

AUDIT AGREEMENT

This agreement, made and entered into this 5/1 2018, between the Gavilan Joint Community College District (the District), State of California, and Gilbert Associates, Inc., Certified Public Accountants (Gilbert Associates, Inc.),

WITNESSETH:

AUTHORITY

Whereas, by Section 84040, as amended, of the California Education Code, providing that:

"The governing board of each community college district shall provide for an annual audit of all funds, books and accounts of the district in accordance with regulations of the board of governors."

and further providing that:

"The audit shall be made by a certified public accountant or a public accountant licensed by the State Board of Accountancy."

COMPETENCE OF PARTIES

Whereas, it is the intention of the District, consisting of the duly elected members of the Board of Trustees of the aforesaid district to comply with the provisions of Section 84040 of the Education Code and provide for an audit of the books and records of the District, and

Whereas, Gilbert Associates, Inc. is a Certified Public Accounting firm duly authorized to practice and is licensed as such by the State Board of Accountancy,

CONSIDERATION

Therefore, in consideration of the mutual covenants, conditions and promises hereinafter contained, the District hereby employs Gilbert Associates, Inc., and Gilbert Associates, Inc. hereby accepts employment, to audit all books and accounts of the District in the following manner and upon the following conditions:

FINANCIAL AUDIT OBJECTIVES

Gilbert Associates, Inc. will audit the financial statements of Gavilan Joint Community College District (the District), the Gavilan College Education Foundation (the Foundation), and the Measure E Bond Construction Fund as of and for the year-ended June 30, 2018. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of the engagement, Gilbert Associates, Inc. will apply certain limited procedures to the District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Gilbert Associates, Inc. will not express an opinion or provide any assurance on the information because the limited procedures do not provide Gilbert Associates, Inc. with sufficient evidence to express an opinion or provide any assurance.

Audit Agreement – Continued

The following RSI is required for the District's financial statements by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management Discussion and Analysis
2. Schedule of Changes in OPEB Liability and Related Ratios
3. Schedule of OPEB Contributions
4. Schedule of the District's Proportionate Share of the Net Pension Liability
5. Schedule of District's Contributions Pensions

Gilbert Associates, Inc. has also been engaged to report on supplementary information other than RSI that accompanies the District's financial statements. Gilbert Associates, Inc. will subject the following supplementary information to the auditing procedures applied in their audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole:

1. Schedule of Expenditures of Federal Awards
2. Additional financial and supplementary information as required by the *Contracted District Audit Manual* prescribed by the State Chancellor's Office.

The objective of the audit is the expression of an opinion as to whether the District's financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to above when considered in relation to the financial statements as a whole. The objective also includes reporting on—

- Internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).
- Compliance with programs identified in Section 400, State Compliance Requirements, of the *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office.

The *Governmental Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District and the Foundation's internal control or on compliance and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District and the Foundation's internal control and compliance. The Uniform Guidance report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

The audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; the provisions of Uniform Guidance; and the *Contracted District Audit Manual*, issued by the California Community Colleges

Audit Agreement – Continued

Chancellor's Office, and will include tests of accounting records, a determination of major program(s) in accordance with Uniform Guidance, and other procedures considered necessary to express such an opinion and to render the required reports. Gilbert Associates, Inc. will issue written reports upon compliance of the Single Audit. The report will be addressed to the Board of Trustees. Gilbert Associates, Inc. cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for Gilbert Associates, Inc. to modify the opinions or add emphasis-of-matter or other-matter paragraphs. If the opinions on the financial statements or the Single Audit or State compliance opinions are other than unmodified, Gilbert Associates, Inc. will discuss the reasons with the District in advance. If, for any reason, Gilbert Associates, Inc. is unable to complete the audit or are unable to form or have not formed opinions, Gilbert Associates, Inc. may decline to express opinions or to issue a report, or may withdraw from this engagement.

PERFORMANCE AUDIT OBJECTIVES

Gilbert Associates, Inc. will perform the Proposition 39 performance audit of the District's Measure E General Obligation Bond Funds for the year ending June 30, 2018. The objective of this performance audit will be to determine if the Measure E General Obligation Bonds have been expended only on the specific projects listed in accordance with the requirements of Proposition 39, as specified by Section 1 (b)(3)(C) of Article XIII A of the California Constitution.

The Objective of a performance audit is to provide assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability. Gilbert Associates, Inc. will plan and perform the performance audit in accordance with performance audit standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that the performance audit be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the performance audit objectives. Because of inherent limitations of a performance audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or material non-compliance may not be detected exists, even though the audit is properly planned and performed in accordance with applicable standards. The audit is not designed to detect error or fraud that is immaterial to the performance audit objectives.

In making risk assessments, Gilbert Associates, Inc. will consider internal control that is significant within the context of the performance audit objectives in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. However, Gilbert Associates, Inc. will communicate in writing to those charged with governance and management concerning any significant deficiencies or material weaknesses in internal control significant within the context of the audit objectives identified during the performance audit. The performance audit is not designed to address legal or regulatory matters, which matters should be discussed by the District with their legal counsel.

Gilbert Associates, Inc. will also obtain an understanding of internal control that is significant within the context of the performance audit objectives. For internal control that is significant within the context of the performance audit objectives, Gilbert Associates, Inc. will assess whether internal control has been properly designed and implemented. Furthermore, Gilbert Associates, Inc. will perform tests of controls including testing underlying transactions, as required by *Government Auditing Standards*, to evaluate the effectiveness of the design and operation of controls. These tests will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed. Gilbert Associates, Inc. will inform the District of any deficiencies or other matters involving internal control, if any, as required by *Government Auditing Standards*.

AUDIT PROCEDURES-GENERAL

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, the audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Gilbert Associates, Inc. will plan and perform the audits to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because Gilbert Associates, Inc. will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, Gilbert Associates, Inc. will inform the appropriate level of management of any material errors or any fraudulent financial reporting or misappropriation of assets that come to their attention. Gilbert Associates, Inc. will also inform the appropriate level of management of any violations of laws or governmental regulations that come to their attention, unless clearly inconsequential, and of any material abuse that comes to their attention. Gilbert Associates, Inc. will include such matters in the reports required for a Single Audit. Gilbert Associates, Inc. responsibility as auditors is limited to the period covered by the audit and does not extend to any later periods for which they are not engaged as auditors.

The procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. Gilbert Associates, Inc. will request written representations from the District's and Foundation's attorneys as part of the engagement, and they may bill the District for responding to this inquiry. At the conclusion of the audit, Gilbert Associates, Inc. will require certain written representations from the District and the Foundation about their responsibilities for the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

AUDIT PROCEDURES-INTERNAL CONTROLS

An understanding will be obtained of the District and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that are consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. The tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in their report on internal control issued pursuant to *Government Auditing Standards*.

As required by Uniform Guidance, Gilbert Associates, Inc. will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that are considered relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in the report on internal control issued pursuant to Uniform Guidance.

Audit Agreement – Continued

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit Gilbert Associates, Inc. will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards* and Uniform Guidance.

AUDIT PROCEDURES-COMPLIANCE

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, Gilbert Associates, Inc. will perform tests of the District's compliance with provisions of applicable laws, regulations, contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance, and Gilbert Associates, Inc. will not express such an opinion in their report on compliance issued pursuant to *Government Auditing Standards*.

Uniform Guidance requires that Gilbert Associates, Inc. also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. The procedures will consist of tests of transactions and other applicable procedures described in the OMB *Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the District's major programs. The purpose of those procedures will be to express an opinion on the District's compliance with requirements applicable to each of the major programs in the report on compliance issued pursuant to Uniform Guidance.

OTHER SERVICES

As part of the audit, Gilbert Associates, Inc. will also assist in preparing the financial statements and related notes including converting the fund statements to full accrual, schedule of expenditures of federal awards, debt entries for the District's December 2017 refunding, and preparation of GASB 68 pension and GASB 75 OPEB liability calculations in conformity with U.S. generally accepted accounting principles and the Uniform Guidance based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statements and related notes including converting the fund statements to full accrual, schedule of expenditures of federal awards, debt entries for the District's December 2017 refunding, and preparation of GASB 68 pension and GASB 75 OPEB liability calculations services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

MANAGEMENT RESPONSIBILITIES

Management of the District and Foundation are responsible for (1) establishing and maintaining effective internal controls, including internal controls over federal awards, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. The District and Foundation management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. The District and Foundation management is also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Management's responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Audit Agreement – Continued

Management of the District and Foundation are also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. They are responsible for providing Gilbert Associates, Inc. with (1) access to all information of which they are aware that is relevant to the preparation and fair presentation of the financial statements, (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance, (3) additional information that Gilbert Associates, Inc. may request for the purpose of the audit, and (4) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

The District and the Foundation's responsibilities include adjusting the financial statements to correct material misstatements and confirming to Gilbert Associates, Inc. in the management representation letter that the effects of any uncorrected misstatements aggregated by Gilbert Associates, Inc. during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

The District and the Foundation are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. The District and Foundation responsibilities include informing Gilbert Associates, Inc. of their knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, the District and the Foundation are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants. District and Foundation management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report. Additionally, as required by the Uniform Guidance, it is the District's management responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan. The summary schedule of prior audit findings should be available for our review on commencement of audit fieldwork.

The District's management is responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with the Uniform Guidance. The District's Management agrees to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. The District's Management also agrees to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that include our report thereon. The District's Management responsibilities include acknowledging to us in the written representation letter that (1) they are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) they believe the schedule of expenditures of federal awards, including its form and content, is stated fairly in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) they have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

The District's Management is also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. They agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. District's Management also agrees to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. The District's Management responsibilities include acknowledging to us in the written representation letter that the (1) are responsible for presentation of the supplementary information in accordance with GAAP; (2) believe the supplementary information, including its form and content, is fairly

Audit Agreement – Continued

presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

District management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. Management is also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as their planned corrective actions, for the report, and for the timing and format for providing that information.

The District and Foundation management assumes all management responsibilities relating to the financial statements and related notes including converting the fund statements to full accrual, schedule of expenditures of federal awards, debt entries for the District's December 2017 refunding, and preparation of GASB 68 pension and GASB 75 OPEB liability calculations, and any other nonaudit services Gilbert Associates Inc. provides. The District and Foundation management will be required to acknowledge in the management representation letter Gilbert Associates Inc. assistance with preparation of the financial statements and related notes including converting the fund statements to full accrual, schedule of expenditures of federal awards, debt entries for the District's December 2017 refunding, and preparation of GASB 68 pension and GASB 75 OPEB liability calculations and that they have reviewed and approved the financial statements and related notes, schedule of expenditures of federal awards, debt entries for the District's December 2017 refunding, and GASB 68 pension and GASB 75 OPEB liability calculations prior to their issuance and have accepted responsibility for them. Further, District management agrees to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

The District and the Foundation also has the responsibility to ensure that the District or the Foundation have not caused Gilbert Associates, Inc. independence to be impaired by hiring a former or current Gilbert Associates, Inc. shareholder, manager, or professional employee in a key position, as defined in the *Code of Professional Conduct* of the American Institute of Certified Public Accountants (AICPA), that would cause a violation of the AICPA *Code of Professional Conduct* or other applicable independence rules. Any employment opportunities with the District or the Foundation for a former or current Gilbert Associates, Inc. shareholder, manager, or professional employee should be discussed with Gilbert Associates, Inc. before entering into substantive employment conversations with the former or current Gilbert Associates, Inc. shareholder, manager, or professional employee.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on the District's or the Foundation's internet website, the District and the Foundation understands that electronic sites are a means to distribute information and, therefore, Gilbert Associates, Inc. is not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

FORM AND CONTENT OF REPORTS

Form and content of the audit reports will be in conformity, to the extent practicable, with such form and content as may be prescribed by the State Department of Finance and the Chancellor's Office of the California Community Colleges under Section 84040 of the Education Code, as detailed in the Chancellor Office's publication titled *California Community Colleges Contracted District Audit Manual*.

Audit Agreement – Continued

At the conclusion of the engagement, Gilbert Associates, Inc. will complete the appropriate sections of the Data Collection Form that summarizes the audit findings. It is District management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. Gilbert Associates, Inc. will coordinate with the District the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

Gilbert Associates, Inc. will provide copies of the reports to the District; however, management is responsible for the distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of the reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Gilbert Associates, Inc. and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to a Cognizant or Oversight Agency for Audit or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. Gilbert Associates, Inc. will notify the District of any such request. If requested, access to such audit documentation will be provided under the supervision of Gilbert Associates, Inc. personnel. Furthermore, upon request Gilbert Associates, Inc. may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven years after the report release date or for any additional period requested by a Cognizant or Oversight Agency. If Gilbert Associates, Inc. is aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, Gilbert Associates, Inc. will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

In the event that circumstances discovered during the audit process indicate that more detailed verification is required in addition to that which would be sufficient under ordinary circumstances, it is agreed that such extended verification will be agreed upon by both parties prior to commencing the additional verification.

In that event, Gilbert Associates, Inc. agrees to provide all ascertainable facts relative to such circumstances, together with an estimate or estimates of the additional cost or costs of furnishing a more detailed verification. It is expressly understood that fees relating to such extensions of verification procedures are additional fees, as the services relating thereto are not contemplated as being within the scope of services to be performed under this contract. In the event extended verification is not performed, the audit report will be subject to qualification with respect to the circumstances involved.

INDEMNIFICATION

Gilbert Associates, Inc. shall defend, indemnify, and save the District harmless for any loss, injury, or damage to the District arising out of the performance by Gilbert Associates, Inc. of the services provided under this contract insofar as such loss, damage or injury results from Gilbert Associates, Inc.'s negligent, reckless or willful act or omission. This indemnity does not include claims that arise from any negligence or willful or reckless act of the District.

Gilbert Associates, Inc. agrees to maintain professional liability insurance for the professional services provided to the District under this contract to protect the District from any loss, injury or damage for the negligent acts of Gilbert Associates, Inc. in connection with providing its professional services.

At all times during performance of services specified in this agreement, GILBERT ASSOCIATES, INC. shall maintain policies of insurance described below in the minimum coverage amounts set forth herein.

Workers Compensation and Employers Liability Insurance. The policy of Workers' Compensation Insurance shall cover claims under workers' or workmen's compensation, disability benefit and other similar employee benefit acts. The Employer's Liability Insurance shall cover bodily injury (including death) by accident or disease to any employee which arises out of the employee's employment by GILBERT ASSOCIATES, INC. The Employer's Liability Insurance may be obtained as a separate policy of insurance or as an additional coverage under the Workers' Compensation Insurance policy. The foregoing notwithstanding, GILBERT ASSOCIATES, INC.'s obligation to obtain Workers Compensation and Employers Liability insurance policies is waived if the GILBERT ASSOCIATES, INC. does not employ any employees.

Commercial General Liability and Property Insurance. The Commercial General Liability and Property Insurance shall cover the types of claims set forth below which may arise out of or result from services under this Agreement and for which GILBERT ASSOCIATES, INC. may be legally responsible: (i) claims for damages because of bodily injury, occupational sickness or disease or death of the GILBERT ASSOCIATES, INC.'s employees; (ii) claims for damages because of bodily injury, sickness or disease or death of any person other than the GILBERT ASSOCIATES, INC.'s employees; (iii) claims for damages insured by usual personal injury liability coverage; (iv) claims for damages, other than to the Project itself, because of injury to or destruction of tangible property, including loss of use resulting therefrom; (v) claims for damages because of bodily injury, death of a person or property damages arising out of ownership, maintenance or use of a motor vehicle; and (vi) contractual liability insurance applicable to the GILBERT ASSOCIATES, INC.'s obligations under this Agreement. The District shall be an additional named insured to GILBERT ASSOCIATES, INC.'s commercial general liability/property insurance policy.

Policy Endorsements; Evidence of Insurance. GILBERT ASSOCIATES, INC. shall deliver to the DISTRICT Certificates of Insurance evidencing each of the policies of insurance in the coverage amounts required hereunder. All policies of insurance required hereunder shall be issued by insurer(s) admitted to issue insurance by the State of California and to the reasonable satisfaction of the District. Coverages under each policy of insurance required hereunder, whether by endorsement or otherwise, shall provide that such policy will not be materially modified, canceled or allowed to expire without at least thirty (30) days advance written notice to the District.

Minimum Coverage Amounts. Insurance policies of GILBERT ASSOCIATES, INC. shall be in at least the following minimum coverage amounts:

	Statutory Limits
Workers Compensation	
Employers Liability	\$1,000,000
Commercial General Liability (including coverage for Bodily Injury or Death, Property Damage and Automobile Liability-Property Damage, Bodily Injury or Death)	
Per Occurrence	\$1,000,000
Aggregate	\$2,000,000
Cyber Liability/Privacy Insurance	
Per Occurrence	\$1,000,000
Aggregate	\$1,000,000

MEDIATION AND ARBITRATION

If a dispute arises among the parties hereto, the parties agree to first try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Rules for Professional Accounting and Related Services Disputes before resorting to litigation. The costs of any mediation proceeding shall be shared equally by all parties.

The District and Gilbert Associates, Inc. both agree that any dispute over fees charged by Gilbert Associates, Inc. to the District will be submitted for resolution by arbitration in accordance with the Rules for Professional Accounting and Related Services Disputes of the American Arbitration Association. Such arbitration shall be binding and final. In agreeing to arbitration, both acknowledge that, in the event of a dispute over fees charged by Gilbert Associates, Inc., each is giving up the right to have the dispute decided in a court of law before a judge or jury and instead Gilbert Associates, Inc. is accepting the use of arbitration for resolution.

AUDIT ASSISTANCE

The audit process requires a certain level of assistance that is the responsibility of the District as the audit report is based on representations of the management of the District.

The responsibilities are presented by Gilbert Associates, Inc., in two audit phases, in the form of an "audit package" containing a checklist of necessary items to be completed within the agreed upon due dates.

In the event the aforesaid responsibilities are not performed in the manner, or by the due dates, specified by Gilbert Associates, Inc. and agreed upon by the District, the agreed compensation as stated in the provisions of this contract may be subject to revision or Gilbert Associates, Inc. may withdraw from the engagement and bill for services rendered to date of withdrawal.

In the event that the above mentioned necessary items listed in the "audit package" checklist are not prepared by the due dates specified and the audit is necessary to be rescheduled, the District will be required to compensate Gilbert Associates, Inc. a rescheduling fee of up to 5% of the total audit fee. However, no rescheduling fee will be assessed if the District notifies Gilbert Associates, Inc. at least 6 business days prior to the specified due dates (scheduled start of fieldwork).

In the event it is necessary to reschedule the audit, the District agrees to file for an extension with the State Chancellor's Office.

Any revision would be based on increased costs, incurred by Gilbert Associates, Inc., relating to additional time and necessary expenses in obtaining or preparing the aforesaid necessary items.

BEGINNING WORK

Gilbert Associates, Inc. will commence work on this engagement as soon as practicable after the execution of this contract.

RENDERING REPORTS

The audit will be completed, and the audit reports will be delivered in the manner and to the parties hereinafter set forth, not later than December 31, of the year covered by this contract unless modified by mutual agreement.

Audit Agreement – Continued

COMPENSATION

The total amount which may be billed for the audit of the year end June 30, 2018, pursuant to the provisions of this contract, will be as follows:

District and Foundation Audit Fees	\$ 69,500
Financial Statement Audit: Measure E	4,000
Performance Audit: Measure E	<u>3,600</u>
	<u>\$ 77,100</u>

The fees quoted are based upon several assumptions about the adequacy of the accounting records, the degree of assistance to be provided by District personnel, and current auditing and accounting standards. The fees do not include any accounting services such as closing year-end accounts or account reconciliation. If, at any time during the audit, extraordinary matters come to Gilbert Associates, Inc. attention and an extension of services appears to be required, Gilbert Associates, Inc. will consult with the District concerning additional work to be done by the District or an adjustment to the fees.

Circumstances may arise under which Gilbert Associates, Inc. must perform additional work and, thus require additional billings for these services. Examples of such circumstances include, but are not limited to:

- Changing audit requirements
- New professional standards or regulatory requirements
- Work caused due to the identification of, and management's correction of, inappropriate application of accounting pronouncements
- Erroneous or incomplete accounting records
- New or unusual transactions
- Failure of District staff to prepare and provide information in a timely manner
- Numerous revisions to District financial information
- Lack of availability of appropriate personnel during the audit fieldwork

The fees do not include implementation of any other future accounting or auditing pronouncements and/or government requirements that may change, thus, the scope or amount of auditing necessary to complete the engagements may increase beyond what is currently anticipated. Should such events occur, Gilbert Associates, Inc. would present the District with an estimate of any possible increase prior to beginning audit for the given year. An equitable adjustment in the proposed fee will be negotiated if the cost of time required for performance of the audit service is increased or decreased pursuant to a change in scope of the audit requested by the District or required by State or Federal regulations.

The fees for the audit services related to the federal Single Audit are based upon a maximum of two major programs. If it is determined that additional major programs are required to be audited, Gilbert Associates, Inc. will consult with the District concerning the additional work to be done and an adjustment to the fees.

In the event of delays in receiving requested documentation which extends the date of the audit opinion, additional audit procedures will be required per Statement of Auditing Standards No. 103, *Revised Audit Documentation Standards*. The additional audit procedures required will vary depending on the extent of the time delay and this additional time is not reflected in the above fees, but would be billed at Gilbert Associates, Inc. standard rates, in addition to the stated audit fee.

In the event that the audit requirements pertaining to this audit have been amended or the number of funds maintained by the District has increased during the period under this contract the agreed compensation as stated in the provisions of this contract may be subject to revision.

FILING OF REPORTS

Copies of the report on examination herein required to be made will be prepared and substantially bound by Gilbert Associates, Inc. for filing with each of the following offices and departments:

1. County Office of Education
2. Chancellor's Office, California Community Colleges
3. State Department of Finance
4. State Department of Social Services
4. Department of Education, Audits Investigation Division
5. Federal Audit Clearinghouse
6. Accrediting Commission for Community and Junior Colleges
7. State Controller's Office
8. Board of Trustees – District - 15 bound and 1 unbound copies (including 1 PDF)
9. Board of Trustees – Foundation - 15 bound and 1 unbound copies (including 1 PDF)
10. Board of Trustees – Bond Financial and Performance Audits - 15 bound and 1 unbound copies each (including 1 PDF)

IN WITNESS WHEREOF, said parties to this agreement have executed this agreement, and hereunto set their hands on the day and year herein first above written.

**GOVERNING BOARD OF THE
GAVILAN JOINT COMMUNITY COLLEGE DISTRICT**

By _____


Title President/Superintendent

Date _____

By Wade B. Ellis, CPA
Associate Vice President, Business Services
Title and Security
Date 5/1/2018

By _____
Title Vice President of Administrative Services
Date _____

GILBERT ASSOCIATES, INC.

By 
Title Shareholder
Date 3/29/18