



LOCAL AND REGIONAL GOVERNMENT  
SERVICES AUTHORITIES

*Providing Solutions to California Public Agencies*

www.lgs.ca.gov

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## RGS FINANCE COMMITTEE AGENDA

*Agenda materials may be viewed on the Agency's web site or by contacting the Executive Director prior to the meeting.*

**REGULAR MEETING**  
**Via Teleconference**

**July 30, 2012**  
**3:00 p.m.**

**Dublin Civic Center**, City Manager's Office, 100 Civic Plaza, Dublin, CA 94568  
**Walnut Creek City Hall**, City Manager's Office, 1666 North Main Street, Walnut Creek, CA 94596

**1. ROLL CALL**

**2. SELECTION OF CHAIR AND VICE CHAIR**

*Action*

**3. APPROVAL OF CONSENT AGENDA**

Consent agenda items are considered to be routine and will be enacted by one motion. There will be no separate discussion on these items unless members of the Finance Committee, staff or public request specific items to be removed for separate action.

*There are no items on this Consent Agenda*

**4. OLD BUSINESS - None**

**5. NEW BUSINESS**

A. Review and Approve Auditor Engagement Letters

*Action*

**6. PUBLIC COMMENT**

Each speaker is limited to two minutes. If you are addressing the Executive Committee (EC) on a non-agenda item, the EC may briefly respond to statements made or questions posed as allowed by the Brown Act (Government Code Section 54954.2). However, the EC's general policy is to refer items to staff for attention, or have a matter placed on a future EC agenda for a more comprehensive action or report.

**7. ADJOURN TO NEXT MEETING: August 16<sup>th</sup> 3:00 p.m. in San Rafael.**

**Americans with Disabilities Act**

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact Richard Averett at (650) 587-7301. Notification in advance of the meeting will enable Agency to make reasonable arrangements to ensure accessibility.

*Administrative Offices:*  
*Human Resources:*

P.O. Box 1350 · Carmel Valley, CA 93924  
P.O. Box 1077 · Camarillo, CA 93011

*ph:* 831/308-1508  
*ph:* 650/587-7316

*fax:* 831/308-1509  
*fax:* 650/587-7317



# LOCAL AND REGIONAL GOVERNMENT SERVICES AUTHORITIES

*Providing Solutions to California Public Agencies*

P.O. Box 1350 · Carmel Valley, CA 93924 · 831.308.1508

**TO:** FINANCE COMMITTEE **FC Meeting: 7-30-2012**  
**FROM:** RICHARD AVERETT, Executive Director **Item: 6A**  
**SUBJECT: AUDITOR ENGAGEMENT LETTERS FOR FISCAL YEAR 2012**

## **RECOMMENDATION**

Review and approve the RGS and LGS Fiscal Year 2012 Auditor Engagement Letters with Mayer Hoffman McCann P.C.

## **BACKGROUND**

The audit firm of Mayer Hoffman McCann P.C. was retained in fiscal year (FY) 2008 to complete the FY2007 audit begun by another independent auditor. (The prior auditor was unable to devote sufficient resources to complete the project on time.) Therefore, the FY2012 audit of the JPAs would be the sixth consecutive audit by the same firm. In May 2012 the RGS Board approved an auditor rotation policy to provide the Authorities with a different risk assessment approach to testing risk. This in turn enhances the utility of the audit process by increasing the level of assurance that risks will be disclosed.

The purpose of this policy is to provide for the periodic rotation of independent auditing firms or audit managers who perform the annual examination of the Joint Powers Authorities financial statements and render an opinion thereon. The policy calls for a competitive process to be held at least every five years for the selection of the independent audit firm. The Executive Director shall, on behalf of the Committee, solicit proposals for independent auditors as soon as feasible following the completion of the fifth year audit, but at least by April 1 of what would otherwise be year six. The policy states that the current auditing firm may be considered to serve beyond a five year consecutive period, provided that they will assign a new audit manager to the Authorities. Otherwise qualified firms may serve more than a five-year period provided that there is a minimum three-year break in their service to the Authorities.

Staff is recommending retention of the same firm for a sixth fiscal year audit for the following reasons:

- Executive Committee Member comments at the January study session on this topic, to the effect that completion of the current year audit by the same firm would be appropriate, with issuance of an RFP for the FY2013 audit. This statement reflected staff's continued work with the current auditor to address current fiscal year issues following the last audit (for FY2011).
- Passage of the new audit rotation policy after the April 1 deadline for issuing a RFP for auditor services.
- Staff's plan to prepare an RFP for audit services prior to the end of this calendar year.
- Mayer Hoffman McCann's replacement of the audit partner (due to retirement) assigned to the Authorities' audit.

While the policy allowed "amendment of or exceptions to this policy may be made by action of the JPA Board of Directors", staff believes that for the reasons given above, an exception for the FY2012 audit is not needed.

**FISCAL IMPACT**

Fees for this year's engagement will be \$8,800 per Authority, for a total of \$17,600. Sufficient funds were budgeted in 2013 RGS Administration for both audits. \$17,600 represents a 1.5% increase over Fiscal Year 2011 fees, which were \$8,675 per company, for a total of \$17,350.



## Mayer Hoffman McCann P.C.

An Independent CPA Firm

2301 Dupont Drive, Suite 200  
Irvine, California 92612  
949-474-2020 ph  
949-263-5520 fx  
www.mhm-pc.com

June 28, 2012

Board of Directors  
Local Government Services Authority  
P.O. Box 1350  
Carmel Valley, CA 93924

We are pleased to confirm the arrangements of our engagement and the nature of the services we will provide Local Government Services Authority (the "Authority") for the year ended June 30, 2012. This letter, which incorporates the attached Terms and Conditions, constitutes the entire agreement between the parties with respect to Mayer Hoffman McCann P.C.'s performance of the professional services described herein.

### **ENGAGEMENT OBJECTIVES**

We will audit the financial statements, the business-type activities, which comprise the basic financial statements of the Local Government Services Authority for the year ended June 30, 2012. The document we submit to you will include Management's Discussion and Analysis required by generally accepted accounting principles that will be subjected to certain limited procedures, but will not be audited.

### **OUR RESPONSIBILITIES**

The objective of our audit is the expression of an opinion as to whether the financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the additional information referred to above when considered in relation to the financial statements taken as a whole.

We will also provide a report, which does not include an opinion, on internal controls related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal controls and compliance will include a statement that the report is intended solely for the information and use of management, those charged with governance, others within the organization, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specific parties.

### **Audit**

Our audit will be conducted in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of Local Government Services Authority and other procedures we consider necessary to enable us to express such an opinion. If our opinion on the financial statements is other than unqualified, we will fully discuss the reasons with you in advance. If, for any

reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the or to acts by management or employees acting on behalf of the Authority.

Because an audit is designed to provide reasonable, but not absolute, assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors that come to our attention, and we will inform you of any fraudulent financial reporting or misappropriation of assets that comes to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

### **Internal Control**

Our audit will include obtaining an understanding of the Authority and its environment, including internal controls sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures to be performed.

We will obtain an understanding of the design of the relevant controls and whether they have been placed in operation, and we will assess control risk. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Tests of controls relative to the financial statements are required only if control risk is assessed below the maximum level. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal controls or to identify control deficiencies. However, we will inform those charged with governance of any matters involving internal control and its operation that we

consider to be significant deficiencies or material weaknesses under standards established by the American Institute of Certified Public Accountants. Material weaknesses involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. In addition, we will inform you of any *deficiencies* or other matters involving internal control, if any, as required by *Government Auditing Standards*.

### **Compliance**

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

The services described above do not relieve management or those charged with governance of their responsibilities.

### **THOSE CHARGED WITH GOVERNANCE**

As defined by U.S. generally accepted auditing standards, you are responsible for overseeing the strategic direction of the Authority and obligations related to the accountability of the Authority. These responsibilities include, but are not limited to, overseeing the financial reporting process, resolving disagreements between management and us regarding financial reporting, appointing us to perform the services incorporated in this letter and informing us about all known or suspected fraud involving the Authority. In turn, we will provide you with any communications as required by U.S. generally accepted auditing standards.

### **MANAGEMENT'S RESPONSIBILITIES**

You are responsible for management decisions and functions, and for designating a qualified management-level individual to oversee any bookkeeping services, tax services, or other services we provide. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

You are responsible for establishing and maintaining internal controls, including monitoring ongoing activities and compliance with laws, regulations, contracts, and agreements. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of the controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorizations and recorded properly to permit the preparation of financial statements in accordance with U. S. generally accepted accounting principles.

You are responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. We understand that you will provide us with such information required for our audit and that you are responsible for the accuracy and completeness of that information. We will advise you about appropriate accounting principles and their application and may assist you in the

preparation of your financial statements but the responsibility for the financial statements remains with you. As part of our engagement, we may propose standard, adjusting, or correcting journal entries to your financial statements. You are responsible for reviewing the entries and understanding the nature of any proposed entries and the impact they have on the financial statements. Further, you are responsible for designating a qualified management-level individual to be responsible and accountable for overseeing these services.

This responsibility includes the establishment and maintenance of adequate records and effective internal control over financial reporting, the selection and application of accounting principles, and the safeguarding of assets. You are responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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

During the course of our engagement, we will request information and explanations from management regarding the Authority's operations, internal controls, future plans, specific transactions, and accounting systems and procedures. At the conclusion of our engagement, we will require, as a precondition to the issuance of our report, that management provide certain representations in a written representation letter, including acknowledging that you have reviewed and approved the financial statements and related notes and accept full responsibility for them. The procedures we will perform in our engagement and the conclusions we reach as a basis for our report will be heavily influenced by the written and oral representations that we receive from management. In view of the foregoing, the Authority agrees to release our firm, its shareholders and other personnel from any liability and costs relating to our services under this letter resulting from false or misleading representations made to us by any member of the Authority's management.

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

#### **OTHER SERVICES**

If you intend to include these financial statements and our report in an offering or other document at some future date, you agree to seek our prior written consent to do so at that time. You agree to provide reasonable notice to allow sufficient time for us to perform certain additional procedures. Any time you intend to publish or otherwise reproduce these financial statements and our report and make reference to our Firm name in any manner in connection therewith, you agree to provide us with printer's proofs or masters for our review and approval before printing or other reproduction. You will also provide us with a copy of the final reproduced material for our

approval before it is distributed. Our fees for such services are in addition to those discussed elsewhere in this letter.

As a result of our prior or future services to you, we might be requested to provide information or documents to you or a third party in a legal, administrative, or arbitration or similar proceeding in which we are not a party. If this occurs, our efforts in complying with such requests will be deemed billable to you as a separate engagement. We shall be entitled to compensation for our time and reasonable reimbursement for our expenses (including legal fees) in complying with the request. For all requests, we will observe the confidentiality requirements of our profession and will notify you promptly of the request.

### **ENGAGEMENT FEES**

The fees for the services previously outlined will be \$8,800, which represents a 1.5% increase from the prior year. The fees include costs for travel and out-of-pocket costs such as report production, typing, postage, and a pre and post audit conference call with those in governance, if requested. Should attendance at a board meeting be required, additional expenses would be billed to the Authority. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. In addition, fees for any related projects, such as proposed business combinations or research and/or consultation on special business or financial issues, will be billed separately from the fee referred to above and will be subject to separate arrangements.

We consider telephone calls and meetings on accounting and reporting matters to be an integral part of the engagement and no additional fees are charged for these services. If, however, there is a significant transaction or new accounting issue that requires us to spend a substantial amount of time that clearly was not anticipated in our fee proposal, there may be additional billing.

The fee estimate above assumes no adjustments will be necessary for routine accounting entries normally made before the beginning of the engagement. If, for any reason, we are asked to assist in the preparation of these entries, before beginning this service, we will provide an estimate of the time required to perform such services and the additional fees to be billed.

Invoices will be submitted as the work progresses and a final invoice will be submitted upon completion of the services. Invoices are payable upon receipt. If our invoices for this, or any other engagement you may have with us, are not paid within 30 days, we may suspend or terminate our services for this or any other engagement. In the event our work is suspended or terminated as a result of nonpayment, you agree we will not be responsible for any consequences to you.

### **OTHER ENGAGEMENT MATTERS**

This letter and the attached Terms and Conditions set forth the rights and responsibilities of the parties with respect to the services to be provided. The attachment is an integral part of this agreement. This engagement is being undertaken solely for the benefit of the parties to this agreement, and no other person shall be entitled to enforce the terms of this agreement.

Local Government Services Authority  
P.O. Box 1350  
Page 6 of 6  
June 28, 2012

Enclosed, as required by *Government Auditing Standards*, is a copy of the report and letter of comments, if any, on the most recent peer review of our firm.

The undersigned is the engagement shareholder responsible for supervising the engagement and signing the report.

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

Very truly yours,  
MAYER HOFFMAN McCANN P.C.



Jennifer Farr, CPA  
Shareholder

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The services and arrangements described in this letter are in accordance with our understanding and are acceptable to us.

**LOCAL GOVERNMENT SERVICES AUTHORITY**

MANAGEMENT

GOVERNANCE

By \_\_\_\_\_

By \_\_\_\_\_

Title Executive Director/CFO

Title \_\_\_\_\_

Date \_\_\_\_\_

Date \_\_\_\_\_



## Mayer Hoffman McCann P.C.

An Independent CPA Firm

2301 Dupont Drive, Suite 200  
Irvine, California 92612  
949-474-2020 ph  
949-263-5520 fx  
www.mhm-pc.com

June 28, 2012

Board of Directors  
Regional Government Services Authority  
P.O. Box 1350  
Carmel Valley, CA 93924

We are pleased to confirm the arrangements of our engagement and the nature of the services we will provide Regional Government Services Authority (the "Authority") for the year ended June 30, 2012. This letter, which incorporates the attached Terms and Conditions, constitutes the entire agreement between the parties with respect to Mayer Hoffman McCann P.C.'s performance of the professional services described herein.

### **ENGAGEMENT OBJECTIVES**

We will audit the financial statements, the business-type activities, which comprise the basic financial statements of the Regional Government Services Authority for the year ended June 30, 2012. The document we submit to you will include Management's Discussion and Analysis required by generally accepted accounting principles that will be subjected to certain limited procedures, but will not be audited.

### **OUR RESPONSIBILITIES**

The objective of our audit is the expression of an opinion as to whether the financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the additional information referred to above when considered in relation to the financial statements taken as a whole.

We will also provide a report, which does not include an opinion, on internal controls related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal controls and compliance will include a statement that the report is intended solely for the information and use of management, those charged with governance, others within the organization, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specific parties.

### **Audit**

Our audit will be conducted in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of Regional Government Services Authority and other procedures we consider necessary to enable us to express such an opinion. If our opinion on the financial statements is other than unqualified, we will fully discuss the reasons with you in advance. If, for any

reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the or to acts by management or employees acting on behalf of the Authority.

Because an audit is designed to provide reasonable, but not absolute, assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors that come to our attention, and we will inform you of any fraudulent financial reporting or misappropriation of assets that comes to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

### **Internal Control**

Our audit will include obtaining an understanding of the Authority and its environment, including internal controls sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures to be performed.

We will obtain an understanding of the design of the relevant controls and whether they have been placed in operation, and we will assess control risk. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Tests of controls relative to the financial statements are required only if control risk is assessed below the maximum level. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal controls or to identify control deficiencies. However, we will inform those charged with governance of any matters involving internal control and its operation that we

consider to be significant deficiencies or material weaknesses under standards established by the American Institute of Certified Public Accountants. Material weaknesses involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. In addition, we will inform you of any *deficiencies* or other matters involving internal control, if any, as required by *Government Auditing Standards*.

### **Compliance**

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The services described above do not relieve management or those charged with governance of their responsibilities.

### **THOSE CHARGED WITH GOVERNANCE**

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### **MANAGEMENT'S RESPONSIBILITIES**

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You are responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. We understand that you will provide us with such information required for our audit and that you are responsible for the accuracy and completeness of that information. We will advise you about appropriate accounting principles and their application and may assist you in the

preparation of your financial statements but the responsibility for the financial statements remains with you. As part of our engagement, we may propose standard, adjusting, or correcting journal entries to your financial statements. You are responsible for reviewing the entries and understanding the nature of any proposed entries and the impact they have on the financial statements. Further, you are responsible for designating a qualified management-level individual to be responsible and accountable for overseeing these services.

This responsibility includes the establishment and maintenance of adequate records and effective internal control over financial reporting, the selection and application of accounting principles, and the safeguarding of assets. You are responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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

During the course of our engagement, we will request information and explanations from management regarding the Authority's operations, internal controls, future plans, specific transactions, and accounting systems and procedures. At the conclusion of our engagement, we will require, as a precondition to the issuance of our report, that management provide certain representations in a written representation letter, including acknowledging that you have reviewed and approved the financial statements and related notes and accept full responsibility for them. The procedures we will perform in our engagement and the conclusions we reach as a basis for our report will be heavily influenced by the written and oral representations that we receive from management. In view of the foregoing, the Authority agrees to release our firm, its shareholders and other personnel from any liability and costs relating to our services under this letter resulting from false or misleading representations made to us by any member of the Authority's management.

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

#### **OTHER SERVICES**

If you intend to include these financial statements and our report in an offering or other document at some future date, you agree to seek our prior written consent to do so at that time. You agree to provide reasonable notice to allow sufficient time for us to perform certain additional procedures. Any time you intend to publish or otherwise reproduce these financial statements and our report and make reference to our Firm name in any manner in connection therewith, you agree to provide us with printer's proofs or masters for our review and approval before printing or other reproduction. You will also provide us with a copy of the final reproduced material for our

Regional Government Services Authority  
P.O. Box 1350  
Page 5 of 6  
June 28, 2012

approval before it is distributed. Our fees for such services are in addition to those discussed elsewhere in this letter.

As a result of our prior or future services to you, we might be requested to provide information or documents to you or a third party in a legal, administrative, or arbitration or similar proceeding in which we are not a party. If this occurs, our efforts in complying with such requests will be deemed billable to you as a separate engagement. We shall be entitled to compensation for our time and reasonable reimbursement for our expenses (including legal fees) in complying with the request. For all requests, we will observe the confidentiality requirements of our profession and will notify you promptly of the request.

### **ENGAGEMENT FEES**

The fees for the services previously outlined will be \$8,800, which represents a 1.5% increase from the prior year. The fees include costs for travel and out-of-pocket costs such as report production, typing, postage, and a pre and post audit conference call with those in governance, if requested. Should attendance at a board meeting be required, additional expenses would be billed to the Authority. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. In addition, fees for any related projects, such as proposed business combinations or research and/or consultation on special business or financial issues, will be billed separately from the fee referred to above and will be subject to separate arrangements.

We consider telephone calls and meetings on accounting and reporting matters to be an integral part of the engagement and no additional fees are charged for these services. If, however, there is a significant transaction or new accounting issue that requires us to spend a substantial amount of time that clearly was not anticipated in our fee proposal, there may be additional billing.

The fee estimate above assumes no adjustments will be necessary for routine accounting entries normally made before the beginning of the engagement. If, for any reason, we are asked to assist in the preparation of these entries, before beginning this service, we will provide an estimate of the time required to perform such services and the additional fees to be billed.

Invoices will be submitted as the work progresses and a final invoice will be submitted upon completion of the services. Invoices are payable upon receipt. If our invoices for this, or any other engagement you may have with us, are not paid within 30 days, we may suspend or terminate our services for this or any other engagement. In the event our work is suspended or terminated as a result of nonpayment, you agree we will not be responsible for any consequences to you.

### **OTHER ENGAGEMENT MATTERS**

This letter and the attached Terms and Conditions set forth the rights and responsibilities of the parties with respect to the services to be provided. The attachment is an integral part of this agreement. This engagement is being undertaken solely for the benefit of the parties to this agreement, and no other person shall be entitled to enforce the terms of this agreement.

Regional Government Services Authority  
P.O. Box 1350  
Page 6 of 6  
June 28, 2012

Enclosed, as required by *Government Auditing Standards*, is a copy of the report and letter of comments, if any, on the most recent peer review of our firm.

The undersigned is the engagement shareholder responsible for supervising the engagement and signing the report.

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

Very truly yours,  
MAYER HOFFMAN McCANN P.C.



Jennifer Farr, CPA  
Shareholder

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The services and arrangements described in this letter are in accordance with our understanding and are acceptable to us.

**REGIONAL GOVERNMENT SERVICES AUTHORITY**

MANAGEMENT

GOVERNANCE

By \_\_\_\_\_

By \_\_\_\_\_

Title Executive Director/CFO

Title \_\_\_\_\_

Date \_\_\_\_\_

Date \_\_\_\_\_