner with over forty years of experience, Gary has provided financial and compliance audit and consultation services to governmental clients including cities, counties, transportation agencies, and school districts, as well as various not-for-profit entities. Gary will be responsible in providing advice and consultation for the implementation of these new standards.

Heidy Chow, CPA | *Engagement Manager*

Heidy will work closely with Ken and Gary, directing the audit team in its daily activities. She is an Assurance Services/Director in the Firm and has extensive experience in the audit of local government entities, including cities, counties, transportation agencies, and other not-for-profit entities.

Coley Delaney, CPA | *Engagement Manager*

Coley Delaney will work close to Heidy Chow and bring his attention to detail and commitment to delivering a high quality audit to the City of Stockton. He is an Assurance Services/Senior Audit Manager who has extensive experience in auditing local governmental entities including cities, counties, transportation agencies, special districts, and not-for-profit entities.

Andrew Roth, CPA, | *Compliance Manager*

Working as a Compliance Manager, Andrew will direct the audit team in all compliance-related matters. He is an Assurance Services/Audit Manager in the Firm whose extensive auditing experience includes cities, counties, special districts, and not-for-profit entities.

Catherine Choi | *Supervisor*

Cathy will direct the audit staff and coordinate with the City of Stockton personnel to create a seamless transition during the auditing process, and will secure the effective implementation of the audit approach.

Senior and Professional Staff

All governmental-audit members are qualified to perform financial and compliance audits of governmental agencies. This ensures that the staff quality will be consistent throughout the engagement term. Because we support both staff development and engagement continuity, we encourage senior and staff accountants to take increased responsibilities on their previous engagements as they advance professionally.

Quality-Control System

Our Firm meticulously monitors the quality and contents of our reports. The Pun Group LLP is 100% committed to providing only the highest grade of work possible for our clients and for those who rely on our audits. The Firm strives to exceed professional industry standards because of the continuing respect for our clients and our emphasis on creating long-lasting relationships. The Pun Group LLP works exclusively with those who share the same moral integrity and values.

Our quality-control system was crafted with excellence in mind. It not only meets AICPA standards, but also matches our own elevated standards, which includes the following professional-development activities.

Professional Development

Each Engagement Team member is up-to-date with continuing professional education requirements. The Firm encourages staff members to participate in the continuing education programs offered by the AICPA and the CalCPA Education Foundation in order to always keep our staff well versed in the changing field and any new regulations. These classes include, among others:

- Basic Concepts of Governmental Accounting, Financial Reporting and Auditing
- Government Auditing Standards
- GASB Basic Financial Statements for State and Local Governments
- Single Audits: Uniform Grant Guidance (formerly known as OMB Circular A-133)
- Governmental and Nonprofit Annual Update
- Governmental Accounting and Auditing: The Annual Update
- Auditing Standards: A Comprehensive Review

In addition, the Firm provides comprehensive in-house training for all levels of staff. The program includes seminars developed by the Firm, educational programs developed by the AICPA and CalCPA, and on-the-job training.

Every year, all professional and administrative staff members receive an annual overview and review of topics such as these:

- Principles of accounting and financial reporting for state and local governments
- Governmental fund types
- Newly issued U.S. generally accepted auditing standards and government auditing standards
- Internal control evaluation approaches, including COSO Internal Control Framework
- Updates on recent governmental accounting and reporting guidelines and pronouncements
- Single Audit requirements and approaches
- Risk based audit approaches
- Working paper techniques
- Current issues facing the governmental community

These ongoing continuing education activities and training programs ensure that the Engagement Team is always receiving the most current and pertinent information; we believe that an educated staff is a necessity when providing the most efficient and effective audit of the City.

Engagement Team Resumes

City of Stockton deserves experienced professionals who work as a team. The Pun Group, LLP will provide qualified employees to perform the audit; no subcontractors will be used. Resumes for key Engagement Team members follow.

Kenneth H. Pun, CPA*, CGMA
Engagement Partner

Kenneth H. Pun is the Managing Partner and the Director of the Governmental and Not-for Profit Practice of the Firm.

Prior to founding his own practice, Ken was employed by Caporicci & Larson, a specialty CPA firm recognized as one of California's foremost experts in governmental and not-for-profit accounting, auditing, and advisory service. He started with the firm in 2001 and was promoted to Partner in 2008. He has performed numerous audits for cities, counties, transportation agencies, community college districts, other special districts, and not-for-profit healthcare entities of various sizes.

By leveraging more than fifteen (15) years of public accounting experience with a high level of expertise, Ken is often engaged by clients as a result of premier level of service he provides, his commitment, and his innovative methods of increasing operational efficiencies and reducing costs. Ken is a trusted advisor and a leader of accounting services to governmental and not-for-profit organizations.

In addition to working with clients, Ken provides the audit teams with direction and technical guidance to ensure adherence to The Pun Group's quality controls, and he assists with the development of the Assurance Services practice. Ken also speaks on topics related to audits and quality control and shares his expertise with clients through annual educational seminars.

EDUCATION

- ✓ BS Degree in Business Administration, emphasis in Accounting from the University of California, Riverside

**Licensed by the State of California*

PROFESSIONAL & CIVIC AFFILIATIONS

- ✓ Member, American Institute of Certified Public Accountants (AICPA)
- ✓ Member, California Society of Certified Public Accountants (CalCPA)
- ✓ Member, CalCPA Governmental Accounting and Auditing Committee
- ✓ Member, CalCPA Governmental Accounting and Auditing Conference Planning Committee
- ✓ Member, Government Finance Officers Association (GFOA)
- ✓ Member, California Society of Municipal Finance Officers (CSMFO)
- ✓ Speaker, CSMFO Conference (2014)
- ✓ Instructor, CalCPA Fall Series (2014) – Long Beach and Orange County Chapter

PROFESSIONAL EXPERIENCE

• City of Arvin	• City of Arcadia
• City of Bradbury	• City of Calexico
• City of Carpinteria	• City of Cerritos
• City of Chula Vista	• City of Clearlake
• City of Clovis	• Town of Danville
• City of Desert Hot Springs	• City of Encinitas
• City of Fairfield	• City of Gardena
• City of Hemet	• City of Hermosa Beach
• City of Huntington Park	• City of Industry
• City of Lakewood	• City of Monterey Park
• City of Morro Bay	• City of National City
• City of Placerville	• City of Poway
• City of Ridgecrest	• City of San Bernardino
• City of Solana Beach	• City of Shafter
• **City of Stockton**	• Alliance Medical Center
• Anderson Valley Health Clinic	• Centro Medico Community Clinic
• Desert Hot Springs Health and Wellness Foundation	• Family Health Centers of San Diego
• Industry Convalescent Hospital	• Marin City Health and Wellness Center
• McCloud Healthcare Clinic	• Mountain Valleys Health Centers
• Redwood Coast Medical Services	• Shingletown Medical Center

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Email: Ken.Pun@pungroup.com | **Phone:** (949) 777-8801 | **Fax:** (949) 777-8850

• Tulare Community Health Clinic	• United Health Centers of San Joaquin Valley
• Gold Coast Transit	• North County Transit District
• San Diego Metropolitan Transit System	• Shasta Regional Transportation Agency
• SunLine Transit Agency	• Las Virgenes Municipal Water District
• Las Virgenes-Triunfo Joint Powers Authority	• Encinitas Ranch Golf Authority
• Fallbrook Healthcare District	• Marina Coast Water District
• Menlo Park Fire Protection District	• Newport Coast Elementary School District
• Riverside County Flood Control and Water Conservation District	• Southwestern Community College District

OTHER RELEVANT EXPERIENCE

City of Stockton

The City of Stockton filed a petition for Chapter 9 bankruptcy protection with the United States Bankruptcy Court on June 28, 2012, the largest municipality bankruptcy at the time. The Firm was engaged as audit liaison and advisor in 2012 for the City's 2011 audit. The City also engaged the Firm to help drafting the Comprehensive Annual Financial Report in accordance with U.S. GAAP and in compliance with GFOA guidelines for the certificate of achievement for excellence in financial reporting program.

With the superb services provided, the City of Stockton also engaged the Firm to provide audit service for the years ending June 30, 2012 through 2015 due to the early termination of the contract from its predecessor firm. Mr. Kenneth H. Pun has been assigned as the engagement partner who facilitated the audit process since then. The engagement team completed the audit and issued the audit reports for the year ended June 30, 2012 and 2013 within the one year timeframe. The City's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2015 was issued on December 31, 2015.

City of Desert Hot Springs

The City of Desert Hot Springs engaged the Firm to provide professional auditing services since June 30, 2013. During the audit, certain deficiencies were noted that the City cited as the cause of their financial hardship. The City reduced its overall workforce resulting in many positions unfilled. However, our firm was still able to complete the engagement in a timely manner and provide valuable recommendations to the City Council in addressing their deficiencies.

In addition, during the year ended June 30, 2013, the City entered into a very complicated financial arrangement, New Market Tax Credit financing, for the construction of the Desert Hot Springs Health and Wellness Center. Our firm has provided guidance to the City in addressing complex accounting issues and helped drafting the stand-alone financial statements to fulfil the addition reporting requirements under the New Market Tax Credit financing.

San Diego Metropolitan Transit System ("MTS")

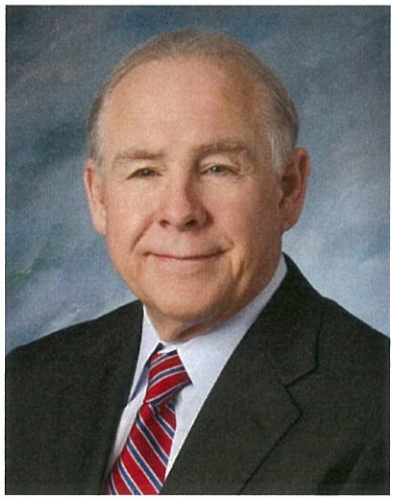
On January 1, 2003, California Senate Bill 1703 (SB 1703) became effective. SB 1703 required the consolidation of the planning and programming functions of MTS and the North County Transit District (NCTD) into the San Diego Association of Governments (SANDAG) in an initial transfer to take place prior to July 1, 2003. SB 1703 also required the consolidation of certain project development and construction functions of MTS and NCTD into SANDAG in a subsequent transfer to take place prior to January 30, 2004. The initial transfer occurred on July 1, 2003, and the subsequent transfer occurred on October 13, 2003. With these actions, employees were transferred from MTS and NCTD to SANDAG, and certain planning, development, and construction functions were also transferred.

After the enactment of SB 1703, Mr. Kenneth H. Pun was able to convert MTS financial model from general-purpose government to stand-alone business-type activities government under GASB Statement No. 34 in 2007. By doing so, MTS has significantly improved their financial reporting.

CONTINUING PROFESSIONAL EDUCATION

- ✓ Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: Uniform Grant Guidance (formerly OMB Circular A-133)
  - Financial Accounting Standards Board Annual Updates
  - Statement on Standards for Accounting and Review Services Updates
- ✓ Has met the current CPE educational requirements to perform audits of governmental agencies.

John F. Georger, Jr., CPA*, CIA
Engagement Quality Control Reviewer



Jack Georger is the Partner of the Governmental Division by leveraging more than forty (40) years of public accounting and auditing experience in the government, agribusiness, financial services, manufacturing and non-profit sectors. Mr. Georger brings an in-depth knowledge and practical expertise to each client engagement. Mr. Georger coordinates, plans, and manages financial audit activities, consulting activities, federal and state compliance audit activities, performance audits and numerous quality control and internal control reviews for a broad mix of governmental agencies and programs throughout the United States.

Jack is a continuing professional education course instructor for the AICPA. Annually, he instructs over 300 hours on accounting and auditing subjects. He has coauthored training material in governmental accounting and auditing for the AICPA and is the technical reviewer of the CCH Knowledge-Based Audits™ of State and Local Governments with Single Audits.

Mr. Georger is licensed to practice as a certified public accountant in the states of California, New York, Virginia, Maryland, District of Columbia, Georgia, South Carolina, Missouri, Connecticut (inactive), and Wyoming (inactive), and is a Certified Internal Auditor (CIA).

EDUCATION

- ✓ Bachelor of Science, George Mason University Fairfax, Virginia

**Licensed by the State of California, New York, Virginia, Maryland, District of Columbia, Georgia, South Carolina, Missouri and Connecticut (inactive) and Wyoming (inactive)*

PROFESSIONAL & CIVIC AFFILIATIONS

- ✓ Member and Instructor, American Institute of Certified Public Accountants (AICPA)
- ✓ Member, Institute of Internal Auditors
- ✓ Member, California Society of Certified Public Accountants (CalCPA)
- ✓ Member, CalCPA Government Accounting and Auditing Committee
- ✓ Member, New York Society of Certified Public Accountants (NYSSCPA)
- ✓ Chairman, NYSSCPA Government Accounting and Auditing Committee
- ✓ Member, NYSSCPA Auditing Standards Committee
- ✓ Member, NYSSCPA Financial Accounting Standards Committee
- ✓ Member, NYSSCPA Not-for-Profit Committee
- ✓ Member, Missouri Society of Certified Public Accountants (MSCPA)
- ✓ South Carolina Association of Certified Public Accountants (SCACPA)
- ✓ Member, Government Finance Officers Association (GFOA) – CAFR Reviewer

KEY CLIENTS

- Local Governments:
  - Town of Andrews, South Carolina
  - County of Isle of Wight, Virginia
  - City of Richmond, Virginia

CONTINUING PROFESSIONAL EDUCATION

- ✓ Instructor of over 300 hours of municipal accounting courses offered by the AICPA
- ✓ Has met the current CPE educational requirements to perform audits of governmental agencies.

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Gary M. Caporicci, CPA*, CGFM, CFF
GASB Implementation Specialist

Gary M. Caporicci has more than forty (40) years of diversified business experience, including a specialization in audit and management consulting for government organizations. Gary's clients include public and private universities and colleges, city and county governments, state agencies, joint power authorities, healthcare agencies, transportation agencies, and special districts. Known for his expertise in the areas of construction and government, Gary wrote the AICPA audit guides on these topics, and he has authored many audit and accounting courses for professional groups, as well as academic institutions. He frequently speaks and lectures at many professional organizations, governmental seminars, and conferences held by industry associations, other accounting firms, and universities. In addition, he authors white papers for the California Committee on Municipal Accounting.

Prior to working with the Firm, Gary founded his own accounting practice. He also spent eleven years with a "Big Eight" professional services firm, where he was an Audit Manager and gained broad experience in a wide range of industries such as government, construction, manufacturing, mutual funds, and insurance. Prior to that, Gary held a consultant position with a "Big Four" practice and was Vice President of a national insurance and financial services company.

In 2015 Gary Caporicci was appointed to the State Retirement Advisory Committee by the State Controller.

EDUCATION

- ✓ BS Degree in Accounting and Finance from the Armstrong University

**Licensed by the State of California*

PROFESSIONAL & CIVIC AFFILIATIONS

- ✓ Member and Instructor, American Institute of Certified Public Accountants (AICPA)
- ✓ Member, Author and Instructor, California Society of Certified Public Accountants (CalCPA)
- ✓ Past Chair, CalCPA Governmental Accounting and Auditing Committee
- ✓ Chair and Speaker, CalCPA Governmental Accounting and Auditing State Conferences
- ✓ Member, CalCPA Council
- ✓ Chair, California Committee on Municipal Accounting (CCMA)
- ✓ Member, Government Finance Officers Association (GFOA)
- ✓ Member, California Society of Municipal Finance Officers (CSMFO)
- ✓ Member, Governmental Accounting Standards Board (GASB),
- ✓ Member, Deposit and Investment Risks Disclosure Task Force (GASB No. 40)
- ✓ National Reviewer and Speaker, Government Finance Officers Association
- ✓ Adjunct Professor, National University
- ✓ Past Member, Texas Governmental Accounting and Auditing Committee
- ✓ GFOA Certificate for Excellence in Financial Reporting – Reviewer

CONTINUING PROFESSIONAL EDUCATION

- ✓ Author and instructor of various municipal accounting courses offered by CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: Uniform Grant Guidance (formerly OMB Circular A-133)
- ✓ Has met the current CPE educational requirements to perform audits of governmental agencies.

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Email: Gary.Caporicci@pungroup.com | **Phone:** (949) 777-8802 | **Fax:** (949) 777-8850

Heidy Chow, CPA*
Engagement Manager

Heidy Chow is a Director at The Pun Group, LLP who has more than ten (10) years of auditing, from Ernst and Young, LLP and national size CPA firms, in particular she holds an expertise in commercial auditing. As a part of the Pun Group, Ms. Chow has effectively overseen our engagement teams in designing and planning effective audits in accordance with GAAS and PCAOB standards.

Her years of successful experience have allowed her to adeptly identify material weaknesses and control deficiencies, so that she can provide her clients with procedural improvements. Heidy also provides her clients with personalize consultation services.

EDUCATION

- ✓ BS Degree in Accounting from California Polytechnic University of Pomona

**Licensed by the State of California*

PROFESSIONAL & CIVIC AFFILIATIONS

- ✓ Member, American Institute of Certified Public Accountants (AICPA)
- ✓ Member, California Society of Certified Public Accountants (CalCPA)

RELEVANT PROJECT EXPERIENCE

• Town of Danville	• **City of Stockton**
• Alliance Medical Center	• Anderson Valley Medical Center
• Altura Centers for Health (Tulare Community Health Center)	• Atlapac Trading Company, Inc.
• E-World USA Holding, Inc.	• Industrial Manufacturing Council
• Industry Convalescent Hospital	• Mountain Valleys Health Center
• Marin City Health and Wellness Center	• Marina Coast Water District
• Ritter Center	• Redwood Coast Medical Center
• Shingletown Medical Center	• Wildcard Properties, LLC

Formerly worked on one of the largest retail market store with revenue $1,747 million and over 300 stores, brand name apparel manufacturer and distributors with revenue over $35M, privately-owned apparel denim manufacturer with revenue over $300M.

CONTINUING PROFESSIONAL EDUCATION

- ✓ Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: Uniform Grant Guidance (formerly OMB Circular A-133)
  - Financial Accounting Standards Board Annual Updates
  - Statement on Standards for Accounting and Review Services Updates
- ✓ Has met the current CPE educational requirements to perform audits of governmental agencies.

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Coley Delaney, CPA*
Engagement Manager

Coley Delaney is a Manager within The Pun Group, LLP's Assurance division. In his nine (9) years of accounting and auditing experience, Coley has worked with governmental agencies, not-for-profit entities and private for-profit entities. Coley specializes in conducting financial audits under GAO Yellow Book standards and compliance audits in accordance with Uniform Grant Guidance (formerly known as OMB Circular A-133).

Coley has performed audits and other attestation services for several governmental agencies throughout California including cities, counties, redevelopment agencies, public financing authorities, housing authorities, transportation agencies, and special districts, and he has helped them publish their Comprehensive Annual Financial Reports in compliance with GASB Statement No. 34.

Mr. Delaney develops training materials and shares his expertise internally with other Firm professionals. Coley is a frequent speaker at in-house seminars on topics related to government auditing standards and Single Audits.

EDUCATION

- ✓ BA Degree in Business Economics Emphasis in Accounting from the University of California, Santa Barbara.

**Licensed by the State of California*

PROFESSIONAL & CIVIC AFFILIATIONS

- ✓ Member, American Institute of Certified Public Accountants (AICPA)
- ✓ Member, California Society of Certified Public Accountants (CalCPA)

RELEVANT PROJECT EXPERIENCE

• City of Arvin	• City of Arcadia
• City of Chula Vista	• City of Clearlake
• City of Clovis	• Town of Danville
• City of Fairfield	• City of Encinitas
• City of Gardena	• City of Hermosa Beach
• City of Industry	• City of Monterey Park
• City of Poway	• City of National City
• City of Solana Beach	• City of San Bernardino
• **City of Stockton**	• City of Shafter
• Redwood Coast Medical Services	• Family Health Centers of San Diego
• San Diego Metropolitan Transit System	• United Health Centers of San Joaquin Valley
• SunLine Transit Agency	• North County Transit District
• Fallbrook Healthcare District	• Southwestern Community College District

CONTINUING PROFESSIONAL EDUCATION

- ✓ Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: Uniform Grant Guidance (formerly OMB Circular A-133)
  - Financial Accounting Standards Board Annual Updates
  - Statement on Standards for Accounting and Review Services Updates
- ✓ Has met the current CPE educational requirements to perform audits of governmental agencies.

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Andrew Roth, CPA*
Compliance Manager

Andrew Roth is a Supervisor of The Pun Group, LLP. He has more than seven (7) years of governmental experience that ranges from GASB audit/reporting, Internal Controls/COSO Framework, Single Audit, Corporate Financial Reporting, Data Analysis and Taxation.

In various engagements, Andrew has been involved in providing significant services to various governmental entities and actively contributed and participated in the planning process, implementation of the audit work plan, supervision of staff, compliance testing for the Single Audit Concept and preparation of the Comprehensive Annual Financial Reports.

EDUCATION

- ✓ BA Degree in Accounting from the San Diego State University.

**Licensed by the State of California*

PROFESSIONAL & CIVIC AFFILIATIONS

- ✓ Member, American Institute of Certified Public Accountants (AICPA)
- ✓ Member, California Society of Certified Public Accountants (CalCPA)

RELEVANT PROJECT EXPERIENCE

• City of Arvin	• City of Arcadia
• City of Chula Vista	• City of Clearlake
• City of Clovis	• Town of Danville
• City of Fairfield	• City of Encinitas
• City of Gardena	• City of Hermosa Beach
• City of Industry	• City of Monterey Park
• City of Poway	• City of National City
• City of Solana Beach	• City of San Bernardino
• **City of Stockton**	• City of Shafter
• Redwood Coast Medical Services	• Family Health Centers of San Diego
• San Diego Metropolitan Transit System	• United Health Centers of San Joaquin Valley
• SunLine Transit Agency	• North County Transit District
• Fallbrook Healthcare District	• Southwestern Community College District

CONTINUING PROFESSIONAL EDUCATION

- ✓ Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: Uniform Grant Guidance (formerly OMB Circular A-133)
  - Financial Accounting Standards Board Annual Updates
  - Statement on Standards for Accounting and Review Services Updates
- ✓ Has met the current CPE educational requirements to perform audits of governmental agencies.

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Catherine Choi
Supervisor

Catherine Choi is a Supervisor of The Pun Group, LLP. She has more than seven (7) years of governmental experience that ranges from GASB audit/reporting, Internal Controls/COSO Framework, Single Audit, Corporate Financial Reporting, Data Analysis and Taxation.

In various engagements, Catherine has been involved in providing significant services to various governmental entities and actively contributed and participated in the planning process, implementation of the audit work plan, supervision of staff, compliance testing for the Single Audit Concept and preparation of the Comprehensive Annual Financial Reports.

EDUCATION

- ✓ BS Degree in Accounting from the California Polytechnic University of Pomona.

RELEVANT PROJECT EXPERIENCE

• City of Bradbury	• City of Cerritos
• City of Industry	• City of Hemet
• City of Desert Hot Springs	• City of Hermosa Beach
• City of El Centro	• City of Gardena
• City of Morro Bay	• Las Virgenes Municipal Water District
• City of Huntington Park	• Los Angeles County Sanitation District
• County of San Diego Intergovernmental Training and Development Center	• Torrance Unified School District
• Bellflower Unified School District	• Beverly Hills Unified School District
• Monrovia Unified School District	• Garvey School District
• Rosemead School District	• Temple City Unified School District
• Pacoima Charter School	• Riverside County Flood Control and Water Conservation District

CONTINUING PROFESSIONAL EDUCATION

- ✓ Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: Uniform Grant Guidance (formerly OMB Circular A-133)
  - Financial Accounting Standards Board Annual Updates
  - Statement on Standards for Accounting and Review Services Updates
- ✓ Has met the current CPE educational requirements to perform audits of governmental agencies.

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Sophia Kuo, CPA*, MBA
Senior Auditor

Sophia Kuo is a Senior Auditor of The Pun Group, LLP. She has over (4) four years of public accounting experience including governmental experience that ranges from GASB audit/reporting, Internal Controls/COSO Framework, Single Audit, Corporate Financial Reporting, Data Analysis and Taxation.

In various engagements, Sophia has been involved in providing significant services to various governmental entities and actively contributed and participated in the planning process, implementation of the audit work plan, supervision of staff, compliance testing for the Single Audit Concept and preparation of the Comprehensive Annual Financial Reports.

EDUCATION

- ✓ MAcc from Idaho State University
- ✓ MBA from Idaho State University
- ✓ BA Degree in International Trade and Finance, emphasis in Finance from Fu Jen Catholic University

**Licensed by the State of California*

PROFESSIONAL & CIVIC AFFILIATIONS

- ✓ Member, American Institute of Certified Public Accountants (AICPA)
- ✓ Member, California Society of Certified Public Accountants (CalCPA)

RELEVANT PROJECT EXPERIENCE

• City of Arvin	• City of Arcadia
• City of Cerritos	• City of Desert Hot Springs
• City of Gardena	• City of Hermosa Beach
• City of Huntington Park	• City of Monterey Park
• City of Lakewood	• City of Stockton
• Las Virgenes Municipal Water District	• Ventura County Transportation Commission
• SunLine Transit Agency	• United Health Centers of the San Joaquin Valley (401K Plan)
• Easter Seals of Southern California (401K Plan)	• Tulare Community Health Clinic (401K Plan)

CONTINUING PROFESSIONAL EDUCATION

- ✓ Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: Uniform Grant Guidance (formerly OMB Circular A-133)
  - Financial Accounting Standards Board Annual Updates
  - Statement on Standards for Accounting and Review Services Updates
- ✓ Has met the current CPE educational requirements to perform audits of governmental agencies.

200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707
Email: Sophia.Kuo@pungroup.com | **Phone:** (949) 777-8809 | **Fax:** (949) 777-8850

SECTION IX – PRIOR ENGAGEMENTS WITH THE CITY OF STOCKTON

1. The Firm has provided professional accounting and financial reporting services as follows:

   - Assisted the City in the AB 506 process.
   - Assisted the City in the preparation of the City's Financial Statements for the fiscal year ended June 30, 2011.
   - Performed Agreed-Upon Procedures relating to the Due Diligence Review for the Successor Agency of the City as required by AB 1484.

Service Period:	April 2012 to June 2013
Engagement Partner:	Kenneth H. Pun, CPA, CGMA
Concurring Partner:	Gary M. Caporicci, CPA, CGFM, CFF
Location of the Office:	200 East Sandpointe Avenue, Suite 600 Santa Ana, CA 92707
Total Hours:	The project for the City incurred approximately 1,000 hours.
Principal Client Contact:	Ms. Vanessa Burke Chief Financial Officer

2. The Firm has provided professional auditing services to the City of Stockton which includes the audit of the City's CAFR, Single Audit, and Measure W. In addition, the firm has performed agreed-upon procedures of the Appropriation Limit. Details are as follows:

Service Period:	June 30, 2013 to Present
GFOA Award:	Yes
Engagement Partner:	Kenneth H. Pun, CPA, CGMA
Concurring Partner:	Gary M. Caporicci, CPA, CGFM, CFF
Location of the Office:	200 East Sandpointe Avenue, Suite 600 Santa Ana, CA 92707
Total Hours:	Average 2,500 hours per year
Principle Client Contact:	Mr. Edwin Gato edwin.gato@stockton.ca.gov Accounting Manager 425 N. El Dorado Street Stockton, CA 95202 (209) 937-8499

SECTION X – SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENT ENTITIES

The following five clients are examples of some of the engagements that are similar to the requirements in the City's proposal. Additional references are available upon request. Please feel free to contact these governmental agencies to learn more about their experiences working with us.

Reference 1:

Name of Client:	San Diego Metropolitan Transit System
Service Period:	June 30, 2005 to Present
Scope of Work:	The Firm has provided professional auditing services to the San Diego Metropolitan Transit System, since 2005, which includes the audit of the CAFR and Single Audit. In addition, the Firm has performed agreed-upon procedures on the Indirect Cost Rates, compliance with California Transportation Development Act for MTS, San Diego Transportation Corporation and San Diego Trolley Incorporated, compliance on National Transit Database and compliance audit on Public Transportation Modernization Improvement and Service Enhancement Account.
GFOA Award:	Yes
Engagement Partner:	Kenneth H. Pun | Concurring Partner: Gary M. Caporicci
Engagement Manager:	Coley Delaney | Compliance Manager: Frances Kuo
Total Hours:	Average 1,850 hours per year
Client Contact:	Ms. Erin Dunn Controller erin.dunn@sdmts.com 1255 Imperial Avenue, Suite 1000, San Diego, CA 92101 (619) 557-4536

Reference 2:

Name of Client:	City of Desert Hot Springs
Service Period:	June 30, 2013 to Present
Scope of Work:	The Firm has provided professional auditing services to the City of Desert Hot Springs which includes the audit of the City's Basic Financial Statements, and Single Audit. In addition, the firm has performed agreed-upon procedures of the Appropriation Limit and Transient Occupancy Tax (TOT).
GFOA Award:	N/A
Engagement Partner:	Kenneth H. Pun | Concurring Partner: Gary M. Caporicci
Engagement Manager:	Frances Kuo | Compliance Manager: Coley Delaney
Total Hours:	Average 500 hours per year
Principle Client Contact:	Ms. Linda Kelly lkelly@cityofdhs.org Financial Specialist 65-950 Pierson Blvd. Desert Hot Springs, CA 92240 (760) 329-6411 ext. 289

Reference 3:

Name of Client:	City of Monterey Park
Service Period:	June 30, 2009 to Present
Scope of Work:	The Firm has provided professional auditing services to the City of Monterey Park which includes the audit of the City's CAFR, Successor Agency and Single Audit. In addition, the firm has performed agreed-upon procedures of the Appropriation Limit.
GFOA Award:	Yes
Engagement Partner:	Kenneth H. Pun | Concurring Partner: Gary M. Caporicci
Engagement Manager:	Frances Kuo | Compliance Manager: Coley Delaney
Total Hours:	Average 500 hours per year
Principle Client Contact:	Ms. Annie Yaung, CPFO ayaung@montereypark.ca.gov Controller 320 W. Newmark Avenue Monterey Park, CA 91754 (626) 307-2516

Reference 4:

Name of Client:	City of Clovis
Service Period:	June 30, 2006 to Present
Scope of Work:	The Firm has provided professional auditing services to the City of Clovis which includes the audit of the City's CAFR, Successor Agency and Single Audit. In addition, the firm has performed agreed-upon procedures of the Appropriation Limit.
GFOA Award:	Yes
Engagement Partner:	Kenneth H. Pun | Concurring Partner: Gary M. Caporicci
Engagement Manager:	Coley Delaney | Compliance Manager: Frances Kuo
Total Hours:	Average 400 hours per year
Principle Client Contact:	Ms. Jamie Hughson JamieH@ci.clovis.ca.us Finance Director 1033 Fifth Street Clovis, CA 93612 (559) 324-2104

Reference 5:

Name of Client:	Town of Danville
Service Period:	June 30, 1999 to Present
Scope of Work:	The Firm has provided professional auditing services to the Town of Danville which includes the audit of the City's CAFR, Financing Authority, the Lighting and Landscaping Assessment District's Basic Financial Statements, and Single Audit. In addition, the firm has performed agreed-upon procedures of the Appropriation Limit.
GFOA Award:	Yes
Engagement Partner:	Kenneth H. Pun | Concurring Partner: Gary M. Caporicci
Engagement Manager:	Coley Delaney | Compliance Manager: Frances Kuo
Total Hours:	Average 300 hours per year
Principle Client Contact:	Ms. Lani Ha LHa@danville.ca.gov Accounting Manager 510 La Gonda Way Danville, CA 94526 (925) 314-3358

Firm's Municipal Clients

The Pun Group, LLP has performed numerous audits of governmental organizations subject to financial and compliance audits. These audits were performed in accordance with auditing standards generally accepted in the United States, Government Auditing Standards, Uniform Grant Guidance (formerly known as OMB Circular A-133) and its Compliance Supplement (when applicable), Office of the State Controller's Minimum Audit Requirements and Reporting Guidelines for California Special Districts. **A list of current engagements is as follows:**

Municipalities	Dates	Financial Audit	Single Audit	GFOA Certificate	Engagement Partner	Total Hours
City of Arvin	2013 – Present	Yes	Yes	N/A	Kenneth H. Pun	400
City of Bradbury	2012 – Present	Yes	N/A	N/A	Kenneth H. Pun	150
City of Calexico	2007 – Present	Yes	Yes	N/A	Kenneth H. Pun	750
City of Cerritos	2009 – Present	Yes	Yes	Yes	Kenneth H. Pun	400
City of Clovis	2006 – Present	Yes	Yes	Yes	Kenneth H. Pun	400
Town of Danville	1999 – Present	Yes	Yes	Yes	Gary Caporicci	300
City of Desert Hot Springs	2013 – Present	Yes	N/A	N/A	Kenneth H. Pun	500
City of Encinitas	2014 – Present	Yes	Yes	Yes	Kenneth H. Pun	350
City of Gardena	2007 – Present	Yes	Yes	Yes	Gary Caporicci	700
City of Hemet	2015 – Present	Yes	Yes	N/A	Kenneth H. Pun	380
City of Hermosa Beach	2004 – Present	Yes	N/A	Yes	Kenneth H. Pun	200
City of Huntington Park	2015 – Present	Yes	Yes	N/A	Kenneth H. Pun	650
City of Industry	2015 – Present	Yes	Yes	Yes	Kenneth H. Pun	600
City of Lakewood	2013 – Present	Yes	Yes	Yes	Kenneth H. Pun	380
City of Monterey Park	2009 – 2015	Yes	Yes	Yes	Kenneth H. Pun	500
City of Morro Bay	2015 – Present	Yes	Yes	N/A	Kenneth H. Pun	400
City of National City	2013 – Present	Yes	Yes	Yes	Kenneth H. Pun	600
City of Placerville	2008 – Present	Yes	Yes	N/A	Kenneth H. Pun	350
City of Ridgecrest	2009 – Present	Yes	Yes	Yes	Kenneth H. Pun	300
City of San Bernardino	2015 – Present	Yes	Yes	N/A	Kenneth H. Pun	3,000
City of Stockton	2012 – 2015	Yes	Yes	N/A	Kenneth H. Pun	2,500
Gold Coast Transit System	2015 – Present	Yes	Yes	Yes	Paul J. Kaymark	150
San Diego Metropolitan Transit System	2005 – Present	Yes	Yes	Yes	Kenneth H. Pun	1,850
Shasta Regional Transportation Agency	2015 – Present	Yes	N/A	N/A	Kenneth H. Pun	200
Ventura County Railroad Company, LLC	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	60

Municipalities	Dates	Financial Audit	Single Audit	GFOA Certificate	Engagement Partner	Total Hours
Ventura County Transportation Commission	2015 – Present	Yes	Yes	Yes	Kenneth H. Pun	400
Altadena Library District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	90
Antelope Valley State Water Contractors Association	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	40
Barstow Heights Community Services District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	40
Big Bear City Airport District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	120
Big Bear City Community Services District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	200
Bodega Bay Fire Protection District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	140
Casitas Municipal Water District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	230
Desert Recreation District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	150
Desert Recreation Foundation	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	40
Diablo Water District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	350
East Orange County Water District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	130
El Toro Water District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	270
Encinitas Ranch Golf Authority	2015 – Present	Yes	N/A	N/A	Kenneth H. Pun	100
Fallbrook Healthcare District	2008 – Present	Yes	N/A	N/A	Kenneth H. Pun	75
Las Virgenes Municipal Water District	2014 – Present	Yes	N/A	N/A	Kenneth H. Pun	300
Marina Coast Water District	2012 – Present	Yes	N/A	Yes	Kenneth H. Pun	240
Menlo Park Fire Protection District	2015 – Present	Yes	Yes	Yes	Kenneth H. Pun	240
Newport Coast Elementary School Foundation	2010 – Present	Yes	N/A	N/A	Kenneth H. Pun	20
North Count Fire Protection District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	120
North County Dispatch JPA	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	60
North of the River Municipal Water District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	150
Orange County Coastkeeper	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	60
Palmdale Water District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	180
Palos Verdes Library District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	110
Port of Hueneme - Oxnard Harbor District	2015 – Present	Yes	N/A	Yes	Kenneth H. Pun	250
Rancho Santa Fe Fire Protection District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	120
Riverside County Flood Control and Water Conservation District	2015 – Present	Yes	N/A	Yes	Kenneth H. Pun	250

Municipalities	Dates	Financial Audit	Single Audit	GFOA Certificate	Engagement Partner	Total Hours
San Diego Coastkeeper	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	75
San Dieguito Water District Audit	2014 – Present	Yes	N/A	N/A	Kenneth H. Pun	75
San Mateo Mosquito and Vector Control District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	130
South Bay Regional Public Communications Authority	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	100
Southwestern Community College District	2009 – Present	Yes	Yes	N/A	Kenneth H. Pun	720
Stallion Springs Community Services District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	220
The Farm Mutual Water Company	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	170
Trabuco Canyon Water District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	200
Valley Sanitary District	2015 – Present	Yes	N/A	Yes	Kenneth H. Pun	140
West County Agency	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	55
West County Wastewater District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	240
West Valley Water District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	320
Wilmington Cemetery District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	65
Alliance Medical Center	2013 – Present	Yes	N/A	N/A	Kenneth H. Pun	300
Anderson Valley Health Clinic	2012 – Present	Yes	N/A	N/A	Kenneth H. Pun	200
Centro Medico Community Clinic	2015 – Present	Yes	N/A	N/A	Kenneth H. Pun	80
Desert Hot Springs Health and Wellness Foundation	2013 – Present	Yes	N/A	N/A	Kenneth H. Pun	100
Family Health Centers of San Diego	2009 – Present	Yes	Yes	Yes	Kenneth H. Pun	600
Industry Convalescent Hospital	2015 – Present	Yes	N/A	N/A	Kenneth H. Pun	230
Marin City Health and Wellness Center	2010 – Present	Yes	Yes	N/A	Kenneth H. Pun	110
McCloud Healthcare Clinic	2013 – Present	Yes	Yes	N/A	Kenneth H. Pun	200
Mountain Valleys Health Centers	2015 – Present	Yes	Yes	N/A	Kenneth H. Pun	200
Redwood Coast Medical Services	2008 – Present	Yes	Yes	N/A	Kenneth H. Pun	200
Shingletown Medical Center	2013 – Present	Yes	Yes	N/A	Kenneth H. Pun	190
Tulare Community Health Clinic	2008 – Present	Yes	Yes	N/A	Kenneth H. Pun	200
United Health Centers of San Joaquin Valley	2010 – 2016	Yes	Yes	N/A	Kenneth H. Pun	300

SECTION XI – AUDIT APPROACH, TECHNIQUES AND SCHEDULES TO BE USED

Proposed Segmentation of the Engagement and Timeline

The audit will be performed in four phases:

Initial Planning Meeting | During a mutually acceptable time frame, normally May through June of each year.

The Engagement Partner and Manager will meet with City's Management to get up to speed with City policies and procedures, establish any specific requirements Management may have, identification of unique transactions, implementation of new GASB pronouncements, and develop the audit work plan for the engagement.

Interim | May commence July of each year.

The Engagement Team—including the Engagement Partner—will assess accounting policies adopted by the City, obtain an understanding of the City and its operating environment, review internal controls on all significant transaction classes, perform walkthroughs and/or tests of internal control, perform preliminary analytical procedures, evaluate Single Audit compliance (if needed), identify any audit issues, and prepare confirmation correspondence. The Engagement Team and City Management will establish expectations including responsibilities and assignments for the year-end audit, and will hold a progress status meeting at the end of the Interim phase.

Year-End | May commence during the last week of August or the first week of September of each year.

The Engagement Team—including the Engagement Partner—will conduct audit procedures on account balances in the general ledger, finish confirmation procedures, perform preliminary analytical procedures, search for unrecorded liabilities, perform substantive analytical review procedures, complete work on compliance with Federal Assistance, and conclude fieldwork. The Engagement Team and City Management will hold an exit conference at the end of the Year-End phase.

Reporting | Camera ready copy of the CAFR and Single Audit Report to the Chief Financial Officer by November 10th. Final draft of the Report will be provided to the Audit Committee by December 1st.

The Firm will review and prepare audit reports and perform quality control procedures in accordance with the Quality Control Standards issued by the AICPA. We will also review reports for compliance with GFOA reporting guidelines at no additional cost. Any comments will be issued in a letter to Management. At the City's request, the Engagement Partner and Manager will present the audit to the City's governing body.

The Firm will complete the audit fieldwork and issue all reports within the established timeframe, assuming no internal City circumstances delay the audit.

Level of staff and number of hours to be assigned to each proposed segment of the engagement

The Pun Group, LLP understands that the City is not only looking to employ our auditing services, but is also seeking to receive value within that professional relationship. We believe that our value is derived from our in-depth knowledge, experience, and commitment that our auditing firm employs. We stress and emphasize "employ", because all of the knowledge and expertise listed on paper will not benefit you unless it is applied. That is why we have developed a plan that we feel will accomplish the objectives of the City and your particular needs. Our Firm will utilize the information that you have shared with us and our experience from our previous audits of this nature, from various government entities and cities to develop an effective plan for all major areas.

Example of Major Areas (not limited to):

- Audit of the City's financial statements and the related notes to financial statements
- Single Audit procedures and required reporting (if applicable)
- Agreed-upon procedures on Appropriations Limit calculation
- Communication with those charged with governance
- Internal Control and Management Letters (if applicable)

Total Hours:

Staff Classification Performing Work	Estimated Hours Annually
Partners	300
Managers	300
Supervisory	400
Senior Accountants	400
Staff Accountants	540
Clerical	60
Total Annual Hours:	**2,000**

Hours by Audit Phase	Hours
Phase I - Planning	200
Phase II - Interim	600
Phase III - Year End	700
Phase IV- Reporting	500
Total Annual Hours:	**2,000**

Sampling methodology and the extent to which statistical sampling is to be used in the engagement

In our audit approach, statistical sampling is used in conjunction with our skilled judgment and knowledge of each situation. The population size and assurance level needed from any given test will determine the sample size used in our testing.

Extent of use of electronic audit software in the engagement

We use EDP Software in our engagement to increase our efficiency and quality of our work and meet the new professional requirements regarding fraud and internal control. Our engagement team will import data from the City's financial software and extract useful data for the purpose of testing and analytical procedures particular in the following areas:

- Successful Fraud Test
- Questionable Invoices
- Phantom Vendor Schemes
- Kickback or Conflict-of-Interest Schemes
- Dormant Account Schemes
- Money Laundering Schemes

Type and extent of analytical procedures to be used in the engagement

We use analytical procedures during the interim phase to set up expectations for the year-to-date results and balances and compare them with budgeted and prior-year amounts. This allows us to forecast year-end amounts, reducing the workload during the year-end phase and allowing us to focus on areas of concern.

We also use trend and ratio analysis to identify any uncertain or unusual events. In order to perform these analysis, our firm performs a survey of cities and counties and develops benchmarks on certain key financial indicators, such as cost of services to tax revenues ratios, average general fund balance, capital assets, debt per capital, general fund unassigned fund balance to total general fund expenditures, etc. Our staff members have previous experience in successfully implanting analytical procedures to the City's benefit.

Approach to be taken to gain and document an understanding of the City of Stockton's internal control structure

Audit risk assessment will be established by an internal control review, combined with the Engagement Team's understanding of the City's operations and accounting software. Using the Committee of Sponsoring Organizations (COSO) Framework, staff members will evaluate the City's processes and identify any control deficiencies. These diagnostic review procedures allow the Engagement Team to evaluate the City's systems and controls and to provide constructive feedback to City Management.

The Engagement Team will perform a walkthrough of the City's accounting systems, including processes for financial reporting, revenue recognition and cash receipts, purchasing/contract management and cash disbursements, and payroll and related liabilities, etc. Auditors will document the process with a flowchart or narrative summary.

Use of the City's information technology resources in terms of computer time, operator time and programmer time

As defined under the AICPA risk-based auditing standards, Information Technology requires special consideration in the practical application of risk based auditing. Our Firm approach is to access those individuals who have knowledge of the City's Information Technology department. Our IT specialist will interview the City's IT Manager and selected analysts and/or programmers in order to evaluate the operating environment and structure in which transactions are processed and backed up in order to assess the overall risk to the audit that the IT environment poses. IT personnel will be requested to provide systems documentation and to answer any follow up questions our IT specialist may have. Certain computer operators will be selected in order to review the operator's information systems module access rights, however, direct auditor access to the City's computers will not be required. By doing this, we will accomplish the following:

1. IT risk assessment procedures are necessary to completely identify and understand how IT affects financial statement assertions and the level of risk;

2. By gaining an understanding of the City's controls that exist to mitigate IT-related risks, we may be able to incorporate test of IT controls into further audit procedures and thus improve the overall efficiency of our audit procedures;

3. IT risk assessment procedures often improve our understanding of how computer-aid audit tools and techniques can be applied to improve the efficiency of substantive audit procedures; and

4. IT risk assessment procedures can be leveraged to provide valuable recommendations to management.

Approach to be taken in determining laws and regulations that will be subject to audit test work

The Firm stays continually up to date with audit requirements—including new regulations, compliance supplements, state guidelines, and pertinent contracts—to ensure that we conduct audits in accordance with applicable laws and regulations. We test transactions for compliance with the Single Audit Act, California Government Code, GANN Appropriations Limit, provisions of applicable grant guidelines, requirements of local measures, etc.

For example, the Single Audit Act requires that we determine which grants to include in our audit and select transactions from those grants for detailed testing. While most transactions are tested as part of the Interim phase, we cannot determine which grants to test for the Single Audit until the Year-End phase of audit.

Our compliance audits of cash, investments, debt covenants, and other areas are performed in accordance with the California Government code, which has many provisions and regulations covering investments.

Approach to be taken in drawing audit samples for purposes of tests of compliance

To test compliance, we follow the AICPA's *Audit Sampling Considerations of Circular A-133 Compliance Audits*. We will select an appropriate sample size based on our professional judgment and knowledge. Any deviations from control and compliance requirements will be documented.

GASB Implementation Specialist

Gary M. Caporicci, the Firm's *GASB Implementation Specialist, is an* **appointed member to the State Retirement Advisory Committee by the State Controller** and has tremendous expertise in assisting clients with the implementation of GASB pronouncements.

For more than 40 years, Mr. Caporicci has successfully provided professional auditing, accounting, financial reporting and management advisory/consulting services to a broad spectrum of governmental entities.

Caporicci is a leader in the new GASB standards going into effect in the coming years. He will actively assist the City during the process of implementation and compliance related to new accounting standards.

Client Training Seminar

Every year, the Firm hosts a conference to update governmental clients on new technical accounting and financial issues. The day-long session—held in Clovis, San Diego, Cerritos, and Danville—qualifies for **eight hours of CPE** with the California Board of Accountancy.

Participants of last year's training seminar received a high-level examination of numerous technical issues, including the following:

- GASB 68 – *Accounting and Financial Reporting for Pensions*
- GASB 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*- an amendment of GASB Statement 68
- GASB Updates
  - ✓ GASB 72 – *Fair Value Measurement and Application*
  - ✓ GASB 73 – *Accounting and Financial Reporting for Pensions and Related* Assets *That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*
  - ✓ GASB 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
  - ✓ GASB 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- Uniform Grant Guidance
- Survey of Cities and Counties

Importantly, all of our clients are invited to attend the Pun Group, LLP client training seminar **FREE OF CHARGE.**

SECTION XII – SCOPE SECTION

The City of Stockton is requesting an opinion as to the fair presentation of its basic financial statements in accordance with generally accepted accounting principles (GAAP) and applicable laws and regulations. These audits are to be performed in accordance with all applicable and generally accepted auditing standards, including, but not limited to, the following:

- Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants.
- The standards applicable to financial audits contained in the most current version of the Generally Accepted Government Auditing Standards (Yellow Book), issued by the Comptroller General of the United States.
- The provisions of the Single Audit Act as amended in 1996.
- The provisions of U.S. Office of Management and Budget (OMB) Uniform Grant Guidance (formerly known as Circular A-133), Audits of State and Local Governments and Non-Profit Organizations and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.
- Applicable State of California audit guidelines.

To accomplish this task, the Firm will:

- ✓ Perform certain limited procedures involving Management's Discussion and Analysis and Required Supplementary Information required by the Governmental Accounting Standards Board as mandated by generally accepted accounting standards.

- ✓ Perform an audit of all funds of the City. The audit will be conducted in accordance with Generally Accepted Government Auditing Standards. The CAFR will be in full compliance with all current GASB pronouncements.

- ✓ Provide assistance in meeting the requirements for the Government Finance Officers Association (GFOA) "Certificate of Achievement for Excellence in Financial Reporting".

- ✓ Prepare a Single Audit Report which will include the following:
    - Report on compliance and on internal control over financial reporting based on audit of financial statements performed in accordance with Government Auditing Standards.
    - Report on compliance with requirements applicable to each major program, internal control over compliance, and on the schedule of expenditures of federal awards in accordance with Uniform Grant Guidance, OMB Circular A-133, "Audits of State and Local Governments", and the Single Audit Act of 1984 (Public Law 98-502).
    - Schedule of Expenditures of Federal Awards.
    - Notes to Schedule of Expenditures of Federal Awards.
    - Schedule of Findings and Questioned Costs.
    - Any other required schedules or reports.
    - Prepare the Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations.

- ✓ Perform agreed-upon auditing procedures pertaining to the City's GANN Limit (Appropriations Limit) and render a letter annually to the City regarding compliance.

- ✓ Audit the schedule of revenues, expenditures and changes in fund balance of the Measure W ¼ sales tax measure approved by voters in 2004.

- ✓ Issue a separate "management letter" that includes recommendations for improvements on internal control, accounting procedures and other significant observations that are considered to be no reportable conditions.

- ✓ Provide assistance in the implementation of applicable GASB pronouncements not yet in effect.

The Firm will be available for consultation by phone on accounting and financial issues during the year at no extra cost. The Firm will also serve as auditor for certain addition projects and studies as may be deemed necessary by the City.

The Firm will make an immediate written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the City Council, Audit Committee, City Manager, Chief Financial Officer and City Attorney.

Supplemental reports, audits, or agreed-upon procedures must be added in a written agreement prior to commencing audit work. The Firm and the City will discuss and approved the scope and associated costs of these tasks.

Reports to be Issued

The following reports will be issued at the fiscal year's financial statements completion:

- Comprehensive Annual Financial Report – Electronic Copy
- Report on Internal Control – Electronic Copy
- Single Audit Report – 30 bound copies, one (1) unbound original and one (1) electronic copy.
- Appropriations Limit (Article XIIIB) – Electronic Copy
- Measure W
- Management Letter – Electronic Copy
- Agreed-Upon Procedures (Signed Independent Auditor's review of major revenues required by the Bankruptcy Agreement with Assured Guarantee)
- Communication of Internal Controls Related Matters – 25 bound reports to the Audit Committee, one (1) unbound original and one (1) electronic copy.

Working Paper Retention and Access to Working Papers

The Firm will retain, at its own expense, all working papers and reports for a minimum of (7) seven years, unless the City notifies the Firm in writing of the need to extend the retention period. Upon request, the Firm will make working papers available to City of Stockton or other governmental agencies included in the federal or state grant audits. The Firm will comply with reasonable requests from successor auditors and allow them to review working papers that relate to matters of continuing accounting significance.

Additional Services

The Firm would like to propose to prepare State Controller's Office regulatory filings for the City. Our response for this request will be included under the **Appendices Section** of this proposal.

The deadline for the filing of the reports is as below:

- Cities Annual Financial Transactions Report (90 days after the close of the fiscal year / 110 days if filing in the electronic format report prescribed by the California State Controller)
- Annual Street Report to the State Controller (By October 1)

The Firm may also be asked to examine or prepare other reports or perform other services as required.

Supplemental reports and other audits or agreed-upon procedures may be agreed to in writing, prior to commencing work. The scope of the study and associated costs will be discussed and approved by the Firm and the City.

Special Considerations

The Firm acknowledges the following considerations listed on the RFP:

a. The City of Stockton currently anticipates it may prepare one or more official statements in connection with the sale of debt securities that will contain the basic financial statements and the Firm's report thereon. The Firm will be required, if requested by the fiscal advisor and/or the underwriter, to issue a "consent and citation of expertise" as the external auditor and any necessary "comfort letters."

b. The City of Stockton has determined that the U.S. Department of Housing and Urban Development functions as the cognizant agency in accordance with the provisions of the Single Audit Act and OMB Circular A-133.

c. The City of Stockton anticipates the need for assistance from the Firm to comply with GASB pronouncements that take effect during the term of the contract. The level of assistance to be provided will be discussed on a case by case basis and mutually agreed upon by Firm and Chief Financial Officer. Several new GASB pronouncements will become effective over the term of this contract. As such, specific attention will be provided to determine the proper implementation of these new pronouncements. These new pronouncements with implementation dates that fall within the contract period are as follows:

   - GASB 72 – *Fair Value Measurement and Application*
   - GASB 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
   - GASB 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
   - GASB 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
   - GASB 76 – *The Hierarchy of Generally Accepted Account Principles for State and Local Governments*
   - GASB 77 – *Tax Abatement Disclosures*
   - GASB 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*
   - GASB 79 – *Certain External Investment Pools and Pool Participants*
   - GASB 80 – *Blending Requirements for Certain Component Units—an amendment of GASB Statement 14*

   The Firm will gladly assist the City in complying and implementing new GASB pronouncements.

d. The City establishes materiality levels for posting year end transactions at the commencement of the audit to assist with year-end closing. A schedule of unposted transactions will be provided to the auditor.

e. It is the City of Stockton's desire and intent to issue fiscal year 2016 financial statements no later than December 31, 2016, in order to provide timely financial results as it emerges from bankruptcy and prior fiscal emergencies. The City is striving to issue the statements within six (6) months after the end of the fiscal year. Careful planning by both the Firm and the City will be required to accomplish this goal. The Firm will propose an audit staffing and work plan in order to meet those filing requirements.

f. The City of Stockton obtains grants from various State of California agencies and desires to meet the audit requirements in the most cost efficient method possible. This may require some additional audit services as mutually agreed upon by the Firm and the City of Stockton.

g. The City contracts with SMG for management of the City's Arena, Ballpark (for times when the Ballpark is not operated by the Ports), Events Center Common Areas, Bob Hope Theater, and Oak Park Ice Center, all owned by the City. The City needs to ensure the revenue and expenses for each facility are included in the annual financial statements and subsequent audit. A separate report is issued by SMG and audited by other auditors as of June 30 for these operations. The agreement provides the Firm complete access to the facilities' books and records. Should the City receive other than an "unqualified" opinion as a result of deficiencies with any facility, the City may require some additional audit services as mutually agreed upon by the Firm and the City. In addition, the City contracts with WestRec for management of its Downtown

Marina. The City also needs to ensure the transactions related to this property are included in the annual financial statements and subjected to audit. There are no separate audits of these financial transactions.

As mentioned above, as the City's auditors we will not only coordinate, but we will manage "other auditors" in the process of auditing the City's financial statements. This process will be performed in accordance with a new AICPA Auditing Standard, Responsibility of Auditors for Audits of Group Financial Statements. In addition, we will carefully review the City contracts where an audit is not performed for inclusion in the City's financial statements.

Objectives of Our Services

Our primary objective for the proposed audit is to examine the City's financial statements and express our opinion on their fairness of presentation, in accordance with generally accepted accounting principles. Other objectives that will benefit the City include the following:

- To offer beneficial observations and recommendations about policies and procedures for accounting and operating controls
- To identify opportunities to make City operations more efficient and reduce costs
- To perform the audit efficiently and effectively, so disruption to office operations is minimized
- To provide continuing advisory services to help the City implement recommendations
- To meet these objectives at no additional cost to the City

The Engagement Team will perform the audit in accordance with the Firm's quality-control procedures, which include following standard audit programs, careful planning, using industry-standardized software for auditing and internal control documentation, and welcoming an objective review of audit work.

The Firm will supply portable computers to the onsite staff members.

Our audit approach emphasizes careful planning, open communication, and proper assignment of responsibilities. This method ensures that audit requirements will be met with minimal disruption of the City's daily operations, and that the audit will proceed efficiently with full understanding between the Engagement Team and the City.

Identification of Anticipated Potential Audit Problems

While we do not expect any problems with the audit, we will carefully investigate and monitor the following relevant accounting issues:

- Investments:
  - Compliance with GASB 31 and GASB 34
  - Authorization and approval process for City investments
  - Controls to assure City's compliance with investment limitations and types of specific investments
  - Monitoring by the City of its investments

- Financial Reporting:
  - CAFR compliance with current reporting and disclosure requirements issued by GASB
  - CAFR eligibility for financial reporting conformance awards issued by GFOA
  - Compliance with the various GASBs in effect, especially the implementation of GASB 68 and 71 related to pension accounting
  - Compliance with infrastructure obligations and regulatory provisions

- Internal Control Structure:
  - City's internal control functions and compliance with proper internal control philosophies
  - Computer-system processes and controls, and adequacy of the control environment

Over the period of the engagement, several new GASB pronouncements will become effective. The Engagement Team will pay specific attention to the following new and upcoming pronouncements, and any others that become effective during the proposal period, in order to determine proper implementation procedures:

- GASB 72 – *Fair Value Measurement and Application*
- GASB 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- GASB 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- GASB 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- GASB 76 – *The Hierarchy of Generally Accepted Account Principles for State and Local Governments*
- GASB 77 – *Tax Abatement Disclosures*
- GASB 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*
- GASB 79 – *Certain External Investment Pools and Pool Participants*
- GASB 80 – *Blending Requirements for Certain Component Units—an amendment of GASB Statement 14*

Discussion of Relevant Accounting Issues

Over the period of the engagement, several new GASB pronouncements will become effective. The Engagement Team will pay specific attention to the following new and upcoming pronouncements, and any others that become effective during the proposal period, in order to determine proper implementation procedures. Based on our understanding through our study of the City's financials, we have determined the following GASB pronouncements may have some impact to the City's financial statements:

GASB 72 – *Fair Value Measurement and Application*
GASB 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
GASB 77 – *Tax Abatement Disclosures*
GASB 79 – *Certain External Investment Pools and Pool Participants*

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. To determine a fair value measurement, a government should consider the unit of account of the asset or liability. The unit of account refers to the level at which an asset or a liability is aggregated or disaggregated for measurement, recognition, or disclosure purposes as provided by the accounting standards. This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount. Valuation techniques should be applied consistently, though a change may be appropriate in certain circumstances. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs—other than quoted prices—included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replace the requirements of GASB Statements No. 45 and 57. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are

administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The Firm believes the following pronouncement has minimal impact to the City's financial statements:

- GASB 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- GASB 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- GASB 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- GASB 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*
- GASB 80 – *Blending Requirements for Certain Component Units—an amendment of GASB Statement 14*

SECTION XIII – ADDITIONAL DATA

There is no additional data we wish to present.

Benefits of Choosing The Pun Group, LLP

The Pun Group, LLP is recognized for its professionalism, integrity, and providing clients with effective resolutions for their unique circumstances and issues. Our Firm prides itself on being able to provide personalized client services, and with that sentiment in mind, we have carefully chosen our engagement teams. The Pun Group's main objective is always to provide the City with solutions and directions, led by highly experienced and capable partners who can successfully implement the work and produce the results you expect. This philosophy and mindset allows us to provide a superior level of service.

We trust that this proposal has given you the information you need about the Firm, the Engagement Team members, overall audit approach, cost-saving measures, and audit fees. We are committed to exceeding your expectations, and we look forward to bringing our experience and expertise to the City of Stockton and providing you with the excellent level of service that you expect and deserve.

Thank You

Thank you for giving us the opportunity to introduce the Firm and submit our qualifications to provide you with audit services. Please direct inquiries to:

Mr. Kenneth H. Pun, CPA, CGMA
Managing Partner
200 East Sandpointe Avenue, Suite 600
Santa Ana, California 92707
ken.pun@pungroup.com
(949) 777-8801

Sincerely,

The Pun Group, LLP

The Pun Group, LLP
Certified Public Accountants and Business Advisors

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APPENDICES

- ✓ *Additional Optional Services*
- ✓ *Proof of Insurance*

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ADDITIONAL OPTIONAL SERVICES

Proposal To Prepare State Controller's Office Regulatory Fillings for the City of Stockton:

The City of Stockton desires the Firm to prepare and file the following State Controller's Office regulatory filing for the City:

- Cities Annual Financial Transactions Report (90 days after the close of the fiscal year / 110 days if filing in the electronic format report prescribed by the California State Controller)
- Annual Street Report to the State Controller (By October 1)

The Firm will contract with Thales Consulting (Mr. Joe Stimac) to prepare these reports electronically. Thales Consulting has developed the software to prepare and file these reports with the California State Controller's Office. Thales Consulting has been performing this work since 2001.

All-Inclusive Cost for each report is included in the sealed dollar cost proposal.

ACORD®

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 4/6/2016

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER
Wood Gutmann & Bogart
15901 Red Hill Ave., Suite 100
Tustin CA 92780

CONTACT NAME: Connie Jones
PHONE (A/C, No, Ext): 714-505-7000 FAX (A/C, No): 714-573-1770
E-MAIL ADDRESS: connie@wgbib.com

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A : TRAVELERS CAS INS CO OF AMER	19046
INSURER B : Travelers Property Casualty Co of A	25674
INSURER C : Argonaut Insurance Company	
INSURER D :	
INSURER E :	
INSURER F :	

INSURED PUN&M-1
The Pun Group, LLP, Pun & McGeady, LLC
Pun Advisory LLC
200 East Sandpointe Avenue, Suite 600
Santa Ana CA 92707

COVERAGES **CERTIFICATE NUMBER:** 1078027007 **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	X COMMERCIAL GENERAL LIABILITY			6807G592120-16	3/1/2016	3/1/2017	EACH OCCURRENCE	$2,000,000
	CLAIMS-MADE X OCCUR						DAMAGE TO RENTED PREMISES (Ea occurrence)	$300,000
							MED EXP (Any one person)	$5,000
							PERSONAL & ADV INJURY	$2,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER:						GENERAL AGGREGATE	$4,000,000
	X POLICY PRO-JECT LOC						PRODUCTS - COMP/OP AGG	$4,000,000
	OTHER:							$
A	AUTOMOBILE LIABILITY			BA-8G976703-16	3/1/2016	3/1/2017	COMBINED SINGLE LIMIT (Ea accident)	$1,000,000
	ANY AUTO						BODILY INJURY (Per person)	$
	ALL OWNED AUTOS / SCHEDULED AUTOS						BODILY INJURY (Per accident)	$
	X HIRED AUTOS / X NON-OWNED AUTOS						PROPERTY DAMAGE (Per accident)	$
								$
	UMBRELLA LIAB / OCCUR						EACH OCCURRENCE	$
	EXCESS LIAB / CLAIMS-MADE						AGGREGATE	$
	DED / RETENTION $							$
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY			UB4548T41-2-16	3/1/2016	3/1/2017	X PER STATUTE / OTH-ER	
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) Y/N	N/A					E.L. EACH ACCIDENT	$1,000,000
	If yes, describe under DESCRIPTION OF OPERATIONS below						E.L. DISEASE - EA EMPLOYEE	$1,000,000
							E.L. DISEASE - POLICY LIMIT	$1,000,000
C	E&O Retro 12/29/11			IAC1193202	3/1/2016	3/1/2017	3,000,000 agg	1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

City of Stockton is named as additional insured on the General Liability per attached CGD1050494 as required by written contract subject to the terms and conditions of the policy.

CERTIFICATE HOLDER

City of Stockton
Attn: Risk Service Division
425 E. El Dorado Street
Stockton CA 95202

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE
DA, III

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COMMERCIAL GENERAL LIABILITY

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

BLANKET ADDITIONAL INSURED – OWNERS, LESSEES OR CONTRACTORS

This endorsement modifies insurance provided under the following:
COMMERCIAL GENERAL LIABILITY COVERAGE PART

PROVISIONS:

1. WHO IS AN INSURED (SECTION II) is amended to include as an insured any person or organization (called hereafter "additional insured") whom you have agreed in a written contract, executed prior to loss, to name as additional insured, but only with respect to liability arising out of "your work" or your ongoing operations for that additional insured performed by you or for you.
2. With respect to the insurance afforded to Additional Insureds the following conditions apply:
   a. Limits of Insurance – The following limits of liability apply:
      1. The limits which you agreed to provide; or
      2. The limits shown on the declarations,

      whichever is less.
   b. This insurance is excess over any valid and collectible insurance unless you have agreed in a written contract for this insurance to apply on a primary or contributory basis.
3. This insurance does not apply:
   a. on any basis to any person or organization for whom you have purchased an Owners and Contractors Protective policy.
   b. to "bodily injury," "property damage," "personal injury," or "advertising injury" arising out of the rendering of or the failure to render any professional services by or for you, including:
      1. The preparing, approving or failing to prepare or approve maps, drawings, opinions, reports, surveys, change orders, designs or specifications; and
      2. Supervisory, inspection or engineering services.

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ACCOUNTANTS & ADVISORS