

**FINANCING AUTHORITY FOR RESOURCE
EFFICIENCY OF CALIFORNIA
(FARECaI)**

**REQUEST FOR PROPOSALS
FOR
AUDITING SERVICES**

August 25, 2011

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I. INTRODUCTION

1. General Information

The Financing Authority for Resource Efficiency of California or "FARECal" was created as a Joint Powers Authority on July 1, 1993, for mainly the purpose of serving as an issuer of debt to finance the development of public utility infrastructure. The current membership includes the following agencies:

- City of Anaheim
- City of Azusa
- City of Colton
- City of Compton
- City of Healdsburg
- City of Los Angeles
- City of Pasadena
- City of Redding
- City of Riverside
- City of Santa Cruz
- City of Victorville
- North Marin Water District
- Northern California Power Agency
- Sacramento Municipal Utility District
- Turlock Irrigation District
- Trinity Public Utilities District

As of June 30, 2005, FARECal had about \$83.5 million in assets, however, \$73.8 million of this amount was in the form of receivables from members for long term debt. (See attached Financial Report for two years ended Jun 30, 2005.)

2. CMUA and City of Azusa

FARECal has been operated under the auspices of the California Municipal Utilities Association (CMUA) since 1993. FARECal contracted with the City of Azusa ("Azusa") in 2010 to have Azusa procure accounting and auditing

services necessary to fulfill FARECal's legal obligations with respect to financial reporting.

In 2011, the City of Azusa issued an RFP to solicit proposals for accounting services for FARECal. The FARECal Board authorized the City of Azusa to approve the accounting services proposal submitted by Vasquez & Company, LLP, of Los Angeles, CA. Recently, Vasquez & Company completed accounting work for Fiscal Years 2005-06 through 2010-11.

This RFP is issued to solicit proposals for auditing services, to audit the accounting work performed by Vasquez & Co., LLP for FARECal for six fiscal years, from FY 2005-06 through FY 2010-11. Financial statements and audit opinion is to be prepared for each of the following biennial FYs:

FY 2005-06 and FY 2006-07
FY 2007-08 and FY 2008-09
FY 2009-10 and FY 2010-11

The last biennial audited financial report of FARECal was for fiscal year ending June 30, 2005 and included the following outstanding debt by member agency:

Utility	Year of Issuance			Total
	1994 Series	1997 Series	2003 Series	
Riverside (Water)	\$3,425,000			3,425,000
Anaheim (Electric)		\$21,630,000		21,630,000
Colton (Electric)		16,190,000		16,190,000
Trinity		1,370,000		1,370,000
Azusa (Water)			19,530,000	19,530,000
Azusa (Electric)			11,650,000	11,650,000
Total Investments	3,425,000	39,190,000	31,180,000	73,795,000

All borrowed amounts were expended for capital projects prior to the subject accounting period of FY 2005-06 through 2010-11, and so no auditing is required through this RFP for capital expenditures on construction projects. The selected auditor will be required to only audit transactions of payments for debt service, debt payoff, and FARECal's checking account.

Some of the major transactions during the subject accounting period are listed below, which also affect the number of transactions requiring review by the auditor:

Fiscal Year 2005-2006

- The City of Riverside refunded the 1994 Revenue Bonds in November 2005 for \$3,425,000.
- Long-term debt of \$68.025 million is offset by receivable from member agencies.
- FARECal received \$18,000 from member agencies as fees:
 - City of Riverside \$2,000
 - City of Anaheim \$4,000
 - City of Colton \$4,000
 - Trinity County \$4,000
 - City of Azusa \$4,000

Fiscal Year 2006-2007

In February 2007, the City of Anaheim refunded \$17,325,000 and defeased \$3,785,000 of its share of the 1997 Certificates of Participation (COPs). Funds covering the principal of \$3,785,000 and related interest expense for the defeased bonds are deposited with the trustee and maintained in an escrow account. For monitoring purposes, the general ledger shows the balances for the escrow account and the defeased bonds. However, for audited financial statement purposes, these accounts may not be reported.

Fiscal Year 2007-2008

In July 2007, the City of Colton refunded \$10,750,000 and defeased \$395,000 of its share of the 1997 COPs. Funds covering the principal of \$395,000 and related interest expense for the defeased bonds are deposited with the trustee and maintained in an escrow account. For monitoring purposes, the general ledger shows the balances for the escrow account and the defeased bonds. However, for audited financial statement purposes, these accounts may not be reported. Unrefunded portion of the debt as of July 2007 amounted to \$3,690,000.

Fiscal Year 2010-2011

Trinity paid-off its debt in October 2010.

Balances of Bonds as of June 30, 2011 and Funding Sources are as follows:

	<u>Bonds Balance</u>	<u>Funding Source</u>
Defeased Bonds:		
City of Anaheim	\$ 725,000	Escrow Acct
City of Colton	\$ 915,000	Escrow Acct and City of Colton
Outstanding COPs:		
City of Azusa - Series A	\$ 14,835,000	City of Azusa
City of Azusa - Series B	\$ 5,470,000	City of Azusa
City of Azusa - Series C	\$ 3,575,000	City of Azusa

II. SCOPE OF SERVICES REQUIRED

1. Objective

FARECal is requesting proposals from qualified firms of certified public accountants to provide independent professional biennial auditing services for FARECal on behalf of member agencies for fiscal years (FY) ending June 30, 2007, 2009, and 2011. Additional years of biennial auditing services to FARECal may be considered at a later time.

2. Minimum Requirements

The firm selected through this request for proposals will perform a financial audit to determine whether the accountant's financial statements and compilation reports for FARECal fairly present the financial position of the JPA and were prepared in accordance with generally accepted accounting principles. The audit shall be performed in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

The audit shall also result in the preparation of financial statements from the accounting records of FARECal with the Auditors' opinion thereon.

The firm shall provide FARECal via the City of Azusa an electronic copy of each draft biennial Auditor's Report and Financial Statements for FARECal Board's review. The firm shall be available to discuss any issues and answer any questions related to the audit. Upon receiving FARECal's notice of approval via the City of Azusa, the firm shall sign and issue an electronic copy and eighteen (18) hardcopies of the approved biennial Auditor's Report and Financial Statements within ten (10) working days.

The firm acknowledges that FARECal will use audited financial statements in its official statements and other public documents without obtaining the prior consent of the firm.

Schedule or Timeframe: It is preferred that all work required of this RFP be completed within ninety (90) days following the execution of the agreement for this engagement.

3. Availability of Information

The selected firm should anticipate working with the City of Azusa and FARECal's accounting firm, Vasquez & Company, LLP, and may be required to gather additional info/data from each FARECal member agency and/or trustee if necessary. The City of Azusa will provide contact information for Vasquez & Company, LLP, and each FARECal Member with outstanding debt during subject audit period, along with trustee contact information. It shall be the responsibility of each FARECal member to provide information to the selected firm in a timely manner. Any delays in receiving such information from the members shall be reported to the City of Azusa which will then assist the auditing firm in obtaining necessary information from FARECal member agencies.

The Vasquez & Company, LLP, will cooperate and answer any appropriate and reasonable questions of the auditing firm and will provide the following information:

- Final trial balance

- Bank reconciliation schedules
- Trustee statements and general ledger detail for each trustee account
- Interest receivable schedule
- Accrued interest payable schedule
- Variance analysis for revenues and expenses/expenditures
- Copies of Official Statements for bonds issued

Vasquez & Company represents that the books of account will be fully balanced, all subsidiary ledgers reconciled to control accounts, and all bank accounts reconciled before the start of the audit.

If the information requests by the auditing firm require Vasquez & Company to spend more than ten (10) hours answering questions, then the auditing firm shall share the information requests with the City of Azusa.

4. Irregularities and Illegal Acts

Any irregularities and illegal acts or indications of illegal acts of which the auditing firm becomes aware of shall be reported to FARECal President immediately in writing.

5. Records Retention

All working papers and reports must be retained at firm's expense, for a minimum of five (5) years, unless the firm is notified in writing by FARECal via the City of Azusa of the need to extend the retention period or notified earlier to transfer records elsewhere. The auditing firm may be required to make working papers available, upon request, to parties specifically designated by FARECal or the City of Azusa. In addition, the firm shall respond to reasonable inquiries of successor auditing firms, if any, and allow successor firms to review working papers relating to matters of continuing accounting significance.

6. New Accounting and Auditing Policy Developments

The auditing firm selected shall keep FARECal informed of any state and national accounting and auditing policy developments, including new GASB pronouncements related to municipal utility finance and reporting, standards and trends that might directly affect FARECal.

III. PROPOSAL PREPARATION AND FORMAT

Proposal shall be prepared by auditing firm qualified to fulfill the needs required by the scope of work for this RFP. Proposal contents shall be typed and arranged or presented in the following sequence to facilitate evaluation:

1. Cover Letter
2. Company and Staff/Qualifications/License/Desktop Reviews
3. Work plan and schedule
4. Data Request
5. Scope Exclusions/Addenda
6. Deliverables
7. Not-To-Exceed Fee
8. Fee Schedule/Hourly Rates
9. Other Commitments
10. Other

Following include descriptions of each of these items.

1. Cover Letter

The cover letter should introduce the proposal and indicate to whom all proposal communications should be addressed, including an e-mail address. The cover letter should briefly state the proposer's understanding of the work to be done, the commitment to perform the work within the proposed timeframe and not-to-exceed service fee, state why the firm believes it is best qualified to perform the engagement, include a statement that the proposal is an irrevocable offer and may not be withdrawn for a period of ninety (90) working days following the deadline dated for the submission of proposal.

2. Company and Staff/Qualifications/License/Desk Reviews

This section should contain the following:

- a) Name of firm, mailing address, phone and fax number of the proposer's principal place of business.
- b) Mailing address, phone and fax number of the office in which the auditing staff will work on this engagement.
- c) Mailing address, staffing and degree of participation in auditing services provided by any other firm or subconsultant.
- d) Overall company experience in providing similar auditing services for other public agencies or joint power authorities.
- e) References from at least four (4) recent clients served by staff expected to be assigned to this engagement. Client information shall include auditing managers' names, addresses and phone numbers for which similar services have been provided in the last three years. References should include dates when services were rendered, types of services provided, staff that performed the work, and duration of services.
- f) Organization chart showing the names and positions of all personnel to be assigned to perform the auditing work required by this RFP.
- g) Estimate of the hours to be expended by assigned staff, totaled for each staff member participating in this engagement, including staff from other firm(s) serving as subconsultants.
- h) General resumes, and relevant experience of the auditing manager and key staff. These should clearly demonstrate the assigned staff's professional qualifications to perform the scope of work of this RFP.
- i) An affirmative statement should be included that the firm is independent of FARECal and FARECal's members as defined by generally accepted auditing standards and the U.S. General Accounting Office's Government Auditing Standards and all assigned key staff are properly

licensed to practice in California. The firm should also list and describe the firm's professional relationships involving the FARECal and its members for the past five (5) years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.

- j) The firm shall also provide information on the results of any federal or state desk reviews or field reviews of its auditing practices during the past three (3) years. In addition, the firm shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations.

3. Work Plan and Schedule

The purpose of the Work Plan and Schedule is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake the auditing services for FARECal in conformity with the requirements of this request for proposals. As such, the substance of proposals will carry more weight than their form or manner of presentation. The Work Plan and Schedule should outline the steps and schedule necessary to complete the scope of work of this RFP in the shortest time frame.

4. Data Request

This section of the proposal shall itemize other data the Proposer expects FARECal's accounting firm or FARECal members to provide that are necessary to fulfill the obligations of this RFP.

5. Scope Exclusions/Addenda

If, upon reviewing this RFP, the proposer encounters tasks, which in the opinion of the firm, may be unnecessary or may have been omitted, the proposer may identify these tasks and include any tasks that are deemed necessary but are not required by this RFP in this section at the proposer's discretion.

6. Deliverables

Deliverables are material products such as draft reports or final reports, both hardcopies and electronic files. This section shall contain a list of all proposed deliverables as required by this RFP and list any changes to the deliverables as the proposer may recommend, including but not limited to, electronic files.

7. Not-To-Exceed Fee

Proposer shall provide in a table format, the cost for each task included in the firm's work plan, including a listing of the personnel assigned to each task, hourly rates, and the number of hours each position is budgeted for each task. This table shall include a not-to-exceed total cost for the biennial auditing services for fiscal years ending June 30, 2007, 2009 and 2011, including reasonable and necessary out-of-pocket expenses for firm personnel (e.g., travel, lodging, and subsistence).

8. Fee Schedule/Hourly Rates

A schedule of hourly rates shall be included for all personnel classifications that will be participating in this engagement. The fee schedule shall include a statement acknowledging that such fees and charges are effective for the duration of the contract period following contract award.

If it becomes necessary for FARECal to request the selected auditing firm to render any additional services to either supplement the services requested in this RFP or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract between FARECal and/or the City of Azusa and the firm. Any such additional work agreed to between FARECal and/or the City of Azusa and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in proposer's response to this RFP.

9. Other Commitments

Proposer shall list other clients that are currently being served by the firm's staff that would be assigned to this engagement, including pending or anticipated clients that will be served with staff that proposer anticipates using to fulfill its obligation to FARECal under this RFP. Firm shall further attest to the availability of key staff to fulfill the needs of this engagement in a professional and timely manner.

10. Other

This section should contain any additional information that Proposer feels will strengthen its proposal or be of interest to FARECal.

IV. GENERAL INSTRUCTIONS TO PROPOSERS

1. FARECal's RFP Point of Contact

Upon release of this RFP, all proposer communications concerning this process must be directed to FARECal's point of contact for this RFP:

Cary A. Kalscheuer
Assistant to the Director of Utilities
Azusa Light & Water
729 N. Azusa Ave.
Azusa, CA 91702
Telephone: (626) 812-5174
Fax: (626) 334-3163
E-mail: ckalscheuer@ci.azusa.ca.us

2. Proposer Requests and Questions

Specific requests and questions concerning this RFP shall be submitted in writing to the RFP Point of Contact prior to **5:00 p.m. on Wednesday, September 7, 2011**. The City of Azusa will make every attempt to send copies of all questions and the City of Azusa's responses, if any, to all firms of record that have requested or received this RFP.

3. Pre-Proposal Meeting

No Pre-Proposal meeting is scheduled for this RFP process.

4. RFP Revisions

Revisions to the RFP, if any, will be issued by FARECal's point of contact to all firms of record that have received this RFP. To ensure that your firm is on the distribution list, please call Feliza Cawte of Azusa Light & Water at (626) 812-5109 or e-mail her at fcawte@ci.azusa.ca.us.

5. Submittal Address and Deadline

In order to be considered for this engagement, proposer shall submit three hardcopy proposals and one electronic file of proposal to the City of Azusa no later than **5:00 p.m. on Monday, September 19, 2011**, at the following address:

George F. Morrow
FARECal President and
Director of Utilities
Azusa Light & Water
729 N. Azusa Avenue
Azusa, CA 91702

6. Terms of Withdrawal

All proposals shall be firm offers and may not be withdrawn for a period of ninety (90) days following the deadline dated for submission of proposals noted herein.

7. Disposition of Proposals

All proposals submitted in response to this RFP will become the property of FARECal and will not be returned. All expenses incurred in preparing and submitting proposals shall be at the sole cost and expense of the firms

submitting such proposals. FARECal reserves the right to reject any and all proposals submitted in response to this RFP.

V. FIRM SELECTION PROCESS

The following criteria may be considered in evaluating proposals:

- a) The firm is independent of FARECal and its members and licensed to practice in California.
- b) The firm has no conflict of interest with regard to any other work performed by FARECal and its members.
- c) The firm adheres to the instructions in this RFP for preparing and submitting the proposal.
- d) Current and past experience in providing services similar to those included in this RFP.
- e) Clear and concise work plan that details the procedures to be used in fulfilling the auditing work required by this RFP.
- f) Reasonable and well-benchmarked fee compensation schedule.
- g) Carefully proposed schedule that factors in all necessary tasks and deliverables.
- h) Adequate staffing to meet the schedule for deliverables required of this engagement.
- i) The amount of the Not-to-Exceed Fee.

VI. PROPOSAL APPROVAL, EXECUTION AND PAYMENTS

The successful firm will be required to enter into a professional services agreement with the City of Azusa on behalf of FARECal which incorporates by reference the firm's proposal. The following summarize anticipated approval process and requirements:

1. FARECal Board Approval

It is anticipated that award of a contract will be made within ninety (90) working days after the opening of proposals. Azusa or the FARECal Board of Directors may reject any and all proposals or may waive irregularities or informalities in any proposal if it is in the public's best interest. After award of contract, the City of Azusa will forward the professional services agreement in triplicate to the selected firm for signature.

2. Firm to Obtain Insurance

The selected firm shall provide its worker's compensation, comprehensive general and automobile liability, and the professional liability insurance coverages, endorsements and certifications specified in the attached sample professional services agreement. This insurance shall also be obtained by any subconsultant retained by the firm.

3. Firm to Execute Contract

The professional services agreement shall be signed by the selected firm in triplicate and returned all originals together with the insurance certificates within 15 working days from the date of receipt of notice of award. No contract shall be binding upon FARECal or the City of Azusa until completely executed by the selected firm and the City of Azusa on behalf of FARECal. Failure to execute the contract agreement and file acceptable insurance within the time limit may be just cause for annulment of the award.

4. Business License

The selected firm will be required to obtain a City of Azusa business license at its own expense.

5. Notice to Proceed

Within fifteen (15) working days of receipt of agreement from the selected firm, the City of Azusa, on behalf of FARECal, shall issue a notice to proceed to the firm and purchase order.

6. Manner of Payment

Progress payments will be made on the basis of actual hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the firm's not-to-exceed dollar cost proposal. Interim billing shall cover a period of not less than a calendar month. The City of Azusa will issue payments and seek reimbursement from FARECal.

VII. PROPOSAL CALENDAR

The following calendar of key dates may be used as a guideline for expected consideration and approval of contract award regarding this RFP:

Request for Proposals Issued	August 25, 2011
Deadline for Questions	September 7, 2011, 5 p.m.
Due Date for Proposals	September 19, 2011, 5 p.m.
Approval by FARECal Board	To be Scheduled
Approval by the Azusa City Council	To be Scheduled

VIII. ATTACHMENTS

There are four attachments as a reference to this RFP:

1. FARECal's Audited Financial Report for Two Years Ended, June 30, 2005
2. Accounting and Reporting Manual for FARECal
3. List of files available from Vasquez & Company LLP
4. City of Azusa Professional Services Agreement

**Financing Authority for Resource
Efficiency of California
(FARECal)
*June 2011***

Accounting And Reporting Manual
Financing Authority for Resource Efficiency of California

This accounting and report manual will describe an accounting system specifically designed for the needs of FARECal that will show the full accounting and financial reporting for the following transactions:

1. Monthly transaction statements from trustee for investments.
2. Monthly transaction for bank balances.
3. Monthly transaction for bonds and other liabilities.
4. Monthly transaction for general and administrative expenses.

The adoption of this system will be beneficial to FARECal board members and other users as financial reports can be generated from the general ledger.

This manual also contains flowcharts, sample worksheets and memorandum accounts that can serve as an audit trail.

The system prescribed by this manual can be used as a management tool. This manual follows generally accepted accounting principles (GAAP) and Governmental Accounting Standards Board (GASB) guidelines.

Accounting And Reporting Manual
Financing Authority for Resource Efficiency of California
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INTRODUCTION

The FARECal was formed on July 1, 1993 under a joint exercise of powers agreement among several municipal utilities in California. FARECal was established for the purpose of promoting, advancing, encouraging and participating in conservation, reclamation and other programs which are designed to utilize energy or water resources more efficiently. Bonds and Certificates of Participation are issued for the purpose of providing financing for certain energy and water conservation programs. Currently, there are four cities and a district which have entered into program agreements relating to energy and water conservation projects.

This manual represents the initial stage in developing an accounting and reporting manual designed to meet the needs of the City of Azusa and FARECal Governing Board and provide an auditable set of accounting records that supports all transactions resulting from the operations and long-term debt obligations.

The accounting software to be used is QuickBooks Premier Accountant 2011. This software was selected as it offers a complete solution at an economical cost and no maintenance costs needed. The QuickBooks file used by FARECal will be used starting fiscal year 2005-2006 and will include new accounts designed to capture all transactions going forward.

This manual assumes the fiscal year as per joint agreement and the following items are designed specifically to meet the accounting requirements and financial reporting responsibilities of FARECal:

1. A chart of accounts which is flexible and can provide recording of additional accounts.
2. Flowcharts that show the flow of transactions, internal controls and financial reporting.
3. Posting work papers for recording transactions from trustee statements.
4. Financial reports that can be prepared on a quarterly and annual basis as required by the Board.

This manual also includes information on internal controls such as audit trails, control accounts and other matters that will enable FARECal to properly account for all transactions and prepare reliable financial reports.

ACCOUNTING POLICIES

The basic financial statements of FARECal are prepared in conformity with generally accepted accounting principles (GAAP) as applied to government agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Modified Accrual

This system provides for accounting on a modified accrual basis. It requires the recognition of income when they become both measurable and available to finance the expenditures of the current period.

Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Fund Accounting

The accounts of FARECal are organized on the basis of governmental funds which are considered separate accounting entities. The operation of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Investments

All investments are stated at fair value.

Federal Arbitrage Rebate

Federal arbitrage rebate regulations relate to FARECal tax-exempt indebtedness and it is required that any excess earnings be rebated to the Internal Revenue Service (IRS) every five years.

OVERVIEW OF THE ACCOUNTING SYSTEM

This overview includes flowcharts that show the accounting system, internal controls and flow of information for the preparation of the financial statements for each member agency.

The flowcharts are shown in Appendix 1 and include the following:

- 1994 Series Revenue Bonds
- 1997 Series Electric System
- 2003 Series A Water System
- 2003 Series B Electric System
- 2003 Series C Electric System
- General and Administrative Expenses

Record Retention

All work papers and records should be maintained for a seven-year period following preparation and audit of the financial statements.

CHART OF ACCOUNTS

The chart of accounts is organized to facilitate double-entry bookkeeping and compliance with reporting requirements.

The accounts use a basic four digit code that allows for expansion:

- Fund (mandatory) - 1 Digit
- Category (mandatory) - 1 Digit
- Function (mandatory) - 2 Digits

If we put it together, the account segments form an account: 1-1-01

Fund

A fund is a self-balancing set of accounts that is comprised of assets, liabilities and a fund balance. It is useful for ensuring compliance with legal and fiscal requirements.

1. Capital Projects Fund - Code 1
This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.
2. Debt Service Fund - Code 2
This fund is used to account for the accumulation of resources for the payment of general long-term debt principal and interest.

Category

The category identifies the financial statement category for each account as follows:

- Revenue - 1
- Expense - 2
- Asset - 3
- Liability - 4
- Equity - 5

Function

The function provides for the classification of revenues and expenses by purpose and assets, liabilities and equity by type.

The chart of accounts is shown in Appendix 3.

POSTING WORKSHEET

This is the summary worksheet for all transactions for each municipality and district with their investments and debt servicing. This will be the basis for the journal entries that will be posted to the general ledger in the accounting system.

GENERAL LEDGER

The general ledger is the summary record to which all accounts are recorded in a single book. Each month end, the FARECal accountant must complete a pre-numbered general journal entry form. This journal must be attached to the supporting schedules and cross-referenced where necessary to the bank or trustee statements. This is then checked, verified and signed by the manager before it is posted to the accounting system.

The FARECal accountant then inputs the accounting system password to access and post the monthly journal entries.

TRIAL BALANCE

The trial balance which is prepared from the general ledger is a list of all accounts with balances. It is to ensure that all accounts are complete and in balance and is used to prepare the financial statements and other reports. The QuickBooks accounting system can prepare a trial balance automatically and can be printed daily, monthly or yearly.

CLOSING THE BOOKS

The books must be updated on a monthly basis. This means that all transactions must be posted to the general ledger using closing journal entries.

FINANCIAL REPORTS

The accounting system is capable of producing the following financial reports:

Government-wide Financial Statements:

1. Statement of Net Assets
2. Statement of Activities – Governmental Activities

Governmental Fund Financial Statements:

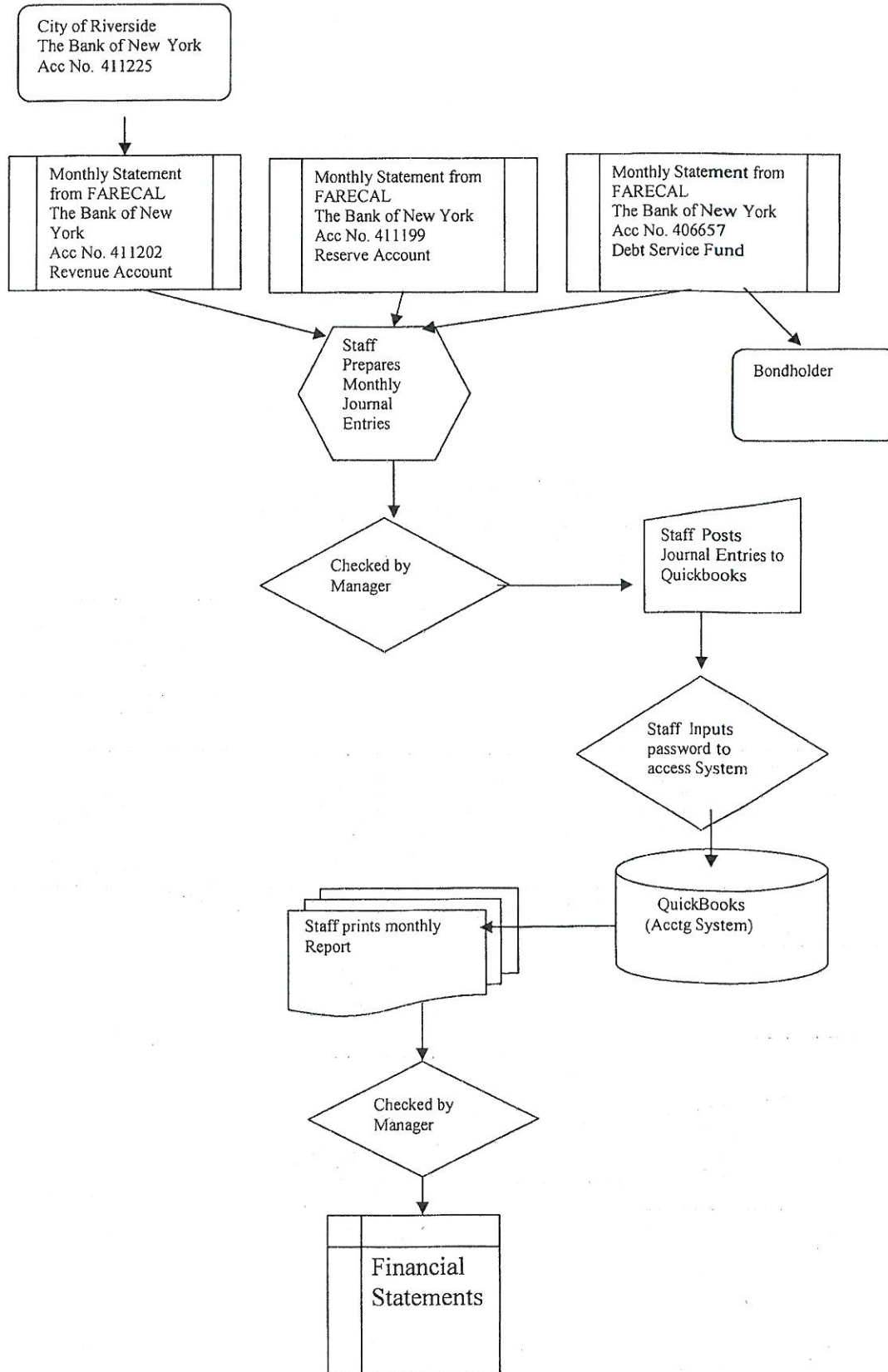
1. Balance Sheet
2. Statement of Revenues, Expenditures and Changes in Fund Balance
3. Reconciliation of Net Change in Fund balances – Total Governmental Funds with the Statement of Activities

APPENDIX

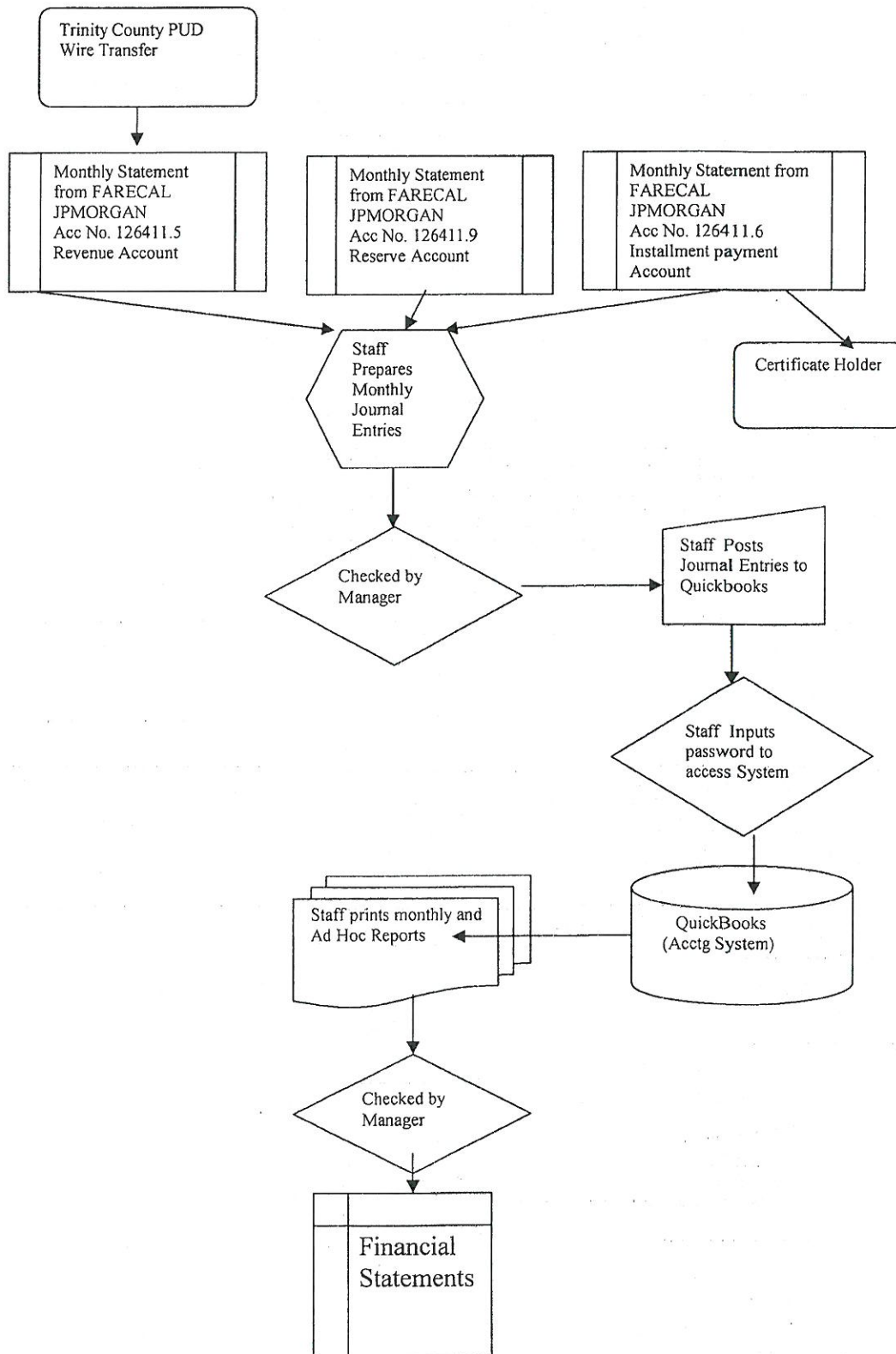
1. FLOWCHARTS
2. SAMPLE BALANCE SHEET AND INCOME STATEMENT
3. CHART OF ACCOUNTS

APPENDIX 1

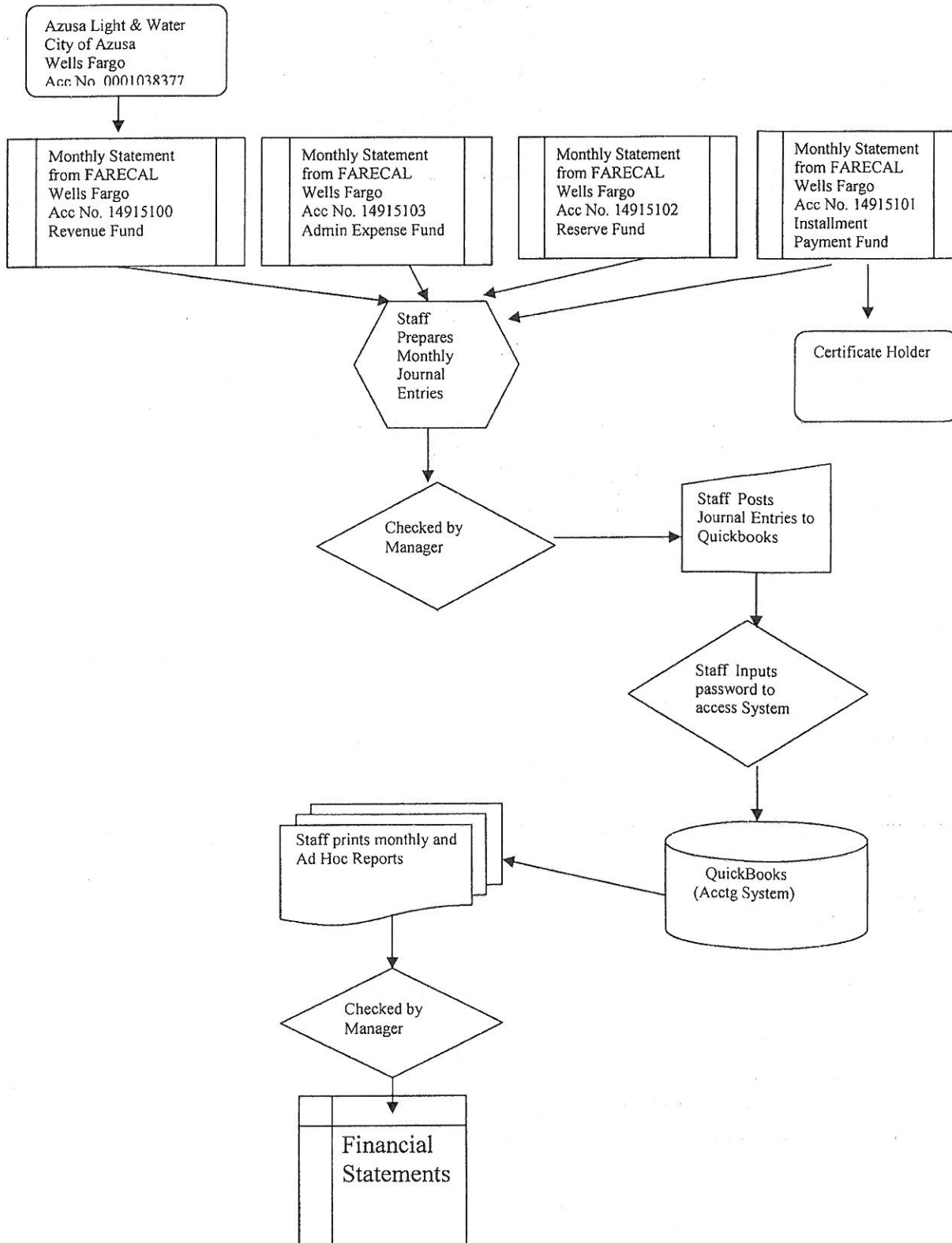
**OVERVIEW OF THE ACCOUNTING
FOR 1994 SERIES REVENUE BONDS
FOR CITY OF RIVERSIDE**



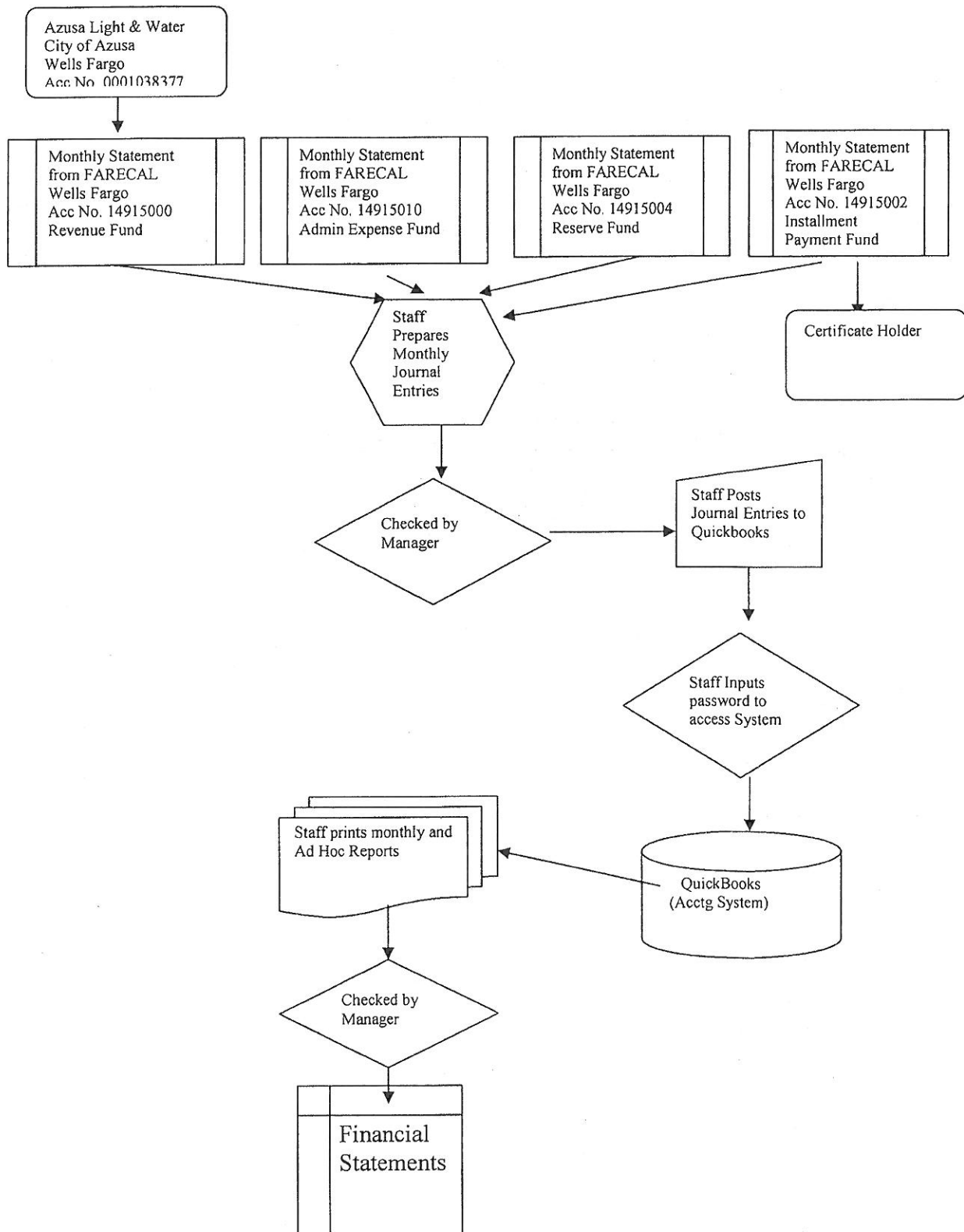
**OVERVIEW OF THE ACCOUNTING
FOR 1997 SERIES ELECTRIC SYSTEM
CERTIFICATE OF PARTICIPATION
FOR TRINITY COUNTY PUD**



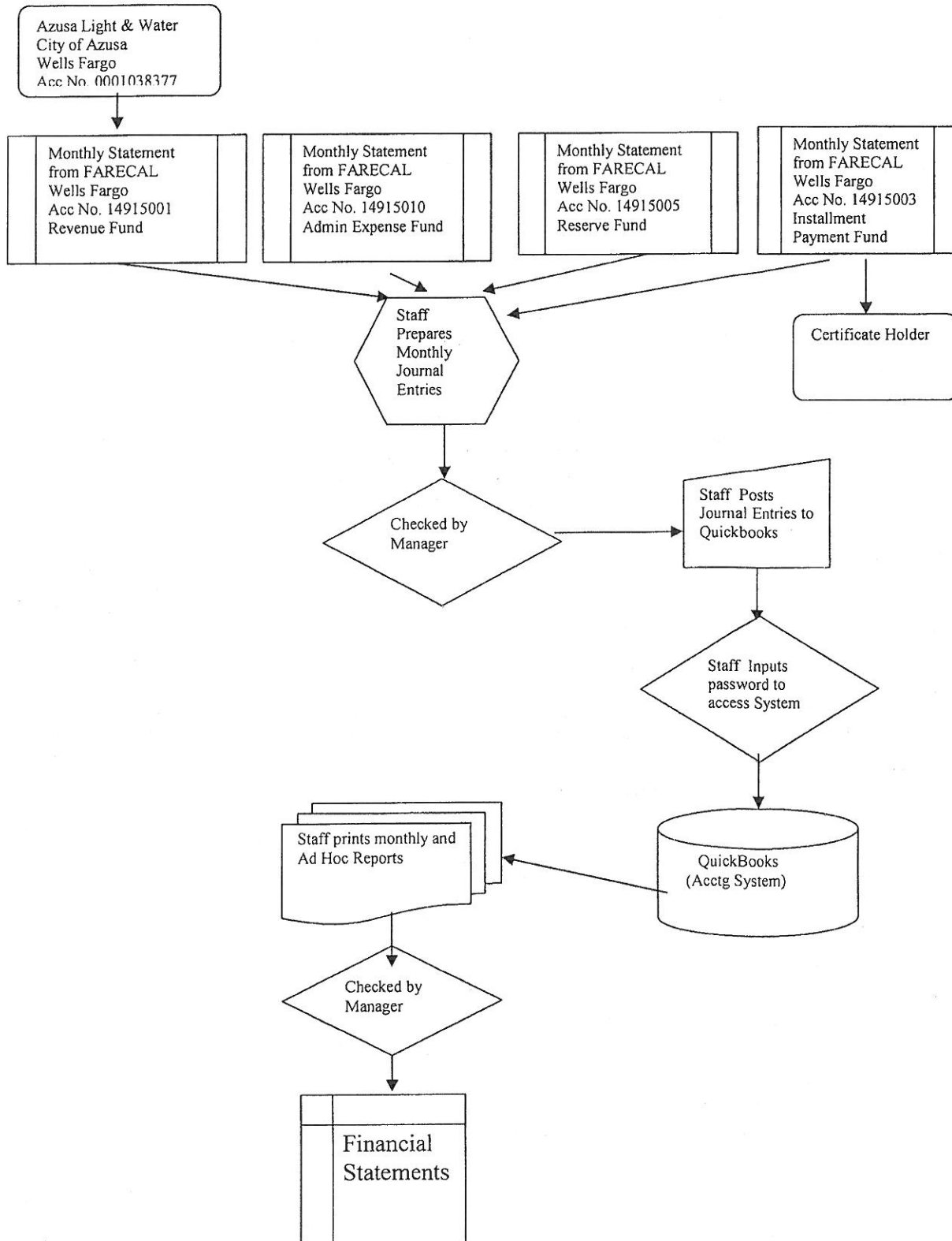
**OVERVIEW OF THE ACCOUNTING
FOR 2003 SERIES A WATER SYSTEM
CERTIFICATE OF PARTICIPATION
FOR CITY OF AZUSA**



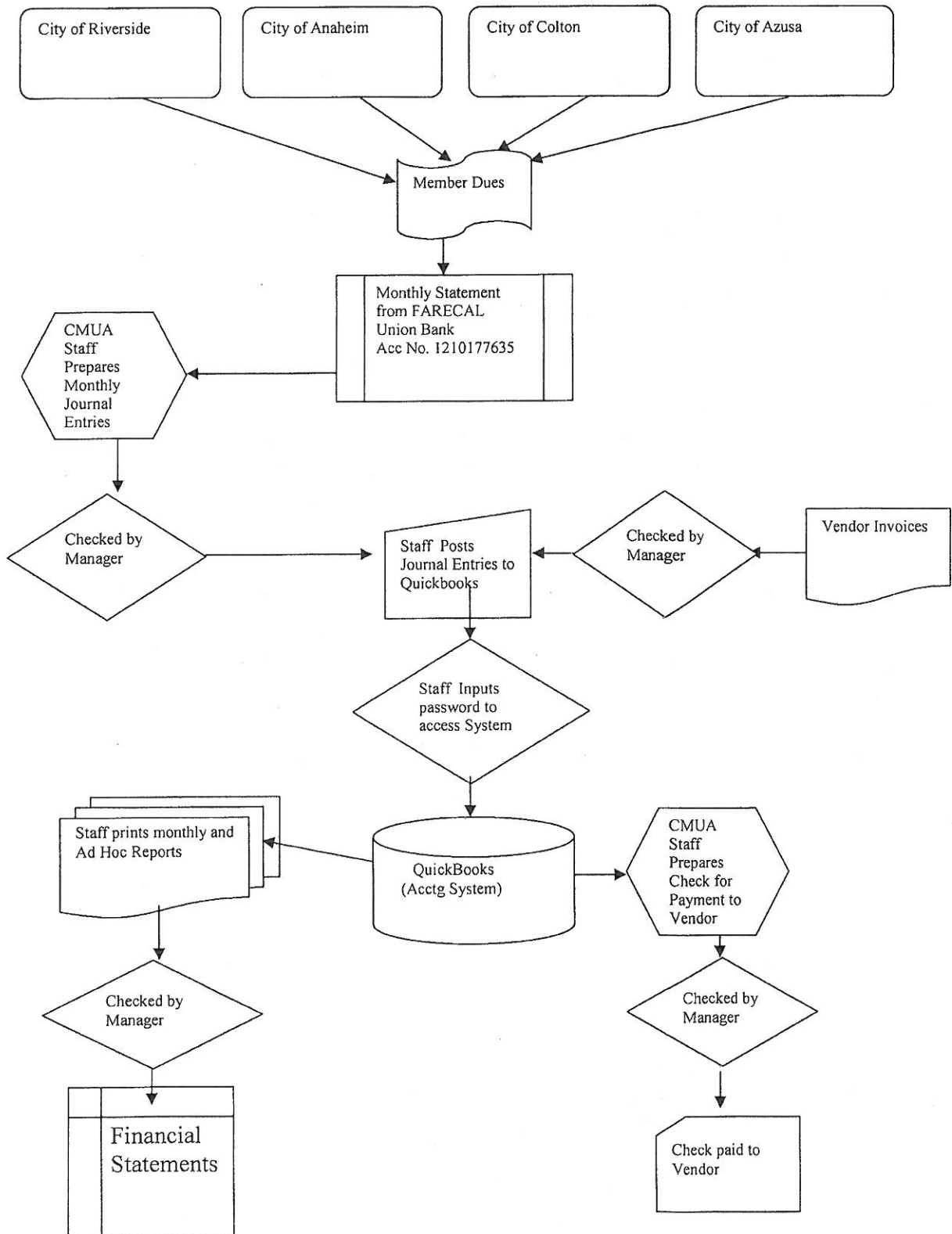
**OVERVIEW OF THE ACCOUNTING
FOR 2003 SERIES B ELECTRIC SYSTEM
CERTIFICATE OF PARTICIPATION
FOR CITY OF AZUSA**



**OVERVIEW OF THE ACCOUNTING
FOR 2003 SERIES C ELECTRIC SYSTEM
CERTIFICATE OF PARTICIPATION
FOR CITY OF AZUSA**



**OVERVIEW OF THE ACCOUNTING
FOR GENERAL AND ADMINISTRATIVE EXPENSES
FOR CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION (CMUA)**



APPENDIX 2

6:54 PM
06/29/11
Cash Basis

FARECal
Balance Sheet
As of June 30, 2006

	Jun 30, 06
ASSETS	
Current Assets	
Checking/Savings	
1-3-00 · Cash in Bank	
1-3-10 · FARECal CHECK - CMUA	68,867.95
Total 1-3-00 · Cash in Bank	68,867.95
Total Checking/Savings	68,867.95
Other Current Assets	
2-3-85 · Interest Receivable	66,276.48
Total Other Current Assets	66,276.48
Total Current Assets	135,144.43
Other Assets	
2-3-90 · Long Term Receivables - Members	
2-3-95 · City of Azusa - AR	
2-3-98 · Azusa 2003 Series C Electric	5,780,000.00
2-3-97 · Azusa 2003 Series B -Electric	5,470,000.00
2-3-96 · Azusa 2003 Series A Water	18,795,000.00
Total 2-3-95 · City of Azusa - AR	30,045,000.00
2-3-94 · Trinity County - AR	1,340,000.00
2-3-93 · City of Colton - AR	15,530,000.00
2-3-92 · City of Anaheim - AR	21,110,000.00
Total 2-3-90 · Long Term Receivables - Members	68,025,000.00
2-3-10 · Investments	
2-3-60 · City of Azusa	
2-3-80 · City of Azusa - Series C	
2-3-83 · Azusa - Series C - Debt Serv	552,235.75
2-3-82 · Azusa - Series C - Reserve	652,500.00
Total 2-3-80 · City of Azusa - Series C	1,204,735.75
2-3-70 · City of Azusa - Series B	
2-3-73 · Azusa - Series B - Debt Serv	131,718.75
2-3-72 · Azusa - Series B - Reserve	547,000.00
2-3-71 · Azusa - Series B - Revenue	410,342.05
Total 2-3-70 · City of Azusa - Series B	1,089,060.80
2-3-61 · City of Azusa - Series A	
2-3-65 · Azusa - Series A - Adm Expense	89,518.64
2-3-64 · Azusa - Series A - Debt Service	1,150,878.99
2-3-62 · Azusa - Series A - Revenue	36,605.66
2-3-63 · Azusa - Series A - Reserve	1,562,156.50
Total 2-3-61 · City of Azusa - Series A	2,839,159.79
Total 2-3-60 · City of Azusa	5,132,956.34
2-3-50 · Trinity County	
2-3-53 · Trinity County - Debt Serv	32.37
2-3-52 · Trinity County - Reserve	112,531.25
2-3-51 · Trinity County - Revenue	4,229.41
Total 2-3-50 · Trinity County	116,793.03
2-3-40 · City of Colton	
2-3-43 · City of Colton - Debt Serv	696.03
2-3-42 · City of Colton - Reserve	1,581,133.75
2-3-41 · City of Colton - Revenue	292.46
Total 2-3-40 · City of Colton	1,582,122.24

6:54 PM
06/29/11
Cash Basis

FARECal
Balance Sheet
As of June 30, 2006

	Jun 30, 06
2-3-30 · City of Anaheim	
2-3-32 · City of Anaheim - Reserve	1,749,962.50
2-3-31 · City of Anaheim - Revenue	64,640.79
Total 2-3-30 · City of Anaheim	1,814,603.29
Total 2-3-10 · Investments	8,646,474.90
Total Other Assets	76,671,474.90
TOTAL ASSETS	76,806,619.33
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
2-4-30 · Accrued Interest Payable	
2-4-37 · Accrued Int Pay -Series C Azusa	142,235.75
2-4-36 · Accrued Int Pay -Series B Azusa	131,718.75
2-4-35 · Accrued Int Pay - 2003 A Azusa	400,878.75
2-4-33 · Accrued Int Pay - 1997 Colton	219,980.63
Total 2-4-30 · Accrued Interest Payable	894,813.88
Total Other Current Liabilities	894,813.88
Total Current Liabilities	894,813.88
Long Term Liabilities	
2-4-40 · Bonds Payable - Cert of Part	
2-4-46 · 2003 Series C - City of Azusa	5,780,000.00
2-4-45 · 2003 Series B - City of Azusa	5,470,000.00
2-4-44 · 2003 Series A - City of Azusa	18,795,000.00
2-4-43 · 1997 Series - Trinity County	1,340,000.00
2-4-42 · 1997 Series - City of Colton	15,530,000.00
2-4-41 · 1997 Series - City of Anaheim	21,110,000.00
Total 2-4-40 · Bonds Payable - Cert of Part	68,025,000.00
Total Long Term Liabilities	68,025,000.00
Total Liabilities	68,919,813.88
Equity	
2-5-12 · Fund Earnings	51,219.85
2-5-11 · Fund Balance Beginning	8,893,591.36
Net Income	-1,058,005.76
Total Equity	7,886,805.45
TOTAL LIABILITIES & EQUITY	76,806,619.33

6:54 PM
06/29/11
Cash Basis

FARECal
Profit & Loss
July 2005 through June 2006

	Jul '05 - Jun 06
Ordinary Income/Expense	
Income	
2-1-10 · FARECal MEMBER DUES	2,478,505.20
1-1-10 · Revenues	
1-1-12 · Interest Income	619.66
Total 1-1-10 · Revenues	619.66
Total Income	2,479,124.86
Expense	
2-2-10 · Operating Expenses	
2-2-21 · Premium on Bonds Payable	0.00
2-2-12 · Bank Charges	110.35
Total 2-2-10 · Operating Expenses	110.35
Total Expense	110.35
Net Ordinary Income	2,479,014.51
Other Income/Expense	
Other Income	
2-1-30 · Other Income	
2-1-32 · Investment Earnings	359,876.98
2-1-31 · Gain or Loss on Sale of Assets	-13,159.57
Total 2-1-30 · Other Income	346,717.41
Total Other Income	346,717.41
Other Expense	
2-2-40 · Bond Interest Expense	3,874,535.32
2-2-50 · Other Expense	
2-2-51 · Taxes	9,202.36
Total 2-2-50 · Other Expense	9,202.36
Total Other Expense	3,883,737.68
Net Other Income	-3,537,020.27
Net Income	-1,058,005.76

APPENDIX 3

APPENDIX 3

Client: **FARECal**
 Workpaper: **CHART OF ACCOUNTS**

Account Description

Account	Description
---------	-------------

Cash and Cash Equivalents

Cash Equivalents

1-3-10 Cash in Bank - Union Bank Acc No. 1210177635 (CMUA)

Total Cash and Cash Equivalents

Investments

Investments

Money Market Mutual Funds
 Guaranteed Investment Contracts
 Repurchase Agreements

2-3-83	Azusa - Series C - Debt Serv
2-3-82	Azusa - Series C - Reserve
2-3-81	Azusa - Series C - Revenue
2-3-73	Azusa - Series B - Debt Serv
2-3-72	Azusa - Series B - Reserve
2-3-71	Azusa - Series B - Revenue
2-3-65	Azusa - Series A - Adm Expense
2-3-64	Azusa - Series A - Debt Service
2-3-62	Azusa - Series A - Revenue
2-3-63	Azusa - Series A - Reserve
2-3-53	Trinity County - Debt Serv
2-3-52	Trinity County - Reserve
2-3-51	Trinity County - Revenue
2-3-43	City of Colton - Debt Serv
2-3-42	City of Colton - Reserve
2-3-41	City of Colton - Revenue
2-3-32	City of Anaheim - Reserve
2-3-31	City of Anaheim - Revenue
2-3-23	City of Riverside - Debt Serv
2-3-22	City of Riverside - Reserve
2-3-21	City of Riverside - Revenue

Total Investments

Receivable	
Accounts Receivables	
2-3-90	Accounts Receivables

Subtotal Accounts Receivables

Interest Receivables	
2-3-85	Interest Receivable

Subtotal Interest Receivables

Accounts Receivable - LT	
2-3-90	Long Term Receivable from City of Riverside
2-3-92	Long Term Receivable from City of Anaheim
2-3-93	Long Term Receivable from City of Colton
2-3-94	Long Term Receivable from Trinity County
2-3-96	Long Term Receivable from City of Asuza - Series A
2-3-97	Long Term Receivable from City of Asuza - Series B
2-3-98	Long Term Receivable from City of Asuza - Series C

Subtotal Accounts Receivable - LT

Total Receivable

Prepaid Expenses	
Prepaid expenses	
2-3-99	Prepaid expenses

Total Prepaid Expenses

Accounts Payable & Accrued Liabilities	
Accounts Payable	
2-4-10	Accounts Payable

Subtotal Accounts Payable

Accrued Expenses	
2-4-20	Accrued Expenses

Subtotal Accrued Expenses

Total Accounts Payable & Accrued Liabilities

Debt and Other Liabilities	
Bonds Payable	
2-4-41	1997 Series, Electric Certificates of Participation - City of Anaheim

2-4-42	1997 Series, Electric Certificates of Participation - City of Colton
2-4-43	1997 Series, Electric Certificates of Participation - Trinity County
2-4-44	2003 Series A Water, Certificate of Participation - City of Azusa
2-4-45	2003 Series B Electric, Certificate of Participation - City of Azusa
2-4-46	2003 Series C Electric, Certificate of Participation - City of Azusa

Subtotal Bonds Payable

Revenue Bonds

2-4-51	1994 Series, Water Revenues Bonds - City of Riverside
--------	---

Subtotal Revenue Bonds

Total Debt and Other Liabilities

Accruals & Other Payables

Accrued Interest

2-4-31	Acc Int Pay - 1994 Series Water Revenue Bonds
2-4-32	Acc Int Pay - 1997 Series Electric Certificate of Participation - City of Anaheim
2-4-33	Acc Int Pay - 1997 Series Electric Certificate of Participation - City of Colton
2-4-34	Acc Int Pay - 1997 Series Electric Certificate of Participation - Trinity County
2-4-35	Acc Int Pay - 2003 Series A Water, Certificate of Participation - City of Azusa
2-4-36	Acc Int Pay - 2003 Series B Electric, Certificate of Participation - City of Azusa
2-4-37	Acc Int Pay - 2003 Series C Electric, Certificate of Participation - City of Azusa
2-4-60	Federal Arbitrage Rebate

Total Accruals & Other Payables

Net Assets

Net Assets

2-5-11	Fund Balance - Beginning
2-5-12	Fund Balance
	Unreserved, undesignated
	Total Fund Balance

Total Net Assets

Revenues

Investment Earnings

1-1-12	Interest Income
--------	-----------------

Subtotal Investment Earnings

Program Participation Fees

2-1-10	Program Participation Fees
--------	----------------------------

Subtotal Program Participation Fees

Total Revenues

Operating Expenses

General and Administrative

2-2-20	Legal Services
2-2-11	Professional Fees
2-2-12	Bank Charges
2-2-13	Trustee Fees
2-2-14	Bond Fees
2-2-15	Office Supplies
2-2-16	Postage - Courier Service
2-2-17	Meeting Expense
2-2-18	Miscellaneous Expense
2-2-19	Travel
2-2-21	Premium on bonds payable

Subtotal General and Administrative

Capital Improvement Program

1-2-11	Consultants
1-2-12	Office Supplies
1-2-13	Meeting Expense
1-2-14	Miscellaneous Expense
1-2-15	Travel
1-2-16	Permits & Licenses
1-2-17	Overhead Allocation

Subtotal Capital Improvement Program

Debt Service

2-2-40	Bond Interest
	Bond Principal
	Payments to Bond Escrow Agent
	Bond Issuance Costs

Subtotal Debt Service

Total Operating Expenses

Other Income

Gain/Loss on Sale of Assets

2-1-31	Gain/Loss on Sale of Assets
--------	-----------------------------

Subtotal Gain/Loss on Sale of Assets

Investment Earnings

2-1-32 Investment Earnings

Subtotal Investment Earnings

Taxes

2-2-51 Federal Arbitrage Rebate

Subtotal Taxes

Change in Fair Value of Investments

2-1-33 Change in Fair Value of Investments

Subtotal Change in Fair Value of Investments

Financing Sources

Proceeds from Bond Issuance
Proceeds from Debt Refunding
Proceeds from Prior Bonds
Operating Transfers - In
Operating Transfers - Out
Transfer in from Participants

Subtotal Financing Sources

Total Other Income

Other Expenses

Other Expenses

2-2-50 Other Expenses

Total Other Expenses

FARECal**Fiscal Year 2005-2006 through Fiscal Year 2010-2011****Index - Electronic Files**

Main Folder - Client Files

- Accounting Schedules
 - Bank Recon (Monthly Bank Reconciliation Schedules)
 - FY 2006
 - FY 2007
 - FY 2008
 - FY 2009
 - FY 2010
 - FY 2011
 - Accrued Interest Payable Worksheet (FY2006 through FY2011)
 - FARECalDebt-063005-sy-042811 (Debt Schedule prepared by Steven Yang)
 - Interest Receivable (FY2006 through FY2011)
- City of Anaheim
 - Escrow (4 pdf files for trustee account no. 876627 covering the period February 2007 to June 2011)
 - Installment (2 pdf files for trustee account no. 402804 covering the period December 2006 to June 2008)
 - Reserve
 - 2 pdf files for trustee account no. 126411.7 covering the period July 2005 to December 2006
 - 3 pdf files for trustee account no. 402816 covering the period December 2006 to June 2008
 - Reserve Summary Listing by Nicolson & Olson
 - Revenue
 - 2 pdf files for trustee account no. 125411.7 covering the period July 2005 to December 2006
 - 4 pdf files for trustee account no. 402801 covering the period December 2006 to June 2008
 - Revenue Summary Listing by Nicolson & Olson
 - Closing Statement for Refunding Bond
 - Debt Service 2nd Issue- 2005
- City of Azusa
 - 2003 Series A FY 05-06
 - 2003 Series A FY 06-07
 - 2003 Series A FY 07-08
 - 2003 Series A FY 08-09
 - 2003 Series A FY 09-10
 - 2003 Series A FY 10-11

- 2003 Series B&C FY 05-06
- 2003 Series B&C FY 06-07
- 2003 Series B&C FY 07-08
- 2003 Series B&C FY 08-09
- 2003 Series B&C FY 09-10
- 2003 Series B&C FY 10-11
- City of Colton
 - Escrow Account (13 pdf files for trustee account no. 876629 covering the period July 2007 to June 2011)
 - Installment Account (17 pdf files for trustee account nos. 126411.4 and 402812 covering the period July 2005 to June 2011)
 - Reserve Account (23 pdf files for trustee account nos. 126411.8 and 403133 covering the period January 2006 to June 2011)
 - Revenue Account (17 pdf files for trustee account nos. 126411.3 and 402807 covering the period January 2006 to June 2011)
- City of Riverside
 - Debt Service (12 pdf files for trustee account no. 406657 covering the period July 2005 to June 2006)
 - Reserve (4 pdf files for trustee account no. 411199 covering the period July 2005 to October 2005)
 - Revenue (4 pdf files for trustee account no. 411202 covering the period July 2005 to October 2005)
- CMUA (4 pdf files of bank statements covering the period January 2005 to June 2011)
- Trinity County (9 pdf files of trustee statements covering the period July 2005 to January 2011)

Main Folder - Permanent File

- \$19,470,000 FARECAL 1994 Series Riverside (Bond Official Statement in pdf version)
- \$46,565,000 FARECal COP 1997 Series (Anaheim, Colton, Trinity) [Bond Official Statement in pdf version)
- Azusa 2003 Series A, B & C Official Statement (in pdf version)
- FARECal 1994, Riverside refund closing documents
- FARECal Final Audit Report2005
- JPA

**FINANCING AUTHORITY FOR RESOURCE
EFFICIENCY OF CALIFORNIA**

**Independent Auditor's Report
and
Financial Statements**

**Two Years Ended
June 30, 2005**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Financing Authority for Resource Efficiency of California
Sacramento, California

We have audited the accompanying financial statements of the Financing Authority for Resource Efficiency of California (FARECal), as of and for the two years ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the FARECal's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the U.S. Comptroller General. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of FARECal, as of June 30, 2005, and the respective changes in financial position for the two years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 24, 2009, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Board of Directors
Financing Authority for Resource Efficiency of California

FARECal has not presented the Management Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Nicholson & Olson

Certified Public Accountants
Roseville, California
July 24, 2009

FINANCIAL STATEMENTS

FINANCING AUTHORITY FOR RESOURCE EFFICIENCY OF CALIFORNIA

STATEMENT OF NET ASSETS JUNE 30, 2005

	Total Governmental Activities
Assets	
Cash	\$ 50,248
Cash and investments with fiscal agent	9,563,417
Interest receivable	124,550
Long-term receivable from participating utilities	<u>73,795,000</u>
Total Assets	<u>83,533,215</u>
Liabilities and Fund Balances	
Liabilities	
Accrued interest	793,404
Long-term Debt	
Due within one year	2,545,000
Due in more than one year	<u>71,250,000</u>
Total Liabilities	<u>74,588,404</u>
Net Assets	
Restricted for debt service	8,894,563
Unrestricted	<u>50,248</u>
Total Net Assets	<u>\$ 8,944,811</u>

FINANCING AUTHORITY FOR RESOURCE EFFICIENCY OF CALIFORNIA

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES FOR THE TWO YEARS ENDED JUNE 30, 2005

	Total	Debt Service	Capital Improvements
Expenses:			
Interest on debt	\$ 8,144,760	\$ 8,144,760	\$ -
Project expenses	9,360,892	-	9,360,892
Other charges	818,858	796,554	22,304
	18,324,510	8,941,314	9,383,196
Program revenues:			
Program participation fees	12,176,356	12,176,356	-
Net program revenue (expense)	(6,148,154)	\$ 3,235,042	\$ (9,383,196)
General revenues:			
Investment earnings	874,268		
Transfers from participants	16,000		
Total general revenues	890,268		
Change in net assets	(5,257,886)		
Net assets - July 1, 2003	14,202,697		
Net assets - June 30, 2005	\$ 8,944,811		

FINANCING AUTHORITY FOR RESOURCE EFFICIENCY OF CALIFORNIA

BALANCE SHEET JUNE 30, 2005

	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets			
Cash	\$ 50,248	\$ -	\$ 50,248
Cash and investments with fiscal agent	-	9,563,417	9,563,417
Interest receivable	-	124,550	124,550
Long-term receivable from participating utilities	-	73,795,000	73,795,000
Total Assets	<u>\$ 50,248</u>	<u>\$ 83,482,967</u>	<u>\$ 83,533,215</u>
Liabilities and Fund Balances			
Liabilities			
Deferred revenue	\$ -	\$ 73,795,000	\$ 73,795,000
Total Liabilities	<u>-</u>	<u>73,795,000</u>	<u>73,795,000</u>
Fund Balances			
Reserved for debt service	-	9,687,967	9,687,967
Unreserved, undesignated	50,248	-	50,248
Total Fund Balances	<u>50,248</u>	<u>9,687,967</u>	<u>9,738,215</u>
Total Liabilities and Fund Balances	<u>\$ 50,248</u>	<u>\$ 83,482,967</u>	

Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds above because of the following:

ACCRUAL OF NON-CURRENT REVENUES

Revenues which are deferred on the Fund Balance sheets because they are not available currently are taken into revenue in the Statement of Activities

73,795,000

LONG-TERM LIABILITIES

The following liabilities are not due and payable in the current period and therefore are not reported in the Funds:

Long-term debt

(73,795,000)

Interest payable

(793,404)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 8,944,811

**FINANCING AUTHORITY FOR RESOURCE
EFFICIENCY OF CALIFORNIA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
FOR THE TWO YEARS ENDED JUNE 30, 2005**

	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues			
Interest	\$ 655	\$ 873,613	\$ 874,268
Program participation fees	-	12,176,356	12,176,356
Total Revenues	655	13,049,969	13,050,624
Expenditures			
General and administrative	22,304	388,627	410,931
Capital improvement program	9,360,892	-	9,360,892
Debt Service:			
Bond interest	-	7,351,356	7,351,356
Bond principal	-	12,190,000	12,190,000
Payments to bond escrow agent	-	20,552,256	20,552,256
Bond issuance costs	-	407,927	407,927
Total Expenditures	9,383,196	40,890,166	50,273,362
Excess (Deficiency) of revenues over (under) expenditures	(9,382,541)	(27,840,197)	(37,222,738)
Other financing sources (uses)			
Proceeds from bond issuance	10,346,855	21,975,919	32,322,774
Proceeds from debt refunding	-	7,075,000	7,075,000
Proceeds from prior bonds	-	1,562,157	1,562,157
Operating transfers in	-	4,661,872	4,661,872
Operating transfers out	(985,963)	(3,675,909)	(4,661,872)
Transfer in from participants	16,000	-	16,000
Total Other financing sources (uses)	9,376,892	31,599,039	40,975,931
Excess of revenues and other sources over expenditures and other uses	(5,649)	3,758,842	3,753,193
Fund Balance - July 1, 2003	55,897	5,929,125	5,985,022
Fund Balance - June 30, 2005	\$ 50,248	\$ 9,687,967	\$ 9,738,215

See accompanying notes to financial statements

FINANCING AUTHORITY FOR RESOURCE EFFICIENCY OF CALIFORNIA

RECONCILIATION OF NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS WITH THE STATEMENT OF ACTIVITIES FOR THE TWO YEARS ENDED JUNE 30, 2005

Amounts reported for governmental activities in the statement of activities are different because of the following:

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 3,753,193
--	--------------

LONG-TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but in the statement of net assets the repayment reduces long-term liabilities.

Proceeds from the issuance of debt are deducted from fund balance	(32,322,774)
Proceeds from debt refunding are deducted from fund balance	(7,075,000)
Proceeds from prior bonds are deducted from fund balance	(1,562,157)
Repayment of long-term debt is added back to fund balance	12,190,000

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the statement of activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in the governmental funds (net change):

Deferred revenue	20,175,000
Accrued interest expense	(416,148)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (5,257,886)</u>
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FINANCING AUTHORITY FOR RESOURCE EFFICIENCY OF CALIFORNIA
Notes to Financial Statements
For the Two Years Ended June 30, 2005

The notes to the financial statements include a summary of significant accounting policies and other notes considered essential to fully disclose and fairly present the transactions and financial position of FARECal as follows:

Note 1 - Summary of Significant Accounting Policies

Note 2 - Cash and Investments

Note 3 - Long Term Debt

Note 4 - Related Party Transactions

Note 5 - Contingent Liability

FINANCING AUTHORITY FOR RESOURCE EFFICIENCY OF CALIFORNIA
Notes to Financial Statements
For the Two Years Ended June 30, 2005

Note 1 - Summary of Significant Accounting Policies

The basic financial statements of the Financing Authority for Resource Efficiency of California (FARECal) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard body for establishing governmental accounting and financial reporting principles. The more significant of FARECal's accounting policies are described below:

Financial Reporting Entity

The Financing Authority for Resource Efficiency of California (FARECal) was formed on July 1, 1993 under a joint exercise of powers agreement among several municipal utilities in California. FARECal was established for the purpose of promoting, advancing, encouraging and participating in conservation, reclamation and other programs which are designed to utilize energy or water resources more efficiently. Bonds and Certificates of Participation are issued for the purpose of providing financing for certain energy and water conservation programs. Currently, there are four cities and a district which have entered into program agreements relating to energy and water conservation projects.

Basis of Accounting and Measurement Focus

The accounts of FARECal are organized on the basis of governmental funds which are considered separate accounting entities. The operation of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These financial statements present summaries of FARECal's governmental activities.

The basic financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for the governmental funds.

FINANCING AUTHORITY FOR RESOURCE EFFICIENCY OF CALIFORNIA
Notes to Financial Statements
For the Two Years Ended June 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Measurement Focus (continued)

An accompanying schedule is presented in these statements to reconcile and explain the differences in fund balances as presented in these statements to the net assets presented in the Government-Wide Financial Statements. Governmental funds consist of the following funds:

Capital Projects Fund - The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for the payment of general long-term debt principal and interest.

All governmental funds are accounted for using the modified accrual basis of accounting, wherein:

- Revenues are recorded when they become both measurable and available to finance the expenditures for the current period (susceptible to accrual).
- Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

A reconciliation of the Net Change in Fund Balance to the Government-Wide Statement of Activities is provided to explain the differences created by the conversion from the governmental funds which are accounted for on a spending or "current financial resources" measurement focus and the "economic resources" measurement focus.

Investments

All investments are stated at market value.

Note 2 - Cash and Investments

The cash and investments as reported in the statement of net assets at June 30, 2005 are as follows:

Cash in bank	\$ 50,248
Cash and investments with fiscal agents:	<u>9,563,417</u>
Total cash and investments	<u>\$ 9,613,665</u>

FINANCING AUTHORITY FOR RESOURCE EFFICIENCY OF CALIFORNIA
Notes to Financial Statements
For the Two Years Ended June 30, 2005

Note 2 - Cash and Investments (Continued)

Cash deposits

At June 30, 2005, the carrying amount of FARECal's deposits was \$50,248 and the bank balance was \$50,248. The entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC).

Investments

Investments are maintained by the trustee for each of the bond issues in accordance with a specific trustee agreement and at June 30, 2005 are comprised of the following:

	<u>Credit Quality Rating</u>		<u>Fair Value</u>
	<u>Moody's</u>	<u>S & P</u>	
Cash and investment with fiscal agents:			
Money market mutual funds	Aaa	AAA	\$ 2,943,094
Guaranteed investment contracts	Not rated	Not rated	3,846,153
Repurchase agreements	Not rated	Not rated	<u>2,774,170</u>
Total cash and investments with fiscal agents			<u>\$ 9,563,417</u>

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. This is measured by ratings assigned by nationally-recognized ratings organizations.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Information about the sensitivity of the fair values of the trustee's investments to market interest rate fluctuations is provided by the following table of investments by maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than One Year</u>	<u>1 - 5 Years</u>	<u>More Than 5 Years</u>
Investments held by fiscal agents:				
Money market mutual funds	\$ 2,943,094	\$ 2,943,094	\$ -	\$ -
Guaranteed investment contracts	3,846,153	-	-	3,846,153
Repurchase agreements	<u>2,774,170</u>	<u>2,774,170</u>	-	-
Total investments with agents	<u>\$ 9,563,417</u>	<u>\$ 5,717,264</u>	<u>\$ -</u>	<u>\$ 3,846,153</u>

FINANCING AUTHORITY FOR RESOURCE EFFICIENCY OF CALIFORNIA
Notes to Financial Statements
For the Two Years Ended June 30, 2005

Note 3 - Long-Term Debt

The following is a summary of long-term debt transactions for the two years ended June 30, 2005:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2005	Due Within One Year
Revenues Bonds:					
1994 Series	\$ 12,175,000	\$ -	\$ (8,750,000)	\$ 3,425,000	\$ 200,000
Certificates of Participation:					
1997 Series	41,445,000	-	(2,255,000)	39,190,000	1,210,000
2003 Series A	-	20,370,000	(840,000)	19,530,000	735,000
2003 Series B	-	5,470,000	-	5,470,000	-
2003 Series C	-	6,525,000	(345,000)	6,180,000	400,000
Total	<u>\$ 53,620,000</u>	<u>\$ 32,365,000</u>	<u>\$(12,190,000)</u>	<u>\$ 73,795,000</u>	<u>\$ 2,545,000</u>

1994 Revenue Bonds

FARECal issued Revenue Bonds dated July 1, 1994 for energy and water conservation projects. Interest is payable semi-annually on July 1 and January 1.

Dates of maturity	1997 - 2017
Face amount on issue	\$ 19,470,000
Interest rates	4.6% - 6.0%
Outstanding bonds payable	\$ 3,425,000

Principal and interest are paid by the participating utilities pursuant to their individual program agreements. The annual debt service requirements on the 1994 revenue bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2006	\$ 200,000	\$ 203,110	\$ 403,110
2007	215,000	191,910	406,910
2008	225,000	179,656	404,656
2009	240,000	166,610	406,610
2010	255,000	152,500	407,500
2011-2015	1,535,000	506,500	2,041,500
2016-2017	755,000	68,700	823,700
Total	<u>\$ 3,425,000</u>	<u>\$ 1,468,986</u>	<u>\$ 4,893,986</u>

FINANCING AUTHORITY FOR RESOURCE EFFICIENCY OF CALIFORNIA
Notes to Financial Statements
For the Two Years Ended June 30, 2005

Note 3 - Long-Term Debt (Continued)

1997 Certificates of Participation

FARECal issued Certificates of Participation dated May 1, 1997 for the purpose of financing and refinancing the acquisition, construction and installation of certain projects of participating utilities. Interest is paid semi-annually on April 1 and October 1.

Dates of maturity	2000 - 2027
Face amount on issue	\$ 46,565,000
Interest rates	4.5% - 6.0%
Outstanding certificates payable	\$ 39,190,000

Principal and interest are paid by the participating utilities pursuant to their individual program agreements. The annual debt service requirements on the 1997 certificates of participation are as follows:

<u>For the Years</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 1,210,000	\$ 2,221,444	\$ 3,431,444
2007	1,275,000	2,157,918	3,432,918
2008	1,335,000	2,090,346	3,425,346
2009	1,420,000	2,010,246	3,430,246
2010	1,500,000	1,925,046	3,425,046
2011-2015	8,915,000	8,190,854	17,105,854
2016-2020	11,605,000	5,422,571	17,027,571
2021-2025	8,510,000	2,322,322	10,832,322
2026-2027	3,420,000	297,564	3,717,564
Total	<u>\$ 39,190,000</u>	<u>\$ 26,638,311</u>	<u>\$ 65,828,311</u>

FINANCING AUTHORITY FOR RESOURCE EFFICIENCY OF CALIFORNIA
Notes to Financial Statements
For the Two Years Ended June 30, 2005

Note 3 - Long-Term Debt (Continued)

2003 Series A Water, Certificates of Participation

FARECal issued \$20,370,000 of Certificates of Participation dated December 18, 2003 for the purpose of refunding \$20,130,000 of outstanding Azusa Public Financing Authority Revenue Bonds, 1993 Series A and to pay costs associated with the execution and delivery of Series A Water Certificates. Interest is paid semi-annually on July 1 and January 1.

Dates of maturity	2004 - 2023
Face amount on issue	\$ 20,370,000
Interest rates	2.0% - 5.0%
Outstanding certificates payable	\$ 19,530,000

Principal and interest are paid by the participating utility pursuant to the program agreement. The annual debt service requirements on the 2003 Series A Water certificates of participation are as follows:

<u>For the Years</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 735,000	\$ 809,108	\$ 1,544,108
2007	750,000	794,258	1,544,258
2008	765,000	775,283	1,540,283
2009	790,000	751,958	1,541,958
2010	815,000	725,845	1,540,845
2011-2015	4,550,000	3,124,314	7,674,314
2016-2020	5,610,000	2,028,644	7,638,644
2021-2024	5,515,000	559,671	6,074,671
Total	<u>\$ 19,530,000</u>	<u>\$ 9,569,081</u>	<u>\$ 29,099,081</u>

FINANCING AUTHORITY FOR RESOURCE EFFICIENCY OF CALIFORNIA
Notes to Financial Statements
For the Two Years Ended June 30, 2003

Note 3 - Long-Term Debt (Continued)

2003 Series B Electric, Certificates of Participation

FARECal issued \$5,470,000 of Certificates of Participation dated December 18, 2003 to finance the acquisition, construction and installation of a new substation, including associated equipment, facilities, and certain upgrades to the distribution lines and equipment for the City of Azusa Electric Utility Fund, a participating utility. Interest is paid semi-annually on July 1 and January 1.

Dates of maturity	2004 - 2023
Face amount on issue	\$ 5,470,000
Interest rates	2.0% - 5.0%
Outstanding certificates payable	\$ 5,470,000

Principal and interest are paid by the participating utility pursuant to the program agreement. The annual debt service requirements on the 2003 Series B Electric certificates of participation are as follows:

<u>For the Years</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ -	\$ 263,438	\$ 263,438
2007	-	263,438	263,438
2008	-	263,438	263,438
2009	-	263,438	263,438
2010	-	263,438	263,438
2011-2015	-	1,317,188	1,317,188
2016-2020	2,050,000	1,183,050	3,233,050
2021-2024	<u>3,420,000</u>	<u>346,905</u>	<u>3,766,905</u>
Total	<u>\$ 5,470,000</u>	<u>\$ 4,164,333</u>	<u>\$ 9,634,333</u>

FINANCING AUTHORITY FOR RESOURCE EFFICIENCY OF CALIFORNIA
Notes to Financial Statements
For the Two Years Ended June 30, 2003

Note 3 - Long-Term Debt (Concluded)

2003 Series C Electric, Certificates of Participation

FARECal issued \$6,525,000 of Certificates of Participation dated December 18, 2003 to finance the acquisition, construction and installation of certain facilities to interconnect the electric system of Southern California Edison to the City of Azusa Electric Utility substation, and together with Series B Electric Project to fund a reserve account for the Series C Electric Certificates and to pay costs associated with the execution and delivery of the Series C Electric Certificates. Interest is paid semi-annually on July 1 and January 1.

Dates of maturity	2004 - 2018
Face amount on issue	\$ 6,525,000
Interest rates	1.46% - 5.57%
Outstanding certificates payable	\$ 6,180,000

Principal and interest are paid by the participating utility pursuant to the program agreement. The annual debt service requirements on the 2003 Series C Electric certificates of participation are as follows:

<u>For the Years</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 400,000	\$ 288,912	\$ 688,912
2007	410,000	278,691	688,691
2008	425,000	265,600	690,600
2009	435,000	249,698	684,698
2010	455,000	229,345	684,345
2011-2015	2,655,000	757,031	3,412,031
2016-2018	1,400,000	89,677	1,489,677
Total	<u>\$ 6,180,000</u>	<u>\$ 2,158,954</u>	<u>\$ 8,338,954</u>

FINANCING AUTHORITY FOR RESOURCE EFFICIENCY OF CALIFORNIA
Notes to Financial Statements
For the Two Years Ended June 30, 2003

Note 4 - Related Party Transactions

Board of Directors - FARECal is governed by a Board of Directors which are elected by representatives from each of the participating local governments.

General and Administrative Expenditures - FARECal shares common facilities and personnel with California Municipal Utilities Association (CMUA), which is the administering entity for FARECal.

Long-Term Receivable from Participating Utilities - In connection with the bond and certificate issues, each participating utility is unconditionally obligated to make installment payments of principal and interest pursuant to their respective program agreements. Long-term receivables from the participating utilities are equal to the balance of the outstanding debt \$73,795,000 and are recorded in the Debt Service Fund. At June 30, 2005, the long-term receivable consisted of the following:

Participating Utility	1994 Series	1997 Series	2003 Series	Total
City of Riverside, Water System	\$ 3,425,000	\$ -	\$ -	\$ 3,425,000
City of Anaheim, Electric System	-	21,630,000	-	21,630,000
City of Colton, Electric System	-	16,190,000	-	16,190,000
Trinity County Public Utilities District	-	1,370,000	-	1,370,000
City of Azusa, Water System	-	-	19,530,000	19,530,000
City of Azusa, Electric System	-	-	11,650,000	11,650,000
Total investments with agents	<u>\$ 3,425,000</u>	<u>\$ 39,190,000</u>	<u>\$ 31,180,000</u>	<u>\$ 73,795,000</u>

Note 5 - Contingent Liability

Federal arbitrage rebate regulations relating to its tax-exempt indebtedness require that any excess earnings be rebated to the IRS every five years. As a result, arbitrage rebates may be required in the future.

OTHER REPORTS

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Financing Authority for Resource Efficiency of California
Sacramento, California

We have audited the financial statements of the Financing Authority for Resource Efficiency of California (FARECal), as of and for the two years ended June 30, 2005, and have issued our report thereon dated July 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether FARECal's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financing Reporting

In planning and performing our audit, we considered FARECal's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Nicholson & Olson

Certified Public Accountants
Roseville, California
July 24, 2009

[[MODEL - REMOVE THIS TITLE WHEN USED]]

**CITY OF AZUSA
PROFESSIONAL SERVICES AGREEMENT**

1. PARTIES AND DATE.

This Agreement is made and entered into this ____ day of _____, 20__ by and between the **City of Azusa**, a municipal organization organized under the laws of the State of California with its principal place of business at 213 East Foothill Boulevard, Azusa, California 91702-1295 ("City") and [____INSERT NAME____], a [____[INSERT TYPE OF ENTITY - CORPORATION, PARTNERSHIP, SOLE PROPRIETORSHIP OR OTHER LEGAL ENTITY]____] with its principal place of business at [____INSERT ADDRESS____] ("Consultant"). City and Consultant are sometimes individually referred to as "Party" and collectively as "Parties."

2. RECITALS.

2.1 Consultant.

Consultant desires to perform and assume responsibility for the provision of certain professional services required by the City on the terms and conditions set forth in this Agreement. Consultant represents that it is experienced in providing [____INSERT TYPE OF SERVICES____] services to public clients, is licensed in the State of California, and is familiar with the plans of City.

2.2 Project.

City desires to engage Consultant to render such services for the [____INSERT NAME OF PROJECT____] project ("Project") as set forth in this Agreement.

3. TERMS.

3.1 Scope of Services and Term.

3.1.1 General Scope of Services. Consultant promises and agrees to furnish to the City all labor, materials, tools, equipment, services, and incidental and customary work necessary to fully and adequately supply the professional [____INSERT TYPE OF SERVICES____] consulting services necessary for the Project ("Services"). The Services are more particularly described in Exhibit "A" attached hereto and incorporated herein by reference. All Services shall be subject to, and performed in accordance with, this Agreement, the exhibits attached hereto and incorporated herein by reference, and all applicable local, state and federal laws, rules and regulations.

3.1.2 Term. The term of this Agreement shall be from [____INSERT START DATE____] to [____INSERT ENDING DATE____], unless earlier terminated as provided herein.

Consultant shall complete the Services within the term of this Agreement, and shall meet any other established schedules and deadlines.

3.2 Responsibilities of Consultant.

3.2.1 Control and Payment of Subordinates; Independent Contractor. The Services shall be performed by Consultant or under its supervision. Consultant will determine the means, methods and details of performing the Services subject to the requirements of this Agreement. City retains Consultant on an independent contractor basis and not as an employee. Consultant retains the right to perform similar or different services for others during the term of this Agreement. Any additional personnel performing the Services under this Agreement on behalf of Consultant shall also not be employees of City and shall at all times be under Consultant's exclusive direction and control. Consultant shall pay all wages, salaries, and other amounts due such personnel in connection with their performance of Services under this Agreement and as required by law. Consultant shall be responsible for all reports and obligations respecting such additional personnel, including, but not limited to: social security taxes, income tax withholding, unemployment insurance, disability insurance, and workers' compensation insurance.

3.2.2 Schedule of Services. Consultant shall perform the Services expeditiously, within the term of this Agreement, and in accordance with the Schedule of Services set forth in Exhibit "B" attached hereto and incorporated herein by reference. Consultant represents that it has the professional and technical personnel required to perform the Services in conformance with such conditions. In order to facilitate Consultant's conformance with the Schedule, City shall respond to Consultant's submittals in a timely manner. Upon request of City, Consultant shall provide a more detailed schedule of anticipated performance to meet the Schedule of Services.

3.2.3 Conformance to Applicable Requirements. All work prepared by Consultant shall be subject to the approval of City.

3.2.4 Substitution of Key Personnel. Consultant has represented to City that certain key personnel will perform and coordinate the Services under this Agreement. Should one or more of such personnel become unavailable, Consultant may substitute other personnel of at least equal competence upon written approval of City. In the event that City and Consultant cannot agree as to the substitution of key personnel, City shall be entitled to terminate this Agreement for cause. As discussed below, any personnel who fail or refuse to perform the Services in a manner acceptable to the City, or who are determined by the City to be uncooperative, incompetent, a threat to the adequate or timely completion of the Project or a threat to the safety of persons or property, shall be promptly removed from the Project by the Consultant at the request of the City. The key personnel for performance of this Agreement are as follows: [__INSERT NAMES__].

3.2.5 City's Representative. The City hereby designates [__INSERT NAME OR TITLE__], or his or her designee, to act as its representative for the performance of this Agreement ("City's Representative"). City's Representative shall have the power to act on behalf of the City for all purposes under this Contract. Consultant shall not accept direction or orders from any person other than the City's Representative or his or her designee.

3.2.6 Consultant's Representative. Consultant hereby designates [___INSERT NAME OR TITLE___], or his or her designee, to act as its representative for the performance of this Agreement ("Consultant's Representative"). Consultant's Representative shall have full authority to represent and act on behalf of the Consultant for all purposes under this Agreement. The Consultant's Representative shall supervise and direct the Services, using his best skill and attention, and shall be responsible for all means, methods, techniques, sequences and procedures and for the satisfactory coordination of all portions of the Services under this Agreement.

3.2.7 Coordination of Services. Consultant agrees to work closely with City staff in the performance of Services and shall be available to City's staff, consultants and other staff at all reasonable times.

3.2.8 Standard of Care; Performance of Employees. Consultant shall perform all Services under this Agreement in a skillful and competent manner, consistent with the standards generally recognized as being employed by professionals in the same discipline in the State of California. Consultant represents and maintains that it is skilled in the professional calling necessary to perform the Services. Consultant warrants that all employees and subcontractors shall have sufficient skill and experience to perform the Services assigned to them. Finally, Consultant represents that it, its employees and subcontractors have all licenses, permits, qualifications and approvals of whatever nature that are legally required to perform the Services, including a City Business License, and that such licenses and approvals shall be maintained throughout the term of this Agreement. As provided for in the indemnification provisions of this Agreement, Consultant shall perform, at its own cost and expense and without reimbursement from the City, any services necessary to correct errors or omissions which are caused by the Consultant's failure to comply with the standard of care provided for herein. Any employee of the Consultant or its sub-consultants who is determined by the City to be uncooperative, incompetent, a threat to the adequate or timely completion of the Project, a threat to the safety of persons or property, or any employee who fails or refuses to perform the Services in a manner acceptable to the City, shall be promptly removed from the Project by the Consultant and shall not be re-employed to perform any of the Services or to work on the Project.

3.2.9 Laws and Regulations. Consultant shall keep itself fully informed of and in compliance with all local, state and federal laws, rules and regulations in any manner affecting the performance of the Project or the Services, including all Cal/OSHA requirements, and shall give all notices required by law. Consultant shall be liable for all violations of such laws and regulations in connection with Services. If the Consultant performs any work knowing it to be contrary to such laws, rules and regulations and without giving written notice to the City, Consultant shall be solely responsible for all costs arising therefrom. Consultant shall defend, indemnify and hold City, its officials, directors, officers, employees and agents free and harmless, pursuant to the indemnification provisions of this Agreement, from any claim or liability arising out of any failure or alleged failure to comply with such laws, rules or regulations.

3.2.10 Insurance.

3.2.10.1 Time for Compliance. Consultant shall not commence Work under this Agreement until it has provided evidence satisfactory to the City that it has secured all insurance required under this section. In addition, Consultant shall not allow any subcontractor to

commence work on any subcontract until it has provided evidence satisfactory to the City that the subcontractor has secured all insurance required under this section.

3.2.10.2 Minimum Requirements. Consultant shall, at its expense, procure and maintain for the duration of the Agreement insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the Agreement by the Consultant, its agents, representatives, employees or subcontractors. Consultant shall also require all of its subcontractors to procure and maintain the same insurance for the duration of the Agreement. Such insurance shall meet at least the following minimum levels of coverage:

(A) Minimum Scope of Insurance. Coverage shall be at least as broad as the latest version of the following: (1) *General Liability*: Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001); (2) *Automobile Liability*: Insurance Services Office Business Auto Coverage form number CA 0001, code 1 (any auto); and (3) *Workers' Compensation and Employer's Liability*: Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance.

(B) Minimum Limits of Insurance. Consultant shall maintain limits no less than: (1) *General Liability*: \$1,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with general aggregate limit is used, either the general aggregate limit shall apply separately to this Agreement/location or the general aggregate limit shall be twice the required occurrence limit; (2) *Automobile Liability*: \$1,000,000 per accident for bodily injury and property damage; and (3) *Workers' Compensation and Employer's Liability*: Workers' Compensation limits as required by the Labor Code of the State of California. Employer's Liability limits of \$1,000,000 per accident for bodily injury or disease.

3.2.10.3 Professional Liability. **[INCLUDE ONLY IF APPLICABLE - DELETE OTHERWISE]** Consultant shall procure and maintain, and require its sub-consultants to procure and maintain, for a period of five (5) years following completion of the Project, errors and omissions liability insurance appropriate to their profession. Such insurance shall be in an amount not less than \$1,000,000 **[INCREASE IF NECESSARY - OTHERWISE LEAVE AS IS AND DELETE THIS NOTE]** per claim, and shall be endorsed to include contractual liability.

3.2.10.4 Insurance Endorsements. The insurance policies shall contain the following provisions, or Consultant shall provide endorsements on forms supplied or approved by the City to add the following provisions to the insurance policies:

(A) General Liability. The general liability policy shall be endorsed to state that: (1) the City, its directors, officials, officers, employees, agents and volunteers shall be covered as additional insured with respect to the Work or operations performed by or on behalf of the Consultant, including materials, parts or equipment furnished in connection with such work; and (2) the insurance coverage shall be primary insurance as respects the City, its directors, officials, officers, employees, agents and volunteers, or if excess, shall stand in an unbroken chain of coverage excess of the Consultant's scheduled underlying coverage. Any insurance or self-insurance maintained by the City, its directors, officials, officers, employees, agents and volunteers shall be excess of the Consultant's insurance and shall not be called upon to contribute with it in any way.

(B) Automobile Liability. The automobile liability policy shall be endorsed to state that: (1) the City, its directors, officials, officers, employees, agents and volunteers shall be covered as additional insureds with respect to the ownership, operation, maintenance, use, loading or unloading of any auto owned, leased, hired or borrowed by the Consultant or for which the Consultant is responsible; and (2) the insurance coverage shall be primary insurance as respects the City, its directors, officials, officers, employees, agents and volunteers, or if excess, shall stand in an unbroken chain of coverage excess of the Consultant's scheduled underlying coverage. Any insurance or self-insurance maintained by the City, its directors, officials, officers, employees, agents and volunteers shall be excess of the Consultant's insurance and shall not be called upon to contribute with it in any way.

(C) Workers' Compensation and Employers Liability Coverage. The insurer shall agree to waive all rights of subrogation against the City, its directors, officials, officers, employees, agents and volunteers for losses paid under the terms of the insurance policy which arise from work performed by the Consultant.

(D) All Coverages. Each insurance policy required by this Agreement shall be endorsed to state that: (A) coverage shall not be suspended, voided, reduced or canceled except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to the City; and (B) any failure to comply with reporting or other provisions of the policies, including breaches of warranties, shall not affect coverage provided to the City, its directors, officials, officers, employees, agents and volunteers.

3.2.10.5 Separation of Insureds; No Special Limitations. All insurance required by this Section shall contain standard separation of insureds provisions. In addition, such insurance shall not contain any special limitations on the scope of protection afforded to the City, its directors, officials, officers, employees, agents and volunteers.

3.2.10.6 Deductibles and Self-Insurance Retentions. Any deductibles or self-insured retentions must be declared to and approved by the City. Consultant shall guarantee that, at the option of the City, either: (1) the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the City, its directors, officials, officers, employees, agents and volunteers; or (2) the Consultant shall procure a bond guaranteeing payment of losses and related investigation costs, claims and administrative and defense expenses.

3.2.10.7 Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best's rating no less than A:VIII, licensed to do business in California, and satisfactory to the City.

3.2.10.8 Verification of Coverage. Consultant shall furnish City with original certificates of insurance and endorsements effecting coverage required by this Agreement on forms satisfactory to the City. The certificates and endorsements for each insurance policy shall be signed by a person authorized by that insurer to bind coverage on its behalf, and shall be on forms provided by the City if requested. All certificates and endorsements must be received and approved

by the City before work commences. The City reserves the right to require complete, certified copies of all required insurance policies, at any time.

3.2.11 Safety. Consultant shall execute and maintain its work so as to avoid injury or damage to any person or property. In carrying out its Services, the Consultant shall at all times be in compliance with all applicable local, state and federal laws, rules and regulations, and shall exercise all necessary precautions for the safety of employees appropriate to the nature of the work and the conditions under which the work is to be performed. Safety precautions as applicable shall include, but shall not be limited to: (A) adequate life protection and life saving equipment and procedures; (B) instructions in accident prevention for all employees and subcontractors, such as safe walkways, scaffolds, fall protection ladders, bridges, gang planks, confined space procedures, trenching and shoring, equipment and other safety devices, equipment and wearing apparel as are necessary or lawfully required to prevent accidents or injuries; and (C) adequate facilities for the proper inspection and maintenance of all safety measures.

3.3 Fees and Payments.

3.3.1 Compensation. Consultant shall receive compensation, including authorized reimbursements, for all Services rendered under this Agreement at the rates set forth in Exhibit "C" attached hereto and incorporated herein by reference. The total compensation shall not exceed [INSERT WRITTEN DOLLAR AMOUNT] (\$[INSERT NUMERICAL DOLLAR AMOUNT]) without written approval of City's _____. Extra Work may be authorized, as described below, and if authorized, will be compensated at the rates and manner set forth in this Agreement.

3.3.2 Payment of Compensation. Consultant shall submit to City a monthly itemized statement which indicates work completed and hours of Services rendered by Consultant. The statement shall describe the amount of Services and supplies provided since the initial commencement date, or since the start of the subsequent billing periods, as appropriate, through the date of the statement. City shall, within 45 days of receiving such statement, review the statement and pay all approved charges thereon.

3.3.3 Reimbursement for Expenses. Consultant shall not be reimbursed for any expenses unless authorized in writing by City.

3.3.4 Extra Work. At any time during the term of this Agreement, City may request that Consultant perform Extra Work. As used herein, "Extra Work" means any work which is determined by City to be necessary for the proper completion of the Project, but which the parties did not reasonably anticipate would be necessary at the execution of this Agreement. Consultant shall not perform, nor be compensated for, Extra Work without written authorization from City's Representative.

3.3.5 Prevailing Wages. Consultant is aware of the requirements of California Labor Code Section 1720, et seq., and 1770, et seq., as well as California Code of Regulations, Title 8, Section 1600, et seq., ("Prevailing Wage Laws"), which require the payment of prevailing wage rates and the performance of other requirements on "public works" and "maintenance" projects. If

the Services are being performed as part of an applicable "public works" or "maintenance" project, as defined by the Prevailing Wage Laws, and if the total compensation is \$1,000 or more, Consultant agrees to fully comply with such Prevailing Wage Laws. City shall provide Consultant with a copy of the prevailing rates of per diem wages in effect at the commencement of this Agreement. Consultant shall make copies of the prevailing rates of per diem wages for each craft, classification or type of worker needed to execute the Services available to interested parties upon request, and shall post copies at the Consultant's principal place of business and at the project site. Consultant shall defend, indemnify and hold the City, its elected officials, officers, employees and agents free and harmless from any claim or liability arising out of any failure or alleged failure to comply with the Prevailing Wage Laws.

3.4 Accounting Records.

3.4.1 Maintenance and Inspection. Consultant shall maintain complete and accurate records with respect to all costs and expenses incurred under this Agreement. All such records shall be clearly identifiable. Consultant shall allow a representative of City during normal business hours to examine, audit, and make transcripts or copies of such records and any other documents created pursuant to this Agreement. 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 under this Agreement.

3.5 General Provisions.

3.5.1 Termination of Agreement.

3.5.1.1 Grounds for Termination. City may, by written notice to Consultant, terminate the whole or any part of this Agreement at any time and without cause by giving written notice to Consultant of such termination, and specifying the effective date thereof, at least seven (7) days before the effective date of such termination. Upon termination, Consultant shall be compensated only for those services which have been adequately rendered to City, and Consultant shall be entitled to no further compensation. Consultant may not terminate this Agreement except for cause.

3.5.1.2 Effect of Termination. If this Agreement is terminated as provided herein, City may require Consultant to provide all finished or unfinished Documents and Data and other information of any kind prepared by Consultant in connection with the performance of Services under this Agreement. Consultant shall be required to provide such document and other information within fifteen (15) days of the request.

3.5.1.3 Additional Services. In the event this Agreement is terminated in whole or in part as provided herein, City may procure, upon such terms and in such manner as it may determine appropriate, services similar to those terminated.

3.5.2 Delivery of Notices. All notices permitted or required under this Agreement shall be given to the respective parties at the following address, or at such other address as the respective parties may provide in writing for this purpose:

Consultant:

[____INSERT NAME, ADDRESS & CONTACT PERSON____]

City:

City of Azusa
213 East Foothill Blvd.
Azusa, CA 91702-1295

Attn: [____INSERT NAME & DEPARTMENT____]

Such notice shall be deemed made when personally delivered or when mailed, forty-eight (48) hours after deposit in the U.S. Mail, first class postage prepaid and addressed to the party at its applicable address. Actual notice shall be deemed adequate notice on the date actual notice occurred, regardless of the method of service.

3.5.3 Ownership of Materials and Confidentiality.

3.5.3.1 Documents & Data; Licensing of Intellectual Property. This Agreement creates a non-exclusive and perpetual license for City to copy, use, modify, reuse, or sublicense any and all copyrights, designs, and other intellectual property embodied in plans, specifications, studies, drawings, estimates, and other documents or works of authorship fixed in any tangible medium of expression, including but not limited to, physical drawings or data magnetically or otherwise recorded on computer diskettes, which are prepared or caused to be prepared by Consultant under this Agreement ("Documents & Data"). Consultant shall require all subcontractors to agree in writing that City is granted a non-exclusive and perpetual license for any Documents & Data the subcontractor prepares under this Agreement. Consultant represents and warrants that Consultant has the legal right to license any and all Documents & Data. Consultant makes no such representation and warranty in regard to Documents & Data which were prepared by design professionals other than Consultant or provided to Consultant by the City. City shall not be limited in any way in its use of the Documents and Data at any time, provided that any such use not within the purposes intended by this Agreement shall be at City's sole risk.

3.5.3.2 Confidentiality. All ideas, memoranda, specifications, plans, procedures, drawings, descriptions, computer program data, input record data, written information, and other Documents and Data either created by or provided to Consultant in connection with the performance of this Agreement shall be held confidential by Consultant. Such materials shall not, without the prior written consent of City, be used by Consultant for any purposes other than the performance of the Services. Nor shall such materials be disclosed to any person or entity not connected with the performance of the Services or the Project. Nothing furnished to Consultant which is otherwise known to Consultant or is generally known, or has become known, to the related industry shall be deemed confidential. Consultant shall not use City's name or insignia, photographs of the Project, or any publicity pertaining to the Services or the Project in any magazine, trade paper, newspaper, television or radio production or other similar medium without the prior written consent of City.

3.5.4 Cooperation; Further Acts. The Parties shall fully cooperate with one another, and shall take any additional acts or sign any additional documents as may be necessary, appropriate or convenient to attain the purposes of this Agreement.

3.5.5 Attorney's Fees. If either party commences an action against the other party, either legal, administrative or otherwise, arising out of or in connection with this Agreement, the prevailing party in such litigation shall be entitled to have and recover from the losing party reasonable attorney's fees and all other costs of such action.

3.5.6 Indemnification. Consultant shall defend, indemnify and hold the City, its officials, officers, employees, volunteers and agents free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage or injury, in law or equity, to property or persons, including wrongful death, in any manner arising out of or incident to any alleged acts, omissions or willful misconduct of Consultant, its officials, officers, employees, agents, consultants and contractors arising out of or in connection with the performance of the Services, the Project or this Agreement, including without limitation the payment of all consequential damages and attorneys fees and other related costs and expenses. Consultant shall defend, at Consultant's own cost, expense and risk, any and all such aforesaid suits, actions or other legal proceedings of every kind that may be brought or instituted against City, its directors, officials, officers, employees, agents or volunteers. Consultant shall pay and satisfy any judgment, award or decree that may be rendered against City or its directors, officials, officers, employees, agents or volunteers, in any such suit, action or other legal proceeding. Consultant shall reimburse City and its directors, officials, officers, employees, agents and/or volunteers, for any and all legal expenses and costs incurred by each of them in connection therewith or in enforcing the indemnity herein provided. Consultant's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by the City, its directors, officials officers, employees, agents or volunteers. **[***IF FOR DESIGN PROFESSIONAL SERVICES (ARCHITECT, LANDSCAPE ARCHITECT, ENGINEER OR LAND SURVEYOR), USE THE FOLLOWING ALTERNATIVE LANGUAGE AND DELETE THE ABOVE LANGUAGE.** To the fullest extent permitted by law, Contractor shall defend, indemnify and hold the City, its officials, officers, employees, volunteers, and agents free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage or injury, in law or equity, to property or persons, including wrongful death, in any manner arising out of, pertaining to, or relating to any negligence, errors or omissions, recklessness, or willful misconduct of Contractor, its officials, officers, employees, agents, consultants, and contractors arising out of or in connection with the performance of the Contractor's Services, including without limitation the payment of all consequential damages, expert witness fees, and attorneys fees and other related costs and expenses. Contractor shall defend, at Contractor's own cost, expense and risk, any and all such aforesaid suits, actions or other legal proceedings of every kind that may be brought or instituted against City, its directors, officials, officers, employees, agents, or volunteers. Contractor shall pay and satisfy any judgment, award or decree that may be rendered against City or its directors, officials, officers, employees, agents, or volunteers, in any such suit, action or other legal proceeding. Contractor shall reimburse City and its directors, officials, officers, employees, agents, and/or volunteers, for any and all legal expenses and costs incurred by each of them in connection therewith or in enforcing the indemnity herein provided. Contractor's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by the City, its directors, officials officers, employees, agents, or

volunteers.***]

3.5.7 Entire Agreement. This Agreement contains the entire Agreement of the parties with respect to the subject matter hereof, and supersedes all prior negotiations, understandings or agreements. This Agreement may only be modified by a writing signed by both parties.

3.5.8 Governing Law. This Agreement shall be governed by the laws of the State of California. Venue shall be in Los Angeles County.

3.5.9 Time of Essence. Time is of the essence for each and every provision of this Agreement.

3.5.10 City's Right to Employ Other Consultants. City reserves right to employ other consultants in connection with this Project.

3.5.11 Successors and Assigns. This Agreement shall be binding on the successors and assigns of the parties.

3.5.12 Assignment or Transfer. Consultant shall not assign, hypothecate, or transfer, either directly or by operation of law, this Agreement or any interest herein without the prior written consent of the City. Any attempt to do so shall be null and void, and any assignees, hypothecates or transferees shall acquire no right or interest by reason of such attempted assignment, hypothecation or transfer.

3.5.13 Construction; References; Captions. Since the Parties or their agents have participated fully in the preparation of this Agreement, the language of this Agreement shall be construed simply, according to its fair meaning, and not strictly for or against any Party. Any term referencing time, days or period for performance shall be deemed calendar days and not work days. All references to Consultant include all personnel, employees, agents, and subcontractors of Consultant, except as otherwise specified in this Agreement. All references to City include its elected officials, officers, employees, agents, and volunteers except as otherwise specified in this Agreement. The captions of the various articles and paragraphs are for convenience and ease of reference only, and do not define, limit, augment, or describe the scope, content, or intent of this Agreement.

3.5.14 Amendment; Modification. No supplement, modification, or amendment of this Agreement shall be binding unless executed in writing and signed by both Parties.

3.5.15 Waiver. No waiver of any default shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by a Party shall give the other Party any contractual rights by custom, estoppel, or otherwise.

3.5.16 No Third Party Beneficiaries. There are no intended third party beneficiaries of any right or obligation assumed by the Parties.

3.5.17 Invalidity; Severability. If any portion of this Agreement is declared invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions shall continue in full force and effect.

3.5.18 Prohibited Interests. Consultant maintains and warrants that it has not employed nor retained any company or person, other than a bona fide employee working solely for Consultant, to solicit or secure this Agreement. Further, Consultant warrants that it has not paid nor has it agreed to pay any company or person, other than a bona fide employee working solely for Consultant, any fee, commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the award or making of this Agreement. For breach or violation of this warranty, City shall have the right to rescind this Agreement without liability. For the term of this Agreement, no member, officer or employee of City, during the term of his or her service with City, shall have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.

3.5.19 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 of race, religion, color, national origin, handicap, ancestry, sex or age. Such non-discrimination shall include, but not be limited to, all activities related to initial employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination. Consultant shall also comply with all relevant provisions of City's Minority Business Enterprise program, Affirmative Action Plan or other related programs or guidelines currently in effect or hereinafter enacted.

3.5.20 Labor Certification. By its signature hereunder, Consultant certifies that it is aware of the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for Worker's Compensation or to undertake self-insurance in accordance with the provisions of that Code, and agrees to comply with such provisions before commencing the performance of the Services.

3.5.21 Authority to Enter Agreement. Consultant has all requisite power and authority to conduct its business and to execute, deliver, and perform the Agreement. Each Party warrants that the individuals who have signed this Agreement have the legal power, right, and authority to make this Agreement and bind each respective Party.

3.5.22 Counterparts. This Agreement may be signed in counterparts, each of which shall constitute an original.

3.6 Subcontracting.

3.6.1 Prior Approval Required. Consultant shall not subcontract any portion of the work required by this Agreement, except as expressly stated herein, without prior written approval of

City. Subcontracts, if any, shall contain a provision making them subject to all provisions stipulated in this Agreement.

[SIGNATURES ON FOLLOWING PAGE]

CITY OF AZUSA

[INSERT NAME OF CONSULTANT]

By: _____
F.M. Delach
City Manager

By: _____
[Name]
[Title]

Attest:

Vera, Mendoza
City Clerk

Approved as to Form:

Best Best & Krieger LLP
City Attorney

EXHIBIT "A"
SCOPE OF SERVICES

[INSERT SCOPE]

EXHIBIT "B"
SCHEDULE OF SERVICES

[INSERT SCHEDULE]

EXHIBIT "C"
COMPENSATION

[INSERT RATES & AUTHORIZED REIMBURSABLE EXPENSES]