

SECOND AMENDMENT TO AGREEMENT FOR AUDITING SERVICES

This Second Amendment to Agreement for Auditing Services is made and entered into this 20th day of April, 2004, by and among the City of Redlands, a municipal corporation (the "City"), the Redevelopment Agency for the City of Redlands (the "Agency") and Conrad and Associates, LLP, a limited liability partnership (the "Auditors").

The parties hereby mutually agree as follows:

1. The City and the Auditors have previously entered into the Agreement for Auditing Services on June 1, 1999 (approved by City Council on April 6, 1999 with a First Amendment to Agreement for Auditing Services dated April 2, 2002) providing professional services relating to independent auditing services for the City and Redevelopment Agency. A true and correct copy of the Agreement for Auditing Services and First Amendment to Agreement for Auditing Services are attached hereto, marked "Appendix B" and incorporated herein by this reference (together, the "Agreement"). The Agency now wishes to , and by its approval hereof does, become a party to the Agreement. In each instance where the City is referenced in the Agreement, the term "City" shall also include the "Agency" except for purposes of making the payments to Auditors identified below.

2. Term. The services of Auditors shall continue through March 31, 2005 unless earlier terminated as provided in the Agreement.

3. Scope of Services. The City and Agency desire the same scope of services for fiscal year ended June 30, 2004 as in the previous year, June 30, 2003, including compliance with GASB #34 as required by accounting principles generally accepted in the United States of America. The City and Agency desire the Auditors to work jointly with the City and Agency and for the Auditors to prepare the Comprehensive Annual Financial Report (CAFR) and Redevelopment Agency (RDA) Financial Statements and provide the City with a photo ready copy of the CAFR and 25 copies of the Agency's Financial Statements. Said CAFR and RDA Financial Statements for fiscal year ended June 30, 2005 are to be in compliance with GASB #34 Financial Model. Appendix A to this Second Amendment to Agreement for Auditing Services sets forth the scope of services and standards to be followed.

4. Payment Schedule. For services rendered during fiscal year ended June 30, 2004, the City and the Agency shall pay the following not-to-exceed amounts: (as set forth in Appendix A).

<u>Entity</u>	<u>Fiscal Year</u>	<u>Amount</u>
City of Redlands	2003-2004	\$39,000
Redevelopment Agency of the City of Redlands	2003-2004	\$ 4,500

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment to Agreement for Auditing Services on the date and year first written above.

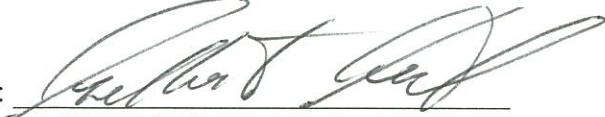
"CITY"

"AGENCY"

CITY OF REDLANDS

REDEVELOPMENT AGENCY OF THE
CITY OF REDLANDS

By: 
Mayor Pro Tem

By: 
Vice Chairman

By: 
Executive Director

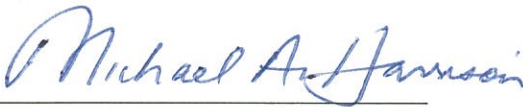
ATTEST:

ATTEST:

By: 
City Clerk

By: 
Secretary

"AUDITORS"

By: 
Michael A. Harrison, Partner

APPROVED BY THE CITY COUNCIL

Minute Order: April 20, 2004

Date: April 20, 2004

APPENDIX A

SECOND AMENDMENT TO AGREEMENT FOR AUDITING SERVICES

AUDITORS agree to perform all audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. The Single Audit examination will be conducted in accordance with OMB Circular A-133. The compliance examination of the Redevelopment Agency will be conducted in accordance with the State Controller's Office guidelines. The following is a summary of the breakdown of the maximum fee (including out-of-pocket expenses) for the June 30, 2004 engagement:

	<u>Maximum Not-To-Exceed Fee</u> <u>Year ending June 30, 2004</u>
Audit of the City of Redlands, including A-133 Single Audit, Gann limit review procedures, ongoing audit procedures relating to GASB #34, and Auditor preparation and word processing of City's CAFR under GASB #34	\$39,000
Financial and compliance audit of Redlands Redevelopment Agency compliant with GASB #34 (Auditor prepared)	<u>4,500</u>
	<u>\$43,500</u>

The foregoing not-to-exceed amounts include all out-of-pocket expenses. The above fees contemplate the CITY staff providing AUDITORS with maximum cooperation and supporting schedules to complete the audit. For fiscal 2004, CITY staff would have the responsibility for preparation of Management's Discussion and Analysis (MD&A), letter of transmittal and statistical data. All other reports will be the responsibility of the AUDITORS. All fieldwork will be completed by December 1, 2004 and all reports finalized by December 20, 2004.

Should the CITY desire additional services, such services would be performed at the following hourly rates for 2004 (including expenses):

<u>Classification</u>	<u>Hourly Rate</u>
Partner	\$185
Senior Manager	110
Manager	100
Supervisor	90
Senior Accountant	85
Staff Accountant	70

**FIRST AMENDMENT TO
AGREEMENT FOR AUDITING SERVICES
WITH CONRAD AND ASSOCIATES, L.L.P.**

This First Amendment to Agreement made and entered into this 2nd day of April, 2002 by and between the City of Redlands, a municipal corporation ("CITY") and Conrad and Associates, L.L.P. ("AUDITORS").

1. Recitals: The parties hereto have previously entered into an agreement the 1st of June, 1999 (approved by City Council on the 6th of April, 1999) providing professional services relating to independent auditing services for the City and Redevelopment Agency. A true and correct copy of the Agreement is attached hereto, marked "Appendix B" and incorporated herein by this reference.
2. Scope of Services: The CITY desires the same scope of services for fiscal year ended June 30, 2002 as in previous years of the contract. However, for fiscal year ended June 30, 2003 the CITY desires to comply with new accounting standards and implement GASB #34 as required by accounting principles generally accepted in the United States of America. The CITY desires the AUDITORS to work jointly with CITY and for the AUDITORS to prepare the Comprehensive Annual Financial Report (CAFR) and Redevelopment Agency (RDA) Financial Statements and provide the CITY with a photo ready copy of CAFR and 25 copies of Redevelopment Agency Financial Statements. Said CAFR and RDA Financial Statements for fiscal year ended June 30, 2003 are to be in compliance with new GASB #34 Financial Model. Appendix A to this First Amendment sets forth the scope of services and standards to be followed.
3. Time of Performance: Said services of AUDITOR are to continue through January 31, 2004 unless earlier terminated as provided herein.
4. Method of Payment: For services rendered during fiscal year ended June 30, 2002 and 2003 the following not to exceed amounts shall apply (as set forth in Exhibit A)

<u>Fiscal Year</u>	<u>Amount</u>
2001-2002	\$28,000
2002-2003	43,500

In witness whereof, the parties hereto have executed this Agreement on the date and year first written above.

CITY OF REDLANDS



Karl N. Haws, Mayor

CONRAD AND ASSOCIATES, L.L.P.



Michael A. Harrison, Partner

APPROVED BY THE CITY COUNCIL

Minute Order: April 2, 2002

Date: April 2, 2002

Attest:


Lorrie Poyzer, City Clerk

**FIRST AMENDMENT TO
AGREEMENT FOR AUDITING SERVICES
WITH CONRAD AND ASSOCIATES, L.L.P.**

Auditors agree to perform all audits in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards. The Single Audit Examination will be conducted in accordance with OMB Circular A-133. The compliance examination of the Redevelopment Agency will be conducted in accordance with State Controller's office guidelines. The following is a summary of the breakdown of the maximum fee (including out-of-pocket expenses) for the June 30, 2002 and 2003 engagements:

	<u>Maximum Not-to-Exceed Fee</u>	
	<u>Year ending June 30</u>	
	<u>2002</u>	<u>2003</u>
Audit of the City of Redlands, including A-133 Single Audit and GANN limit review procedures (City Staff prepare and word process CAFR)	25,000	
Audit of the City of Redlands, including A-133 Single Audit, GANN limit review procedures, implementation of GASB #34, audit procedures relating to GASB #34, and Auditor preparation and word processing of City's CAFR under GASB #34		39,000
Financial and compliance audit of Redlands Redevelopment Agency (auditor prepared)	3,000	
Financial and compliance audit of Redlands Redevelopment Agency compliant with GASB #34 (auditor prepared)		<u>4,500</u>
	<u>\$28,000</u>	<u>43,500</u>

The foregoing not-to-exceed amounts include all out-of-pocket expenses. The above fees contemplate the City staff providing auditors with maximum cooperation and supporting schedules to complete the audit. For fiscal 2003, City staff would have the responsibility for preparation of Management's Discussion and Analysis (MD&A), letter of transmittal and statistical data. All other reports will be the responsibility of the auditors. All fieldwork will be completed by December 1 of each year and all reports finalized by December 20 of each year.

Should the City desire additional services, those would be performed at the following hourly rates for 2002 and 2003 (including expenses):

<u>Classification</u>	<u>Hourly Rate</u>
Partners	\$185
Senior manager	110
Managers	100
Supervisors	90
Senior accountants	85
Staff accountants	70

AGREEMENT FOR AUDITING SERVICES

This Agreement for Auditing Services is made and entered into on this 15th day of June, 1999 by and between the City of Redlands, a municipal corporation (herein referred to as "CITY") and Conrad and Associates, L.L.P., Certified Public Accountants (herein referred to as "AUDITORS").

WITNESSETH

WHEREAS, AUDITORS are recognized as competent and qualified certified public accountants who were previously selected by the City Council through competitive procedures, and are duly authorized to practice and licensed as such by the California State Board of Accountancy.

NOW, THEREFORE, in consideration of their mutual promises, obligations and covenants hereinafter contained, the parties hereto agree as follows:

1. TERM. The term of this agreement shall be for a five-year period to perform professional services for the fiscal years ending June 30, 1999 through 2003.
2. SCOPE OF SERVICES. The AUDITORS agree to provide services and perform all work necessary in a manner satisfactory to the CITY as set forth in their proposal response dated March 16, 1999 referred to as Appendix A attached hereto and by reference incorporated herein and made a part hereof.
3. CITY'S OBLIGATIONS. For furnishing services specified in this agreement, the CITY will pay and the AUDITORS shall receive the full compensation as set forth in Appendix A, attached hereto and by reference incorporated herein and made a part hereof. Additionally, CITY agrees to provide AUDITORS with supporting schedules, trial balances and reconciliations as necessary to complete the services requested. City staff agree to prepare and word process the Comprehensive Annual Financial Report.
4. PAYMENT SCHEDULE. The AUDITORS shall submit a monthly billing based on the percentage of audit work completed. After approval of the CITY's Director of Finance, said invoice shall be paid within thirty days.
5. NOT OBLIGATED TO THIRD PARTIES. The CITY shall not be obligated or liable hereunder to any party other than the AUDITORS.
6. ASSIGNMENT. No assignment of the Agreement or of any part of obligation of performance hereunder shall be made, either in whole or in part, by AUDITORS without the prior written consent of CITY.
7. INDEPENDENT CONTRACTOR. The parties hereto agree that AUDITORS and its employees, officers and agents are independent contractors under this Agreement and shall not be construed for any purpose to be employees of CITY.
8. INSURANCE. AUDITORS shall procure and maintain, at its cost at all times during the term of this Agreement, the following policies of insurance:

AGREEMENT FOR AUDITING SERVICES. (CONTINUED)

8. INSURANCE. (CONTINUED)

- (a) Workers' Compensation Insurance. Before beginning work, AUDITORS shall furnish to CITY a certificate of insurance as proof it has taken out full workers' compensation insurance for all persons whom it may employ directly or through subcontractors in carrying out the work specified herein, in accordance with the laws of the State of California. The certificate will be furnished by Conrad Business Services, Inc.
- (b) Public Liability and Property Damage. Throughout the term of this Agreement, at AUDITORS' sole cost and expense, AUDITORS shall keep, or cause to be kept, in full force and effect, for the mutual benefit of CITY and AUDITORS, comprehensive, broad form, general public liability and automobile insurance against claims and liabilities for personal injury, death or property damage arising from AUDITORS' activities, providing protection of at least one million dollars (\$1,000,000) for bodily injury or death to any one person or for any one accident or occurrence and at least one million dollars (\$1,000,000) for property damage.
- (c) Errors and Omissions. AUDITORS shall take out and maintain at all times during the life of this Agreement a policy or policies of insurance concerning errors and omissions ("malpractice") providing protection of at least one million dollars (\$1,000,000) for errors and omissions with respect to loss arising from actions of AUDITORS performing audit services hereunder on behalf of CITY.
- (d) General Insurance Requirements. All insurance required by express provisions of this Agreement shall be carried only in responsible insurance companies licensed to do business in the State of California and policies required under paragraphs 8.(a) and (b) shall add as insureds, by endorsement, CITY, its elected and appointed officials, officers, employees, agents and representatives. AUDITORS shall furnish CITY with copies of all such policies promptly upon receipt of them, or certificate(s) evidencing the insurance. AUDITORS may effect for its own account insurance not required under this AGREEMENT.

9. NOTICES AND DESIGNATED REPRESENTATIVES. Any and all notices, demands, invoices and written communications between the parties hereto shall be addressed as set forth in this paragraph 9. The below named individuals, furthermore, shall be the persons primarily responsible for the performance by the parties under this Agreement:

CITY

Bonnie J. Johnson, Finance Director
City of Redlands
P.O. Box 3005
35 Cajon Street
Redlands, California 92373

AUDITORS

Michael A. Harrison, Partner
Conrad and Associates, L.L.P.
1100 Main Street, Suite C
Irvine, California 92614

AGREEMENT FOR AUDITING SERVICES. (CONTINUED)

9. NOTICES AND DESIGNATED REPRESENTATIVES. (CONTINUED)

Any change in this designation shall be made known to AUDITORS by written notice. AUDITORS shall assign Michael Harrison as the "Engagement Partner" for services provided under this Agreement. Any change in this designation shall be made known to CITY by written notice.

Any such notices, demands, invoices and written communications, by mail, shall be deemed to have been received by the addressee forty-eight (48) hours after deposit thereof in the United States mail, postage prepaid and properly addressed as set forth above.

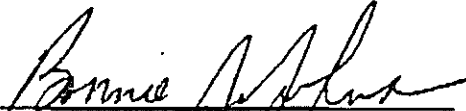
10. OWNERSHIP OF DOCUMENTS. All documents, data, studies, surveys, copies and reports other than working papers obtained and/or prepared by AUDITORS pursuant to this Agreement shall be considered the property of CITY and, upon payment for services performed by AUDITORS, such reports and other identified materials shall be delivered to CITY by AUDITORS. AUDITORS may, however, make and retain such copies of said reports and materials as AUDITORS may desire. Working papers shall be maintained for a minimum of three years and made available to CITY for review upon written, reasonable request by CITY or other governmental agencies furnishing federal funding to the CITY.
11. TERMINATION. This Agreement may be terminated by CITY upon the giving of a written "Notice of Termination" to AUDITORS at least thirty (30) days prior to the date of termination specified in said notice. In the event this Agreement is so terminated, AUDITORS shall be compensated at AUDITORS' applicable hourly rates as set forth in Appendix A, on a prorata basis with respect to the percentage of the engagement completed as of the date of termination. In no event, however, shall AUDITORS receive more than the maximum specified in Appendix A to this Agreement. AUDITORS shall provide to CITY any and all documents, data, studies, surveys, copies and reports other than working papers, whether in draft or final form, prepared by AUDITORS as of the date of termination. Working papers shall be made available to CITY for review upon written, reasonable request by CITY. AUDITORS may not terminate this Agreement except for cause.
12. ENTIRE AGREEMENT. This Agreement supersedes any and all other Agreements, either oral or in writing, between the parties with respect to the subject matter herein. Each party to this Agreement acknowledges that no representation by any party which is not embodied herein nor any other Agreement, statement or promise not contained in this Agreement shall be valid and binding. Any modification of this Agreement shall be effective only if it is in writing signed by all parties.

AGREEMENT FOR AUDITING SERVICES, (CONTINUED)

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed the day and year first written above.

CITY OF REDLANDS

CONRAD AND ASSOCIATES, L.L.P.



Bonnie J. Johnson, Finance Director



Michael A. Harrison, Partner

APPROVED BY THE CITY COUNCIL

Minute Order: _____

Date: 4-6-99