

**SECOND AMENDMENT TO AGREEMENT BETWEEN
CITY OF TEMECULA AND EIDE BAILLY, LLP**

FINANCIAL AUDIT SERVICES

THIS SECOND AMENDMENT is made and entered into as of **May 23, 2023**, by and between the City of Temecula, a municipal corporation (hereinafter referred to as "City"), and **Eide Bailly, LLP a Partnership** (hereinafter referred to as "Consultant"). In consideration of the mutual covenants and conditions set forth herein, the parties agree as follows:

1. This Amendment is made with the respect to the following facts and purposes:
 - a. On **June 12, 2018**, the City and Consultant entered into that certain Agreement entitled "Agreement for **FISCAL AUDIT SERVICES**," in the amount of **\$294,895.00** plus contingency in the amount of **\$29,489.50**.
 - b. On July 22, 2019, Vavrinek, Trine, Day & Co. LLP was acquired by Eide Bailly, LLP.
 - c. On September 19, 2019, the City and Consultant entered into that **FIRST AMENDMENT** to change the name of the Consultant. All sections of the Agreement, that referred to the Consultant as "Vavrinek, Trine, Day & Co., LLP" was changed to "Eide Bailly, LLP" pursuant to the name and ownership change of said company on July 22, 2019.
 - d. The parties now desire to extend the term of the agreement to **June 30, 2026**, increase the payment in the amount of not to exceed \$251,473, and to amend the Agreement as set forth in this Amendment.
2. Section **1** of the Agreement entitled "**TERM**" is hereby amended to read as follows:

"This Agreement shall remain and continue in effect until tasks herein are completed, but in no event later than **June 30, 2026** unless sooner terminated pursuant to the provisions of this Agreement.
3. Section **4** of the Agreement entitled "**PAYMENT**" at paragraph "a" is hereby amended to read as follows:

The City agrees to pay Consultant monthly, in accordance with the payment rates and schedules and terms set forth in Exhibit B, Payment Rates and Schedule, attached hereto and incorporated herein by this reference as though set forth in full, based upon actual time spent on the above tasks. Any terms in Exhibit B, other than the payment rates and schedule of payment, are null and void. The **Second Amendment** amount shall not exceed **Two Hundred Fifty-One Thousand Four Hundred Seventy-Three Dollars and No Cents** (\$251,473.00), for a total Agreement amount of Five Hundred Seventy-Five Thousand Eight Hundred Fifty-Seven Dollars and Fifty Cents (\$575,857.50).
4. Section **13** of the Agreement entitled "**NOTICES**" is hereby amended to read as follows:

“Any notices which either party may desire to give to the other party under this Agreement must be in writing and may be given either by (i) personal service, (ii) delivery by a reputable document delivery service, such as but not limited to, Federal Express, that provides a receipt showing date and time of delivery, or (iii) mailing in the United States Mail, certified mail, postage prepaid, return receipt requested, addressed to the address of the party as set forth below or at any other address as that party may later designate by Notice. Notice shall be effective upon delivery to the addresses specified below or on the third business day following deposit with the document delivery service or United States Mail as provided above.

Mailing Address: City of Temecula
Attn: City Manager
41000 Main Street
Temecula, CA 92590

To Consultant: Eide Bailly, LLP
David Showalter
10681 Foothill Blvd., Ste. 300
Rancho Cucamonga, CA

5. Exhibit **B** to the Agreement is hereby amended by adding thereto the items set forth on Attachment “A” to this Amendment, which is attached hereto and incorporated herein as though set forth in full.


6. Except for the changes specifically set forth herein, all other terms and conditions of the Agreement shall remain in full force and effect.

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

CITY OF TEMECULA

EIDE BAILLY LLP

By: _____
Zak Schwank, Mayor

By: 
David E. Showalter, Partner

ATTEST:


By: _____
Randi Johl, City Clerk

APPROVED AS TO FORM:

By: _____
Peter M. Thorson, City Attorney

CONSULTANT

Eide Bailly LLP
David E. Showalter
10681 Foothill Blvd., Ste 300 Rancho
Cucamonga, CA 91730
909.466.4410
909.466.4431
dshowalter@eidebailly.com

City Purchasing Mgr.
Initials and Date:
 5/11/2023

ATTACHMENT A

EXHIBIT B

Cost for services shall be as per Consultant's attached proposal attached hereto and incorporated herein as though set forth in full but in no event shall the total cost of services exceed \$575,857.50 for the total term of the Agreement unless additional payment is approved as provided in the Payment section of this Agreement. Attached hereto and incorporated herein as though set forth in full is the additional pricing as provided by the Consultant.



April 5, 2023

Ms. Jennifer Hennessy
Director of Finance
City of Temecula, California

Dear Ms. Hennessy,

We appreciate the opportunity to serve the City of Temecula (“the City”) as the independent auditor. This letter is intended to set-forth the understanding that, at the request of the City we will continue to provide the City with independent auditing services for the Fiscal Years Ending June 30, 2023 through June 30, 2025. The description of the auditing services we will provide the City is contained in our agreement for audit services dated June 12, 2018 (Agreement).

At the request of the City, we have prepared a fee quotation for auditing services for the fiscal years ending June 30, 2023 through June 30, 2025. Eide Bailly is strongly committed to our governmental clients, and we value serving as the City’s independent auditors. The base fee amount to audit the City’s Annual Financial Report, Single Audit, GANN Limit and prepare the various State Controller’s reports reflects the overall increase in the cost to perform these services given the ongoing increase in inflation over the previous 12-18 months due to various factors such as COVID-19 and volatile world market conditions. Future annual increases are estimated at 7% and based on the most recent Consumer Price Index, Riverside area – January 2023.

The FY 2023 fee includes an additional fee amount related to additional audit procedures we will need to perform over the City’s implementation of GASB 96, *Subscription Based Information Technology Arrangements* in fiscal year 2023. Given the complex nature with the implementation of this new accounting standard, and new auditing procedures that will need to be performed, we have provided an estimate not to exceed for the additional cost to audit the City’s implementation of this new accounting pronouncement. The City also has planned the implementation of a new financial accounting/ERP system expected to go live July 1, 2023. Our audit standards require that we gain an understanding of the City’s information systems used in the financial reporting process. We will perform audit procedures necessary to ensure the financial data housed in the legacy accounting system is transferred properly to the new system, and test access controls, security roles, and segregation of duties related to the new system. These additional procedures and services will be billed at the same hourly rates as our rates to conduct the overall audit of City, as listed in Appendix A.

Our proposed fee and hourly rates are outlined in **Appendix A**.

We feel that Eide Bailly is the best selection for the City. There are numerous changes affecting governmental agencies including new accounting standards issued by the Governmental Accounting Standards Board (GASB), and new federal uniform grant guidance requirements for Federal Awards. As one of the leading firms in governmental auditing in California, we have invested significant time and resources to proactively address these changes and provide efficient and timely audits.

Our investment of time and resources includes:

- Providing ongoing training sessions to industry groups and clients regarding new GASB pronouncements and CARES Act Single Audit reporting requirements including GASB 87 and GASB 96 GASB 87.
- Providing in excess of 80 hours per year of governmental continuing professional education (CPE) to our staff working on governmental audits.
- Participation on national standard setting bodies, including the AICPA, GASB and local committees including the CALCPA.
- Investing a significant amount of time in developing our understanding of new Single Audit requirements over the American Rescue Plan funding. We regularly present to industry groups on new reporting and compliance requirements.
- Researching new professional pronouncements so that we are at the leading edge in preparing our clients to respond to all new requirements.
- Devoting resources to a strict quality control program including the funding of a national quality control department.

Our experience in governmental accounting standards means that no matter what issues you are facing, we can help you find solutions that make sense.

As a result of our efforts Eide Bailly places within the top 25 CPA firms nationally and provides governmental auditing services to over 600 governmental agencies. We've been providing audit and assurance services to many industries for 100 years, developing significant industry expertise in the process. Accompanied by a firm approach of hands-on engagement partner involvement, our high staff retention rate means you can expect a consistent team each year—a team that will truly understand your business.

We value our relationship serving as the City's independent auditors. Should you have any questions, please feel free to call me at (951) 323-8168.

Sincerely,



David E. Showalter
Partner
Eide Bailly, LLP

APPENDIX A

Schedule of Audit Fees and Hourly Rates

Service	FY 2022-23	FY2023-24	FY 2024-25
City Financial Statement Audit	\$ 55,000	\$ 58,850	\$ 62,970
Single Audit (assuming one major program)	5,000	5,350	5,725
GANN Limit	600	642	687
City State Controller Report	4,400	4,708	5,038
Temecula CSD SCO Report	2,800	2,996	3,206
Temecula PFA SCO Report	1,400	1,498	1,603
City Annual Street Report	2,800	2,996	3,206
Total for Fiscal Year (not-to-exceed)	\$ 72,000	\$ 77,040	\$ 82,433
Additional Audit Procedures:			
Estimated GASB 96 Audit Procedures	\$ 10,000		
Estimated New Financial Accounting System Audit Procedures	\$ 2,000	\$ 8,000	
Total for Fiscal Year (not-to-exceed)	\$ 84,000	\$ 85,040	\$ 82,433
<i>*Additional major programs billed at \$5,000 each.</i>			

Auditors Hourly Billing Rates	FY 2022-23	FY2023-24	FY 2024-25
POSITION			
Partner	\$ 240	\$ 257	\$ 275
Manager	190	203	218
Senior	140	150	160
Staff	120	128	137
Paraprofessional	75	80	86