AGREEMENT FOR AUDIT SERVICES

THIS AGREEMENT, is made and entered into this ____ day of __________________, 20__, by and between the City of Roseville, a municipal corporation ("CITY"), and Lance, Soll & Lunghard, LLP, a California limited liability partnership ("AUDITOR"); and

W I T N E S S E T H:

WHEREAS, CITY desires a public accounting firm to provide auditing services; and

WHEREAS, AUDITOR has prepared a proposal in response to RFP #10-020, dated April 7, 2021, which describes the scope of work to be performed by AUDITOR, the budget for the work, and the schedule for performance of the work; and

WHEREAS, AUDITOR is qualified and experienced to provide auditing services.

NOW, THEREFORE, the parties agree as follows:

1. Qualifications. AUDITOR certifies its status as a firm of certified public accountants, or as an individual certified public accountant, with the time and ability to perform the services required hereunder in an efficient, trustworthy and businesslike manner. AUDITOR certifies that it and its officers, employees and agents have no personal or financial interest that would conflict with or interfere with the provision of the services to be rendered. The services to be rendered shall be performed in accordance with generally accepted auditing standards in effect at the time of the rendition of such services.

2. Services. AUDITOR shall render the following services:

a. Conduct audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards set forth for financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (GAGAS), and Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards issued by the Office of Management and Budget (Uniform Guidance).

b. Annual audit and management letter for the following fiscal years shall be prepared for the fees listed immediately below:

i. 2020 -21 - - $157,160

ii. 2021 -22 - - $157,160

c. The fees to be paid for the annual audit and management letter described in subparagraph b(i) through (ii) shall not exceed in any event the amounts listed above, except in the event of the approval of additional services.

d. AUDITOR shall, during the term of this Agreement, provide advice to CITY on appropriate accounting changes or updates. This service is included in the fees described in subparagraph b(i) through (ii).

3. <u>Fee Adjustment</u>. In the event that the hours worked are less than the quotient of the applicable fee as dividend, divided by the hourly rate, as divisor, then the fee shall be adjusted downward by multiplying the hours worked by the hourly rate and adding thereto the actual expenses incurred, but in no event shall the fee exceed the maximum fee shown above.

4. <u>Additional Services</u>. In the event circumstances disclosed by the audit indicate that more detailed procedures are required in addition to that which would have been sufficient under ordinary circumstances, AUDITOR agrees to provide CITY in writing with an explanation of the extraordinary circumstances, together with an estimate of the additional fee necessary for

such detailed procedures. If CITY approves the additional fee, the work shall proceed; however, CITY may conditionally approve such fee under protest, in which case a payment of the fee shall not be deemed to waive any legal right which CITY might have to contest the propriety of the amount. Any additional services to be rendered hereunder shall be rendered on the basis of the hourly rate incorporated herein.

5. Hourly Rates. The hourly rates for rendition of services by AUDITOR are as listed on EXHIBIT "B", attached hereto and incorporated herein by this reference, for each principal and employee of AUDITOR who may perform services directly under this Agreement.

6. Expenses. AUDITOR may claim the actual, reasonable and necessary out-of-pocket expenses incurred in the reproduction of the annual audit and management letter and for such other actual expenses which are reasonable and necessary for the completion of the audit and management letter, if the same are approved in advance by CITY.

7. Default. Since time is of the essence of this Agreement, and because AUDITOR and CITY understand a late or incomplete audit may frustrate this Agreement entirely, the parties agree that if AUDITOR fails to render services in time, through no fault of CITY, CITY may, at its option, cancel this Agreement and upon giving written notice to AUDITOR of such cancellation, CITY shall be completely free of further liability to AUDITOR for services rendered or for contractual rights after the date of notification, or CITY may elect to enforce this Agreement by requiring AUDITOR to comply with the exact terms hereof. AUDITOR shall only be entitled to payment for the services rendered in preparing the report if the same is delivered in full and complete form to CITY. If delivery is late, then the parties hereby agree that the damages to CITY would be difficult if not impossible to determine; therefore, the total

fee, as calculated by the hours multiplied by the hourly rate, shall be reduced by five (5%) percent for each week the report is late.

8. Indemnification. To the fullest extent allowed by law, AUDITOR shall defend, indemnify, and save and hold harmless CITY, its officers, agents, employees and volunteers from any claims, suits or actions of every name, kind and description brought forth, or on account of, injuries to or death of any person (including but not limited to workers and the public), or damage to property, resulting from or arising out of AUDITOR's willful misconduct or negligent act or omission while engaged in the performance of obligations or exercise of rights created by this Agreement, except those matters arising from CITY's sole negligence, active negligence or willful misconduct. The parties intend that this provision shall be broadly construed.

AUDITOR's responsibility for such defense and indemnity obligations shall survive the termination or completion of this Agreement for the full period of time allowed by law. The defense and indemnity obligations of this Agreement are undertaken in addition to, and shall not in any way be limited by, the insurance obligations contained in this Agreement.

9. Insurance. AUDITOR agrees to continuously maintain, in full force and effect, the following minimum policies of insurance during the term of this Agreement.

COVERAGE	LIMITS OF LIABILITY
Workers' Compensation	Statutory
Commercial General Liability	$1,000,000 each occurrence $2,000,000 aggregate Personal Injury: $1,000,000 each occurrence $2,000,000 aggregate

Automobile Liability	$1,000,000 combined single limit
Professional Liability (errors and omissions)	$1,000,000 per claim $2,000,000 aggregate

a. Form. AUDITOR shall submit a certificate evidencing such coverage for the period covered by this Agreement in a form satisfactory to Risk Management and the City Attorney, prior to undertaking any work hereunder. Any insurance written on a claims made basis is subject to the approval of Risk Management and the City Attorney.

b. Additional Insureds. AUDITOR shall also provide a separate endorsement form or section of the policy showing CITY, its officers, agents, employees and volunteers as additional insureds for each type of coverage, except for Workers' Compensation and Professional Liability. Such insurance shall specifically cover the contractual liability of AUDITOR. The additional insured coverage under the AUDITOR's policy shall be primary and noncontributory, as evidenced by a separate endorsement or section of the policy, and shall not seek contribution from CITY's insurance or self-insurance. In addition, the additional insured coverage shall be at least as broad as the Insurance Services Office ("ISO") CG 20 01 Endorsement. Any available insurance proceeds in excess of the specified minimum insurance coverage requirements and limits shall be available to the additional insureds. Furthermore, the requirements for coverage and limits shall be: (1) the minimum coverage and limits specified in this Agreement; or (2) the full coverage and maximum limits of any insurance proceeds available to the named insureds, whichever is greater.

c. Cancellation/Modification. AUDITOR shall provide ten (10) days written notice to CITY prior to cancellation or modification of any insurance required by this Agreement.

d. Umbrella/Excess Insurance. The limits of insurance required in this Agreement may be satisfied by a combination of primary and excess insurance. Any excess insurance shall contain or be endorsed to contain a provision that such coverage shall also apply on a primary and noncontributory basis for the benefit of CITY (if agreed to in a written contract) before CITY's own insurance shall be called upon to protect it as a named insured.

e. Subcontractors. AUDITOR agrees to include in its contracts with all subcontractors the same requirements and provisions of this Agreement, including the indemnity and insurance requirements, to the extent they apply to the scope of the subcontractor's work. Furthermore, AUDITOR shall require its subcontractors to agree to be bound to AUDITOR and CITY in the same manner and to the same extent as AUDITOR is bound to CITY under this Agreement. Additionally, AUDITOR shall obligate its subcontractors to comply with these same provisions with respect to any tertiary subcontractor, regardless of tier. A copy of CITY's indemnity and insurance provisions will be furnished to the subcontractor or tertiary subcontractor upon request.

f. Self-Insured Retentions. All self-insured retentions ("SIR") must be disclosed to Risk Management for approval and shall not reduce the limits of liability. Policies containing any SIR provision shall provide or be endorsed to provide that the SIR may be satisfied by either the named insured or CITY. CITY reserves the right to obtain a full certified copy of any insurance policy and endorsements. The failure to exercise this right shall not constitute a waiver of such right.

g. Waiver of Subrogation. AUDITOR hereby agrees to waive subrogation which any insurer of AUDITOR may acquire from AUDITOR by virtue of the payment of any loss under a Workers Compensation, Commercial General Liability or Automobile Liability policy. All Workers Compensation, Commercial General Liability and Automobile Liability policies shall be endorsed with a waiver of subrogation in favor of CITY, its officers, agents, employees and volunteers for all worked performed by AUDITOR, its employees, agents and subcontractors.

h. Liability/Remedies. Insurance coverage in the minimum amounts set forth herein shall not be construed to relieve AUDITOR of liability in excess of such coverage, nor shall it preclude CITY from taking such other actions as are available to it under any other provisions of this Agreement or law.

10. Term and Termination. This Agreement commences on July 1, 2021 and expires on May 31, 2023. Upon expiration of the initial term, the CITY has two (2) options to renew this Agreement for additional two (2) year terms. Such renewals shall be by written amendments to this Agreement.

CITY may terminate this Agreement, without any cause whatsoever by giving five (5) days advance written notice to AUDITOR, in which event, AUDITOR shall be entitled to be compensated for the services rendered up to the date and time of termination, provided that AUDITOR furnishes CITY with copies of all of its written work and data produced up to the time of its termination.

11. Waiver. The failure of CITY to enforce any provision of this Agreement shall not be construed as a waiver of the right of CITY to compel enforcement or demand recompense for damage.

12. Access to Records. Duly authorized representatives of CITY shall have right of access during normal business hours to AUDITOR's files and records relating to the services performed hereunder, and may review the files and records at appropriate stages during performance of the services.

13. Time is of the Essence. Time is of the essence of this Agreement.

14. Compliance with Laws. AUDITOR shall comply with all federal, state and local laws, ordinances and policies as may be applicable to the performance of services under this Agreement.

15. Ability to Perform. AUDITOR agrees and represents that it has the time, ability and professional expertise to perform the services required under this Agreement.

16. Assignment. AUDITOR is employed to perform unique personal services. AUDITOR shall not assign this Agreement without the prior written consent of City. AUDITOR shall not employ or otherwise incur any obligation to pay other specialists or experts for services in connection with this Agreement, without prior written consent of CITY.

17. Independent Contractor. AUDITOR shall act as an independent contractor, and covenants and agrees that it will conduct itself consistent with such status, that it will neither hold itself out as, nor claim to be, an officer or employee of CITY by reason of this Agreement. AUDITOR has the right to exercise its professional control over the manner in which it renders services, except as set out in this Agreement.

18. Representations and Warranties. AUDITOR warrants that it has not employed or retained any company or person, other than a bona fide employee working for AUDITOR, to solicit or secure this Agreement, and that it has not paid or agreed to pay any company or person, other than a bona fide employee, any fee, commission, percentage, brokerage fee, gift or any

other consideration, contingent upon or resulting from the award or making of this Agreement. For breach or violation of this warranty, CITY shall have the right to terminate as void this Agreement, without liability, or, in its discretion, to deduct from the Agreement price or consideration, or otherwise recover, the full amount of such fee, commission, percentage, brokerage fee, gift or contingent fee.

19. Successors in Interest. This Agreement shall be binding upon the heirs, successors, executors, administrators and assigns of the respective parties hereto.

20. Copyright, Ownership and Use of Materials. All tangible material ("Material") created or delivered pursuant to this Agreement is considered a work made for hire under the Copyright Act. For purposes of this Agreement, Material excludes tangible material related to AUDITOR's audit strategy, such as materiality calculations, risk assessments and testing thresholds. To the extent Material does not qualify as a work made for hire, AUDITOR hereby assigns to CITY all right, title, and interest, including but not limited to all copyrights, in all Material created by AUDITOR in its performance under this Agreement. Material constitutes the scope of work outlined in EXHIBIT "A" and attached hereto, and all written and other tangible expressions, including but not limited to, drawings (including computer aided drawings), papers, documents, reports, surveys, renderings, exhibits, sketches, maps, models, prints, paintings or photographs, in any and all media or formats in which such materials have been created or are maintained. All Material furnished by AUDITOR is, and shall remain, the property of CITY.

AUDITOR shall execute any documents necessary to effectuate such assignment. In the event that AUDITOR uses, employs, designates, or retains any person or entity who is not an employee of AUDITOR, to perform any work required of it pursuant to this Agreement, AUDITOR shall require said person or entity to execute an agreement containing the preceding paragraph.

21. Attorney's Fees; Venue; Governing Law. If either party commences any legal action against the other party arising out of this Agreement or the performance hereof, the prevailing party in such action shall be entitled to recover its reasonable litigation expenses, including but not limited to, court costs, expert witness fees, discovery expenses, and attorney's fees. Any action arising out of this Agreement shall be brought in Placer County, California, regardless of where else venue may lie. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

22. Modification. This Agreement and each provision contained herein may be waived, amended, supplemented or eliminated only by mutual written agreement of the parties.

23. Severability. If any of the provisions contained in this Agreement are for any reason held invalid or unenforceable, such holding shall not affect the remaining provisions or the validity and enforceability of the Agreement as a whole.

24. Notices. Any notices to parties required by this Agreement shall be delivered personally or mailed, U.S. first class postage prepaid, addressed as follows:

CITY OF ROSEVILLE

Dennis Kauffman
Assistant City Manager/Chief Financial Officer
311 Vernon Street
Roseville, CA 95678

AUDITOR

Deborah Harper
Lance, Soll, & Lunghard, LLP
2151 River Plaza Drive, Ste 150
Sacramento, CA 95833

Either party may amend its address for notice by giving notice to the other party in writing.

25. Proposal of Audit Services. A copy of AUDITOR's "Proposal for Audit Services to City of Roseville" dated April 7, 2021 is attached to this Agreement as EXHIBIT "A," for

information. The duties of AUDITOR and CITY include all matters within EXHIBIT "A," provided, however, that in the event of any inconsistency of this Agreement and EXHIBIT "A" the provisions of this Agreement shall govern.

26. Integrated Agreement. This is an integrated agreement and contains all of the terms, considerations, understanding and promises of the parties. It shall be read as a whole.

IN WITNESS WHEREOF, the City of Roseville, a municipal corporation, has caused this Agreement to be executed in duplicate by its City Manager and attested to by its City Clerk under the authority of Resolution No. _____, adopted by the Council of the City of Roseville on the _____ day of ___________, 20__, and AUDITOR has caused this Agreement to be executed.

CITY OF ROSEVILLE, a
municipal corporation

BY:___________________________
DOMINICK CASEY
City Manager

ATTEST:

BY:___________________________
SONIA OROZCO
City Clerk

LANCE, SOLL, & LUNGHARD, a
California limited liability partnership

BY: Debbie A. Harper

its: Partner

and

BY:_________________________

its: Partner

[SIGNATURES CONTINUED ON NEXT PAGE]

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APPROVED AS TO FORM:

BY:___________________________
MICHELLE SHEIDENBERGER
City Attorney

APPROVED AS TO SUBSTANCE:

Dennis Kauffman Digitally signed by Dennis Kauffman Date: 2021.05.19 15:53:42 -07'00'

BY:___________________________
DENNIS KAUFFMAN
Assistant City Manager/Chief Financial Officer

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EXHIBIT “A”

Proposal for Audit Services

QUALIFICATIONS OF TEAM (Continued)

CONTINUING EDUCATION

As a firm policy, all professional government staff meet the requirement of 40 hours of continuing education every year, with at least 24 hours in governmental accounting and auditing in a two-year period. Our educational programs include training from CalCPA, AICPA, Government Audit Quality Center, and GFOA.

We have continuous talent development throughout the year that focuses on new government pronouncements. Deborah Harper, the Engagement Partner assigned to this engagement and the firm's Learning Director, is an elite executive member of the AICPA Government Audit Quality Center Executive Committee. As a member of this committee, she routinely participates in the creating process of new AICPA Audit Guides and partakes in the discussion of Uniform Guidance requirements and changes, which allows her immediate access to oversight and cognizant agencies for any technical questions that may arise.

QUALITY OF STAFF ASSURANCE

LSL will ensure the quality of staffing over the term of the engagement through firm policies which provide for maintaining continuity of engagement teams, except in instances where an employee has left the firm or has been promoted. All other changes in staffing supervisor and above will first have the City's expressed written permission. Our focused efforts to obtain and retain quality staff have further enabled us to provide high levels of services to our clients. If changes are required, our extensive team of government auditors provides for qualified replacements.

LOCATION OF OFFICES

LSL is a regional firm with offices in Brea, Santa Ana and Sacramento, California, as well as Houston, Texas. The audit for the City of Roseville will be staffed primarily from our Sacramento Office, with additional resources utilized from our Brea Office.

PROJECT UNDERSTANDING

Lance, Soll & Lunghard, LLP (LSL) agrees to audit the City of Roseville financial statements for fiscal year ending June 30, 2021, with the options of two (2) additional two-year periods. LSL will perform the services listed in the "Scope of Services" under Section 3 of the RFP.

These audits are to be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants; the standards applicable to financial audits contained in Government Auditing Standards (current edition), issued by the Comptroller General of the United States; the provisions of the Single Audit Act (current version at the time of the audit); the provisions of the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance); and when applicable, provisions of the American Recovery and Reinvestment Act.

PROJECT UNDERSTANDING (Continued)

The reports to be issued will include the following:

- An audit opinion on the fair presentation of the City's financial statements (CAFR) in conformity with generally accepted accounting principles.
- All reports required for a Single Audit in compliance with the provisions of *OMB Circular A-133,* the *Single Audit Act and the Uniform Guidance*.
- An Agreed-Upon Procedures report on the City's calculation of its Appropriation Limit in accordance with the *Article XIIIB Appropriations Limit Uniform Guidelines* and as mandated by the California Constitution.
- An Agreed-Upon Procedures report on the City's South Placer Wastewater Authority related to connection fees.
- An audit opinion for the "Bizz Johnson" Highway Interchange Joint Powers Authority financial statements.
- An audit opinion for the Community Development Corporation financial statements.
- An audit opinion for the Roseville Natural Gas Financing Authority financial statements.
- All reports required for the Roseville School-Age Child Care Program financial statements.
- An audit opinion for the Roseville Electric Enterprise Fund Basic financial statements.
- An audit opinion for the Roseville Environmental Utilities Enterprise Funds basic financial statements.
- An audit opinion for the South Placer Wastewater Authority financial statements.
- A 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*. The report will communicate any significant deficiencies found during the audit important enough to merit attention by those charged with governance. Significant deficiencies will be identified as either material weaknesses or significant deficiencies. The report will also include material non-compliance noted.
- Other matters that are not significant deficiencies or material weaknesses and other non-material instances of non-compliance discovered during our audit will be reported in a separate letter to management.
- An audit communication letter addressed to the City of Roseville City Council including all required disclosures under SAS 114.

DISCUSSION OF RELEVANT ACCOUNTING ISSUES

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

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

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

PROJECT UNDERSTANDING (Continued)

IDENTIFICATION OF ANTICIPATED POTENTIAL AUDIT PROBLEMS

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

TECHNOLOGICAL CAPABILITIES

LSL is always at the forefront of technology and finding ways to increase efficiency in our audits. Our goal is to effectively streamline the audit process to make the burden of an audit easier on our clients.

Adapting to a Post COVID-19 Audit Relationship

At LSL with technology being one of our core values, we were already operating in a cloud-based, often remote environment prior to the onset of COVID-19. We experienced no issues performing audits in a remote environment and have found ways to increase efficiencies and the quality of our audits utilizing some of the tools available. Having the ***LSL CaseWare Cloud Portal*** makes the exchange of secure information easy and painless, while utilizing ***Zoom and Microsoft Teams*** has allows us to communicate in a face-to-face setting, giving us the ability to share screens and information in real time.

CaseWare

We are partners with and utilize ***CaseWare*** to perform our audit, retain electronic work papers and supporting documentation in a completely cloud-based platform. During our preparation of the CAFR, all financial statements and schedules are linked to ***CaseWare*** and audit documentation which ensures accuracy and consistency with City records and eliminates the risk of manual errors.

LSL CaseWare Cloud Portal

Our web-based portal system gives our clients the ability to share information in a secure platform that is user friendly and easy to use. This portal is integrated with ***CaseWare OnPoint Collaborate***, a state-of-the-art tool which takes collaborative and accounting and auditing to the next level. It facilitates direct communication with clients throughout the audit to both provide and receive feedback, tracking of activity, audit requests and audit progress, all within a secure hub where access can be restricted to only individuals needing the information where necessary. This tool eliminates the need to send sensitive documents through e-mail and will reduce the confusion on the status of items being requested. Each client's dashboard can be customized to ensure it fits their exact needs.

Data Extraction & Audit Analytics

At LSL we believe a software is only as effective as those who know how to use it. That is why we train all of our staff on and incorporate into our audit approach the use of ***CaseWare Analytics AI*** *and* ***CaseWare IDEA***. These two complement one another to create a risk-based transaction analysis tool that we utilize to scan transaction sets and find exceptions that warrant further investigation, as well as give our clients additional assurances that previously may not have existed. These tools give a high-level summary to users and reduce the time spent in transaction analysis but automatically performing multiple tests on the entire transaction set assisting in identifying duplicate payments, fictitious journal entries and developing expectations for analytical procedures utilized during the audit.

PROJECT UNDERSTANDING (Continued)

Experience with ERP Systems

More and more of our clients have updated their systems software with new Enterprise Resource Planning (ERP) systems in the past three years. We have been available for questions and recommendations, including assistance with the vendor selection process. Our clients upgrading to more sophisticated ERP systems has allowed us to gain a better understanding of each ERP system and its unique capabilities. We often obtain read-only access to our clients' software and can work directly within the system. This allows us to provide useful observations and recommendations in internal control and also provides for efficient audit test work. Some of the ERP and Property Tax System we have extensive experience with include ***Tyler Technologies (Munis, New World, Eden), One Solution, Oracle, Infor & Megabyte*****.**

Innovation & Partnerships

At LSL, innovation is one our core values and principles at the firm. As mentioned previously, we utilize and are working with ***CaseWare*** and are creating ways to incorporate artificial intelligence techniques and robotic process automation into both the audit and financial reporting process. We are working to design these tools to not only maximize efficiency during the audit process, but also to give our clients tool and real-time data that they can utilize throughout the year to make informed decisions. Our goal is to create client dashboards that can **pull data directly from your ERP system** to ease your burden on reporting and to ensure the information you have at your fingertips is always as up to date as possible, providing the utmost value to our clients as more than just auditors.

PROJECT PLAN

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

PROPOSED SEGMENTATION

The services will be divided into three segments.

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

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

PROJECT PLAN (Continued)

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

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

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

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

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

***S*egment 3 - Conclusion:** Based on our year-end exit meeting we will schedule a plan to finalize the CAFR according to the timetable of the City. We will schedule dates for the initial and final drafts including time for the City review and approval of the financial statements. This period will also account for the review of the engagement partner and quality assurance partner. After the review and receipt of the signed representation letter from the City, we will provide the final report by **October 31st** or **December 23rd** of each year, depending on the report.

SAMPLE SIZE AND EXTENT OF STATISTICAL SAMPLING

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

PROJECT PLAN (Continued)

TYPE AND EXTENT OF ANALYTICAL PROCEDURES

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

We ask that the City provide a check register electronically for July 1st forward (period after the audit year), so we can pre-select our sample for accounts payable cut-off test work and provide that information ahead of time. Our PBC list will detail out schedules we would like provided, which is directed straight from the audit report. Support requested and sampling for these schedules will be assessed each year based on the strengths and weaknesses of the internal control processes of the City, and the materiality level of the account. We will discuss our analytical variances with the City and obtain documentation that provides support for the accounts. Interim procedures will be completed no later than April 30th of each year.

APPROACH TO UNDERSTANDING THE CITY'S INTERNAL CONTROL STRUCTURE

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

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

DETERMINING LAWS AND REGULATIONS SUBJECT TO AUDIT TEST WORK

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

PROJECT PLAN (Continued)

DRAWING AUDIT SAMPLES

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

LEVEL OF STAFF AND NUMBER OF HOURS TO BE ASSIGNED

TOTAL PROPOSED HOURS FOR REQUIRED SERVICES

Segment/Task	Partners	Senior Manager	Manager	Supervisor	Senior	Experienced Staff	Staff	Clerical	Total
Comprehensive Annual Financial Report (CAFR) & Related Reports									
Interim Testwork	8	8	16	40	40	40	40	2	194
Year-End Testwork	8	8	16	60	100	50	50	-	292
Report/Review/Supervision	24	8	24	60	-	-	-	24	140
Subtotal	**40**	**24**	**56**	**160**	**140**	**90**	**90**	**26**	**626**
"Bizz Johnson" Highway Interchange JPA Basic Financial Statements									
Testwork	-	-	-	-	-	-	16	-	16
Report/Review/Supervision	1	-	2	4	-	-	4	1	12
Subtotal	**1**	**-**	**2**	**4**	**-**	**-**	**20**	**1**	**28**
City of Roseville Other Post-Employement Benefits Trust Annual Financial Report									
Testwork	-	-	-	2	16	-	-	-	18
Report/Review/Supervision	1	-	2	4	8	-	-	2	17
Subtotal	**1**	**-**	**2**	**6**	**24**	**-**	**-**	**2**	**35**
Roseville Community Development Corporation Financial Statements									
Testwork	-	-	-	2	-	16	-	-	18
Report/Review/Supervision	1	1	1	2	-	4	-	1	10
Subtotal	**1**	**1**	**1**	**4**	**-**	**20**	**-**	**1**	**28**
Roseville Natural Gas Financing Authority Basic Financial Statements									
Testwork	-	-	-	-	-	32	-	-	32
Report/Review/Supervision	1	-	2	4	-	8	-	1	16
Subtotal	**1**	**-**	**2**	**4**	**-**	**40**	**-**	**1**	**48**
City of Roseville School-Age Child Care Program Financial Statements & Compliance Report									
Testwork	-	-	-	-	-	-	40	-	40
Report/Review/Supervision	1	-	2	4	-	-	5	1	13
Subtotal	**1**	**-**	**2**	**4**	**-**	**-**	**45**	**1**	**53**
City of Roseville Electric Enterprise Fund Basic Financial Statements									
Testwork	-	-	-	2	-	-	32	-	34
Report/Review/Supervision	1	-	2	4	-	-	8	3	18
Subtotal	**1**	**-**	**2**	**6**	**-**	**-**	**40**	**3**	**52**

PROJECT PLAN (Continued)

TOTAL PROPOSED HOURS FOR REQUIRED SERVICES (CONTINUED)									
Segment/Task	Partners	Senior Manager	Manager	Supervisor	Senior	Experienced Staff	Staff	Clerical	Total
City of Roseville Enviornmental Utilities Enterprise Fund Basic Financial Statements									
Testwork	-	-	-	2	-	-	32	-	34
Report/Review/Supervision	1	-	2	4	-	-	8	3	18
Subtotal	**1**	**-**	**2**	**6**	**-**	**-**	**40**	**3**	**52**
South Placer Wastewater Authority Financial Report									
Testwork	-	-	-	8	40	-	40	-	88
Report/Review/Supervision	2	2	4	8	8	-	-	2	26
Subtotal	**2**	**2**	**4**	**16**	**48**	**-**	**40**	**2**	**114**
Independent Accountant's Report on Applying Agreed-Upon Procedures related to the Article XIII-B Appropriations Limit Calculation									
Testwork	-	-	-	-	-	-	1	-	1
Report/Review/Supervision	1	-	1	1	-	-	1	1	5
Subtotal	**1**	**-**	**1**	**1**	**-**	**-**	**2**	**1**	**6**
South Placer Wastewater Authority AUP									
Testwork	-	-	-	2	-	24	-	-	26
Report/Review/Supervision	1	1	1	2	-	4	-	2	11
Subtotal	**1**	**1**	**1**	**4**	**-**	**28**	**-**	**2**	**37**
Golf Programs AUP									
Testwork	-	-	-	-	-	-	16	-	16
Report/Review/Supervision	1	1	1	2	-	-	3	2	10
Subtotal	**1**	**1**	**1**	**2**	**-**	**-**	**19**	**2**	**26**
Real Estate Assessment Center (REAC) AUP									
Testwork	-	-	-	-	-	-	1	-	1
Report/Review/Supervision	1	-	1	1	-	-	1	1	5
Subtotal	**1**	**-**	**1**	**1**	**-**	**-**	**2**	**1**	**6**
Single Audit and Related Reports **									
Testwork	-	-	-	40	40	-	40	-	120
Report/Review/Supervision	2	2	4	24	-	-	-	2	34
Subtotal	**2**	**2**	**4**	**64**	**40**	**-**	**40**	**2**	**154**
TOTAL PROPOSED HOURS:	**55**	**31**	**81**	**282**	**252**	**178**	**338**	**48**	**1,265**

** The Single Audit hours assumes 3 progams.

PROJECT PLAN (Continued)

TIMING AND APPROACH

April/June	July/August	October	November/December	January
Entrance Conference – The auditor shall schedule the conference before interim fieldwork is scheduled to begin. **Interim Fieldwork** – Interim procedures will begin June 14, 2021 for the first year. For subsequent years, interim fieldwork will be completed no later than April 30th.	**Schedule Fieldwork** – The auditor will provide a schedule of fieldwork for all audits, which will be agreed upon no later than July 1. The first-year plan deadline will be August 1, 2021.	**Year-end Fieldwork** – The auditor shall schedule fieldwork to occur by early October. **The Exit Conference** – will be held on the last day of field work. **Finalize** – Roseville Community Development Corporation Financial Statements by October 31st.	**Final fieldwork** will be completed by first week of November. **Final** School Age Child Program by November 15th **Drafts** of financial statements will be provided to the City for review by mid-November. Final drafts of all audit reports and recommendations will be provided to City by early December. **Final** CAFR and other reports issued and provided to the city no later than December 23rd.	**CAFR Presentation** – The auditor shall present the results of the audit, CAFR and related audit reports to City Council in **January.**

LANCE, SOLL & LUNGHARD, LLP

AUDIT WORK COST PROPOSAL FORM

Name of Firm: Lance, Soll & Lunghard, LLP

Office Address: 2151 River Plaza Dr., Suite 150, Sacramento, CA 95835

Contact Name: Deborah Harper, CPA, Engagement Partner

Contact Phone: (916) 503-9691 **Fax #:** (714) 672-0331

Contact Email: Deborah.Harper@lslcpas.com

REQUIRED SERVICES						
Service	**2020/21**	**2021/22**	**Optional 2022/23**	**Optional 2023/24**	**Optional 2024/25**	**Optional 2025/26**
Comprehensive Annual Financial Report Audit & Related Reports*	$ 69,000	$ 69,000	$ 70,380	$ 70,380	$ 71,788	$ 71,788
"Bizz Johnson" Highway Interchange JPA Basic Financial Statements	$ 2,440	$ 2,440	$ 2,489	$ 2,489	$ 2,539	$ 2,539
City of Roseville Other Post-Employement Benefits Trust Annual Financial Report	$ 3,510	$ 3,510	$ 3,580	$ 3,580	$ 3,652	$ 3,652
Roseville Community Development Corporation Financial Statements	$ 2,670	$ 2,670	$ 2,723	$ 2,723	$ 2,777	$ 2,777
Roseville Natural Gas Financing Authority Basic Financial Statements	$ 4,090	$ 4,090	$ 4,172	$ 4,172	$ 4,255	$ 4,255
City of Roseville School-Age Child Care Program Financial Statements & Compliance Report	$ 3,970	$ 3,970	$ 4,049	$ 4,049	$ 4,130	$ 4,130
City of Roseville Electric Enterprise Fund Basic Financial Statements	$ 3,970	$ 3,970	$ 4,049	$ 4,049	$ 4,130	$ 4,130
City of Roseville Enviornmental Utilities Enterprise Fund Basic Financial Statements	$ 3,970	$ 3,970	$ 4,049	$ 4,049	$ 4,130	$ 4,130
South Placer Wastewater Authority Financial Report	$ 10,940	$ 10,940	$ 11,159	$ 11,159	$ 11,382	$ 11,382
Independent Accountant's Report on Applying Agreed-Upon Procedures related to the Article XIII-B Appropriations Limit Calculation	$ 770	$ 770	$ 785	$ 785	$ 801	$ 801
South Placer Wastewater Authority AUP	$ 3,880	$ 3,880	$ 3,958	$ 3,958	$ 4,037	$ 4,037
Real Estate Assessment Center (REAC) AUP	$ 770	$ 770	$ 785	$ 785	$ 801	$ 801
Single Audit and Related Reports **	$ 17,230	$ 17,230	$ 17,575	$ 17,575	$ 17,927	$ 17,927
Preparation of Financial Statements						
Comprehensive Annual Financial Report	$ 6,920	$ 6,920	$ 7,058	$ 7,058	$ 7,199	$ 7,199
"Bizz Johnson" Highway Interchange JPA Basic Financial Statements	$ 310	$ 310	$ 316	$ 316	$ 322	$ 322
City of Roseville Other Post-Employement Benefits Trust Annual Financial Report	$ 540	$ 540	$ 551	$ 551	$ 562	$ 562
Roseville Community Development Corporation Financial Statements	$ 380	$ 380	$ 388	$ 388	$ 396	$ 396
Roseville Natural Gas Financing Authority Basic Financial Statements	$ 820	$ 820	$ 836	$ 836	$ 853	$ 853
City of Roseville School-Age Child Care Program Financial Statements & Compliance Report	$ 810	$ 810	$ 826	$ 826	$ 843	$ 843
City of Roseville Electric Enterprise Fund Basic Financial Statements	$ 800	$ 800	$ 816	$ 816	$ 832	$ 832
City of Roseville Enviornmental Utilities Enterprise Fund Basic Financial Statements	$ 800	$ 800	$ 816	$ 816	$ 832	$ 832
South Placer Wastewater Authority Financial Report	$ 1,110	$ 1,110	$ 1,133	$ 1,133	$ 1,156	$ 1,156
Out-of-Pocket Expenses	Included	Included	Included	Included	Included	Included
TOTAL FOR FISCAL YEAR - (Not to Exceed)	**$ 139,700**	**$ 139,700**	**$ 142,493**	**$ 142,493**	**$ 145,344**	**$ 145,344**

* Financial Audit and Related Reports includes the Independent Auditor's Report, Report on Internal Control over Financial Reporting and on Compliance, and other communications with the City Council required by auditing standards.

** The Single Audit fee assumes 2 major program. Each additional major program is $4,500.

OPTIONAL SERVICES												
Optional - Golf Programs AUP	$	2,520	$	2,520	$	2,570	$	2,570	$	2,621	$	2,621
Optional - State Controller Report - City of Roseville	$	7,040	$	7,040	$	7,181	$	7,181	$	7,325	$	7,325
Optional - State Controller Report - Roseville Financing Authority	$	1,860	$	1,860	$	1,897	$	1,897	$	1,935	$	1,935
Optional - State Controller Report - Roseville Natural Gas Financing Authority	$	1,510	$	1,510	$	1,540	$	1,540	$	1,571	$	1,571
Optional - State Controller Report - South Placer Wastewater Authority	$	1,510	$	1,510	$	1,540	$	1,540	$	1,571	$	1,571
Optional - State Controller Report - "Bizz Johnson" Highway Interchange Joint Powers Authority	$	1,510	$	1,510	$	1,540	$	1,540	$	1,571	$	1,571
Optional - State Controller Report - City of Roseville Transit Operators	$	1,510	$	1,510	$	1,540	$	1,540	$	1,571	$	1,571
Total for Fiscal Year - With Optional Items (Not to Exceed)	**$**	**157,160**	**$**	**157,160**	**$**	**160,301**	**$**	**160,301**	**$**	**163,509**	**$**	**163,509**

EXHIBIT “B”

Rates for Additional Professional Services

RATES FOR ADDITIONAL PROFESSIONAL SERVICES

The City, during the term of this agreement, may request that LSL provide special services in accordance with the provisions of this agreement. If LSL agrees to perform the special services, LSL's hourly fees to perform these services for the term of the agreement are as follows, unless a lesser fee is agreed to in a separate agreement.

AUDITOR'S STANDARD HOURLY BILLING RATES						
Position	2020/21	2021/22	Optional 2022/23	Optional 2023/24	Optional 2024/25	Optional 2025/26
Partner	$ 261	$ 261	$ 266	$ 266	$ 271	$ 271
Senior Manager	$ 180	$ 180	$ 184	$ 184	$ 188	$ 188
Manager	$ 149	$ 149	$ 152	$ 152	$ 155	$ 155
Supervisor	$ 126	$ 126	$ 129	$ 129	$ 132	$ 132
Senior	$ 108	$ 108	$ 110	$ 110	$ 112	$ 112
Experienced Staff	$ 95	$ 95	$ 97	$ 97	$ 99	$ 99
Staff	$ 81	$ 81	$ 83	$ 83	$ 85	$ 85
Clerical	$ 68	$ 68	$ 69	$ 69	$ 70	$ 70
Other	N/A	N/A	N/A	N/A	N/A	N/A

The quoted fees for the services above include all out-of-pocket expenses and expenses will not be charged to the City. Progress payments will be made on the basis of hours of work completed during the course of the engagement. Interim billings shall cover a period of not less than a calendar month. The final ten percent (10%) of the total all-inclusive maximum price will be paid upon delivery of the firm's final reports.