

ATTACHMENT A

PROFESSIONAL SERVICES AGREEMENT WITH DAVIS FARR LLP FOR PROFESSIONAL AUDIT SERVICES

THIS PROFESSIONAL SERVICES AGREEMENT ("Agreement") is made and entered into as of this 23rd day of June, 2026 ("Effective Date"), by and between the CITY OF NEWPORT BEACH, a California municipal corporation and charter city ("City"), and DAVIS FARR LLP, a California limited liability partnership ("Consultant"), whose address is 18201 Von Karman Ave, Suite 1100, Irvine, CA 92612, and is made with reference to the following:

RECITALS

- A. City is a municipal corporation duly organized and validly existing under the laws of the State of California with the power to carry on its business as it is now being conducted under the statutes of the State of California and the Charter of City.
- B. City desires to engage Consultant to provide professional audit services ("Project").
- C. Consultant possesses the skill, experience, ability, background, certification and knowledge to provide the professional services described in this Agreement.
- D. City has solicited and received a proposal from Consultant, has reviewed the previous experience and evaluated the expertise of Consultant, and desires to retain Consultant to render professional services under the terms and conditions set forth in this Agreement.

NOW, THEREFORE, it is mutually agreed by and between the undersigned parties as follows:

1. TERM

Unless terminated earlier as set forth herein, the term of this Agreement shall commence on the Effective Date and shall expire May 26, 2029, and thereafter, shall automatically renew for up to two (2) additional one (1) year terms, unless the City gives prior written notice to Consultant, prior to any renewal term, that the Agreement will not renew.

2. SERVICES TO BE PERFORMED

Consultant shall diligently perform all the services described in the Scope of Services attached hereto as Exhibit A and incorporated herein by reference ("Services" or "Work"). City may elect to delete certain Services within the Scope of Services at its sole discretion.

3. TIME OF PERFORMANCE

3.1 Time is of the essence in the performance of Services under this Agreement and Consultant shall perform the Services in accordance with the schedule included in Exhibit A. In the absence of a specific schedule, the Services shall be performed to completion in a diligent and timely manner. The failure by Consultant to strictly adhere to the schedule set forth in Exhibit A, if any, or perform the Services in a diligent and timely manner may result in termination of this Agreement by City.

3.2 Notwithstanding the foregoing, Consultant shall not be responsible for delays due to causes beyond Consultant's reasonable control. However, in the case of any such delay in the Services to be provided for the Project, each party hereby agrees to provide notice within two (2) calendar days of the occurrence causing the delay to the other party so that all delays can be addressed.

3.3 Consultant shall submit all requests for extensions of time for performance in writing to the Project Administrator as defined herein not later than ten (10) calendar days after the start of the condition that purportedly causes a delay. The Project Administrator shall review all such requests and may grant reasonable time extensions for unforeseeable delays that are beyond Consultant's control.

3.4 For all time periods not specifically set forth herein, Consultant shall respond in the most expedient and appropriate manner under the circumstances, by hand-delivery or mail.

4. COMPENSATION TO CONSULTANT

4.1 City shall pay Consultant for the Services on a time and expense not-to-exceed basis in accordance with the provisions of this Section and the Schedule of Billing Rates attached hereto as Exhibit B and incorporated herein by reference. Consultant's compensation for all Work performed in accordance with this Agreement, including all reimbursable items and subconsultant fees, shall not exceed **Four Hundred One Thousand Six Hundred Seventy Four Dollars and 00/100 (\$401,674.00)**, without prior written authorization from City. No billing rate changes shall be made during the term of this Agreement without the prior written approval of City.

4.2 Consultant shall submit monthly invoices to City describing the Work performed the preceding month. Consultant's bills shall include the name of the person who performed the Work, a brief description of the Services performed and/or the specific task in the Scope of Services to which it relates, the date the Services were performed, the number of hours spent on all Work billed on an hourly basis, and a description of any reimbursable expenditures. City shall pay Consultant no later than thirty (30) calendar days after approval of the monthly invoice by City staff.

4.3 City shall reimburse Consultant only for those costs or expenses specifically identified in Exhibit B to this Agreement or specifically approved in writing in advance by City.

4.4 Consultant shall not receive any compensation for Extra Work performed without the prior written authorization of City. As used herein, "Extra Work" means any Work that is determined by City to be necessary for the proper completion of the Project, but which is not included within the Scope of Services and which the parties did not reasonably anticipate would be necessary at the execution of this Agreement. Compensation for any authorized Extra Work shall be paid in accordance with the Schedule of Billing Rates as set forth in Exhibit B.

5. PROJECT MANAGER

5.1 Consultant shall designate a Project Manager, who shall coordinate all phases of the Project. This Project Manager shall be available to City at all reasonable times during the Agreement term. Consultant has designated Jonathan Foster to be its Project Manager. Consultant shall not remove or reassign the Project Manager or any personnel listed in Exhibit A or assign any new or replacement personnel to the Project without the prior written consent of City. City's approval shall not be unreasonably withheld with respect to the removal or assignment of non-key personnel.

5.2 Consultant, at the sole discretion of City, shall remove from the Project any of its personnel assigned to the performance of Services upon written request of City. Consultant warrants that it will continuously furnish the necessary personnel to complete the Project on a timely basis as contemplated by this Agreement.

5.3 If Consultant is performing inspection services for City, the Project Manager and any other assigned staff shall be equipped with a cellular phone to communicate with City staff. The Project Manager's cellular phone number shall be provided to City.

6. ADMINISTRATION

This Agreement will be administered by the Administrative Services Department. City's Accounting Manager or designee shall be the Project Administrator and shall have the authority to act for City under this Agreement. The Project Administrator shall represent City in all matters pertaining to the Services to be rendered pursuant to this Agreement.

7. CITY'S RESPONSIBILITIES

To assist Consultant in the execution of its responsibilities under this Agreement, City agrees to provide access to and upon request of Consultant, one copy of all existing relevant information on file at City. City will provide all such materials in a timely manner so as not to cause delays in Consultant's Work schedule.

8. STANDARD OF CARE

8.1 All of the Services shall be performed by Consultant or under Consultant's supervision. Consultant represents that it possesses the professional and technical personnel required to perform the Services required by this Agreement, and that it will perform all Services in a manner commensurate with community professional standards

and with the ordinary degree of skill and care that would be used by other reasonably competent practitioners of the same discipline under similar circumstances. All Services shall be performed by qualified and experienced personnel who are not employed by City. By delivery of completed Work, Consultant certifies that the Work conforms to the requirements of this Agreement, all applicable federal, state and local laws, and legally recognized professional standards.

8.2 Consultant represents and warrants to City that it has, shall obtain, and shall keep in full force and effect during the term hereof, at its sole cost and expense, all licenses, permits, qualifications, insurance and approvals of whatsoever nature that is legally required of Consultant to practice its profession. Consultant shall maintain a City of Newport Beach business license during the term of this Agreement.

8.3 Consultant shall not be responsible for delay, nor shall Consultant be responsible for damages or be in default or deemed to be in default by reason of strikes, lockouts, accidents, acts of God, or the failure of City to furnish timely information or to approve or disapprove Consultant's Work promptly, or delay or faulty performance by City, contractors, or governmental agencies.

9. HOLD HARMLESS

9.1 To the fullest extent permitted by law, Consultant shall indemnify, defend and hold harmless City, its City Council, boards and commissions, officers, agents, volunteers and employees (collectively, the "Indemnified Parties") from and against any and all claims (including, without limitation, claims for bodily injury, death or damage to property), demands, obligations, damages, actions, causes of action, suits, losses, judgments, fines, penalties, liabilities, costs and expenses (including, without limitation, attorneys' fees, disbursements and court costs) of every kind and nature whatsoever (individually, a Claim; collectively, "Claims"), which may arise from or in any manner relate (directly or indirectly) to any breach of the terms and conditions of this Agreement, any Work performed or Services provided under this Agreement including, without limitation, defects in workmanship or materials or Consultant's presence or activities conducted on the Project (including the negligent, reckless, and/or willful acts, errors and/or omissions of Consultant, its principals, officers, agents, employees, vendors, suppliers, consultants, subcontractors, anyone employed directly or indirectly by any of them or for whose acts they may be liable, or any or all of them).

9.2 Notwithstanding the foregoing, nothing herein shall be construed to require Consultant to indemnify the Indemnified Parties from any Claim arising from the sole negligence or willful misconduct of the Indemnified Parties. Nothing in this indemnity shall be construed as authorizing any award of attorneys' fees in any action on or to enforce the terms of this Agreement. This indemnity shall apply to all claims and liability regardless of whether any insurance policies are applicable. The policy limits do not act as a limitation upon the amount of indemnification to be provided by Consultant.

10. INDEPENDENT CONTRACTOR

It is understood that City retains Consultant on an independent contractor basis and Consultant is not an agent or employee of City. The manner and means of conducting the Work are under the control of Consultant, except to the extent they are limited by statute, rule or regulation and the expressed terms of this Agreement. No civil service status or other right of employment shall accrue to Consultant or its employees. Nothing in this Agreement shall be deemed to constitute approval for Consultant or any of Consultant's employees or agents, to be the agents or employees of City. Consultant shall have the responsibility for and control over the means of performing the Work, provided that Consultant is in compliance with the terms of this Agreement. Anything in this Agreement that may appear to give City the right to direct Consultant as to the details of the performance of the Work or to exercise a measure of control over Consultant shall mean only that Consultant shall follow the desires of City with respect to the results of the Services.

11. COOPERATION

Consultant agrees to work closely and cooperate fully with City's designated Project Administrator and any other agencies that may have jurisdiction or interest in the Work to be performed. City agrees to cooperate with the Consultant on the Project.

12. CITY POLICY

Consultant shall discuss and review all matters relating to policy and Project direction with City's Project Administrator in advance of all critical decision points in order to ensure the Project proceeds in a manner consistent with City goals and policies.

13. PROGRESS

Consultant is responsible for keeping the Project Administrator informed on a regular basis regarding the status and progress of the Project, activities performed and planned, and any meetings that have been scheduled or are desired.

14. INSURANCE

Without limiting Consultant's indemnification of City, and prior to commencement of Work, Consultant shall obtain, provide and maintain at its own expense during the term of this Agreement or for other periods as specified in this Agreement, policies of insurance of the type, amounts, terms and conditions described in the Insurance Requirements attached hereto as Exhibit C, and incorporated herein by reference.

15. PROHIBITION AGAINST ASSIGNMENTS AND TRANSFERS

Except as specifically authorized under this Agreement, the Services to be provided under this Agreement shall not be assigned, transferred contracted or subcontracted out without the prior written approval of City. Any of the following shall be construed as an assignment: The sale, assignment, transfer or other disposition of any

of the issued and outstanding capital stock of Consultant, or of the interest of any general partner or joint venturer or syndicate member or cotenant if Consultant is a partnership or joint-venture or syndicate or co-tenancy, which shall result in changing the control of Consultant. Control means fifty percent (50%) or more of the voting power or twenty-five percent (25%) or more of the assets of the corporation, partnership or joint-venture.

16. SUBCONTRACTING

The subcontractors authorized by City, if any, to perform Work on this Project are identified in Exhibit A. Consultant shall be fully responsible to City for all acts and omissions of any subcontractor. Nothing in this Agreement shall create any contractual relationship between City and any subcontractor nor shall it create any obligation on the part of City to pay or to see to the payment of any monies due to any such subcontractor other than as otherwise required by law. City is an intended beneficiary of any Work performed by the subcontractor for purposes of establishing a duty of care between the subcontractor and City. Except as specifically authorized herein, the Services to be provided under this Agreement shall not be otherwise assigned, transferred, contracted or subcontracted out without the prior written approval of City.

17. OWNERSHIP OF DOCUMENTS

17.1 Each and every report, draft, map, record, plan, document and other writing produced, including but not limited to, websites, blogs, social media accounts and applications (hereinafter "Documents"), prepared or caused to be prepared by Consultant, its officers, employees, agents and subcontractors, in the course of implementing this Agreement, shall become the exclusive property of City, and City shall have the sole right to use such materials in its discretion without further compensation to Consultant or any other party. Additionally, all material posted in cyberspace by Consultant, its officers, employees, agents and subcontractors, in the course of implementing this Agreement, shall become the exclusive property of City, and City shall have the sole right to use such materials in its discretion without further compensation to Consultant or any other party. Consultant shall, at Consultant's expense, provide such Documents, including all logins and password information to City upon prior written request.

17.2 Documents, including drawings and specifications, prepared by Consultant pursuant to this Agreement are not intended or represented to be suitable for reuse by City or others on any other project. Any use of completed Documents for other projects and any use of incomplete Documents without specific written authorization from Consultant will be at City's sole risk and without liability to Consultant. Further, any and all liability arising out of changes made to Consultant's deliverables under this Agreement by City or persons other than Consultant is waived against Consultant, and City assumes full responsibility for such changes unless City has given Consultant prior notice and has received from Consultant written consent for such changes.

17.3 All written documents shall be transmitted to City in formats compatible with Microsoft Office and/or viewable with Adobe Acrobat.

18. CONFIDENTIALITY

All Documents, including drafts, preliminary drawings or plans, notes and communications that result from the Services in this Agreement, shall be kept confidential unless City expressly authorizes in writing the release of information.

19. INTELLECTUAL PROPERTY INDEMNITY

Consultant shall defend and indemnify City, its agents, officers, representatives and employees against any and all liability, including costs, for infringement or alleged infringement of any United States' letters patent, trademark, or copyright, including costs, contained in Consultant's Documents provided under this Agreement.

20. RECORDS

Consultant shall keep records and invoices in connection with the Services to be performed under this Agreement. Consultant shall maintain complete and accurate records with respect to the costs incurred under this Agreement and any Services, expenditures and disbursements charged to City, for a minimum period of three (3) years, or for any longer period required by law, from the date of final payment to Consultant under this Agreement. All such records and invoices shall be clearly identifiable. Consultant shall allow a representative of City to examine, audit and make transcripts or copies of such records and invoices during regular business hours. Consultant shall allow inspection of all Work, data, Documents, proceedings and activities related to the Agreement for a period of three (3) years from the date of final payment to Consultant under this Agreement.

21. WITHHOLDINGS

City may withhold payment to Consultant of any disputed sums until satisfaction of the dispute with respect to such payment. Such withholding shall not be deemed to constitute a failure to pay according to the terms of this Agreement. Consultant shall not discontinue Work as a result of such withholding. Consultant shall have an immediate right to appeal to the City Manager or designee with respect to such disputed sums. Consultant shall be entitled to receive interest on any withheld sums at the rate of return that City earned on its investments during the time period, from the date of withholding of any amounts found to have been improperly withheld.

22. ERRORS AND OMISSIONS

In the event of errors or omissions that are due to the negligence or professional inexperience of Consultant which result in expense to City greater than what would have resulted if there were not errors or omissions in the Work accomplished by Consultant, the additional design, construction and/or restoration expense shall be borne by Consultant. Nothing in this Section is intended to limit City's rights under the law or any other sections of this Agreement.

23. CITY'S RIGHT TO EMPLOY OTHER CONSULTANTS

City reserves the right to employ other Consultants in connection with the Project.

24. CONFLICTS OF INTEREST

24.1 Consultant or its employees may be subject to the provisions of the California Political Reform Act of 1974 (the "Act") and/or Government Code §§ 1090 et seq., which (1) require such persons to disclose any financial interest that may foreseeably be materially affected by the Work performed under this Agreement, and (2) prohibit such persons from making, or participating in making, decisions that will foreseeably financially affect such interest.

24.2 If subject to the Act and/or Government Code §§ 1090 et seq., Consultant shall conform to all requirements therein. Failure to do so constitutes a material breach and is grounds for immediate termination of this Agreement by City. Consultant shall indemnify and hold harmless City for any and all claims for damages resulting from Consultant's violation of this Section.

25. NOTICES

25.1 All notices, demands, requests or approvals, including any change in mailing address, to be given under the terms of this Agreement shall be given in writing, and conclusively shall be deemed served when delivered personally, or on the third business day after the deposit thereof in the United States mail, postage prepaid, first-class mail, addressed as hereinafter provided.

25.2 All notices, demands, requests or approvals from Consultant to City shall be addressed to City at:

Attn: Accounting Manager
Administrative Services Department
City of Newport Beach
100 Civic Center Drive
Newport Beach, CA 92660

25.3 All notices, demands, requests or approvals from City to Consultant shall be addressed to Consultant at:

Attn: Jonathan Foster
Davis Farr LLP
18201 Von Karman Ave, Suite 1100
Irvine, CA 92612

26. CLAIMS

Unless a shorter time is specified elsewhere in this Agreement, before making its final request for payment under this Agreement, Consultant shall submit to City, in writing,

all claims for compensation under or arising out of this Agreement. Consultant's acceptance of the final payment shall constitute a waiver of all claims for compensation under or arising out of this Agreement except those previously made in writing and identified by Consultant in writing as unsettled at the time of its final request for payment. Consultant and City expressly agree that in addition to any claims filing requirements set forth in the Agreement, Consultant shall be required to file any claim Consultant may have against City in strict conformance with the Government Claims Act (Government Code sections 900 *et seq.*).

27. TERMINATION

27.1 In the event that either party fails or refuses to perform any of the provisions of this Agreement at the time and in the manner required, that party shall be deemed in default in the performance of this Agreement. If such default is not cured within a period of two (2) calendar days, or if more than two (2) calendar days are reasonably required to cure the default and the defaulting party fails to give adequate assurance of due performance within two (2) calendar days after receipt of written notice of default, specifying the nature of such default and the steps necessary to cure such default, and thereafter diligently take steps to cure the default, the non-defaulting party may terminate the Agreement forthwith by giving to the defaulting party written notice thereof.

27.2 Notwithstanding the above provisions, City shall have the right, at its sole and absolute discretion and without cause, of terminating this Agreement at any time by giving no less than seven (7) calendar days' prior written notice to Consultant. In the event of termination under this Section, City shall pay Consultant for Services satisfactorily performed and costs incurred up to the effective date of termination for which Consultant has not been previously paid. On the effective date of termination, Consultant shall deliver to City all reports, Documents and other information developed or accumulated in the performance of this Agreement, whether in draft or final form.

28. STANDARD PROVISIONS

28.1 Recitals. City and Consultant acknowledge that the above Recitals are true and correct and are hereby incorporated by reference into this Agreement.

28.2 Compliance with all Laws. Consultant shall, at its own cost and expense, comply with all statutes, ordinances, regulations and requirements of all governmental entities, including federal, state, county or municipal, whether now in force or hereinafter enacted. In addition, all Work prepared by Consultant shall conform to applicable City, county, state and federal laws, rules, regulations and permit requirements and be subject to approval of the Project Administrator and City.

28.3 Waiver. A waiver by either party of any breach, of any term, covenant or condition contained herein shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant or condition contained herein, whether of the same or a different character.

28.4 Integrated Contract. This Agreement represents the full and complete understanding of every kind or nature whatsoever between the parties hereto, and all preliminary negotiations and agreements of whatsoever kind or nature are merged herein. No verbal agreement or implied covenant shall be held to vary the provisions herein.

28.5 Conflicts or Inconsistencies. In the event there are any conflicts or inconsistencies between this Agreement and the Scope of Services or any other attachments attached hereto, the terms of this Agreement shall govern.

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

28.7 Amendments. This Agreement may be modified or amended only by a written document executed by both Consultant and City and approved as to form by the City Attorney.

28.8 Severability. If any term or portion of this Agreement is held to be invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions of this Agreement shall continue in full force and effect.

28.9 Controlling Law and Venue. The laws of the State of California shall govern this Agreement and all matters relating to it and any action brought relating to this Agreement shall be adjudicated in a court of competent jurisdiction in the County of Orange, State of California.

28.10 Equal Opportunity Employment. Consultant represents that it is an equal opportunity employer and it shall not discriminate against any subcontractor, employee or applicant for employment because race, religious creed, color, national origin, ancestry, physical handicap, medical condition, marital status, sex, sexual orientation, age or any other impermissible basis under law.

28.11 No Attorneys' Fees. In the event of any dispute or legal action arising under this Agreement, the prevailing party shall not be entitled to attorneys' fees.

28.12 Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute one (1) and the same instrument.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on the dates written below.

**APPROVED AS TO FORM:
CITY ATTORNEY'S OFFICE**

Date: 5/27/26

By: [Signature]
Aaron C. Harp 5-27-26 RJ
City Attorney

CITY OF NEWPORT BEACH,
a California municipal corporation

Date: _____

By: _____
Lauren Kleiman
Mayor

ATTEST:

Date: _____

By: _____
Lena Shumway
City Clerk

CONSULTANT: DAVIS FARR LLP,
a California limited liability partnership

Date: _____

By: _____
Marc Davis
General Partner

Date: _____

By: _____
Jennifer Farr
General Partner

[END OF SIGNATURES]

Attachments: Exhibit A – Scope of Services
 Exhibit B – Schedule of Billing Rates
 Exhibit C – Insurance Requirements

EXHIBIT A
SCOPE OF SERVICES

SCOPE OF SERVICES



SCOPE OF SERVICES

Objective:

Consultant shall provide annual financial statement audit services and professional accounting guidance to the City of Newport Beach ("City") as set forth herein. The City intends to submit an Annual Comprehensive Financial Report (ACFR) to the Government Finance Officers Association (GFOA) for review in their Certificate of Achievement for Excellence in Financial Reporting Program. Consultant shall perform annual audits of the City's financial statements and prepare the City's ACFR in accordance with Generally Accepted Auditing Standards (GAAS), issued by the Comptroller General of the United States and the U.S. Office of Management and Budget (OMB) Uniform Guidance Audits of State and Local Governments and Non-Profit Organizations, Governmental Accounting Standards Board (GASB) requirements, prepare and issue all required audit reports, provide ongoing accounting guidance related to governmental accounting standards and best practices, and presentations to City management and Council. Consultant shall be licensed to practice in the State of California and demonstrate extensive experience auditing municipal governments of comparable size and complexity.

Description:

Consultant shall perform an examination of the City's basic financial statements of governmental activities, business-type activities, each major fund, budgetary comparison of major governmental funds, aggregate remaining fund information, and related notes which collectively comprise the basic financial statements of the City. Consultant shall also examine the required supplementary information (RSI) and supplementary information (SI) in accordance with the auditing standards set forth herein.

Consultant shall provide an opinion on the fair presentation of basic financial statements, and an "in-relation-to" opinion on the combining and individual non-major fund financial statements, including budgetary comparison schedules in conformity with auditing standards generally accepted in the United States of America (United States) and Governmental Auditing Standards issued by the Comptroller of the United States.

Consultant shall perform the following tasks:

1. Review all of the City's financial records and various funds in accordance with auditing standards set forth herein, with the objective of expressing an opinion on the basic financial statements and supplementary information.
2. Perform a single audit on the expenditures of federal awards in accordance with auditing standards set forth herein. City will prepare the Schedule of Expenditures of Federal Awards.
3. Perform agreed-upon procedures to test the GANN appropriation limit calculation.

A. Auditing Standards to be Followed

The audit shall be performed in accordance with generally accepting auditing standards including, but not limited to, the following:

1. Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants;

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2. The standards applicable to financial audits contained in the most current version of the Generally Accepted Government Auditing Standards (Yellow Book), issued by the Comptroller General of the United States;
3. The provisions of the Single Audit Act as amended in 1996; and,
4. The provisions of U.S. Office of Management and Budget (OMB) Uniform Grant Guidance/Super Circular Audits of State and Local Governments and Non-Profit Organizations. Note – City does not contemplate using a cost allocation plan for the purpose of charging indirect costs to Federal programs.

B. Reports to be Issued

Following the completion of the audit of the fiscal year's financial statements, Consultant shall issue the following reports in accordance with auditing standards outlined herein in a form conforming to current generally accepted standards including the current equivalent reports or as amended by standard setting authorities:

1. A report with an opinion on the fair presentation of the basic financial statements, and an "in-relation-to" opinion on the combining and individual non-major fund financial statements, including budgetary comparison schedules in conformity with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Generally Accepted Governmental Auditing Standards issued by the Comptroller of the United States. Consultant shall provide an electronic copy of the independent opinion letter in PDF format and one hard copy.
2. Consultant shall prepare the single audit report and render an opinion on the schedule of expenditures of federal awards in relation to the basic financial statements taken as a whole. The single audit report should include an appropriate schedule of expenditures of federal awards, footnotes, findings and questioned costs, including any deficiencies identified during the audit and a follow up on prior audit findings, where required. Consultant shall complete the data collection form and required filing with the Federal Audit Clearing House and provide the City with one electronic copy in PDF format and five bound copies.
3. A report on compliance and internal control over financial reporting and on compliance and other matters based on an audit of the financial statements. The report should be addressed to the City Council and provided to the City in an electronic form in a PDF format.

A report on compliance for each major program and on internal control over compliance. The report should be addressed to the City Council and provided to the City in an electronic form in a PDF format. In the required reports on compliance and internal controls, Consultant shall communicate any deficiencies in internal control found during the audit to the Finance Committee and the City Council. Deficiencies of lesser significance discovered by Consultant shall be reported in a separate letter to management.

4. When applicable, the audit firm shall issue a separate "management letter" that includes recommendations for improvements in internal control. The management letter should be

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addressed to the City Council. Consultant shall provide one electronic copy in PDF format and one hard copy.

5. Consultant shall issue a separate letter, AU-C 260, "communication to those charged with governance" at the conclusion of the audit" that include significant findings and other matters. This should also be addressed to the City Council.
6. Article XIII B Appropriations Limit procedures letter. Consultant shall provide the City an electronic copy in PDF format and one hard copy.
7. The ACFR will be prepared and word processed by the audit firm.

Irregularities and illegal acts:

Consultant shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the following parties:

City Manager, Seimone Jurjis
City Attorney, Aaron Harp
Administrative Services and Finance Director/Treasurer, Jason Al-Imam

C. Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at Consultant's expense, for a minimum of three (3) years, unless the firm is notified in writing by the City of the need to extend the retention period. Consultant shall be required to make working papers available, upon request, to the City or its designees.

D. Time Requirements

City acknowledges that the City's preparedness can have a profound impact on the successful execution of an audit plan. The level of City's preparedness is often a factor of staffing levels, new accounting standards and competing projects which can change from year to year. The City's absolute deadlines are driven based on the GFOA award submission deadline for the financial reports and the Single Audit Submission deadline for all other compliance reports.

1. Interim Work
The City is generally flexible with the timing of Consultant's complete interim work; however, Consultant should be prepared to review and mail bank-related audit confirmations on or about June 30 of each year.
2. Audit Plan
In preparation for final fieldwork, Consultant shall meet and discuss the final audit plan and provide the City schedules to be prepared by the City by July 31 of each year, particularly if they will require a significant amount of staff time to prepare.
3. Fieldwork
Generally, the City is not ready for final field work until September 30 of each year. Consultant shall plan to complete all fieldwork during the month of October or early November at the latest.

SCOPE OF SERVICES

4. Reports
Consultant shall have the final opinion letter delivered by December 1 of each year. Final Management Letters, Single Audit and other compliance reports shall be delivered by March 1 and filed (if applicable) with appropriate authorities by March 31 of each year.
5. Finance Committee/City Council Review
The Finance Committee and/or City Council will review the audit results at their January meeting each year.

E. Assistance to be Provided to Consultant and Report Preparation

1. Administrative Assistance
City's accounting staff and management personnel will be available during the audit to assist Consultant by providing information, documentation, explanations and supporting schedules as requested by Consultant. Consultant is welcome to retrieve records on its own and City staff can assist in retrieving records if necessary.
2. Electronic Records Retrieval
Most records are available to review electronically and can be retrieved from a combination of web-enabled applications or direct access to the City's financial and accounting systems. Most supporting documentation, including purchase orders, invoices and journal entries, have been imaged and are linked to financial transaction within the City's financial and accounting system. Consultant shall be provided with limited access to the City's accounting system via a City personal computer to query account general ledger accounts for the purpose of downloading ledger balances for lead schedules and reviewing transaction detail and supporting images with the option to print to a local printer.
3. Work Area, Telephones, Photocopying, Faxing and Internet Access
The City will provide Consultant a reasonable workspace, desks and chairs. City will also provide access to telephone lines, photocopying and fax machines. Public WiFi Internet access is available; however, direct Ethernet access to the City's network by Consultant's computer may be limited or prohibited.

In addition, Consultant shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

Consultant shall keep City staff informed of new developments affecting local government accounting and reporting as well as any other relevant issues. Such advice should not be construed as consulting services, nor will compensation for such advice be contemplated unless explicitly approved by the City.



TECHNICAL PROPOSAL FOR
PROFESSIONAL AUDIT
SERVICES

Prepared By:

Davis Farr LLP
18201 Von Karman Ave | Suite 1100
Irvine, CA 92612

Contact Person:

Jonathan Foster, CPA | Partner
Office: 949.474.2020 | Direct: 949.783.1744
Email: JFoster@davisfarr.com



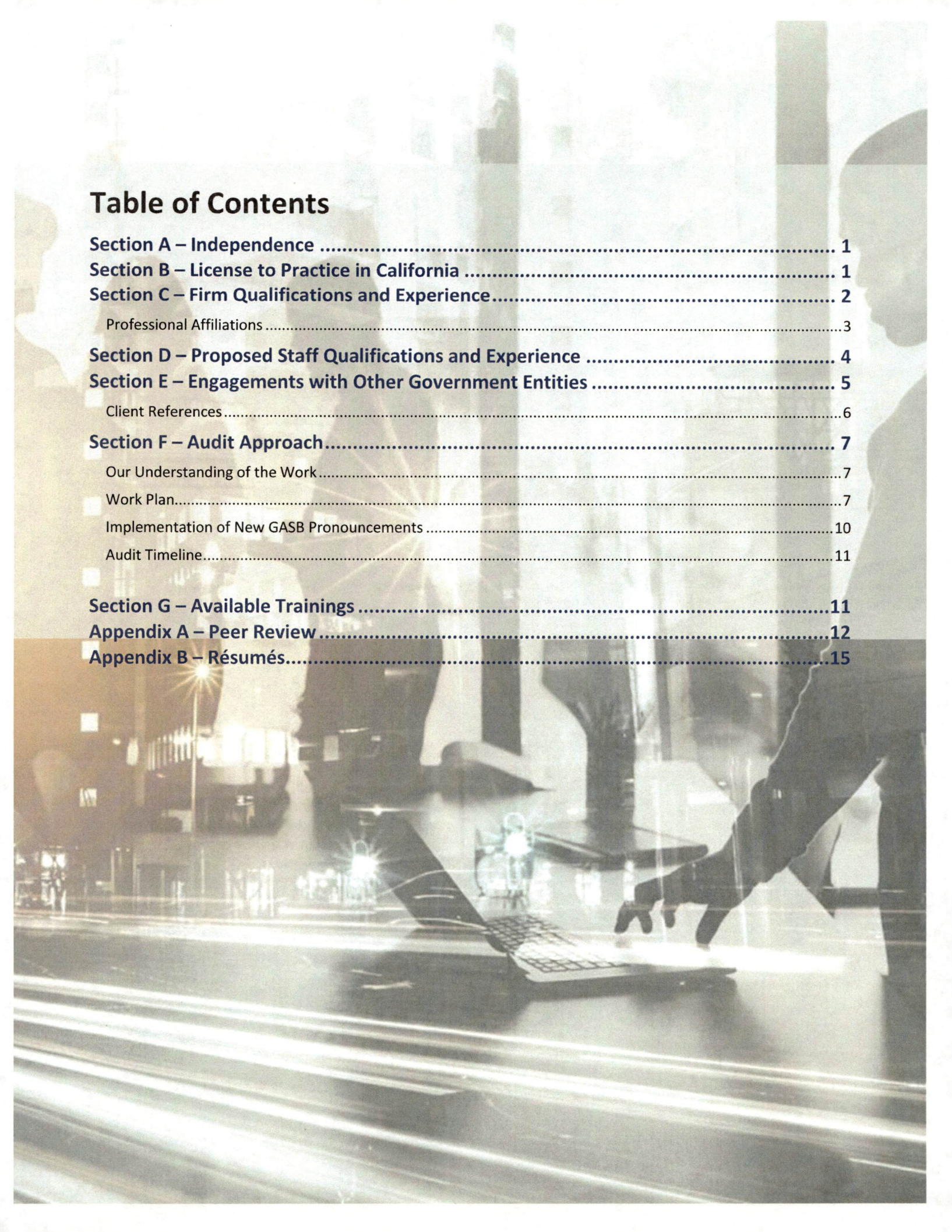
CITY OF NEWPORT BEACH

100 Civic Center Drive
Newport Beach, CA 92660

April 10, 2026

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April 10, 2026

Mr. Shaun Tormey
Senior Buyer
City of Newport Beach
100 Civic Center Drive
Newport Beach, CA 92660

Re: Request for Proposals No. 26-40

We are pleased to provide our proposal to provide professional audit services to the City of Newport Beach (the "City") for the fiscal years ending June 30, 2026, through 2028 with options to extend for two additional one year renewals.

Our service philosophy is one of open and constant communication, a proactive approach and responsive, value-added services. We will listen to your ideas and concerns and will bring creative solutions to you in both financial and other operational areas. We are aware that while the City has solicited numerous proposals, Davis Farr LLP would be your best selection for the following reasons which are set forth in greater detail in our proposal:

- We take a proactive leadership role in local government accounting and auditing issues. Jonathan Foster, Partner at Davis Farr LLP, is the current Chair of the CalCPA Government Audit and Accounting Committee. Our Partners are frequent speakers on technical topics at conferences and training events throughout California, including the recent CSMFO Annual Conference.
- We currently provide audit services to numerous cities in Southern California. Our deep understanding of the issues facing California governments enables us to provide high quality audit services to the City.
- We extensively utilize data mining software to evaluate anomalies in your accounting data. This helps focus our auditors' attention on potential errors in the accounting records and transactions that could be more susceptible to fraud.

We appreciate the opportunity to share our credentials and look forward to developing our professional relationship. Our proposal remains a firm and irrevocable offer for 90 days. I look forward to you contacting me so that I may answer further any questions which you may have. You may contact me at (949) 783-1744, or by email at jfoster@davisfarr.com.

Sincerely,



Jonathan Foster, CPA
Partner



Section A – Independence

Davis Farr LLP (“Davis Farr”) is independent with respect to the City of Newport Beach (the “City”) or any of its component units as defined by the U.S. Government Accountability Office’s *Government Auditing Standards* and Generally Accepted Auditing Standards. Neither Davis Farr nor the key personnel have any real or potential conflicts of interest.

Section B – License to Practice in California

Davis Farr and all key personnel are licensed with the California State Board of Accountancy to practice as independent certified public accountants.

Section C – Firm Qualifications and Experience

Background Information – Davis Farr LLP (“Davis Farr”) is a full-service regional accounting firm that specializes in providing attest and advisory services to federal, state, and local governments out of our California and Washington offices. This engagement would be serviced by our Irvine office. Our personnel have served governmental entities for over 40 years. A breakdown of our government audit personnel by classification is provided below. The firm’s financial condition is strong and we are not subject to any pending litigation, bankruptcy, office closures, or mergers.

Insurance – Davis Farr has sufficient insurance coverage to meet or exceed the City’s requirements and will provide insurance certificates to the City prior to entering into a contract.

Quality Control – Davis Farr and its Partners are members of the American Institute of Certified Public Accountants (AICPA) and the Firm is a member of the AICPA’s Government Audit Quality Center. Our Firm is a voluntary participant in the AICPA Peer Review Program. Included in the appendix is our most recent Peer Review report where our firm received a *Pass*. A *Pass* demonstrates the highest level of quality control in a Peer Review. The Peer Review included a review of government engagements.

Training – Every professional of the firm participates in continuing professional education courses. Each person is required to take at least 80 hours of training over a two-year period, including 24 hours per year specific to government accounting and audit topics. Courses cover a wide spectrum of professional and technical subjects, and include Fraud, Professional Ethics and Governmental Accounting and Auditing topics to help the practitioner maintain his/her professional expertise.

	Classification	Number of Employees	
	Partners	7	
	Managers	8	
	Supervisors	9	
	Seniors	16	
	Staff	10	
	Administrative	3	
	Total personnel	53	

Professional Affiliations

Government Audit Quality Center – Davis Farr is a member of the Government Audit Quality Center (GAQC). The GAQC promotes the importance of quality governmental audits and the value of such audits to purchasers of governmental audit services. GAQC is a voluntary membership center for CPA firms and state audit organizations that perform governmental audits.

National Registry of CPE Sponsors – Davis Farr is registered to provide continuing professional education through the National Association of State Board of Accountancy (NASBA). NASBA recognizes CPE program sponsors who provide continuing professional education programs in accordance with nationally recognized standards. We provide CPE to our clients at our annual GASB Update.

CalCPA – Many of the CPAs employed by Davis Farr are members of CalCPA and regularly participate in chapter meetings, education, and events. Davis Farr partners are also members of the **Governmental Accounting and Auditing Committee** of the CalCPA and **Jonathan Foster** is the current Chair of the Committee.

American Institute of CPAs – Davis Farr and the Firm’s Partners are members of the American Institute of CPAs (AICPA). The AICPA develops standards for audits, provides educational guidance materials to its members, and monitors and enforces compliance with the profession’s technical and ethical standards.

CSMFO – The Partners of Davis Farr are members of the California Society of Municipal Finance Officers (CSMFO), the statewide organization serving all California municipal finance professionals. Firm personnel regularly attend CSMFO Chapter Meetings and Conferences. The Partners of Davis Farr are frequent presenters on accounting and auditing technical topics at Chapter Meetings and Conferences. Davis Farr presented at the annual CSMFO conference in February 2021.

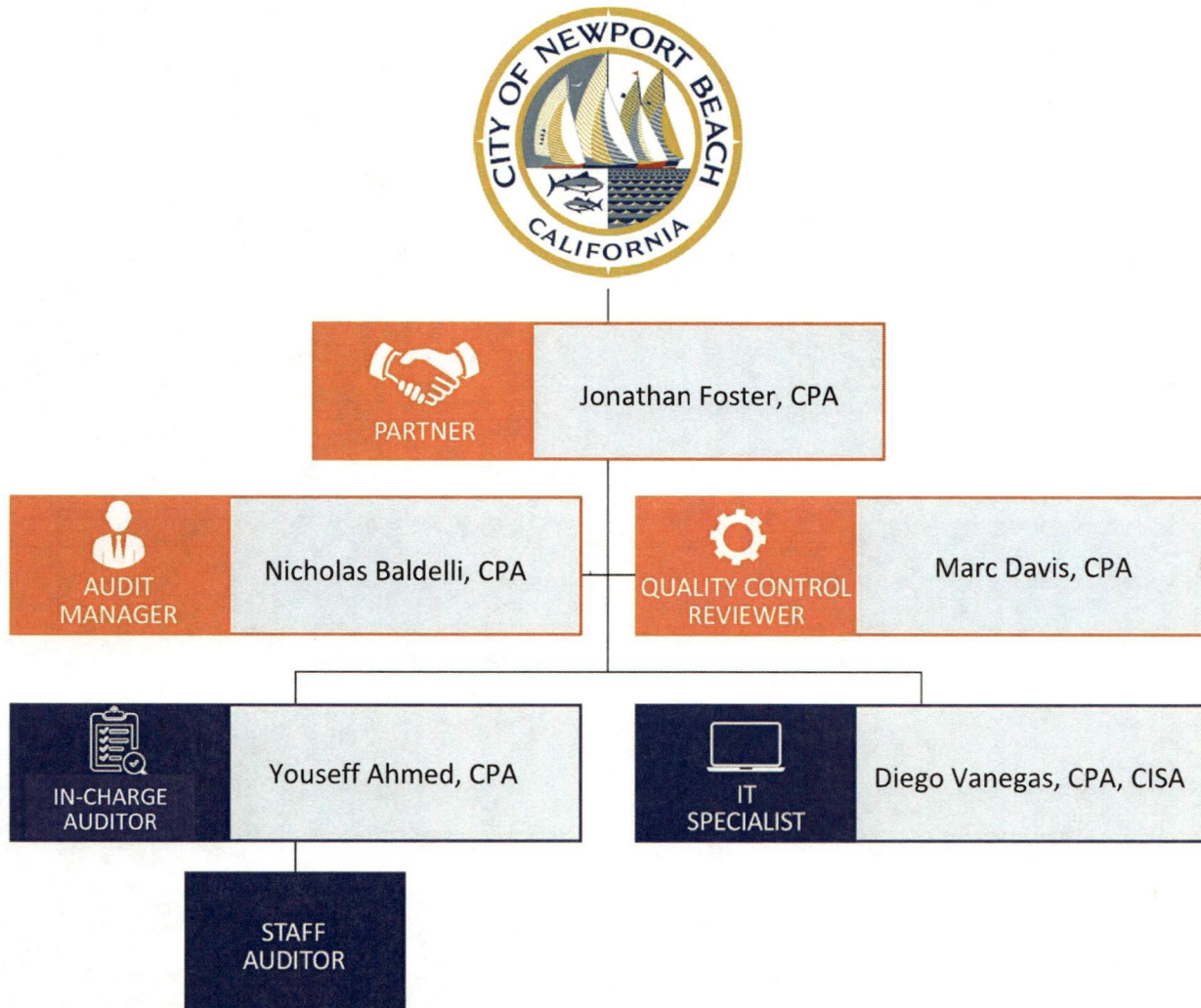
GFOA – The Government Finance Officers Association (GFOA) enhances and promotes the professional management of governmental financial resources by identifying, developing, and advancing fiscal strategies, policies, and practices for the public benefit. The Partners of Davis Farr are members of the Certificate of Achievement Program’s Special Review Committee. The Committee reviews Comprehensive Annual Financial Reports submitted to GFOA for the CAFR Award Program.



Section D – Proposed Staff Qualifications and Experience

The successful outcome of any audit requires personnel with the managerial and technical skills to perform the work required. The engagement team who will serve the City have served together as a team of professionals on numerous financial audit examinations of local government entities. Key personnel include the Partner, Manager, and Senior Auditor. Key personnel will not be removed or replaced without the prior written concurrence of the City.

We believe that efficient administrative management and supervision of the audits is an extremely critical factor in achieving the desired results for City. In that regard, our proposal organizational structure for providing professional audit services is as follows:



Résumés of our proposed key personnel can be found in Appendix B to this proposal.

Section E – Engagements with Other Government Entities

Davis Farr is a leader in the local government sector throughout the Southern California Area. Currently, we service approximately 60 local, state, and federal government entities. Davis Farr services routinely provided to our clients include, but are not limited to:



Our government expertise includes Cities, Special Districts, and other Governmental entities. Among the government agencies that the professionals of Davis Farr have served recently are the following:

- Beach Cities Health District
- Bellflower-Somerset Water
- City of Avalon
- City of Carlsbad
- City of Commerce
- City of Coronado
- City of Costa Mesa
- City of Dana Point
- City of Encinitas
- City of Fontana
- City of Garden Grove
- City of Huntington Beach
- City of Laguna Niguel
- City of Mission Viejo
- City of Poway
- City of Rancho Santa Margarita
- City of Santee
- City of Vista
- Cucamonga Valley Water District
- East Orange County Water District
- Eastern Municipal Water District
- Palm Springs Convention and Visitors Bureau
- Irvine Ranch Water District
- LA IMPACT
- Leucadia Wastewater District
- Los Angeles County LAFCO
- Orange County LAFCO
- Rancho California Water District
- Riverside County LAFCO
- Salton Sea Authority
- San Diego County Water Authority
- San Diego Association of Governments
- San Diego LAFCO
- Sweetwater Authority
- Trabuco Canyon Water District
- Vallecitos Water District
- Yucaipa Water District

Client References

For your convenience, we have listed below references for audit work currently being performed by Davis Farr personnel for several Cities throughout Southern California. For each of the references, we currently serve as independent auditors and have served these clients for a number of years.

CLIENT 1	<p>City of Garden Grove 11222 Acacia Pkwy Garden Grove, CA</p> <p>Patricia Song, Finance Director 714.741.5062 psong@ggcity.org</p>	<p><i>Financial Statement Audit of City, Housing Authority, Single Audit, State Controller's Reports, Agreed-Upon Procedures engagements</i></p>	800 Hours
CLIENT 2	<p>City of Huntington Beach 2000 Main Street Huntington Beach, CA</p> <p>Zack Zithisakthanakul, CFO 714.536.5925 zack.zith@surfcity-hb.org</p>	<p><i>Financial Statement Audit of City, JPA Audit, Single Audit, Agreed-Upon Procedures for Transient Occupancy Tax and Concessionaire compliance</i></p>	500 Hours
CLIENT 3	<p>City of Rancho Santa Margarita 22112 El Paseo Rancho Santa Margarita</p> <p>Stefanie Turner, Finance Director 949.635.1805 sturner@cityofrsm.org</p>	<p><i>Financial Statement Audit of City, Single Audit,</i></p>	260 Hours
CLIENT 4	<p>City of Vista 200 Civic Center Drive Vista, CA</p> <p>Matt McDonal, Asst. Finance Director 760.643.5363 mmcdonald@cityofvista.com</p>	<p><i>Financial Statement Audit of City, Measure HH Audit, Single Audit, Agreed-Upon Procedures</i></p>	500 Hours
CLIENT 5	<p>City of Indian Wells 44-950 Eldorado Dr. Indian Wells, CA</p> <p>Erika Flores, Assistant Finance Director 760.776.0235 eflores@indianwells.com</p>	<p><i>Financial Statement Audit of the City, Preparation of State Controller Report, and Agreed-upon Procedures for Hotels</i></p>	500 Hours

Section F – Audit Approach

Our Understanding of the Work

Our understanding of the objectives and scope of the work to be performed is as follows:

- We will perform an audit of the financial statements of the City for the fiscal years ending June 30, 2026 through 2028 with options to renew. Our examination will be conducted in accordance with generally accepted auditing standards, the AICPA Audit and Accounting Guide, *Audits of State and Local Government Units*, and Government Auditing Standards issued by the Comptroller General of the United States. We understand the City will prepare the Comprehensive Annual Financial Report. We will ensure that the report is prepared in conformity with the most recent edition of the GAAFR, the GAAFR Update, and subsequent GASB pronouncements.
- When necessary, we will perform a compliance audit of federal expenditures in accordance with the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* in any year the City has federal expenditures of more than \$1,000,000.
- We will perform agreed-upon-procedures over the City's Gann Appropriations Limit.
- We will prepare a letter to the City Council summarizing the audit results in accordance with the Codification of Auditing Standards (AU-C) Section 260.
- WE will word process the financial Annual Comprehensive Financial Report.
- We will prepare a letter to the City Council reporting matters dealing with internal control that meet the threshold of being a significant deficiency or material weakness, as defined by AU-C Section 265. We will immediately report any irregularities or illegal acts that come to our attention to management and/or those charged with governance.
- As requested, we will meet with the City Council or Committees to discuss the results of the audit.

Finally, we perceive the scope of our work as being advisors to the City regarding generally accepted accounting principles. Throughout the year, the management and other finance personnel of the City will have access to us to seek advice in the application of generally accepted accounting principles, advice regarding debt issuance, financial statement preparation and content, tax and any other matters relating to the City. Each year, we will go over upcoming accounting standards in a meeting with City staff.

Work Plan

Davis Farr plans and conducts our engagements in the most efficient manner possible, and our audit approach is unique with regard to the following:

- Our firm is sensitive to the priorities and work requirements of our clients. We work around the schedules of our clients when scheduling segments of the audit or requesting documentation in order to minimize disruption of City staff and to complete the audit in a timely manner.
- Whenever possible, we use accounting support already prepared by the City staff to avoid duplication or unnecessary requests for audit supporting schedules. Typically, we request support for balance sheet items, the year ending trial balance and cash and long-term debt confirmations.
- Our firm's expertise is in governmental auditing. Our auditors are GASB experts and skilled at addressing audit issues that are specific to local governments. You will not spend time training our personnel.
- When formulating internal control recommendations, we obtain a thorough understanding of the specific circumstances at your City to provide a tailored, practical recommendation.
- Throughout the year we are a resource to our clients in providing accounting advice, researching technical questions, dealing with tax problems, and helping with other problems as they arise.

Audit Software – We utilize CaseWare audit software for the electronic documentation of workpapers. We have the ability to accept audit documentation in either hard copy or electronic format. CaseWare allows us the ability to import trial balances that can be provided in either Excel or a text document. Some of the benefits of using CaseWare trial balance software are as follows:

- We create our own lead sheets (i.e., analytical review comparison schedules). This limits the amount of time finance staff spends creating audit schedules. Our software automatically generates analytical review reports by account number for ease of analyzing significant fluctuations between fiscal years.
- We can link the financial statement schedules directly to the CaseWare trial balances. As a result, we can provide the City with financial statements almost immediately after receiving the trial balance from the City. Additionally, journal entries are easy to post to the financial statement schedules and the risk of data entry error is minimized.
- We can provide the City with reports showing the coding of the financial statement schedules for ease of review by City staff. These reports show each account coded to a specific financial statement line item as well as journal entries that are posted during the audit.

Data Mining Software – We have a dedicated team of personnel trained to use special data mining software, IDEA. Our software uses source data from your accounting system to search for anomalies, such as duplicate or voided checks, cross-referencing vendor addresses with employee addresses, detecting accounting transactions recorded on the weekend, reviewing journal entry postings for unauthorized individuals. The IDEA software identifies specific transactions for the auditors to review for potential fraud or error.

Internal Control Evaluation – Our approach to evaluating internal controls involves observation and inquiry. We spend time with the personnel responsible for the accounting cycles to gain an understanding of the processes. We also carefully evaluate your policies and procedures. After our initial evaluation, we identify key controls in your processes and design test to evaluate the effectiveness of those processes. In the initial year of the audit, we will focus on the following accounting cycles:

- Billing and cash receipting
- Capital assets
- Purchase and disbursements
- Payroll
- Investment and cash controls
- Information systems

In future years, we will review the accounting cycles noted above but also look at other processes such as credit card transactions, petty cash, inventory controls, offsite cash receipting, employee reimbursements, contract compliance, and other areas. Our goal is to modify our audit approach every year to further evaluate your internal controls.

Audit Stage	Procedures Performed
Planning and inquiry	<p>During the planning phase of the audit, we plan to perform the following procedures:</p> <ul style="list-style-type: none"> ✓ Meet with finance personnel to obtain an understanding of significant transactions during the year. ✓ Communicate with the City Council regarding fraud, compliance with laws, and any concerns they have regarding the finances of the City. ✓ Perform internal control evaluations as noted on the previous page. ✓ Determine materiality levels that will be used in selecting audit transactions. ✓ Perform a risk assessment to develop the audit plan for the year. ✓ Review minutes of City Council meetings. ✓ Review important new contracts, bond documents, and agreements. ✓ Evaluate compliance with investments. ✓ Test purchase orders and contract management. ✓ Test a sample of cash disbursements to determine adherence to policies and internal controls. ✓ Perform a review of the organization’s information systems and controls.

Audit Stage	Procedures Performed
	<ul style="list-style-type: none"> ✓ Perform compliance testing of federal grants, as necessary. ✓ Review the prior audited financial statements and provide feedback to City staff regarding best practices for financial reporting. ✓ Provide a GASB Update and templates for implementing new accounting standards including the upcoming lease accounting standard.
<p>Year-End Testing</p>	<p>After the books are closed and ready for audit, we will perform our year-end procedures which include the following:</p> <ul style="list-style-type: none"> ✓ We will confirm 100% of all cash and investment balances and test market values provided by your investment custodians. ✓ We will test for proper cutoffs of accounts receivable and grants receivable. ✓ We will confirm and test material notes and loans receivable. ✓ We will test additions and deletions to capital assets. We will review depreciation expense for reasonableness. ✓ We will test interfund transactions including due to/due from other funds, advances, and transfers. We will review legal documents supporting loans and test the allowability of transfers out of restricted funds. ✓ We will test current liabilities and perform a search for unrecorded liabilities. ✓ We will review unearned revenue balances for proper cutoffs. ✓ We will test the balances of accrued payroll and employee related liabilities. ✓ We will confirm long-term debt with independent parties. ✓ In years of new debt issuances, we will review the journal entry to record the debt to ensure the accuracy of the accounting. ✓ Testing of actuarial valuations and calculations related to OPEB obligations and disclosures under GASB 75. ✓ Testing of actuarial valuations and calculations related to pension obligations and disclosures under GASB 68. ✓ Testing of leases and SBITA's in accordance with GASB 87 and GASB 96. ✓ Evaluation of Compensated Absences in accordance with GASB 101. ✓ Evaluation of claims and judgments payable. ✓ Testing of restrictions and classifications of net position. ✓ Analyze grant revenues and expenses to ensure proper matching within the fiscal year. ✓ Test the reasonableness of interest income, realized, and unrealized gains/losses on investments. ✓ Analytically and substantively test revenues and expenses reported in the financial statements. ✓ We will incorporate an element of unpredictability every year that will focus on an audit area that is not typically considered a high or significant risk area such as petty cash, credit card purchases, new vendors, travel expenses, etc. <p>The aforementioned tests are only a few of the tests performed during the examination and by no means is it meant to be all inclusive. During the final stage of the audit, we will meet with Finance staff to review our audit findings and any adjusting journal entries.</p>
<p>Single Audit Approach</p>	<p>As part of our Single Audit for the years in which the City expends greater than \$1,000,000, we will perform the following procedures in accordance with the Uniform Guidance:</p> <ul style="list-style-type: none"> ✓ Perform an evaluation of the major programs required to be tested ✓ Review OMB guidance and the OMB Compliance Supplement for the grant program audited. ✓ Review internal controls for each of the applicable 14 compliance areas for each program audited. ✓ Using AICPA sampling guidance, we will select a sample for each of the applicable 14 compliance areas for each program audited. We will test the sample for compliance with those 14 areas. ✓ Test the indirect cost rate, if applicable ✓ Review monitoring reports for noncompliance and follow up on the resolution of past noncompliance, if applicable. ✓ Issue a single audit report of federal expenditures. ✓ File the data collection form within the specified deadline.
<p>Completion of the Audit and</p>	<p>The nature and extent of the work required is dependent on our assessment of the likelihood of misstatements in the financial statements together with our conclusions from the planning and testing stages of the audit. All of the audit information is then used to reach a conclusion on</p>

Audit Stage	Procedures Performed
Preparation of Financial Statements	<p>whether the financial statements taken as a whole conform with generally accepted accounting principles.</p> <ul style="list-style-type: none"> ✓ We will review significant events after year end ✓ We will review attorney letters for significant legal matters ✓ We will ensure the ACFR qualifies for the GFOA award over excellence in financial reporting ✓ We will ensure accurate and complete disclosures in the notes to the financial statements. ✓ We will meet with City Committees or City Council to present the audit results, as requested.

Implementation of New GASB Pronouncements

The City will be required to implement the following accounting standards during the upcoming fiscal years. Part of our service to you includes consulting on these new auditing standards. A sampling of significant new GASB pronouncements planned or proposed for local governments that will impact the City are listed below:

GASB 103: Financial Reporting Model Improvements

The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues.

GASB 104: Disclosure of Certain Capital Assets

State and local governments are required to provide detailed information about capital assets in notes to financial statements. Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, requires certain information regarding capital assets to be presented by major class. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

GASB 105: Subsequent Events

State and local governments are required to provide detailed information about capital assets in notes to financial statements. Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, requires certain information regarding capital assets to be presented by major class. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

Audit Timeline

The following proposed timing is subject to the City’s revision and approval:

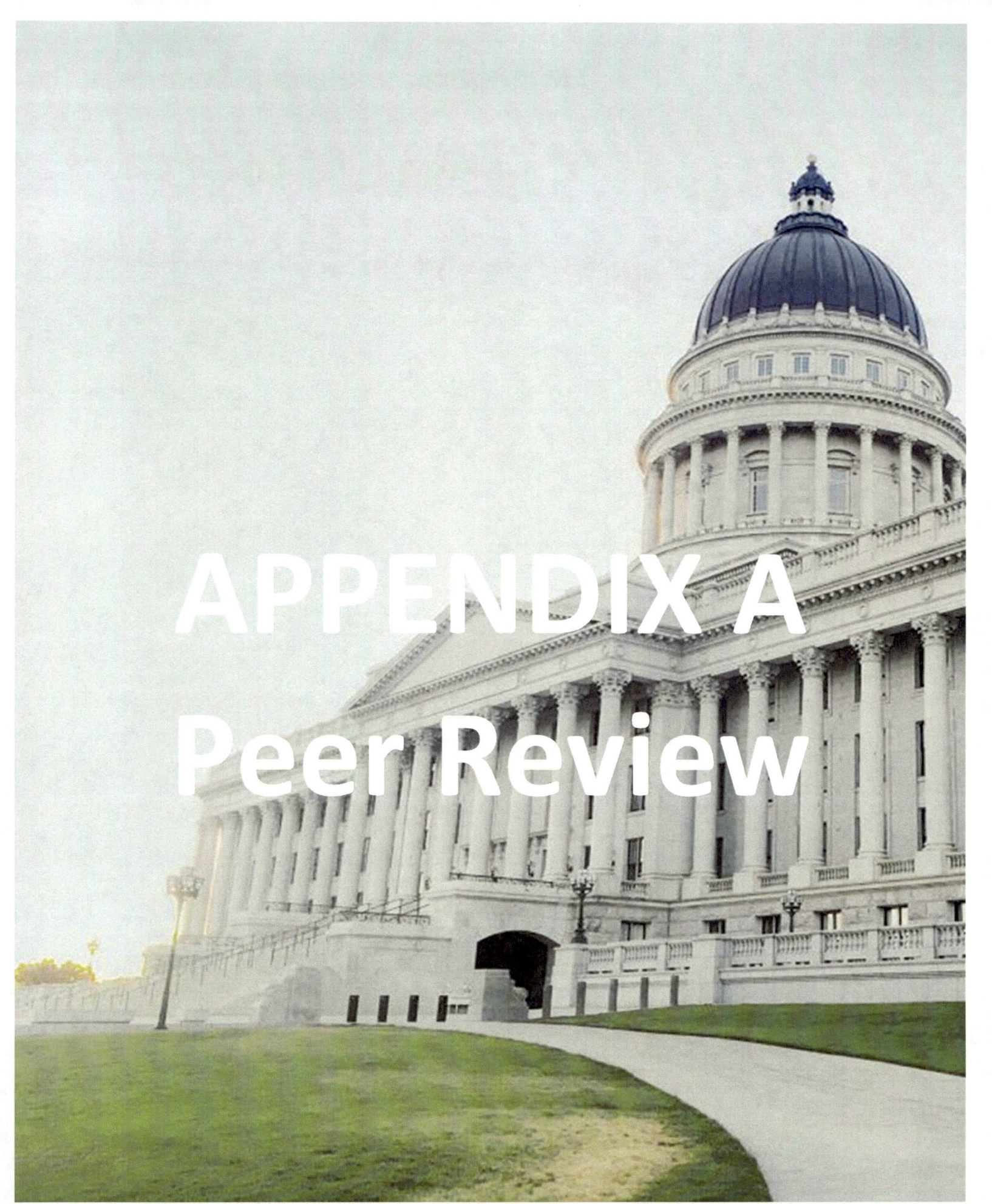
Description	Target Date/Duration
Submit initial request list to City	Shortly after contract approval
Planning meeting with City	First day of interim
Submit initial request list to City	May 22, 2026
Interim fieldwork	June 8, 2026 to June 12, 2026
Submit final request list to the City	Final day of interim
Receive confirmations from City and mail	July 6, 2026
Receive trial balance & supporting schedules from City	October 5, 2026
Final fieldwork	October 12, 2026 to October 23, 2026
Exit conference with Finance staff	October 23, 2026
Provide all final adjustments, if any, to City	October 30, 2026
Submit draft financial statements, Gann Limit, AU-C 260 and AU-C 265 letters to City	November 13, 2026
Receive comments from City on draft report	November 30, 2026
Submit final opinion letters and financial statements to City	No later than December 11, 2026
Perform Single Audit procedures	February 1, 2027
Submit Single Audit draft to City	February 19, 2027
Receive comments from City on draft report	February 26, 2027
Submit final opinion letter, and Single Audit report, and submit with the Federal Audit Clearing House (FAC)	March 5, 2027

We anticipate that the City will provide the draft Comprehensive Annual Financial Report to our team for review sometime during the final fieldwork. We will provide the City with any comments on the draft report, along with our proposed adjustments one week following the completion of final fieldwork.

Section G – Available Trainings

Over the years, Davis Farr has provided a variety of training courses for our clients. These training courses have included the traditional half day or all day annual GASB updates, to the focused trainings conducted for individual clients. Davis Farr is registered to provide continuing professional education through the National Association of State Board of Accountancy (NASBA). NASBA recognizes CPE program sponsors who provide continuing professional education programs in accordance with nationally recognized standards. For those trainings provided through out GASB update or individually, they can be administered so that members of the City are eligible to receive continuing professional education, if needed.

Each year as part of the interim portion of the audit, we will provide Finance personnel with a tailored GASB update that focuses on upcoming pronouncements and how best the City can prepare for implementation.



APPENDIX A

Peer Review



Report on the Firm's System of Quality Control

To the Partners of
DAVIS FARR LLP
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Davis Farr LLP (the firm) in effect for the year ended May 31, 2025. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a system review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported on in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing and complying with a system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with the requirements of applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported on in conformity with the requirements of applicable professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.




Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of and compliance with the firm's system of quality control based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act and examination of a service organization (SOC 1 engagement).

CPAs ■ Advisors

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 909.948.9990 / 800.644.0696 / FAX 909.948.9633
 gyl@gylcpa.com
 www.gylcpa.com

As part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Davis Farr LLP in effect for the year ended May 31, 2025, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Davis Farr LLP has received a peer review rating of *pass*.

GYL LLP

Ontario, California
September 19, 2025

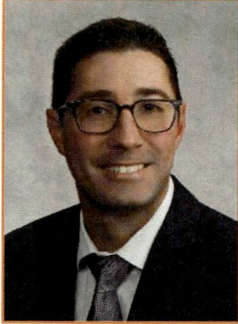
A close-up photograph of a person's hand holding a gold pen, writing on a white notebook. The notebook is open, showing a page with a table or form. A pair of black-rimmed glasses is visible on the left side of the notebook. The background is blurred, showing a person wearing a blue shirt. The text 'APPENDIX B' and 'Résumés' is overlaid in white, bold, sans-serif font.

APPENDIX B

Résumés

Jonathan Foster, CPA

Partner



Jonathan Foster will serve as the Partner on this engagement. Mr. Foster is a Certified Public Accountant and has 19 years of audit experience with government agencies. The types of audits Mr. Foster is involved in includes financial audits of cities and special districts and Single Audits in accordance with the Uniform Guidance. Mr. Foster is the current Chair of the CalCPA Governmental Audit and Accounting Committee and regularly presents at the annual conference for the California Society of Municipal Finance Officers. In addition, Mr. Foster is an instructor for Accounting for Capital Assets for CSMFO.

Employment History

- Davis Farr LLP – Since 2015
- National CPA Firm – 8 years

Education

- Bachelor of Accountancy (University of San Diego)

Licenses / Registrations

- California CPA Certificate No. 117853

Professional Affiliations & Awards

- American Institute of Certified Public Accountants
- California Society of Certified Public Accountants
- Cal CPA Government Audit & Accounting Committee
- California Society of Municipal Finance Officers

AUDITS OF CITIES

- | | |
|----------------------|----------------------------------|
| ✓ City of Avalon | ✓ City of Fontana |
| ✓ City of Commerce | ✓ City of Huntington Beach |
| ✓ City of Carlsbad | ✓ City of Indian Wells |
| ✓ City of Costa Mesa | ✓ City of Laguna Niguel |
| ✓ City of Dana Point | ✓ City of Rancho Santa Margarita |
| ✓ City of Delano | ✓ City of Santee |

AUDITS OF SPECIAL DISTRICTS

- | | |
|--|--|
| ✓ Big Bear Area Regional Wastewater | ✓ San Diego Association of Governments |
| ✓ Big Bear Community Facilities District | ✓ Santiago Aqueduct Commission |
| ✓ Cucamonga Valley Water District | ✓ Saticoy Sanitary District |
| ✓ Orange County Water District | ✓ Soquel Creek Water District |

Jonathan Foster, CPA

(continued)

Partner

Mr. Foster has significant experience working with federal grant programs typically awarded to local governments. These federal awarding agencies include Department of Housing and Urban Development, Department of Homeland Security, Department of Energy, Department of Justice, Department of the Interior, Environmental Protection Agency, and the Executive Office of the President

Mr. Foster has also worked on various financial statement, compliance and in SOC1 Type II audits (formerly SAS 70) audits for various commercial companies and Federal agencies.

AUDITS OF COMMERCIAL ENTITIES

- ✓ Cal Domestic Water Company
- ✓ Cahaba Government Benefit
- ✓ CGS Administrators LLC
- ✓ Delta Dental of Arizona
- ✓ DHS Consulting
- ✓ Montebello Land and Water Company
- ✓ Mutual Insurance Company of Arizona
- ✓ Sunnyslope Water Company

AUDITS OF FEDERAL GOVERNMENT

- ✓ Centers for Medicare and Medicaid Services
- ✓ Special Inspector General for Afghanistan Reconstruction



Marc Davis, CPA

Quality Control Partner

Marc Davis is a Partner with the Firm and will serve as the Quality Control Reviewer on the audit. He has over 40 years of experience in government auditing, accounting and consulting. Mr. Davis will provide technical assistance to the audit team and review the final reports before they are released. He is also a co-author with Thomson-Reuters on *PPC's Practice Aids for Reporting on Controls of Service Organizations – SOC 1 Engagements*, and *PPC's Practice Aids for Reporting on Controls of Service Organizations – SOC 2 Engagements*.

Employment History

- Davis Farr LLP – Founding Partner
- Partner – National CPA Firm

Education

- Bachelor of Arts - Business Administration / Accounting (California State University, Fullerton)

Licenses / Registrations

- California CPA Certificate No. 46491

Professional Affiliations & Awards

- American Institute of Certified Public Accountants
- California Society of Certified Public Accountants
- California Society of Municipal Finance Officers
- Association of Government Accountants

AUDITS OF CALIFORNIA CITIES

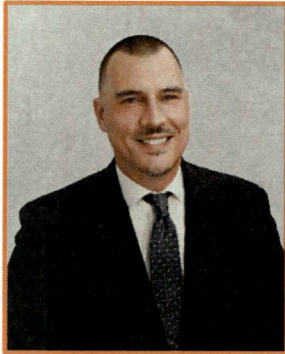
- | | |
|----------------------|-------------------------|
| ✓ City of Avalon | ✓ City of Garden Grove |
| ✓ City of Azusa | ✓ City of Los Alamitos |
| ✓ City of Beaumont | ✓ City of Mission Viejo |
| ✓ City of Buena Park | ✓ City of Newport Beach |
| ✓ City of Costa Mesa | ✓ City of Rialto |
| ✓ City of Downey | ✓ City of San Gabriel |
| ✓ City of El Segundo | ✓ City of Stanton |
| ✓ City of Escondido | ✓ City of Westminster |

AUDITS OF SPECIAL DISTRICTS AND HOUSING AUTHORITIES

- | | |
|---|---|
| ✓ Antelope Valley Transit Authority | ✓ Southern California Regional Rail Authority |
| ✓ Beach Cities Health District | ✓ SunLine Transit Agency |
| ✓ Housing Authority of the City of Fresno | ✓ Tahoe Regional Planning Agency |
| ✓ Housing Authority of Fresno County | ✓ Tahoe Transportation District |
| ✓ Los Angeles Homeless Services Authority | ✓ Ventura County Transportation Commission |
| ✓ Orange County Transportation Authority | ✓ Ventura Housing Authority |
| ✓ Omnitrans | ✓ Washington Economic Development Finance Authority |
| ✓ Oxnard Housing Authority | |

AUDITS OF HIGHER EDUCATION

- ✓ Cascadia College
- ✓ Community Colleges of Spokane
- ✓ Columbia Basin College
- ✓ Olympic College
- ✓ Peninsula College
- ✓ Wenatchee Valley College



Nicholas R. Baldelli, CPA

Senior Manager

Mr. Baldelli has over 13 years of experience both auditing local governments and working in advanced accounting and financial reporting as a municipal government employee. Most of his audit background is in non-profits, counties, and municipal government engagements. The types of audits Mr. Baldelli has been involved in are financial audits of non-profits, municipalities, counties, and other governmental organizations; agreed upon procedures; and Single Audits in accordance with Uniform Guidance.

Employment History

- Davis Farr LLP – Since 2023
- City of Gilbert, Arizona – 3 years
- Local Public Accounting Firm (NC & AZ) – 7 years

Education

- Bachelor of Science in Accounting & Financial Reporting (University of North Carolina, Asheville)

Licenses / Registrations

- Arizona CPA Certificate No. 19531
- North Carolina CPA Certificate No. 39577

Professional Affiliations & Awards

- American Institute of Certified Public Accountants
- Arizona Society of Certified Public Accountant
- Kyrene School District Budget Committee Member

AUDITS OF GOVERNMENT AGENCIES

- | | |
|---------------------------------------|--|
| ✓ City of Newport Beach, CA | ✓ City of Casa Grande, AZ |
| ✓ City of Huntington Beach, CA | ✓ Town of Chino Valley, AZ |
| ✓ City of Garden Grove, CA | ✓ Bullhead City, AZ |
| ✓ West Orange County Water Board, CA | ✓ City of Kingman, AZ |
| ✓ City of Tustin, CA | ✓ City of Prescott, AZ |
| ✓ City of Aliso Viejo, CA | ✓ City of Brevard, NC |
| ✓ Serrano Water District, CA | ✓ Buncombe County, NC |
| ✓ City of Mission Viejo, CA | ✓ Yancey County, NC |
| ✓ Cucamonga Valley Water District, CA | ✓ Polk County, NC |
| ✓ City of Aliso Viejo, CA | ✓ Rutherford County, NC |
| ✓ March Joint Powers Authority, CA | ✓ Haywood County, NC |
| ✓ Visit Greater Palm Springs, CA | ✓ Asheville Regional Airport Authority, NC |

INTERNAL MUNICIPAL GOVERNMENT

Mr. Baldelli supervised multiple areas in the Finance Department for Gilbert, AZ including:

Accounts Payable – \$330M in annual spend, revamped controls and processes, implemented new banking contract services.

Capital Assets – \$3.1B in assets, established internal controls and corrected a significant control deficiency.

Grant Reporting and Compliance – Created and implemented grant assessment and subrecipient monitoring tools for compliance with complex federal awards.

Cash Receipts, Revenue and Receivables – \$400M in annual receipts, implemented timely billing controls

Preparation of the ACFR – Along with several other annual external financial reports.

Mr. Baldelli created financial reporting tools to implement both GASB Statement No. 87 & 96; developed and implemented Town policies for travel expenditures and Town recoupment.



Diego F. Vanegas, CPA, CISA

Partner

Mr. Diego Vanegas, CPA, CISA, CITP, is a Partner with the Firm and has 20+ years of progressive governmental audit experience. Throughout his career Mr. Vanegas has performed a multitude of financial and compliance audits, internal control audits and assessments, operational and performance audits, agreed-upon procedures engagements, cost proposal analysis/price reviews and System and Organization Controls (SOC) examinations for various governmental agencies and commercial entities. Further, Mr. Vanegas has Information Technology (IT) expertise and has completed IT projects for various entities. These engagements have often combined both financial and compliance aspects of the audit with IT components.

Employment History

- Davis Farr LLP – Since 2015
- MHM PC 2006 – 2015
- Conrad and Associates 2005 – 2006
- Parke Guptill & Company 2003 - 2005

Licenses / Registrations

- California CPA Certificate No.113040
- CISA 15121835

Education

- Bachelor of Science in Business Administration in Accounting (California State University, Los Angeles)
- Bachelor of Science in Computer Information Systems (California State University, Los Angeles)

SYSTEM AND ORGANIZATION CONTROLS (SOC) 1 TYPE 2 EXAMINATIONS

Mr. Vanegas has served as the Engagement Partner, Quality Control Reviewer, Project Manager or In-charge Auditor on the following SOC 1 Type 2 examinations.

❖ Center for Medicare and Medicaid Services (CMS)

Mr. Vanegas has performed, managed and led SOC examinations of various Medicare Administrative Contractors (MAC) which consisted of expressing an opinion on the fairness of the presentation of third-party administrators' description of their systems and on the suitability of the design and operating effectiveness of controls to achieve related control objectives specified by CMS. Duties included audit scheduling, communicating with CMS and MACs. audit program preparation, execution of field work, monitoring of staff, preparation of work papers, report drafting, and presentation of findings.

Mr. Vanegas has served as the Engagement Partner, Quality Control Reviewer, Project Manager or In-charge Auditor on the following SOC 1 Type 2 examinations of government and commercial organizations.

- | | |
|--|-------------------------------------|
| • A Street Partners | • Cox Automotive, Inc. |
| • Calance | • JT2 Integrated Resources |
| • California Statewide Automated Welfare System (CaSAWS) | • MasterTax Services |
| | • National Government Services, LLC |

- CGS Administrators, LLC
- Colorado's Governor's Office of Information Technology (OIT)
- Commonwealth of Kentucky - OOC
- CompPartners
- Palmetto GBA
- Partners Consulting
- Presilient, LLC
- U.S. Department of Agriculture (USDA)
- U.S. Department of Veterans Affairs

AUDITS OF LOCAL GOVERNMENTS

❖ **County Los Angeles, Auditor-Controller (A-C)**

Mr. Vanegas has performed various financial and compliance audits as well as agreed-upon procedure engagements for multiple County departments, such as the Department of Economic Opportunity, Department of Parks and Recreation, Department of Public Social Services, Department of Probation, Department of Public Works, District Attorney's Office, Los Angeles County Capital Asset Leasing Corporation, Los Angeles Superior Court, and the Sheriff's Department.

Specifically, Mr. Vanegas has overseen the AUP engagement of ARPA funds received by the Department of Economic Opportunity and disseminated to 25 subrecipients. Additionally, Mr. Vanegas has overseen the financial compliance audits for the Department of Public Social Services in which 30 service providers who receive CDBG funds are audited to ensure compliance with their DPSS contract and CFR.

❖ **City of Los Angeles, Mayor's Office of Homeland Security and Public Safety**

Mr. Vanegas served as the engagement Manager on the monitoring of federal funds awarded to 76 subrecipients under the Recovery and Reinvestment Act Justice Assistance Grant ("ARRA JAG") and the Edward Byrne Memorial Justice Assistance Grant (JAG).

❖ **City of Los Angeles Economic and Workforce Development Department (EWDD)**

Mr. Vanegas is currently the engagement quality control partner of the fiscal review contract awarded by the City's EWDD to conduct fiscal reviews on over 20 subrecipients of WIOA and CDBG grants, and other state and local grants and contracts.

❖ **Orange County Community Resources (OCCR)**

Mr. Vanegas is currently the engagement quality control partner of monitoring services performed on behalf of OCCR for different agencies receiving WIOA and ARPA funds.

❖ **Orange County Social Service Agency (OCSSA)**

Mr. Vanegas served on program specific/compliance audit services performed on behalf of OCSSA. Mr. Vanegas participated in these engagements in the capacity of field In-charge and manager. Each monitoring entailed a program specific audit of cost incurred and compliance with contractual requirements.

❖ **San Diego Workforce Partnership Inc. (SDWP)**

Mr. Vanegas performed financial and compliance monitoring services on behalf of SDWP on different non-for-profit agencies receiving Workforce Investment Act funds and other federal and local funds through SDWP.

AUDITS OF FEDERAL GOVERNMENT

❖ **Center for Medicare and Medicaid Services (CMS)**

Mr. Vanegas has performed, managed and led SOC examinations of various Medicare Administrative Contractors (MAC) which consisted of expressing an opinion on the fairness of the presentation of third-party administrators' description of their systems and on the suitability of the design and operating effectiveness of controls to achieve related control objectives specified by CMS. Duties included audit scheduling, communicating with CMS and MACs, audit program preparation, execution of field work, monitoring of staff, preparation of work papers, report drafting, and presentation of findings.

❖ **Corporation for National and Community Services (CNCS)**

Mr. Vanegas served in various audits of grant programs under the CNCS. These audits were full scope audits addressing financial and compliance adherence to grant agreements. Audited agencies included YouthBuild USA and Volunteer Florida, as well as various State Commission from Tennessee, Minnesota and Oklahoma.

❖ **Department of Justice (DOJ)**

Mr. Vanegas served as an In-charge auditor on Chapter 7 bankruptcy audits. These audits involve a review of internal controls, tests of asset administration procedures, tests of financial transactions and verification of compliance with the reporting requirements and certain other provisions contained in the Program's Handbook for Chapter 7 Trustees.

❖ **National Science Foundation (NSF)**

Mr. Vanegas served on audit teams for NSF audits of William Marsh Rice University, the Academy of Natural Sciences, Exploratorium, NEES Consortium, Inc., the University of Maryland Baltimore County, WGBH Education Foundation, University of Puerto Rico and WestEd. Duties include documenting internal control systems of grantees and performing internal control and substantive testing. The work performed included the application of 2 CFR 215 - Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations.



Youssef Ahmed, CPA

Audit Supervisor

Mr. Ahmed will serve as the in-charge on this engagement. He will be responsible for performing the work and supervising staff. Mr. Ahmed is in his fourth year of local government auditing. Since starting with Davis Farr, he has focused on audits for local and federal government engagements, including financial audits of cities and special districts; grant specific audits of funds awarded by Federal, state, and county governments; Single Audits in accordance with OMB Circular A-133; and Federal compliance audits.

Employment History

- Davis Farr LLP – Since March 2022

Education

- Bachelor of Science in Mathematics & Economics
(University of California, Los Angeles)

Licenses

- California CPA Certificate No. 160725

AUDITS OF LOCAL GOVERNMENTS

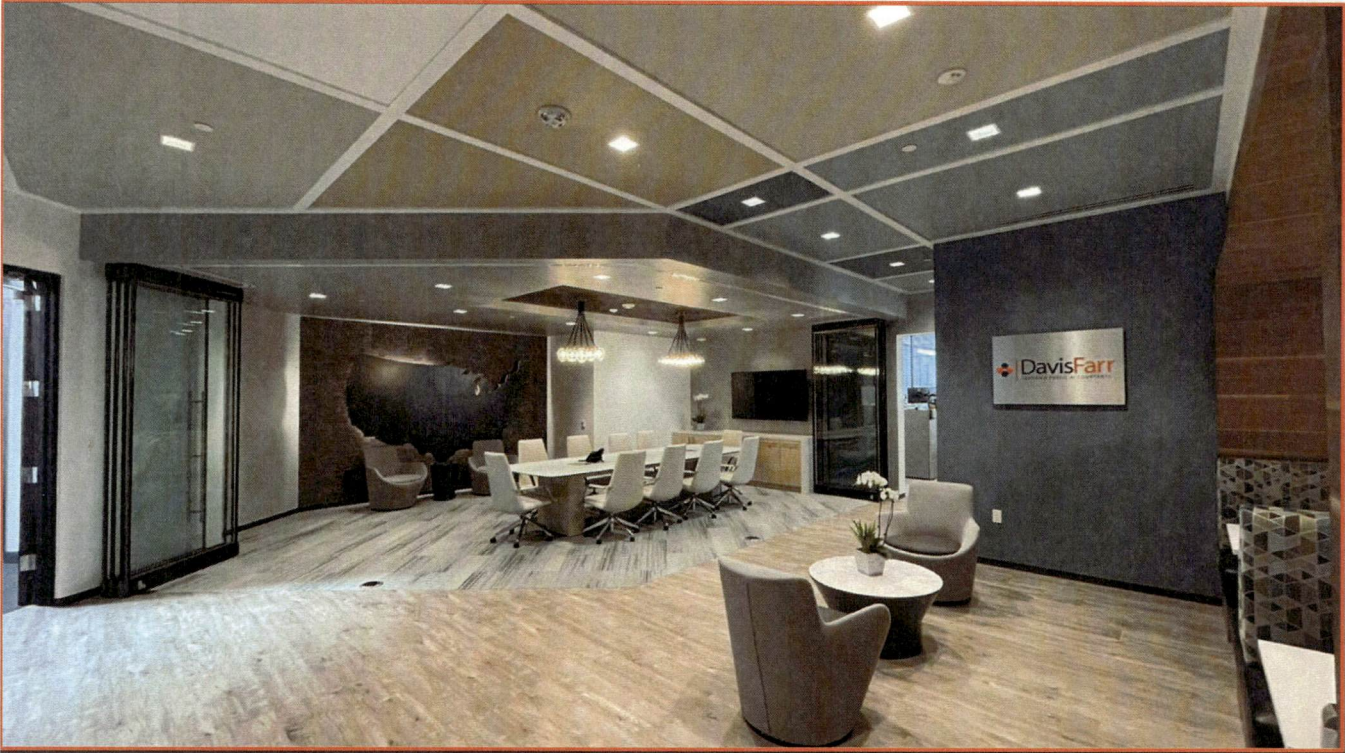
- | | |
|--------------------|----------------------------|
| ✓ City of Avalon | ✓ City of Huntington Beach |
| ✓ City of Commerce | ✓ City of Laguna Niguel |
| ✓ City of Fontana | ✓ City of Newport Beach |

AUDITS OF SPECIAL DISTRICTS AND COLLEGES

- | | |
|--|--|
| ✓ Big Bear City Community Services District | ✓ Peninsula College |
| ✓ Community Colleges of Spokane | ✓ Placer County Water Agency |
| ✓ Cucamonga Valley Water District | ✓ Soquel Creek Water District |
| ✓ Housing Authority of the County of Riverside | ✓ Santa Cruz Mid-County Groundwater Agency |
| ✓ Irvine Ranch Water District | ✓ Santa Margarita Water District |
| ✓ Oxnard Housing Authority | ✓ San Diego Association of Governments |
| ✓ Palm Springs Convention and Visitors Bureau | ✓ Ventura Area Housing Authority |

AUDITS OF FEDERAL GOVERNMENTS

- ✓ Centers for Medicare and Medicaid Services
- ✓ CGS Administrators, LLC – SOC 1 Type 2 Examination



DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS

EXHIBIT B

SCHEDULE OF BILLING RATES

PROPOSED PRICING

Item	Fiscal Year Ended					TOTAL
	June 30, 2026	June 30, 2027	June 30, 2028	June 30, 2029	June 30, 2030	
Financial Statement Audit	\$ 58,250	\$ 58,250	\$ 58,250	\$ 59,998	\$ 61,798	\$ 296,546
ACFR Preparation	\$12,500	\$12,500	\$12,500	\$12,875	\$13,261	\$63,636
Single Audit	\$7,500	\$7,500	\$7,500	\$7,725	\$7,957	\$38,182
Gann Limit Report	\$650	\$650	\$650	\$670	\$690	\$3,310
Out-of-pocket expenses (if not included above)	\$-	\$-	\$-	\$-	\$-	\$-
Grand Total	\$78,900	\$78,900	\$78,900	\$81,268	\$83,706	401,674

In order to justify the proposed pricing in the table above, please include the number of hours estimated to be spent on the audit, broken down by partner, manager, staff, etc. Below is an example of the format the City is requesting. Note: The rate quoted should not be presented as a general percentage of the standard hourly rate or as a gross deduction from the total all-inclusive maximum price. (USE THE SAME FORMAT FOR EACH SUBSEQUENT YEAR OF THE PROPOSAL).

	Hours	Standard Hourly Rates	Quoted Hourly Rates	Total
Partners	44	\$ 250	\$225	\$ 9,900
Managers	80	\$ 200	\$175	14,000
Supervisory Staff	200	\$ 175	\$150	30,000
Staff	200	\$ 150	\$125	25,000
Other:	524			\$78,900
Subtotal				
Out of pocket expenses:				
Meals and Lodging				n/a
Transportation				n/a
Other:				n/a
Total all-inclusive maximum price				\$78,900

EXHIBIT C

INSURANCE REQUIREMENTS – PROFESSIONAL SERVICES

1. Provision of Insurance. Without limiting Consultant's indemnification of City, and prior to commencement of Work, Consultant shall obtain, provide and maintain at its own expense during the term of this Agreement, policies of insurance of the type and amounts described below and in a form satisfactory to City. Consultant agrees to provide insurance in accordance with requirements set forth here. If Consultant uses existing coverage to comply and that coverage does not meet these requirements, Consultant agrees to amend, supplement or endorse the existing coverage.
2. Acceptable Insurers. All insurance policies shall be issued by an insurance company currently authorized by the Insurance Commissioner to transact business of insurance in the State of California, with an assigned policyholders' Rating of A- (or higher) and Financial Size Category Class VII (or larger) in accordance with the latest edition of Best's Key Rating Guide, unless otherwise approved by the City's Risk Manager.
3. Coverage Requirements.

- A. Workers' Compensation Insurance. Consultant shall maintain Workers' Compensation Insurance, statutory limits, and Employer's Liability Insurance with limits of at least one million dollars (\$1,000,000) each accident for bodily injury by accident and each employee for bodily injury by disease in accordance with the laws of the State of California.

Consultant shall submit to City, along with the certificate of insurance, a Waiver of Subrogation endorsement in favor of City of Newport Beach, its City Council, boards and commissions, officers, agents, volunteers, employees.

- B. General Liability Insurance. Consultant shall maintain commercial general liability insurance, and if necessary excess/umbrella liability insurance, with coverage at least as broad as provided by Insurance Services Office form CG 00 01, in an amount not less than two million dollars (\$2,000,000) per occurrence, four million dollars (\$4,000,000) general aggregate. The policy shall cover liability arising from bodily injury, property damage, completed operations, personal and advertising injury, and liability assumed under an insured contract (including the tort liability of another assumed in a business contract).

Consultant shall submit to City, along with a certificate of insurance, additional coverage as stated in Section 4. Other Insurance Requirements.

- C. Automobile Liability Insurance. Consultant shall maintain automobile insurance at least as broad as Insurance Services Office form CA 00 01 covering bodily injury and property damage for all activities of Consultant

arising out of or in connection with Work to be performed under this Agreement, including coverage for any owned, hired, non-owned or rented vehicles, in an amount not less than one million dollars (\$1,000,000) combined single limit each accident.

Consultant shall submit to City, along with a certificate of insurance, additional coverage as stated in Section 4. Other Insurance Requirements.

- D. Professional Liability (Errors & Omissions) Insurance. Consultant shall maintain professional liability insurance that covers the Services to be performed in connection with this Agreement, in the minimum amount of two million dollars (\$2,000,000) per claim and four million dollars (\$4,000,000) in the aggregate. Any policy inception date, continuity date, or retroactive date must be before the Effective Date of this Agreement and Consultant agrees to maintain continuous coverage through a period no less than three years after completion of the Services required by this Agreement.
- E. Excess/Umbrella Liability Insurance. If any Excess or Umbrella Liability policies are used to meet the limits of liability required by this contract, then said policies shall be "following form" of the underlying policy coverage, terms, conditions, and provisions and shall meet all of the insurance requirements stated in this contract, including, but not limited to, the additional insured and primary & non-contributory insurance requirements stated herein. No insurance policies maintained by the City, whether primary or excess, and which also apply to a loss covered hereunder, shall be called upon to contribute to a loss until the Consultant's primary and excess/umbrella liability policies are exhausted.

Consultant shall submit to City, along with a certificate of insurance, additional coverage as stated in Section 4. Other Insurance Requirements.

- 4. Other Insurance Requirements. The policies are to contain, or be endorsed to contain, the following provisions:
 - A. Waiver of Subrogation. All insurance coverage maintained or procured pursuant to this Agreement shall be endorsed to waive subrogation against City of Newport Beach, its City Council, boards and commissions, officers, agents, volunteers and employees or shall specifically allow Consultant or others providing insurance evidence in compliance with these requirements to waive their right of recovery prior to a loss. Consultant hereby waives its own right of recovery against City, and shall require similar written express waivers from each of its subconsultants.
 - B. Additional Insured Status. All liability policies including general liability, excess/umbrella liability, pollution liability, and automobile liability, if required, but not including professional liability, shall provide or be endorsed to provide that City of Newport Beach, its City Council, boards and

commissions, officers, agents, volunteers and employees shall be included as insureds under such policies.

- C. Primary and Non Contributory. All liability coverage shall apply on a primary basis and shall not require contribution from any insurance or self-insurance maintained by City.
 - D. Notice of Cancellation. All policies shall provide City with thirty (30) calendar days' notice of cancellation (except for nonpayment for which ten (10) calendar days' notice is required) or nonrenewal of coverage for each required coverage.
 - E. Subcontractors. Consultant shall be responsible for causing subcontractors to purchase the same types and limits of insurance in compliance with the terms of this Agreement, including adding the City as an additional insured, providing primary and non-contributory coverage and waiver of subrogation to the subcontractor's policies. Limits of liability for General Liability in an amount not less than one million dollars (\$1,000,000) per occurrence, two million dollars (\$2,000,000) aggregate and Professional Liability (Errors & Omissions) in an amount not less than one million dollars (\$1,000,000) per claim, two million dollars (\$2,000,000) aggregate.
5. Additional Agreements Between the Parties. The parties hereby agree to the following:
- A. Evidence of Insurance. Consultant shall provide certificates of insurance to City as evidence of the insurance coverage required herein, along with a waiver of subrogation endorsement for workers' compensation and other endorsements as specified herein for each coverage. Insurance certificates and endorsement must be approved by City's Risk Manager prior to commencement of performance. Current certification of insurance shall be kept on file with City at all times during the term of this Agreement. The certificates and endorsements for each insurance policy shall be signed by a person authorized by that insurer to bind coverage on its behalf. At least fifteen (15) days prior to the expiration of any such policy, evidence of insurance showing that such insurance coverage has been renewed or extended shall be filed with the City. If such coverage is cancelled or reduced, Consultant shall, within ten (10) days after receipt of written notice of such cancellation or reduction of coverage, file with the City evidence of insurance showing that the required insurance has been reinstated or has been provided through another insurance company or companies. City reserves the right to require complete, certified copies of all required insurance policies, at any time.
 - B. City's Right to Revise Requirements. City reserves the right at any time during the term of the Agreement to change the amounts and types of insurance required by giving Consultant sixty (60) calendar days' advance written notice of such change. If such change results in substantial

additional cost to Consultant, City and Consultant may renegotiate Consultant's compensation.

- C. Right to Review Subcontracts. Consultant agrees that upon request, all agreements with subcontractors or others with whom Consultant enters into contracts with on behalf of City will be submitted to City for review. Failure of City to request copies of such agreements will not impose any liability on City, or its employees.
- D. Enforcement of Agreement Provisions. Consultant acknowledges and agrees that any actual or alleged failure on the part of City to inform Consultant of non-compliance with any requirement imposes no additional obligations on City nor does it waive any rights hereunder.
- E. Requirements not Limiting. Requirements of specific coverage features or limits contained in this Section are not intended as a limitation on coverage, limits or other requirements, or a waiver of any coverage normally provided by any insurance. Specific reference to a given coverage feature is for purposes of clarification only as it pertains to a given issue and is not intended by any party or insured to be all inclusive, or to the exclusion of other coverage, or a waiver of any type. If the Consultant maintains higher limits than the minimums shown above, the City requires and shall be entitled to coverage for higher limits maintained by the Consultant. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to the City.
- F. Self-insured Retentions. Any self-insured retentions must be declared to and approved by City. City reserves the right to require that self-insured retentions be eliminated, lowered, or replaced by a deductible. Self-insurance will not be considered to comply with these requirements unless approved by City.
- G. City Remedies for Non-Compliance. If Consultant or any subconsultant fails to provide and maintain insurance as required herein, then City shall have the right but not the obligation, to purchase such insurance, to terminate this Agreement, or to suspend Consultant's right to proceed until proper evidence of insurance is provided. Any amounts paid by City shall, at City's sole option, be deducted from amounts payable to Consultant or reimbursed by Consultant upon demand.
- H. Timely Notice of Claims. Consultant shall give City prompt and timely notice of claims made or suits instituted that arise out of or result from Consultant's performance under this Agreement, and that involve or may involve coverage under any of the required liability policies. City assumes no obligation or liability by such notice, but has the right (but not the duty) to monitor the handling of any such claim or claims if they are likely to involve City.

- I. Consultant's Insurance. Consultant shall also procure and maintain, at its own cost and expense, any additional kinds of insurance, which in its own judgment may be necessary for its proper protection and prosecution of the Work.