

AGREEMENT FOR PROFESSIONAL SERVICES

THIS AGREEMENT is made and entered into this _____ day of February, 2015, by and between the City of Edgewater, a Colorado home rule municipality (the "City") and Hamblin & Associates, LLC, a Colorado limited liability company with a business address of Evergreen Parkway, Suite 2, Evergreen, Colorado 80439, an independent contractor ("Consultant").

WHEREAS, the City requires professional financial audit services; and

WHEREAS, Consultant has held itself out to the City as having the requisite expertise and experience to perform the required services.

NOW, THEREFORE, for the consideration hereinafter set forth, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

I. SCOPE OF SERVICES

A. Consultant shall furnish all labor and materials required for the complete and prompt execution and performance of all duties, obligations, and responsibilities that are described or reasonably implied from the Audit Proposal For City of Edgewater, Colorado, dated October 29, 2014 attached hereto as **Exhibit A**, which exhibit is incorporated herein by this reference, and the Consultant's engagement letter, dated December 27, 2014, also attached hereto and incorporated herein by this reference. Hereinafter, said Audit Proposal, engagement letter and the work described in each is referred to as the "Scope of Services."

B. Any material change or amendment of services or work that is different from or additional to the Scope of Services shall constitute a change in the Scope of Services. No such change, including any additional compensation, shall be effective or paid unless authorized by written amendment executed by the City. If Consultant proceeds without such written authorization, then Consultant shall be deemed to have waived any claim for additional compensation, including a claim based on the theory of unjust enrichment, quantum meruit or implied contract. Except as expressly provided herein, no agent, employee, or representative of the City is authorized to modify any term of this Agreement, either directly or implied by a course of action.

II. REPORTS, DATA AND WORK PRODUCT

A. The City shall provide Consultant with reports and such other data as may be available to the City and reasonably required by Consultant to perform the Scope of Services. All documents provided by the City to Consultant shall be returned to the City. Consultant is authorized by the City to retain copies of such data and materials at Consultant's expense.

B. Other than sharing information with designated third parties as previously directed by the City, no project information shall be disclosed by Consultant to third parties without prior written consent of the City or pursuant to a lawful court order directing such disclosure.

C. The City acknowledges that the Consultant's work product is an instrument of professional service. Nevertheless, all work product prepared under this Agreement shall become the property of the City upon completion of the work. Consultant shall retain its rights in its standard drawing details, designs, specifications, databases, computer software and any other proprietary property. Rights to intellectual property developed, utilized, or modified in the performance of the Scope Services shall remain the property of Consultant.

D. Upon request, Consultant shall provide to the City electronic versions of all work product, in the format directed by the City.

III. COMPENSATION

A. In consideration for the completion of the Scope of Services by Consultant, the City shall pay Consultant an amount not to exceed Twelve Thousand Nine Hundred Dollars (\$12,900.00) for the fiscal year 2014 audit services, Thirteen Thousand Six Hundred & Fifty Dollars (\$13,650.00) for the fiscal year 2015 audit services, and Thirteen Thousand Six Hundred & Fifty Dollars (\$13,650.00) for the fiscal year 2016 audit services. The maximum amount specified herein shall include all fees and expenses incurred by Consultant in performing all services hereunder.

B. Notwithstanding the maximum amount specified in subsection A hereof, Consultant shall be paid only for work performed. If Consultant completes the Scope of Services for a given fiscal year for a lesser amount than the maximum amount, Consultant shall be paid the lesser amount, not the maximum amount.

IV. COMMENCEMENT AND COMPLETION OF WORK

Within seven (7) days of receipt of a notice to proceed, Consultant shall commence work as set forth in the Scope of Services. Except for the fiscal year 2014 audit, the Scope of Services shall be completed, and Consultant shall furnish the City the specified deliverables, by June 15 of each year subsequent to the fiscal year being audited.

V. PROFESSIONAL RESPONSIBILITY

A. Consultant hereby warrants that it is qualified to assume the responsibilities and render the services described herein and has all requisite corporate authority and professional licenses in good standing, required by law.

B. The work performed by Consultant shall be in accordance with generally accepted professional practices and the level of competency presently maintained by other practicing professional firms in the same or similar type of work in the applicable community. The work and services to be performed by Consultant hereunder shall be done in compliance with applicable laws, ordinances, rules and regulations.

C. Consultant shall be responsible for the professional quality, technical accuracy, timely completion, and the coordination of all reports and other services furnished by Consultant

under this Agreement. Consultant shall, without additional compensation, correct or resolve any errors or deficiencies in reports and other services that fall below the standard of professional practice and shall reimburse the City for any additional costs caused by errors and omissions that fall below the standard of professional practice.

D. Approval by the City of reports and incidental work or materials furnished hereunder shall not in any way relieve Consultant of responsibility for technical adequacy of the work. Neither the City's review, approval or acceptance of, nor payment for, any of the services shall be construed to operate as a waiver of any rights under this Agreement or of any cause of action arising out of the performance of this Agreement.

E. Because the City has hired Consultant for its professional expertise, Consultant agrees not to employ subcontractors to perform the work required under the Scope of Services.

VI. INSURANCE

A. Consultant agrees to procure and maintain, at its own cost, a policy or policies of insurance sufficient to insure against all liability, claims, demands, and other obligations assumed by Consultant pursuant to this Agreement. Such insurance shall be in addition to any other insurance requirements imposed by law.

B. Any insurance carried by the City, its officers, its employees, or its consultants shall be excess and not contributory insurance to that provided by Consultant. Consultant shall be solely responsible for any deductible losses under any policy.

C. Failure on the part of Consultant to procure or maintain the insurance required herein shall constitute a material breach of this Agreement upon which the City may immediately terminate this Agreement, or at its discretion, the City may procure or renew any such policy or any extended reporting period thereto and may pay any and all premiums in connection therewith, and all monies so paid by the City shall be repaid by Consultant to the City upon demand, or the City may offset the cost of the premiums against any monies due to Consultant from the City.

VII. INDEMNIFICATION

Consultant agrees to indemnify and hold harmless the City and its officers, insurers, volunteers, representative, agents, employees, heirs and assigns from and against all claims, liability, damages, losses, expenses and demands, including attorney's fees, on account of injury, loss, or damage, including, without limitation, claims arising from bodily injury, personal injury, sickness, disease, death, property loss or damage, or any other loss of any kind whatsoever, which arise out of or are in any manner connected with this Agreement or the Scope of Services if such injury, loss, or damage is caused in whole or in part by, the act, omission, error, professional error, mistake, negligence, or other fault of Consultant or any officer, employee, representative, or agent of Consultant or that arise out of any worker's compensation claim of any employee of Consultant.

VIII. TERMINATION AND ANNUAL APPROPRIATION

This Agreement shall terminate at such time as the work described in the Scope of Services is completed and the requirements of this Agreement are satisfied, or upon the City's providing Consultant with seven (7) days advance written notice, whichever occurs first. If the Agreement is terminated by the City's issuance of written notice of intent to terminate, the City shall pay Consultant for all work previously authorized and completed prior to the date of termination. If, however, Consultant has substantially or materially breached this Agreement, the City shall have any remedy or right of set-off available at law and equity. If the Agreement is terminated for any reason other than cause prior to completion of the Scope of Services, any use of documents by the City thereafter shall be at the City's sole risk, unless otherwise consented to by Consultant.

The Consultant understands and acknowledges that the City is subject to Article X, § 20 of the Colorado Constitution ("TABOR"). The City and Consultant do not intend to violate the terms and requirements of TABOR by the execution of this Agreement. It is understood and agreed that this Agreement does not create a multi-fiscal year direct or indirect debt or obligation within the meaning of TABOR and, therefore, notwithstanding anything in this Agreement to the contrary, all payment obligations of the City are expressly dependent and conditioned upon the continuing availability of funds beyond the term of the City's current fiscal year that ends upon the next succeeding December 31 from the date first written above. Financial obligations of the City payable after the current fiscal year are contingent upon funds for that purpose being appropriated, budgeted, and otherwise made available in accordance with the rules, regulations, and resolutions of the City and other applicable law. Notwithstanding any other provision of this Agreement concerning termination, upon the City's failure to appropriate such funds, this Agreement shall automatically terminate and the City shall be obligated to pay to the Consultant only such funds as have been duly appropriated by the City for payment to the Consultant during the then-current fiscal year of the City. The City shall promptly advise the Consultant if it shall fail to appropriate, within the regular budgeting and appropriation cycle of the City, funds that it reasonably anticipates will be necessary for payment to the Consultant during the fiscal year next following the City's then-current fiscal year.

IX. CONFLICT OF INTEREST

The Consultant shall disclose any personal or private interest related to property or business within the City. Upon disclosure of any such interest, the City shall determine if the interest constitutes a conflict of interest. If the City determines that a conflict of interest exists, the City may treat such conflict of interest as a default and terminate this Agreement.

X. INDEPENDENT CONTRACTOR

Consultant is an independent contractor. Notwithstanding any other provision of this Agreement, all personnel assigned by Consultant to perform work under the terms of this Agreement shall be, and remain at all times, employees or agents of Consultant for all purposes. Consultant shall make no representation that it is a City employee for any purposes.

XI. ILLEGAL ALIENS

A. Certification. Consultant hereby certifies that, at the time of this certification, it does not knowingly employ or contract with an illegal alien and that the Consultant has participated or attempted to participate in the e-verify program administered by the U.S. Department of Homeland Security in order to confirm the employment eligibility of all employees who are newly hired for employment in the United States.

B. Prohibited Acts. Consultant shall not:

(1) Knowingly employ or contract with an illegal alien to perform work under this Agreement; or

(2) Enter into a contract with a subcontractor that fails to certify to Consultant that the subcontractor shall not knowingly employ or contract with an illegal alien to perform work under this Agreement.

C. Verification.

(1) If Consultant has employees, Consultant has confirmed or attempted to confirm the employment eligibility of all employees who are newly hired for employment in the United States through participation in the e-verify program administered by the U.S. Department of Homeland Security, and if Consultant is not accepted into the e-verify program prior to entering into this Agreement, Consultant shall apply to participate in the program every three (3) months until Consultant is accepted or this Agreement is completed, whichever is earlier.

(2) Consultant shall not use the e-verify program procedures to undertake pre-employment screening of job applicants while this Agreement is being performed.

(3) If Consultant obtains actual knowledge that a subcontractor performing work under this Agreement knowingly employs or contracts with an illegal alien, Consultant shall:

a. Notify the subcontractor and the City within three (3) days that Consultant has actual knowledge that the subcontractor is employing or contracting with an illegal alien; and

b. Terminate the subcontract with the subcontractor if within three (3) days of receiving the notice required pursuant to subparagraph (a) hereof, the subcontractor does not stop employing or contracting with the illegal alien; except that Consultant shall not terminate the contract with the subcontractor if during such three (3) days the subcontractor provides information to establish that the subcontractor has not knowingly employed or contracted with an illegal alien.

D. Consultant shall comply with any reasonable request by the Colorado Department of Labor and Employment made in the course of an investigation conducted pursuant to C.R.S. § 8-17.5-102(5)(a) to ensure that Consultant is complying with this Agreement.

E. If Consultant does not have employees, Consultant shall sign the Affidavit attached hereto.

XII. MISCELLANEOUS

A. Governing Law and Venue. This Agreement shall be governed by the laws of the State of Colorado, and any legal action concerning the provisions hereof shall be brought in Jefferson County, Colorado.

B. No Waiver. Delays in enforcement or the waiver of any one or more defaults or breaches of this Agreement by the City shall not constitute a waiver of any of the other terms or obligation of this Agreement.

C. Integration. This Agreement and any attached exhibits constitute the entire Agreement between Consultant and the City, superseding all prior oral or written communications.

D. Third Parties. There are no intended third-party beneficiaries to this Agreement.

E. Notice. Any notice under this Agreement shall be in writing, and shall be deemed sufficient when directly presented or sent pre-paid, first class United States Mail, addressed as follows:

The City: Beth A Hedberg, MMC
City Clerk
City of Edgewater
2401 Sheridan Boulevard
Edgewater, Colorado 80214

Consultant: Lyman Hamblin, CPA
Hamlin & Associates LLC
3082 Evergreen Parkway, Suite 2
Evergreen, Colorado 80439

F. Severability. If any provision of this Agreement is found by a court of competent jurisdiction to be unlawful or unenforceable for any reason, the remaining provisions hereof shall remain in full force and effect.

G. Modification. This Agreement may only be modified upon written agreement of the parties.

H. Assignment. Neither this Agreement nor any of the rights or obligations of the parties hereto, shall be assigned by either party without the written consent of the other.

I. Governmental Immunity. The City, its officers, and its employees, are relying on, and do not waive or intend to waive by any provision of this Agreement, the monetary limitations (presently one hundred fifty thousand dollars (\$150,000) per person and six hundred thousand dollars (\$600,000) per occurrence) or any other rights, immunities, and protections provided by the Colorado Governmental Immunity Act, C.R.S. § 24-10-101, *et seq.*, as amended, or otherwise available to the City and its officers or employees.

J. Rights and Remedies. The rights and remedies of the City under this Agreement are in addition to any other rights and remedies provided by law. The expiration of this Agreement shall in no way limit the City's legal or equitable remedies, or the period in which such remedies may be asserted, for work negligently or defectively performed.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first set forth above.

CITY OF EDGEWATER

Bonnie McNulty, Mayor

ATTEST:

Beth A. Hedberg, MMC
City Clerk

APPROVED AS TO FORM:

Thad Renaud, City Attorney

AFFIDAVIT

[To be completed only if Consultant does not have any employees]

1. Check and complete one:

I, _____, am a sole proprietor doing business as _____ . I do not currently employ any individuals. Should I employ any individuals during the term of my Agreement with the City, I certify that I will comply with the lawful presence verification requirements outlined in that Agreement.

OR

I, _____, am the sole owner/member/shareholder of _____, a _____ [specify type of entity – i.e., corporation, limited liability company], that does not currently employ any individuals. Should I employ any individuals during the course of my Agreement with the City, I certify that I will comply with the lawful presence verification requirements outlined in that Agreement.

2. Check one.

I am a United States citizen or legal permanent resident.

City must verify this statement by reviewing one of the following items:

- *A valid Colorado driver's license or a Colorado identification card;*
- *A United States military card or a military dependent's identification card;*
- *A United States Coast Guard Merchant Mariner card;*
- *A Native American tribal document;*
- *In the case of a resident of another state, the driver's license or state-issued identification card from the state of residence, if that state requires the applicant to prove lawful presence prior to the issuance of the identification card; or*
- *Any other documents or combination of documents listed in the City's "Acceptable Documents for Lawful Presence Verification" chart that prove both the contractor's citizenship/lawful presence and identity.*

OR

I am otherwise lawfully present in the United States pursuant to federal law.

Contractor must verify this statement through the Federal Systematic Alien Verification of Entitlement program, the "SAVE" program, and provide such verification to the City.

Signature

Date

2014 Engagement Letter

PROPOSAL TO PROVIDE AUDITING SERVICES

**City of Edgewater
Professional Auditing Services**

OFFERED BY:

**Hamblin and Associates, LLC
3082 Evergreen Parkway, Suite 2
Evergreen, Colorado 80439**

**Lyman D. Hamblin, CPA
LHamblin@Hamblin-CPAS.com
(303) 981-7059**

**October 29, 2014
12:00 PM**

TABLE OF CONTENTS

<u>SUBJECT</u>	<u>PAGE</u>
TRANSMITTAL LETTER	1
TECHNICAL PROPOSAL	3
COST PROPOSAL	9
RESUMES	10

HAMBLIN AND ASSOCIATES, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants

3082 Evergreen Parkway, Suite 2
Evergreen, CO 80439
(303) 694-2727

October 24, 2014

Beth A. Hedberg, MMC
City Clerk
2401 Sheridan Boulevard
Edgewater, Colorado 80214

Dear Auditor Selection Team;

We are pleased to respond to your professional auditing services request for proposal for the fiscal years 2014, 2015, and 2016. We base our proposal on the Request for Proposal, and our general knowledge of auditing local governments in Colorado.

UNDERSTANDING OF THE WORK TO BE PERFORMED

Hamblin and Associates will audit the financial statements of the City of Edgewater and the Redevelopment Authority for the fiscal years 2014, 2015, and 2016. The audits will be performed in accordance with generally accepted auditing standards, as set forth by the American Institute of Certified Public Accountants. Should a Single Audit be required, the audits will also be performed in accordance with OMB Circular A-133 and government auditing standards.

The financial statements of the City and Redevelopment Authority are the responsibility of the governing Boards. It is our responsibility to express an opinion on the financial statements based on our audit.

All our audit procedures will comply with the legal requirements of the Colorado statute for audits of local governments. Our audit will include tests of the accounting records and other auditing procedures as we consider necessary to express an opinion on the financial statements.

We do not contemplate a detailed audit of all transactions, nor do we expect that we will necessarily discover fraud, should any exist. We will, however, inform you of any finding that appears unusual.

As a normal part of the auditing process, we will review the internal accounting structure, as well as review your overall financial operation.

COMMITMENT

The firm is committed to performing the work within the time requirements set forth by the City of Edgewater.

CONCLUDING COMMENTS

Thank you for considering Hamblin and Associates, LLC as the independent auditor for the City of Edgewater. If you have any questions regarding this proposal, Lyman Hamblin would be glad to discuss them with you.

Sincerely,

Lyman D. Hamblin

Lyman Hamblin, CPA
Principal

TECHNICAL PROPOSAL

1. Independence/Conflicts of Interest

The Hamblin and Associates (the firm) is independent of the City of Edgewater and any of its component units, as defined under the requirements of the AICPA and the U.S. General Accounting Office's Government Auditing Standards. The firm has no potential conflicts of interest with the City of Edgewater and component unit.

2. Firm Information

The firm of Hamblin and Associates and supervisory individuals listed in this proposal are properly licensed to practice public accounting in the State of Colorado; all licenses are current.

The firm is comprised of the following staffing, which also comprises our governmental audit staff assigned to this engagement:

<u>Professional Position</u>	<u>Staff Number</u>
Principal	1
Managers	2
Juniors	1
Information Technology Specialist	1
Admin	1

The location of the office from which the work on this engagement would be performed is: 3082 Evergreen Pkwy, Suite 2, Evergreen, CO, 80439.

The audit will not be performed as a joint venture of public accounting firms.

Person in Charge: Lyman Hamblin will be in charge of providing City Auditor services.

Existing workload: The firm was formed in 2013 from the remaining staff after retirement of Dean Johnson, of Johnson Holscher and Company dba Johnson and Associates. Because Hamblin and Associates is still in start up, we have excess capacity to fit this contract into our existing work priorities. The firm's principal and audit managers have the requisite abilities, education, and experience to perform the scope of work of this contract.

Member affirmation: In the event an audit team member is unable to perform audit services for the City, the firm will replace the person with someone of similar qualifications.

Insurance coverage: Amerinst Professional Services Ltd., Accountants Professional Liability Insurance - \$1,000,000 per claim/\$1,000,000 aggregate.
State Farm Mutual Auto Insurance, \$1,000,000 each occurrence/\$2,000,000 aggregate.
State Farm Fire and Casualty Company, general liability, combined single limit \$1,000,000.

TECHNICAL PROPOSAL

3. Partner, Supervisory and Staff Qualifications and Experience

We have selected an audit team that will be effective and efficient for the audit. The persons and positions are as follows:

Lyman Hamblin, CPA	- Principal
Christine Stouder, CPA	- Audit Manager
Scott McClure, CPA	- Audit Manager
Mary Ann Witmer, CPA	- Audit Junior
David Patz	- Information Technology Consultant

The firm's belief is that governmental audits are a complex specialized industry and cannot be staffed primarily with entry level auditors. The supervisory personnel all have several years experience in performing Colorado municipality audits.

All supervisory staff have met the CPA continuing professional education requirements, including hours in governmental accounting and auditing.

All of the above audit supervisory staff have between eight and twenty-five years of audit experience with governmental entities. The number of governments audited per year has ranged from eight to thirty per individual. All firm supervisory staff have had governmental clients receive the GFOA award for financial reporting. A portion of the firm's governmental clients are required to have Single Audits, and many clients choose to issue a Comprehensive Annual Financial Report (CAFR). Therefore, the audit staff has extensive experience performing Single Audits and CAFR preparation.

See the resume section for further information on the audit team.

a. Supervisory Staff

(1) Professional Position: Principal

Name: Lyman Hamblin

Licensed CPA in State of CO: 2012

Government Auditing Experience: Eight years experience performing audits (including single audits) of cities, towns, counties, schools, and special districts.

Relevant Continuing Professional Education for Last 3 Years:

CSCPA Governmental Conference

Ethics for Colorado CPAs

AICPA Applying Circular A-133 (Single Audits)

Accounting and Auditing Update

Auditing Procedures and Standards

Colorado Rules and Regulations for Public Accounting

COCOA Governmental Conferences- 2013, 2014

Audits of Human Services Departments

Membership in Professional Organizations:

Member of the AICPA and CO Society of CPAs.

TECHNICAL PROPOSAL

(2) Professional Position: Audit Manager

Name: Scott McClure

Licensed CPA in State of AZ, transferred from California: 1978

Government Auditing Experience: Over 25 years performing audits (including single audits) of cities, towns, counties, housing authorities, and special districts. Auditing experience includes Price Waterhouse.

Relevant Continuing Professional Education for Last 3 Years:

Accounting and Auditing Update

Audit Issues, Procedures, and Standards

OMB Circular A-133 and Yellow Book audits

Colorado Ethics for CPAs

Colorado Rules and Regulations for Public Accounting

Membership in Professional Organizations:

Member of the AICPA and CA Society of CPAs.

(3) Professional Position: Audit Manager

Name: Christine Stouder

Licensed CPA in State of CO

Government Auditing Experience: Has performed audits of cities, towns, counties, and special districts for 12 years; 27 years accounting experience with Colorado local governments.

Relevant Continuing Professional Education for Last 3 Years:

ThompsonReuters - Auditing Practice Aids and Disclosures

Essential Governmental Auditing

Auditing Basics

Governmental GAAP Understanding

Ethics for Colorado CPAs

Membership in Professional Organizations:

Member of the AICPA and CO Society of CPAs.

b. Other Assigned Staff

(1) Professional Position: Audit Junior

Name: Mary Ann Witmer

Licensed CPA in State of CA: 1985

Government Auditing Experience: One year experience performing audits of municipalities. Audit experience includes Deloitte, LLC.

Relevant Continuing Professional Education for Last 3 Years:

Wolters Kluwer - Paperless auditing

ThompsonReuters - auditing practice aids and disclosures - local governments

Yellow Book Audit Intro

Governmental Accounting and Auditing

AICPA ethics

Membership in Professional Organizations:

Member of the California Society of CPAs.

TECHNICAL PROPOSAL

4. Municipal Clients since the firm was established, with three references

Engagement Client: City of Brighton and Component Units
Scope of Work: Audit of Financial Statements/CAFR
Date: December 31, 2013 and 2014 engagements
Principal Client Contact: Dan Frelund, Finance Director, 303-655-2108

Engagement Client: Town of Buena Vista
Scope of Work: Audit of Financial Statements
Date: December 31, 2013 engagement
Principal Client Contact: Michael Hickman, Town Treasurer, 719-395-8643 Ext 17

Engagement Client: City of Salida
Scope of Work: Single Audit, Audit of Financial Statements
Date: December 31, 2013 engagement
Principal Client Contact: Jan Schmidt, Finance Director, 719-530-2623

Engagement Client: City of Northglenn and Component Units
Scope of Work: Audit of Financial Statements/CAFR
Date: December 31, 2013 engagement

Engagement Client: Town of Rico
Scope of Work: Single Audit, Audit of Financial Statements
Date: December 31, 2012 and 2013 engagements

Engagement Client: Town of Silverton
Scope of Work: Audit of Financial Statements
Date: December 31, 2012 and 2013 engagements

Engagement Client: Town of Granada
Scope of Work: Audit of Financial Statements
Date: December 31, 2012 and 2013 engagements

TECHNICAL PROPOSAL

5. Specific Audit Approach

Following is the proposed segmentation of the engagement, including level of staff and number of hours (P-partners, D-data processing consultant, M-managers/junior):

<u>I. AUDIT PLANNING</u>	<u>P</u>	<u>D</u>	<u>M</u>	<u>HOURS</u>
- Entrance conferences	X		X	2
- Documentation of control systems	X	X	X	8
- Walk through of systems	X	X	X	5
- Identification of audit risks	X		X	3
- State compliance requirements	X		X	3
- Ranking of grants for Single Audit	X		X	1
- Writing of audit plan modification	X		X	2
<u>II. AUDIT EXECUTION</u>				
- Performance of control procedures	X		X	30
- Grant and statutory testing	X		X	6
- Verification procedures	X		X	60
- Final analytical review	X		X	8
- Conclusions on account balances	X		X	4
- Clearing of prior audit comments	X		X	1
<u>III. AUDIT EVALUATION AND MODIFICATION</u>				
- Evaluation of audit plan	X			5
- Drafting of comments	X	X	X	4
- Preliminary exit conferences	X	X	X	1
<u>IV. AUDIT REPORTING</u>				
- Report preparation and review	X		X	20
- Formal exit conferences	X	X	X	2
- Finalizing of audit comments	X		X	2
- Presentation to Council	X		X	<u>3</u>
 TOTAL				 <u>170</u>

Sampling for attributes and variables would be used in the engagement due to the size and complexity of the City of Edgewater's accounting system. The actual size of the samples would depend upon the anticipated error in the universe reviewed. Judgment sampling would be used when it is more appropriate.

The analytical review procedures for the City will be performed using computer templates the firm has built for auditing the City of Edgewater. These analyses have been adapted specifically for local governments. This too, plus the experience of the supervisory staff, makes analytical procedures a very effective audit procedure.

TECHNICAL PROPOSAL

Control procedures documentation will be performed primarily in a narrative form, but may be supplemented by questionnaires or flow charts where deemed more beneficial. Internal control assessment and documentation will be accomplished using industry standard software tools. Steps would include review of internal control documentation, analytics, walk-throughs, and testing.

If any problems arise during the audit process, our approach to resolution will be discussed and agreed upon with City of Edgewater's staff and/or audit committee.

COST PROPOSAL

HAMBLIN & ASSOCIATES, LLC COST/YEAR WITH CITY/REDEVELOPMENT AUTHORITY BREAKOUT

Engagement Year	Total all- inclusive maximum price	City	Redevelopment Authority
2014	\$ 13,650	\$ 10,900	\$ 2,750
2015	13,650	10,900	2,750
2016	13,650	10,900	2,750

HAMBLIN & ASSOCIATES, LLC SCHEDULE OF PROFESSIONAL FEES AND EXPENSES

	<u>HOURS</u>	HOURLY <u>RATE</u>	<u>TOTAL</u>
Partners	50	\$ 120	\$ 6,000
Managers	50	\$ 105	5,250
Junior staff	35	\$ 40	1,400
Information Technology	10	\$ 50	500
Administrative	<u>25</u>	\$ 20	<u>500</u>
	<u>170</u>		

**All-Inclusive Maximum Price per Year
FOR THE AUDITS OF FY 2014 - 2016**

\$ 13,650

RESUMES

Lyman Hamblin

Education: BS Engineering - Cum Laude, University of Utah, Salt Lake City, Utah; business and accounting at Regis University, Denver, Colorado.

Current Responsibilities: Public Accounting firm Principal, Auditor and Compliance Consultant.

Other Related Training/Education: Certified Public Accountant in the State of Colorado. Member of the American Institute of Certified Public Accountants and the Colorado Society of Certified Public Accountants. Enrolled in Master of Science of Accounting program at Regis University, Denver, Colorado.

Professional Experience: Mr. Hamblin has eight years experience auditing local governments and non-profits in Colorado public accounting firms, and eleven years of experience working in Federal Government management with Federal grant contract compliance monitoring.

Mr. Hamblin has provided audit, consulting and tax services to governmental and not-for-profit clients his entire public accounting career. He has conducted audits of counties, cities, towns, school districts, special districts, and non-profit organizations.

Mr. Hamblin's work experience also includes compliance monitoring of Federal and State contractors, Statement of Work development, contract source selection, and preparation/review of Comprehensive Annual Financial Reports (CAFR) which met the GFOA and ASBO Certificate of Excellence in Financial Reporting.

Christine B. Stouder

Education: BS Business Administration and Accounting, Colorado State University, Ft. Collins, Colorado.

Current Responsibilities: Audit Manager and Accounting Consultant for numerous not-for-profit and governmental entities in Colorado.

Other Related Training/Education: Certified Public Accountant in the State of Colorado. Member of the American Institute of Certified Public Accountants.

Professional Experience: Ms. Stouder has over 27 years of experience with governmental entities in Colorado with approximately 12 years of responsibility for not-for-profit and governmental audits, approximately 12 years as a Finance/Budget Manager for a Colorado municipality, and approximately 9 years of accounting and budget consulting experience. Consulting entities served include not-for-profits, counties, cities, towns, school districts, special districts and authorities, a junior college, and condominium associations. Also provides tax services for not-for-profit clients.

J. Scott McClure

Education: BS Business Administration and Accounting, University of Southern California, Los Angeles, California.

Current Responsibilities: Audit Manager, Consulting, and Tax Specialist.

Other Related Training/Education: Mr. McClure is a 1975 graduate of the University of Southern California School of Business, where he was recognized on the Dean's List and in the professional accounting fraternity.

Professional Experience: Mr. McClure has been engaged in audits since 1985. Clients have included non-for profit organizations, school districts; special districts, joint powers authorities' housing authorities, and not-for-profit organizations receiving federal funding. Prior to 1985, he managed audits of municipalities, school districts, and colleges. Mr. McClure also maintained several tax clients of various tax types for several years.

He has been active in professional organizations which anticipate and respond to emerging issues in governmental accounting and auditing. In 1994 and 1995, he participated in the National Advanced Auditing and Accounting Technical Seminars in Las Vegas and New Orleans. From 1996 to 1999, he served on the CSCPAs Governmental Auditing and Accounting Committee which made recommendations to the Governmental Accounting Standards Board concerning the reporting of investments for which the value is derived from other related securities. He also has had significant experience in evaluating environmental contingencies for local governments. He was a member of the AICPA and CSCPAs from 1978 to 1999 and is a former associate member of CASBO.

In 1985, he organized and marketed small real estate tax shelter partnerships. He serves on the board of a corporation which operates Christian bookstores in Central California and competes in national duplicate bridge events.

David J. Patz

Education: University of Phoenix, Bachelors of Science, Business Administration and Management, Community College of the Air, Information Systems, Avionics Systems Technology

Professional Experience: Sr. IT Analysis, Developer and DBA with over 10 years experience using different technologies to solve business issues. Implemented several projects using TSQL, PL/SQL, .NET (ASP, C#, VB, EVB), Java, Cold Fusion, PHP, Javascript, Perl, D/HTML, Crystal Reports, Microsoft Analysis and Reporting Services (2000, 2005) to data-mine information from databases such as Access, MS SQL, Oracle, MySQL and Sybase. Performed DBA tasks in MS SQL server, from creating new user account and database to performance tuning, and worked with Oracle Application Server 10G/Portal and Business Intelligence Manager. Resumed development of the LM Properties Planning Net/ASP application that another developer started to build. Wrote DTS package to move data from proprietary application into SQL database for current application to utilize.

Designed an on-line system using Cold Fusion and MS SQL and Oracle to dynamically display role based reports for the Department of the Interior, National Business Center. The reports provided status of their credit card processing system.

Worked with Adobe Acrobat to dynamically fill in government forms with data held in an Oracle data-warehouse.

Architected an online inventory management system in MS SQL and Cold Fusion for a national Canadian warehouse. Distributors can maintain inventory, track sales and download/upload information to handheld scanners via internet.

Developed a route delivery system on windows CE application for the Hand Held 7400. The application scanned bar codes, kept track of inventory, invoices and communicated with the PC database and replicated data to corporate office database in Canada. Utilized various Net technologies to communicate with hand-held devices and PCs.

HAMBLIN AND ASSOCIATES, LLC
Certified Public Accountants
Member of the American Institute of Certified Public Accountants

3082 Evergreen Parkway, Suite 2
Evergreen, CO 80439
(303) 694-2727

December 27, 2014

To: Edgewater City Council and Finance Director Ken Keeley

We are pleased to confirm our understanding of the services we are to provide the City of Edgewater for the year ended December 31, 2014. We will audit the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Edgewater as of and for the year ended December 31, 2014. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the City of Edgewater's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the City of Edgewater's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis;
- 2) Schedule of Funding Progress - Firemen's Pension Plan;
- 3) Budgetary Comparison Schedule - General Fund; and
- 4) Budgetary Comparison Schedule - Open Space Fund.

We have also been engaged to report on supplementary information other than RSI that accompanies the City of Edgewater's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole:

- 1) Combining statements for non-major governmental funds;
- 2) Budgetary comparison schedules for all other funds;
- 3) Edgewater Redevelopment Authority balance sheet, activity statement and budgetary comparison schedule; and
- 4) Local Highway Finance Report.

Audit Objective

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of the City of Edgewater's financial statements. Our report will be addressed to management and the

City Council of the City of Edgewater. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or may withdraw from this engagement.

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. You agree to assume all management responsibilities for any nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to [include the audited financial statements with any presentation of the supplementary information that includes our report thereon OR make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon]. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City of Edgewater's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Engagement Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

We expect to begin our audit on approximately January 26, 2015 and to issue our reports no later than June 30, 2015. Lyman Hamblin is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses will not exceed \$10,900 for the City audit, and \$2,000 for the Redevelopment Authority audit. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 45 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is

based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to the City of Edgewater, and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Hamblin and Associates, LLC

RESPONSE:

This letter correctly sets forth the understanding of the City of Edgewater.

Management signature: _____

Title: _____

Date: _____

Governance signature: _____

Title: _____

Date: _____