

EXHIBIT A
ENGAGEMENT LETTERS
Dated September 14, 2018
CliftonLarsonAllen LLP, Certified Public Accountants



CliftonLarsonAllen

CliftonLarsonAllen LLP
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September 14, 2018

Elishia Hayes
Senior Administrative Analyst
Humboldt County Administrative Office
ehayes@co.humboldt.ca.us

Dear Ms. Hayes:

We are pleased to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the agreed-upon procedures engagement CliftonLarsonAllen LLP ("CLA," "we," "us," and "our") will provide for the County of Humboldt ("you," "your," or "the entity") for the period July 1, 2015 through June 30, 2018.

Rich Gonzalez is responsible for the performance of the agreed-upon procedures engagement.

Scope, objective, and responsibilities

We will apply the agreed-upon procedures which the County of Humboldt has specified and agreed to, listed in the attached schedule, to assist you in evaluating Measure Z of the County of Humboldt for the period July 1, 2015 through June 30, 2018 prepared in accordance with the provisions of this measure.

Our engagement to apply agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency (nature, timing, and extent) of the procedures performed or to be performed is solely the responsibility of the County of Humboldt, and we will require a written acknowledgment of this responsibility. Consequently, we make no representation regarding the sufficiency of the procedures enumerated in the attached schedule either for the purpose for which this report has been requested or for any other purpose. The County of Humboldt assume the risk that such procedures might be insufficient for your purposes and the risk that you might misunderstand or otherwise inappropriately use findings properly reported by CLA.

Our responsibility is to perform the specified procedures and report the findings in accordance with the attestation standards. Because the agreed-upon procedures listed in the attached schedule do not constitute an examination, audit, or review, we will not express an opinion or conclusion on the provisions of Measure Z or the County of Humboldt's financial statements or any elements, accounts, or items thereof. Also, we will not express an opinion or conclusion on the effectiveness of the County of Humboldt's internal control over financial reporting or any part thereof. In addition, we have no obligation to perform any procedures beyond those listed in the attached schedule.

We will issue a written report upon completion of our engagement that lists the procedures performed and our findings. This report is intended solely for the information and use of the Board of Supervisors and management of the County of Humboldt, and should not be used by anyone other than the specified parties. If, for any reason, we are unable to complete the procedures, we will describe any restrictions on the performance of the procedures in our report, or will not issue a report and withdraw from this engagement. Our report will include a statement indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

An agreed-upon procedures engagement is not designed to detect instances of fraud or noncompliance with laws or regulations; however, we will communicate to you any known and suspected fraud and noncompliance with laws or regulations affecting the provisions of Measure Z that come to our attention, unless they are clearly inconsequential. In addition, if, in connection with this engagement, matters come to our attention that contradict the provisions of Measure Z, we will disclose those matters in our report. Such disclosures, if any, may not necessarily include all matters that might have come to our attention had we performed additional procedures or an examination or review.

Management is responsible for the presentation of the provisions of Measure Z in accordance with the Measure and for its assertion about the provisions of Measure Z. The County of Humboldt is responsible for selecting the criteria and determining that such criteria are appropriate for your purposes.

Management is responsible for providing us with (1) access to all information of which you are aware that is relevant to the provisions of Measure Z and the agreed-upon procedures, such as records, documentation, and other matters, and for the accuracy and completeness of that information; (2) additional information that we may request for the purpose of performing the agreed-upon procedures; and (3) unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence relating to performing the procedures. You agree to inform us of events occurring or facts discovered subsequent to the date of the provisions of Measure Z that may affect our procedures performed on the Measure Z disbursements.

For all accounting services we may provide to you, management agrees to assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, and/or experience to understand and oversee the services; evaluate the adequacy and results of the services; and accept responsibility for the results of the services.

At the conclusion of our engagement, we will require a representation letter from management that, among other things, will include management's assertion about and confirm management's responsibility for the presentation of the provisions of Z in accordance with provisions of this measure.

Engagement administration and other matters

A list of information we expect to need for the engagement and the dates required will be provided in a separate communication.

The workpapers supporting the services we perform are the sole and exclusive property of CLA and constitute confidential and proprietary information. We do not provide access to our workpapers to you or anyone else in the normal course of business. Unless required by law or regulation to the contrary, we retain our workpapers in accordance with our record retention policy that typically provides for a retention period of seven years.

CLA will not disclose any of your confidential, proprietary, or privileged information to any persons without the authorization of your management or unless required by law. This confidentiality provision does not prohibit us from disclosing your information to one or more of our affiliated companies in order to provide services that you have requested from us or from any such affiliated company. Any such affiliated company shall be subject to the same restrictions on the use and disclosure of your information as apply to us.

Our engagement and responsibility end on delivery of our signed report. Any additional services that might be requested will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

Mediation

Any disagreement, controversy, or claim ("Dispute") that may arise out of any aspect of our services or relationship with you, including this engagement, shall be submitted to non-binding mediation by written notice ("Mediation Notice") to the other party. In mediation, we will work with you to resolve any differences voluntarily with the aid of an impartial mediator.

The mediation will be conducted as specified by the mediator and agreed upon by the parties (i.e., you and CLA). The parties agree to discuss their differences in good faith and to attempt, with the assistance of the mediator, to reach an amicable resolution of the Dispute.

Each party will bear its own costs in the mediation. The fees and expenses of the mediator will be shared equally by the parties.

Any Dispute will be governed by the laws of the state of California, without giving effect to choice of law principles.

Time limitation

The nature of our services makes it difficult, with the passage of time, to gather and present evidence that fully and fairly establishes the facts underlying any Dispute that may arise between the parties. The parties agree that, notwithstanding any statute or law of limitations that might otherwise apply to a Dispute, including one arising out of this agreement or the services performed under this agreement, for breach of contract or fiduciary duty, tort, fraud, misrepresentation or any other cause of action or remedy, any action or legal proceeding by you against us must be commenced within twenty-four (24) months ("Limitation Period") after the date when we deliver our final report under this agreement to you, regardless of whether we provide other services for you relating to the report, or you shall be forever barred from commencing a lawsuit or obtaining any legal or equitable relief or recovery.

The Limitation Period applies and begins to run even if you have not suffered any damage or loss, or have not become aware of the existence or possible existence of a Dispute.

Fees

Our fees for these services will be \$48,300. The fee estimate is based on anticipated cooperation from your personnel and their assistance with preparing confirmations and requested schedules. If the requested items are not available on the dates required or are not accurate, the estimated fee for services will likely be higher. If unexpected circumstances require significant additional time, we will advise you before undertaking work that would require a substantial increase in the fee estimate. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 60 days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed even if we have not issued our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

Other fees

You also agree to compensate us for any time and expenses, including time and expenses of legal counsel, we may incur in responding to discovery requests or participating as a witness or otherwise in any legal, regulatory, or other proceedings that we are asked to respond to on your behalf.

Finance charges and collection expenses

You agree that if any statement is not paid within 30 days from its billing date, the unpaid balance shall accrue interest at the monthly rate of one and one-quarter percent (1.25%), which is an annual percentage rate of 15%. In the event that any collection action is required to collect unpaid balances due us, reasonable attorney fees and expenses shall be recoverable.

Agreement

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. This letter constitutes the entire agreement regarding these services and supersedes all prior agreements (whether oral or written), understandings, negotiations, and discussions between you and CLA. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign, date, and return the signed copy to us.

If the need for additional procedures arises, or the procedures need to be modified, our agreement with you will need to be revised. It is customary for us to enumerate revisions in an addendum to this letter. If additional specified parties of the report are added, we will require that they acknowledge in writing their agreement with the procedures performed or to be performed and their responsibility for the sufficiency of the procedures.

Sincerely,

CliftonLarsonAllen LLP



Rich Gonzalez, CPA
Principal
916-784-7800
Rich.Gonzalez@CLAconnect.com

Enclosure

Response:

This letter correctly sets forth the understanding of the County of Humboldt.

Authorized Signature: Rep Boh

Title: Vice Chair Board of Supervisors

Date: 9/25/18

Authorized Signature: _____

Title: _____

Date: _____

Agreed Upon Procedures:

- 1) We will obtain from management all Public Safety Essential Services Tax Quarterly Reports submitted to the County during the period July 1, 2015 through June 30, 2018.
- 2) For each quarterly report obtained in item 1, we will perform the following procedures:
 - a. Trace all reported expenditures to the accounting records of the County department or non-County agency and report any discrepancies between the accounting records and quarterly reports.
 - b. Inspect the quarterly reports for the CAO's authorizing electronic or written signature showing evidence of the CAO's approval of the quarterly reports.
 - c. We will randomly select the lesser of 10 disbursements or 20 percent of total transactions from each quarterly report. In addition to the random selection, we will select all individual transactions exceeding \$1,000.
 - d. For each disbursement selected, we will perform the following: agree payee and amount to vendor invoice.
 - e. For each payroll transaction selected, we will perform the following: agree employee, number of hours and amount to employee timesheet and pay rate
- 3) We will randomly select 10 equipment purchases made by the Humboldt County Fire Chiefs Association during the period July 1, 2015 through June 30, 2018 and compare payee and amount to vendor invoices and report any discrepancies between the accounting records and the invoices. In addition to the random selection, we will select all individual transactions exceeding \$1,000.
- 4) We will obtain all submitted narratives from County departments and non-County agencies and compare proposed projects listed in the narratives/project applications with project expenditures summarized in the quarterly reports and report any discrepancies.

**FIRST AMENDMENT
PROFESSIONAL SERVICES AGREEMENT
BY AND BETWEEN
COUNTY OF HUMBOLDT
AND
CLIFTONLARSONALLEN LLP, CERTIFIED PUBLIC ACCOUNTANTS**

This First Amendment to the Professional Services Agreement dated August 21, 2018, by and between the County of Humboldt, a political subdivision of the State of California, hereinafter referred to as "COUNTY," and CliftonLarsonAllen, LLP, Certified Public Accountants, a limited liability partnership, hereinafter referred to as "AUDITOR," is entered into this ___ day of _____, 2018.

WHEREAS, COUNTY, by and through its Auditor-Controller's Office, desired to retain an independent certified public accountant firm to conduct an audit examination of COUNTY's financial statements and to report its findings to the Humboldt County Board of Supervisors; and

WHEREAS, on August 21, 2018, COUNTY and CONTRACTOR entered into a Professional Services Agreement regarding the provision of such external auditing services; and

WHEREAS, the parties now desire to amend certain provisions of the Professional Services Agreement to expand the scope of services provided thereunder to include a comprehensive examination and audit of the allocations and expenditures of revenues resulting from the sales and use tax established by the local sales and use tax measure known as Measure Z.

NOW THEREFORE, the parties mutually agree as follows:

1. Section 1 – Description of Services of the Professional Services Agreement is hereby amended to read as follows:

1. DESCRIPTION OF SERVICES:

AUDITOR agrees to provide the services described herein and in the Engagement Letters dated September 14, 2018, which are attached hereto as Exhibit A – Engagement Letters and incorporated herein by reference as if set forth in full. In providing such services, AUDITOR agrees to fully cooperate with the Humboldt County Auditor-Controller or a designee thereof.

2. Section 2(A) – Examination and Audit Services of the Professional Services Agreement is hereby amended to read as follows:

A. Examination and Audit Services. AUDITOR shall conduct a careful and complete examination of the financial accounts and records of all COUNTY offices and other entities governed by the Humboldt County Board of Supervisors that are shown in the adopted Humboldt County Budget for the 2017-2018 fiscal year, copies of which are on file in the Humboldt County Auditor-Controller's Office. In addition, AUDITOR shall conduct a comprehensive examination and audit of any and all allocations and expenditures of revenues resulting from the sales and use tax established by the local sales and use tax measure, known as "Measure Z," that occurred during fiscal years 2015-2016 through 2017-2018.

1. AUDITOR shall conduct the audit in accordance with the requirements set forth in Title 2 of the Code of Federal Regulations ("C.F.R.") Part 200 – Uniform

Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards. The audit shall be the financial and compliance type described in the Standards for Audit of Governmental Organizations, Programs, Activities and Functions published by the Comptroller General of the United States.

2. AUDITOR's examination of COUNTY's financial statements shall be the financial type described in the American Institute of Certified Public Accountants ("AICPA") Industry Audit Guide, Audits of State and Local Governmental Units, as revised, and the Governmental Accounting and Financial Reporting Standards published by the AICPA. The examination shall be conducted in accordance with generally accepted auditing standards leading to the expression of an opinion in compliance with Rule 58.1 of the California State Board of Accountancy.
 3. AUDITOR shall supply special reports and expressions as required by any federal agency, as that term is defined in 31 U.S.C. Section 7501, and express an opinion on compliance by COUNTY and other entities audited with all federal assistance programs in accordance with the requirements set forth in 2 C.F.R. Part 200.
 4. AUDITOR shall evaluate the internal control of all COUNTY departments with respect to their financial operations.
 5. AUDITOR shall commence the required examination upon the date of execution of this Agreement and shall report their findings by such date and time as the Humboldt County Auditor-Controller shall determine.
3. Section 5(A) – Maximum Amount Payable of the Professional Services Agreement is hereby amended to read as follows:
- A. Maximum Amount Payable. The maximum amount payable by COUNTY for services rendered, and costs and expenses incurred, including, without limitation, travel and living expenses, pursuant to the terms and conditions of this Agreement shall not exceed One Hundred Twenty-Nine Thousand Eight Hundred Dollars (\$129,800.00). AUDITOR agrees to perform all services required by this Agreement for an amount not to exceed such maximum dollar amount. However, if local, state or federal funding or allowance rates are reduced or eliminated. COUNTY may, by amendment, reduce the maximum amount payable for services provided hereunder, or terminate this Agreement as provided herein.

4. The Professional Services Agreement is hereby amended to include the following provision regarding counterpart execution:

41. COUNTERPART EXECUTION:

This Agreement, and any amendments hereto, may be executed in one (1) or more counterparts, each of which shall be deemed to be an original and all of which, when taken together, shall be deemed to be one (1) and the same agreement. A signed copy of this Agreement, and any amendments hereto, transmitted by email or by other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original executed copy of this Agreement and any amendments hereto.

5. The Professional Services Agreement is hereby amended to delete Exhibit A – Engagement letters (“Exhibit A”), and replace it in its entirety with the modified version of Exhibit A that is attached hereto and incorporated herein by reference. The modified version of Exhibit A attached hereto shall supersede any and all prior versions thereof as of the effective date of this First Amendment.
6. Except as modified herein, the Professional Services Agreement dated August 21, 2018 shall remain in full force and effect. In the event of a conflict between the provisions of this First Amendment and the original Professional Services Agreement, the provisions of this First Amendment shall govern.

IN WITNESS WHEREOF, the parties have entered into this First Amendment as of the first date written above.

CLIFTONLARSONALLEN LLP, CERTIFIED PUBLIC ACCOUNTANTS:

By: Rich Gonzalez
Name: Rich Gonzalez
Title: Principal

Date: 9/20/18

COUNTY OF HUMBOLDT:

By: Rex Bohn
Vice Chair, Humboldt County Board of Supervisors

Date: 9/25/18

INSURANCE AND INDEMNIFICATION REQUIREMENTS APPROVED:

By: Kaufman
Risk Management

Date: 9/20/18

LIST OF EXHIBITS:

Exhibit A – Engagement Letters