

**SERVICE AGREEMENT
ANNUAL EXTENSION – YEAR 2 OF 3
(RFP No. 14-15-134)**

Pursuant to Section 7, EXTENSION, CHANGES AND AMENDMENTS of the Financial Audit Services Service Agreement (Agreement) dated April 30, 2015 between the City of Las Cruces (City) and Moss Adams LLP (Contractor), the City and Contractor agree to renew the Agreement for a period of one (1) year, to begin April 30, 2016 and terminate April 29, 2017. All other terms of the Service Agreement remain the same.

AGREED:

MOSS ADAMS LLP

CITY OF LAS CRUCES



Signature

5/3/16
Date

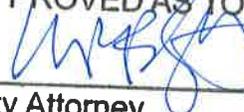


Date

Deb Smith
Purchasing Manager

Brandoa Valentini / Partner
Printed Name/Title

APPROVED AS TO FORM:



City Attorney

Timothy M. Keller
State Auditor



Sanjay Bhakta, CPA, CGFM, CFE, CGMA
Deputy State Auditor

State of New Mexico
OFFICE OF THE STATE AUDITOR

April 26, 2016

Audrey Evins
City of Las Cruces
aevins@las-cruces.org

Dear Audrey Evins,

Pursuant to NMSA 1978, Sections 12-6-3 and -14, and NMAC 2.2.2.8, the Office of the State Auditor hereby approves the request and contract for Moss Adams LLP (the "IPA") to conduct the Fiscal Year 2016 annual audit for City of Las Cruces (the "Agency"). This approval is contingent upon the following:

- The IPA and the Agency will use the form of contract generated through the Office of the State Auditor's OSA-Connect system, with no changes. Any changes to the contract must be approved in writing by the State Auditor.
- The contract price and all other terms of the contract will be identical to the information submitted through the OSA-Connect system.
- If applicable, the Agency will submit the contract for any additional required approvals from an oversight authority, including an approvals by the Public Education Department or Higher Education Department required by NMSA 1978, Section 12-6-14.
- If applicable, the Agency will submit to the Department of Finance and Administration Contracts Review Bureau the required number of signed contracts, a copy of this letter and any other required documentation.

If any of these conditions is not satisfied, this approval will be void, and the Agency will be required to commence the contracting process again with the submission of new information through the OSA-Connect system.

When the contract has been fully executed, please email a PDF copy to OSAreports@osa.state.nm.us, as required by NMAC 2.2.2.8(G)(6). If you have any questions, please contact the Office of the State Auditor at (505) 476-3800. Thank you for your cooperation.

Sincerely,

A handwritten signature in black ink, appearing to read "S. Bhakta", written over a horizontal line.

Sanjay Bhakta, CPA, CGFM, CFE, CGMA
Deputy State Auditor

2540 Camino Edward Ortiz, Suite A, Santa Fe, New Mexico 87507
Phone (505) 476-3800 * Fax (505) 827-3512
www.osa.nm.org * 1-866-OSA-FRAUD

Contract No.

STATE OF NEW MEXICO AUDIT CONTRACT

(Workforce Investment Boards, Councils of Governments, Mutual Domestic Water Consumer Associations, Local Public Bodies not eligible for the Tiered System and Special Districts with December 15 deadlines)

City of Las Cruces

hereinafter referred to as the "Agency," and

Moss Adams LLP

hereinafter referred to as the "Contractor," agree:

As required by the Audit Rule, NMAC Section 2.2.2.1 et seq., Contractor agrees to, and shall, inform the Agency of any restriction placed on Contractor by the Office of the State Auditor pursuant to NMAC Section 2.2.2.8, and whether the Contractor is eligible to enter into this Contract despite the restriction.

I. SCOPE OF WORK (Include in Paragraph 25 any expansion of scope)

A. The Contractor shall conduct a financial and compliance audit of the following applicable statements and schedules of the Agency for Fiscal Year 2016:

1. Basic Financial Statements consisting of the government-wide financial statements, fund financial statements, budgetary comparison statements for the general fund and major special revenue funds (GASB 34, footnote 53), and the notes to the financial statements;
2. Required supplemental information (RSI), if applicable, consisting of budgetary comparison schedules for the general fund and major special revenue fund data presented on a fund, organization, or program structure basis because the budgetary information is not available on the GAAP fund structure basis for those funds (*GASB Statement No. 41, Budgetary Comparison Schedules- Perspective Differences an amendment of GASB Statement No. 34*) must be audited and included in the auditor's opinion (AAG-SLV 15.65);
3. Supplemental Information (SI) that must be audited and included in the auditor's opinion (AAG-SLV 15.65), if applicable, consisting of:
 - a. Component unit fund financial statements and related combining statements (if there are no separately issued financial statements on the component unit per AAG-SLV 3.22);
 - b. Combining financial statements;
 - c. Individual fund budget comparison statements for remaining funds that have an adopted budget, including proprietary funds, that did not appear as basic financial statement budget comparisons for the general fund, major special revenue funds or as RSI as described above; and
 - d. Remaining supplemental information on schedules as required by NMAC Section 2.2.2.10.A(2)(f).

B. The contractor shall apply certain limited procedures to the following required supplemental information (RSI), if applicable, and report deficiencies in or the omission of required information in accordance with the requirements of AU-C 730.05 to 730.09:

1. The Management Discussion and Analysis (MD&A);
2. RSI data required by Statements 25, 27, 43, 45, 67 and 68 regarding pension plans and post-employment healthcare plans administered by defined benefit pension plans; and
3. Schedules derived from asset management systems (GASB 34, paragraphs 132 to 133).

C. The audit shall be conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and Requirements for Contracting and Conducting Governmental Audits* (NMAC Section 2.2.2.1, et seq.).

2. DELIVERY AND REPRODUCTION

A. In order to meet the delivery terms of this Contract, the Contractor shall deliver the following documents to the State Auditor on or before December 15, 2016 and in accordance with NMAC Section 2.2.2.9:

1. an organized, bound and paginated hard copy of the Agency's audit report for review;
2. a copy of the signed management representation letter provided to the IPA by the Agency as required by AU-C580; and
3. a copy of the completed State Auditor Report Review Guide available at www.osanm.org.

B. Reports postmarked by the Agency's due date will be considered received by the due date for purposes of NMAC Section 2.2.2.9. Unfinished or excessively deficient reports will not satisfy this requirement; such reports will be rejected and returned to the Contractor and the State Auditor may take action in accordance with NMAC Section 2.2.2.13.C. If the State Auditor does not receive copies of the management representation letter, and the completed Report Review Guide with the audit report or prior to submittal of the audit report, the State Auditor will not consider the report submitted to the State Auditor.

C. As soon as the Contractor becomes aware that circumstances exist that will make the Agency's audit report late, the Contractor shall immediately provide written notification of the situation to the State Auditor. The notification shall include an explanation regarding why the audit report will be late, when the IPA expects to submit the report and a concurring signature by the Agency. The State Auditor shall also notify the Agency's oversight agency, but confidential information shall be omitted from that notification.

D. Pursuant to NMAC Section 2.2.2.8, the Contractor shall prepare a written and dated engagement letter that identifies the specific responsibilities of the Contractor and the Agency.

E. After its review of the audit report pursuant to NMAC Section 2.2.2.13, the State Auditor shall authorize the Contractor to print and submit the final audit report. Within five business days from the date of the authorization to print and submit the final audit report, the Contractor shall provide the State Auditor with TWO copies of the report, an electronic version of the audit report, in PDF format and the electronic copy of the Excel version of the Summary of Findings Form, the Vendor Schedule, and the Fund Balances. After the State Auditor officially releases the audit report by issuance of a release letter, the Contractor shall deliver 20 copies of the audit report to the Agency. The Agency or IPA shall ensure that every member of the Agency's governing authority shall receive a copy of the report.

F. The Agency, upon delivery of its audit report, shall submit to the Federal Audit Clearinghouse (FAC) the completed dated collection form and the reporting package described in § 200.512 of Uniform Guidance for Federal Awards. The submission is required to be made within 30 calendar days of receipt of the auditor's report, or nine months after the end of the audit period.

3. COMPENSATION

A. The total amount payable by the Agency to the Contractor under this Contract, including New Mexico gross receipts tax and expenses, shall not exceed \$266,751.00.

B. Contractor agrees not to, and shall not, perform any services in furtherance of this Contract prior to approval by the State Auditor. In accordance with Section 12-6-14(A), NMSA 1978, and NMAC Section 2.2.2.8, Contractor acknowledges and agrees that it will not be entitled to payment or compensation for any services performed by Contractor pursuant to this Contract prior to approval by the State Auditor.

C. Total Compensation will consist of the following:

SERVICES	AMOUNTS
(1) Financial statement audit	<u>\$166,800.00</u>
(2) Federal single audit	<u>\$39,000.00</u>
(3) Financial statement preparation	<u>\$30,000.00</u>
(4) Other nonaudit services, such as depreciation schedule updates	<u>\$0.00</u>
(5) Other (i.e., component units, specifically identified)	<u>\$13,500.00</u>

Gross Receipts Tax = \$17,451.00

Total Compensation = \$266,751.00

D. The Agency shall pay the Contractor the New Mexico gross receipts tax levied on the amounts payable under this Contract and invoiced by the Contractor. Payment is subject to availability of funds pursuant to the Appropriations Paragraph set forth below.

E. Pursuant to Section 12-6-14, NMSA 1978 and NMAC Section 2.2.2.8, the State Auditor may authorize progress payments to the Contractor by the Agency; provided that the authorization is based upon evidence of the percentage of audit work completed as of the date of the request for partial payment. Progress payments up to 70% do not require State Auditor approval, provided that the Agency certifies receipt of services. The Agency must monitor audit progress and make progress payments only up to the percentage that the audit is completed prior to making such payment. Progress payments of 70% or more but less than or equal to 90% require State Auditor approval after being approved by the Agency. If requested by the State Auditor, the Agency shall provide a copy of the approved progress billings. The State Auditor may allow only the first 50% of progress payments to be made without State Auditor approval if the Contractor's previous audits were submitted after the due date. Final payment for services rendered by the Contractor shall not be made until a determination and written finding is made by the State Auditor in the release letter that the audit has been made in a competent manner in accordance with the provisions of this Contract and applicable rules of the State Auditor.

4. **TERM.** Unless terminated pursuant to Paragraphs 5 or 19, this Contract shall terminate one calendar year after the latest date on which it is signed.

5. **TERMINATION, BREACH AND REMEDIES**

A. This Contract may be terminated:

1. By either party without cause, upon written notice delivered to the other party and the State Auditor at least ten (10) days prior to the intended date of termination
2. By either party, immediately upon written notice delivered to the other party and the State Auditor, if a material breach of any of the terms of this Contract occurs. Unjustified failure to deliver the report in accordance with Paragraph 2 shall constitute a material breach of this Contract.
3. By the Agency pursuant to Paragraph 19, immediately upon written notice to the Contractor and the State Auditor.
4. By the State Auditor, immediately upon written notice to the Contractor and the Agency after determining that the audit has been unduly delayed, or for any other reason.

B. By termination, neither party may nullify obligations already incurred for performance or failure to perform prior to the date of termination. If the Agency or the State Auditor terminates this Contract, the Contractor shall be entitled to compensation for work performed prior to termination in the amount of earned, but not yet paid, progress payments, if any, that the State Auditor has authorized to the extent required by Paragraph 3(E). If the Contractor terminates this Contract for any reason other than Agency's breach of this Contract, the Contractor shall repay to the Agency the full amount of any progress payments for work performed under the terms of this Contract.

C. Pursuant to NMAC Section 2.2.2.8, the State Auditor may disqualify the Contractor from eligibility to contract for audit services with the State of New Mexico if the Contractor knowingly makes false statements, false assurances or false disclosures under this Contract. The State Auditor on behalf of the Agency or the Agency may bring a civil action for damages or any other relief against a Contractor for a material breach of this Contract

D. **THE REMEDIES HEREIN ARE NOT EXCLUSIVE, AND NOTHING IN THIS SECTION 5 WAIVES OTHER LEGAL RIGHTS AND REMEDIES OF THE PARTIES.**

6. **STATUS OF CONTRACTOR**

The Contractor and its agents and employees are independent contractors performing professional services for the Agency and are not employees of the Agency. The Contractor and its agents and employees shall not accrue leave, retirement, insurance, bonding, use of state vehicles or any other benefits afforded to employees of the Agency as a result of this Contract. The Contractor agrees not to purport to bind the State of New Mexico to any obligation not assumed under this Contract unless the Contractor has express written authority to do so, and then only within the strict limits of that authority.

7. **ASSIGNMENT**

The Contractor shall not assign or transfer any interest in this Contract or assign any claims for money due or to become due under this Contract.

8. **SUBCONTRACTING**

The Contractor shall not subcontract any portion of the services to be performed under this Contract without the prior written approval of the Agency and the State Auditor. An agreement between the Contractor and a subcontractor to subcontract any portion of the services under this Contract shall be completed on a form prescribed by the State Auditor. The agreement shall be an amendment to this Contract and shall specify the portion of the audit services to be performed by the subcontractor, how the responsibility for the audit will be shared between the Contractor and the subcontractor, the party responsible for signing the audit report and the method by which the subcontractor will be paid. Pursuant to NMAC Section 2.2.2.8, the Contractor may subcontract only with independent public accounting firms that are on the State Auditor's List of Approved Firms, and that are not otherwise restricted by the Office from entering into such a contract.

9. **RECORDS**

The Contractor shall maintain detailed time records that indicate the date, time, and nature of services rendered during the term of this Contract. The Contractor shall retain the records for a period of at least five (5) years after the date of final payment under this contract. The records shall be subject to inspection by the Agency and the State Auditor. The Agency and the State Auditor shall have the right to audit billings both before and after payment. Payment under this Contract shall not foreclose the right of the Agency or the State Auditor on behalf of the Agency to recover excessive or illegal payments.

10. RELEASE

The Contractor, upon receiving final payment of the amounts due under the Contract, releases the State Auditor, the Agency, their respective officers and employees and the State of New Mexico from all liabilities, claims and obligations whatsoever arising from or under this Contract. This paragraph does not release the Contractor from any liabilities, claims or obligations whatsoever arising from or under this Contract.

11. CONFIDENTIALITY

All information provided to or developed by the Contractor from any source whatsoever in the performance of this Contract shall be kept confidential and shall not be made available to any individual or organization by the Contractor, except in accordance with this Contract or applicable standards, without the prior written approval of the Agency and the State Auditor.

12. PRODUCT OF SERVICES; COPYRIGHT AND REPORT USE

Nothing developed or produced, in whole or in part, by the Contractor under this Contract shall be the subject of an application for copyright by or on behalf of the Contractor. The Agency and the State Auditor may post an audited financial statement on their respective websites once it is publicly released by the State Auditor.

13. CONFLICT OF INTEREST

The Contractor represents and warrants that it presently has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of services required under this Contract. Each of the Contractor and the Agency certifies that it has followed the requirements of the Governmental Conduct Act, Section 10-16-1, et seq., NMSA 1978, regarding contracting with a public officer, state employee or former state employee, as required by the applicable professional standards.

14. INDEPENDENCE

The Contractor represents and warrants its personal, external and organizational independence from the Agency in accordance with the *Government Auditing Standards 2011 Revision*, issued by the Comptroller General of the United States, and NMAC Section 2.2.2.8. The Contractor shall immediately notify the State Auditor and the Agency in writing if any impairment to the Contractor's independence occurs or may occur during the period of this Contract.

15. AMENDMENT

This Contract shall not be altered, changed or amended except by prior written agreement of the parties and with the prior written approval of the State Auditor. Any amendments to this Contract shall comply with the Procurement Code, Sections 13-1-28 through 13-1-199, NMSA 1978.

16. MERGER

This Contract supersedes all of the agreements, covenants, and understandings between the parties hereto concerning the subject matter hereof. No prior agreement or understanding, verbal or otherwise, of the parties or their agents shall be valid or enforceable unless embodied in this Contract. Contractor and Agency shall enter into and execute an engagement letter pursuant to NMAC Section 2.2.2.8, consistent with Generally Accepted Auditing Standards (GAAS) and Government Auditing Standards (GAGAS). The engagement letter and any associated documentation included with or referenced in the engagement letter shall not be interpreted to amend this Contract. Conflicts between the engagement letter and this Contract are governed by this Contract, and shall be resolved accordingly.

17. APPLICABLE LAW

The laws of the State of New Mexico shall govern this Contract. By execution of this Contract, Contractor irrevocably consents to the exclusive personal jurisdiction of the courts of the State of New Mexico over any and all lawsuits arising from or related to this Contract.

18. AGENCY BOOKS AND RECORDS

The Agency is responsible for maintaining control of all books and records at all times and the Contractor shall not remove any books and records from the Agency's possession for any reason.

19. APPROPRIATIONS

The terms of this Contract are contingent upon sufficient appropriations and authorization being made by the legislature or the Agency's governing body for the performance of this Contract. If sufficient appropriations and authorization are not made by the legislature or the Agency's governing body, this Contract shall terminate upon written notice being given by the Agency to the Contractor. The Agency's decision as to whether sufficient appropriations are available shall be accepted by the Contractor and shall be final. This section of the Contract does not supersede the Agency's requirement to have an annual audit pursuant to Section 12-6-3(A) NMSA 1978.

20. PENALTIES FOR VIOLATION OF LAW

The Procurement Code, Sections 13-1-28 through 13-1-199, NMSA 1978, imposes civil and criminal penalties for its violation. In addition, the New Mexico criminal statutes impose felony penalties for bribes, gratuities and kickbacks.

21. EQUAL OPPORTUNITY COMPLIANCE

The Contractor shall abide by all federal and state laws, rules and regulations, and executive orders of the Governor of the State of New Mexico pertaining to equal employment opportunity. In accordance with all such laws, rules, regulations and orders, the Contractor assures that no person in the United States shall, on the grounds of race, age, religion, color, national origin, ancestry, sex, physical or mental handicap or serious medical condition, spousal affiliation, sexual orientation or gender identity be excluded from employment with or participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity performed under this Contract. If the Contractor is found not to be in compliance with these requirements during the life of this Contract, the Contractor shall take appropriate steps to correct these deficiencies.

22. WORKING PAPERS

A. The Contractor shall retain its working papers of the Agency's audit conducted pursuant to this Contract for a period of at least five (5) years after the date shown on the opinion letter of the audit report, or longer if requested by the federal cognizant agency for audit, oversight agency for audit, pass through-entity or the State Auditor. The State Auditor shall have access to the working papers at the State Auditor's discretion. When requested by the State Auditor, the Contractor shall deliver the original or clear, legible copies of all working papers to the requesting entity.

B. The Contractor should follow the guidance of AU-C 210 A.27 to A.31 and AU-C 510 .A3 to .A9 in communications with the predecessor auditor and to obtain information from the predecessor auditor's audit documentation.

23. DESIGNATED ON-SITE STAFF

The Contractor's on-site individual auditor responsible for supervision of work and completion of the audit is Ryan Luotkemeyer. The Contractor shall notify the Agency and the State Auditor in writing of any changes in staff assigned to perform the audit.

24. INVALID TERM OR CONDITION

If any term or condition of this Contract shall be held invalid or unenforceable, the remainder of this Contract shall not be affected.

25. OTHER PROVISIONS

SIGNATURE PAGE

This Contract is made effective as of the date of the latest signature.

AGENCY

City of Las Cruces

CONTRACTOR

Moss Adams LLP

PRINTED NAME: Deb Smith
SIGNATURE: Deb Smith
TITLE: Purchasing Manager
DATE: 5-4-16

PRINTED NAME: Brandon Valentini
SIGNATURE: [Signature]
TITLE: Partner
DATE: 5/3/16

APPROVED AS TO FORM:

[Signature]
City Attorney

State Auditor Contract No. 16-6102

August 12, 2015

Victoria Fredrick, Director of Financial Services
City of Las Cruces
City Hall 700 N. Main
Las Cruces, New Mexico 88001-3512

Re: Audit and Non-Attest Services

Thank you for the opportunity to provide services to the City of Las Cruces, New Mexico. This engagement letter ("Engagement Letter"), the Professional Services Agreement, and the State of New Mexico Audit Contract for the City of Las Cruces, New Mexico for June 30, 2015 ("New Mexico Audit Contract"), which are incorporated by this reference, confirm our acceptance and understanding of the terms and objectives of our engagement, and limitations of the services that Moss Adams LLP ("Moss Adams," "we," "us," and "our") will provide to the City of Las Cruces, New Mexico ("you," "your," and "City"). Wherever terms of this engagement letter are not consistent with the Audit Contract, the terms of the Audit Contract will prevail.

Scope of Services - Audit

You have requested that we audit the City's financial statements, which comprise the statement of net position as of June 30, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements. We will also report on whether the schedule of expenditures of federal awards, management's discussion and analysis, combining and individual nonmajor fund financial statements and other schedules, presented as supplementary information, are fairly stated, in all material respects, in relation to the financial statements as a whole. We have not been engaged to report on whether the introductory and statistical sections, presented as supplementary information, are fairly stated, in all material respects, in relation to the financial statements as a whole.

Also, the documents we submit to you will include the following additional information that will be subjected to the auditing procedures applied in our audit of your financial statements:

1. Audit opinion covering the financial statements for SCSWA, Metro, MVRDA, and ASCMV.
2. Single Audit in accordance with Government Auditing Standards and OMB Circular A-133 and the electronic submission of the Data Collection Form to the Federal Clearinghouse.

Scope of Services and Limitations - Non-Attest

We will provide the City with the following non-attest services:

1. Assist in compiling the City's Comprehensive Annual Financial Report ("CAFR").

MOSS ADAMS LLP

Victoria Fredrick, Director of Financial Services
City of Las Cruces
August 12, 2015
Page 2 of 5

Our professional standards require that we remain independent with respect to our attest clients, including those situations where we also provide non-attest services such as those identified in the preceding paragraphs. As a result, City management must accept the responsibilities set forth below related to this engagement:

- Assume all management responsibilities.
- Oversee the service by designating an individual, preferably within senior management, who possesses skill, knowledge, and/or experience to oversee our non-attest services. The individual is not required to possess the expertise to perform or reperform the services.
- Evaluate the adequacy and results of the non-attest services performed.
- Accept responsibility for the results of the non-attest services performed.

It is our understanding that Victoria Fredrick, Director of Financial Services has been designated by the City to oversee the non-attest services and that in the opinion of the City is qualified to oversee our non-attest services as outlined above. If any issues or concerns in this area arise during the course of our engagement, we will discuss them with you prior to continuing with the engagement.

Timing

Ryan Luetkemeyer is responsible for supervising the engagement and authorizing the signing of the report. We expect to begin our audit on approximately August 10, 2015, complete fieldwork on approximately October 2015, and issue our report no later than later December 1, 2015. As we reach the conclusion of the audit, we will coordinate with you the date the audited financial statements will be available for issuance. You understand that (1) you will be required to consider subsequent events through the date the financial statements are available for issuance, (2) you will disclose in the notes to the financial statements the date through which subsequent events have been considered, and (3) the subsequent event date disclosed in the footnotes will not be earlier than the date of the management representation letter and the date of the report of independent auditors.

Our scheduling depends on your completion of the year-end closing and adjusting process prior to our arrival to begin the fieldwork. We may experience delays in completing our services due to your staff's unavailability or delays in your closing and adjusting process. You understand our fees are subject to adjustment if we experience these delays in completing our services. Our services will be concluded upon delivery to you of our report on your financial statements for the year ending June 30, 2015.

MOSS ADAMS LLP

Victoria Fredrick, Director of Financial Services
City of Las Cruces
August 12, 2015
Page 3 of 5

Government Auditing Standards require that we provide you with a copy of our most recent quality control review report. Our 2014 report accompanies this letter.

Fees

Our fees for these services will be as outlined in the New Mexico Audit Contract.

Our ability to provide services in accordance with our estimated fees depends on the quality, timeliness and accuracy of the City's records, and, for example, the number of general ledger adjustments required as a result of our work. To assist you in this process, we will provide you with a Client Audit Preparation Schedule that identifies the key work you will need to perform in preparation for the audit. We will also need your accounting staff to be readily available during the engagement to respond in a timely manner to our requests. Lack of preparation, poor records, general ledger adjustments and/or untimely assistance will result in an increase of our fees.

The following are included in our fee assumption:

1. Audit opinion covering the financial statements for SCSWA, Metro, MVRDA, and ASCMV.
2. Single Audit in accordance with Government Auditing Standards and OMB Circular A-133 and the electronic submission of the Data Collection Form to the Federal Clearinghouse.
3. Assist in compiling the City's Comprehensive Annual Financial Report ("CAFR").

To keep fees at a minimum and provide the reports to you on a timely basis, we are planning on significant assistance from your personnel. In this regard, we will furnish you with a list of schedules and data to facilitate our work. We understand that all records, documentation, and information we request in connection with our audit will be made available to us. Your preparation of schedules and providing supporting evidence requested timely is imperative for us to perform our audit procedures in the most efficient manner possible. These fees are for audit services only, and assume that material financial statement areas, such as cash, investments accounts receivable, grants receivable, property and equipment, interfund receivables, due to/from related parties, accounts payable, deferred revenue, compensated absences, fund balance, transfers, grant and other revenues, expenses, transfers, and other areas are reconciled and properly adjusted and documented. If audit related accounting assistance is required to reconcile accounts, these fees will be billed separately at our standard hourly rates. We will obtain your concurrence before we begin such services significantly beyond the scope of the audit.

If additional audit related reconciliations (considered outside the scope of our general audit procedures) are considered necessary, the limitations and the responsibilities City management must accept that are described in the "Scope of Services and Limitations - Non-Attest" section of this letter will apply, and management will be required to designate an individual responsible for overseeing and monitoring this work. These non-attest services will be billed in excess of the fee noted above, at our standard hourly rates.

MOSS ADAMS L.L.P.

Victoria Fredrick, Director of Financial Services
City of Las Cruces
August 12, 2015
Page 4 of 5

Reporting

We will issue a written report upon completion of our audit of the City's financial statements. Our report will be addressed to the Honorable Mayor and City Council Members of the City. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement. Our services will be concluded upon delivery to you of our report on your financial statements for the year ended June 30, 2015.

At the conclusion of the engagement, we will complete the auditor section of the Data Collection Form and electronically sign the Data Collection Form that summarizes our findings. We will provide electronic copies of our reports to you; however, it is management's responsibility to electronically 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, as applicable) along with the Data Collection Form to the Federal Audit Clearinghouse and, if appropriate, to pass-through entities. 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 the audit. At the conclusion of the engagement, we will make arrangements with management regarding Data Collection Form submission procedures.

Additional Services

You may request that we perform additional services not contemplated by this Engagement Letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. It is our practice to issue a separate agreement covering additional services. However, absent such a separate agreement, all services we provide you shall be subject to the terms and conditions in the Professional Services Agreement.

MOSS ADAMS LLP

Victoria Fredrick, Director of Financial Services
City of Las Cruces
August 12, 2015
Page 5 of 5

We appreciate the opportunity to be of service to you. If you agree with the terms of our engagement as set forth in this Agreement, please sign the enclosed copy of this letter and return it to us with the Professional Services Agreement.

Very truly yours,



Ryan Luetkemeyer
Senior Manager for
Moss Adams LLP

Enclosures

ACCEPTED AND AGREED:

This Engagement Letter, the attached Professional Services Agreement and the New Mexico Audit Contract set forth the entire understanding of the City of Las Cruces, New Mexico with respect to this engagement and the services to be provided by Moss Adams LLP:

Signature: Deb Smith
Print Name: Deb Smith
Title: Purchasing Manager
Date: 8.17.15

Client: #623832
NMv. 6/10/2014

APPROVED AS TO FORM:


City Attorney

PROFESSIONAL SERVICES AGREEMENT

Single Audit Version

This Professional Services Agreement (the "PSA") together with the Engagement Letter and the New Mexico Audit Contract which are hereby incorporated by reference, represent the entire agreement (the "Agreement") relating to services that Moss Adams will provide to the City. Any undefined terms in this PSA shall have the same meaning as set forth in the Engagement Letter.

Objectives of the Audit

The objective of our audit is the expression of an opinion on the financial statements and supplementary information. The objective also includes reporting on the following:

- 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 as required by *Government Auditing Standards*.
- Internal control related to major federal programs and an opinion (or disclaimer of opinion) on compliance with the provisions of laws, regulations, contracts, and grant agreements that may have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

The reports on internal control and compliance will each include a statement that the purpose of the report is solely to: describe the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance; describe the scope of testing internal control over compliance for major federal programs and major federal program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance; that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance and OMB Circular A-133 in considering internal control over compliance and major federal program compliance; and, accordingly, it is not suitable for any other purpose.

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS); 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; and the provisions of OMB Circular A-133. It will include tests of your accounting records, a determination of major program(s) in accordance with OMB Circular A-133, and other procedures we consider necessary to enable us to express opinions and to render the required reports. If our opinion on the financial statements or the Single Audit compliance opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion we may decline to express an opinion or to issue a report as a result of this engagement.

We will also conduct our audit in accordance with the New Mexico State Auditor Rule 2.2.2 NMAC.

Procedures and Limitations

Our procedures may include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of certain receivables and certain other assets, liabilities and transaction details by correspondence with selected individuals, funding sources, creditors, and financial institutions. We may also request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. The supplementary information will be subject to 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. At the conclusion of our audit, we will require certain written representations from management about the financial statements and supplementary information and related matters. Management's failure to provide representations to our satisfaction will preclude us from issuing our report.

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An audit includes examining evidence, on a test basis, supporting the amounts and disclosures in the financial statements. Therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Also, we will plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. Such material misstatements may include errors, fraudulent financial reporting, misappropriation of assets, or noncompliance with the provisions of laws, regulations, contracts, and grant agreements that are attributable to the entity or to acts by management or employees acting on behalf of the entity that may have a direct financial statement impact. Pursuant to *Government Auditing Standards*, we will not provide reasonable assurance of detecting abuse. As required by the Single Audit Act Amendments of 1996 and OMB Circular A-133, our audit will include tests of transactions related to major federal award programs for compliance with applicable laws, regulations, and the provisions of contracts and grant agreements that may have a direct and material effect on each major program.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements and noncompliance may not be detected, even though the audit is properly planned and performed in accordance with U.S. GAAS, *Government Auditing Standards*, and OMB Circular A-133. An audit is not designed to detect immaterial misstatements or noncompliance with the provisions of laws, regulations, contracts, and grant agreements that do not have a direct and material effect on the financial statements or on major federal programs. However, we will inform you of any material errors, fraudulent financial reporting, misappropriation of assets, or noncompliance with the provisions of laws, regulations, contracts, and grant agreements that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any time period for which we are not engaged as auditors.

We may assist management in the preparation of the City's financial statements and supplementary information. Regardless of any assistance we may render, all information included in the financial statements and supplementary information remains the representation of management. We may issue a preliminary draft of the financial statements and supplementary information to you for your review. Any preliminary draft financial statements and supplementary information should not be relied upon, reproduced or otherwise distributed without the written permission of Moss Adams.

Procedures and Limitations—Internal Control

In planning and performing our audit, we will consider the internal control sufficient to plan the audit in order to determine the nature, timing, and extent of our auditing procedures for the purpose of expressing our opinions on the City's financial statements and on its compliance with requirements applicable to major federal programs.

We will obtain an understanding of the design of the relevant controls and whether they have been placed in operation, and we will assess control risk. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from noncompliance with the provisions of laws, regulations, contract and grant agreements and other noncompliance matters that have a direct and material effect on the financial statements.

An audit is not designed to provide assurance on internal control or to identify deficiencies in the design or operation of internal control and accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*. However, if, during the audit, we become aware of any matters involving internal control or its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, we will communicate them in writing to management and those charged with governance. We will also identify if we consider any significant deficiency, or combination of significant deficiencies, to be a material weakness.

As required by OMB Circular A-133, we will perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance

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requirements applicable to each major federal award program. However, our 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 our report on internal control issued pursuant to OMB Circular A-133.

Procedures and Limitations—Compliance

Our audit will be conducted in accordance with the standards referred to in the section titled "Objectives of the Audit." As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, we will perform tests of the City's compliance with the provisions of laws, regulations, contracts, and grant agreements that may have a direct and material effect on the financial statements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OMB Circular A-133 requires that we 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 that may have a direct and material effect on each major federal program. Our procedures will consist of the applicable procedures described in the OMB Circular A-133 Compliance Supplement for the types of compliance requirements that could have a direct and material effect on each of your major federal programs. The purpose of those procedures will be to express an opinion on the City's compliance with requirements applicable to each of its major federal programs in our report on compliance issued pursuant to OMB Circular A-133.

Management's Responsibility for Financial Statements, Internal Control, and Federal Award Compliance

As a condition of our engagement, management acknowledges and understands that management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. We may advise management about appropriate accounting principles and their application and may assist in the preparation of your financial statements, including the schedule of expenditures of federal awards, but management remains responsible for the financial statements and the schedule of expenditures of federal awards. Management also acknowledges and understands that management is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud. This responsibility includes the maintenance of adequate records, the selection and application of accounting principles, and the safeguarding of assets.

You are responsible for informing us about all known or suspected fraud affecting the City involving: (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. You are responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting the City received in communications from employees, former employees, grantors, regulators, or others. In addition, management is responsible for identifying and ensuring that the City complies with applicable laws and regulations and for taking timely and appropriate steps to remedy any fraud or noncompliance with the provisions of laws, regulations, contract, and grant agreements, that we may report.

Management is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Management is responsible for establishing and maintaining internal control and for compliance with the provisions of laws, regulations, contracts, and grant agreements and for identifying and ensuring that the City complies with such provisions. Management is also responsible for informing us of any significant vendor relationships in which the vendor is responsible for program compliance. Management is also responsible for addressing the audit findings and recommendations, establishing and maintaining a process to track the status of such findings and recommendations, and taking timely and appropriate steps to remedy any fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements or abuse that we may report. Additionally, as required by OMB Circular A-133, it is

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your responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan.

Management is responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Management agrees that as a condition of our engagement management will provide us with:

- access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
- additional information that we may request from management for the purpose of the audit; and
- unrestricted access to persons within the City from whom we determine it necessary to obtain audit evidence.

Management's Responsibility for Supplementary Information

Management is responsible for the preparation of the supplementary information in accordance with the applicable criteria. Management agrees to include the auditor's report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information. Management is responsible to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon. For purposes of this Agreement, audited financial statements are deemed to be readily available if a third party user can obtain the audited financial statements without any further action by management. For example, financial statements on your Web site may be considered readily available, but being available upon request is not considered readily available.

Dissemination of Financial Statements

Our report on the financial statements must be associated only with the financial statements that were the subject of our engagement. You may make copies of our report, but only if the entire financial statements (including related footnotes and supplementary information, as appropriate) are reproduced and distributed with our report. You agree not to reproduce or associate our report with any other financial statements, or portions thereof, that are not the subject of this engagement.

Offering of Securities

This Agreement does not contemplate Moss Adams providing any services in connection with the offering of securities, whether registered or exempt from registration, and Moss Adams will charge additional fees to provide any such services. You agree not to incorporate or reference our report in a private placement or other offering of your equity or debt securities without our express written permission. You further agree we are under no obligation to reissue our report or provide written permission for the use of our report at a later date in connection with an offering of securities, the issuance of debt instruments, or for any other circumstance. We will determine, at our sole discretion, whether we will reissue our report or provide written permission for the use of our report only after we have conducted any procedures we deem necessary in the circumstances. You agree to provide us with adequate time to review documents where (a) our report is requested to be reissued, (b) our report is included in the offering document or referred to therein, or (c) reference to our firm is expected to be made. If we decide to reissue our report or provide written permission to the use of our report, we require and you agree that Moss Adams will be included on each distribution of draft offering materials and that we will receive a complete set of final documents. If we decide not to reissue our report or we withhold our written permission to use our report, you may be required to engage another firm to audit periods covered by our audit reports, and that firm will likely bill you for its services. While the successor auditor may request access to our engagement documentation for those periods, we are under no obligation to permit such access.

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Changes in Professional or Accounting Standards

To the extent that future federal, state, or professional rule-making activities require modification of our audit approach, procedures, scope of work, etc., we will advise you of such changes and the impact on our fee estimate. If we are unable to agree on the additional fees, if any, that may be required to implement any new accounting and auditing standards that are required to be adopted and applied as part of our engagement, we may terminate this Agreement as provided herein, regardless of the stage of completion.

Representations of Management

During the course of our engagement, we may request information and explanations from management regarding, among other matters, the City's operations, internal control, future plans, specific transactions, and accounting systems and procedures. At the conclusion of our engagement, we will require, as a precondition to the issuance of our report, that management provide us with a written representation letter confirming some or all of the representations made during the engagement. The procedures that we will perform in our engagement will be heavily influenced by the representations that we receive from management. Accordingly, false representations could cause us to expend unnecessary efforts or could cause a material error or fraud to go undetected by our procedures. In view of the foregoing, you agree that we will not be responsible for any misstatements in the City's financial statements and supplementary information that we fail to detect as a result of false or misleading representations, whether oral or written, that are made to us by the City's management. While we may assist management in the preparation of the representation letter, it is management's responsibility to carefully review and understand the representations made therein.

In addition, because our failure to detect material misstatements could cause others relying upon our audit report to incur damages, the City further agrees to indemnify and hold us harmless from any liability and all costs (including legal fees) that we may incur in connection with claims based upon our failure to detect material misstatements in the City's financial statements and supplementary information resulting in whole or in part from knowingly false or misleading representations made to us by any member of the City's management.

Fees and Expenses

The City acknowledges that the following circumstances will result in an increase of our fees:

- Failure to prepare for the audit as evidenced by accounts and records that have not been subject to normal year-end closing and reconciliation procedures;
- Failure to complete the audit preparation work by the applicable due dates;
- Significant unanticipated transactions, audit issues, or other such circumstances;
- Delays causing scheduling changes or disruption of fieldwork;
- After audit or post fieldwork circumstances requiring revisions to work previously completed or delays in resolution of issues that extend the period of time necessary to complete the audit;
- Issues with the prior audit firm, prior year account balances or report disclosures that impact the current year engagement; and
- An excessive number of audit adjustments.

We will endeavor to advise you in the event these circumstances occur, however we may be unable to determine the impact on the estimated fee until the conclusion of the engagement. We will bill any additional amounts based on the experience of the individuals involved and the amount of work performed.

Billings are due upon presentation and become delinquent if not paid within 30 days of the invoice date. Any past due fee under this Agreement shall bear interest at the highest rate allowed by law on any unpaid balance. Expenses are billed as incurred and include charges for such items as transportation, meals, lodging, long distance phone, postage, computer charges, photocopying, graphics preparation, invoicing and report processing. Direct expenses are passed through to you without markup. Indirect costs incurred specifically for your work, such as computer processing and

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copying, are passed through at our estimated clerical and equipment cost of providing the particular service or material. If we elect to suspend our engagement for nonpayment, we may not resume our work until the account is paid in full. If we elect to terminate our services for nonpayment, or as otherwise provided in this Agreement, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our work. You will be obligated to compensate us for fees earned for services rendered and to reimburse us for expenses made through the date of termination. You acknowledge and agree that in the event we stop work or terminate this Agreement as a result of your failure to pay on a timely basis for services rendered by Moss Adams as provided in this Agreement, or if we terminate this Agreement for any other reason, we shall not be liable to you for any damages that occur as a result of our ceasing to render services.

Limitation on Liability

IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY SPECIAL, INDIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES IN CONNECTION WITH OR OTHERWISE ARISING OUT OF THIS AGREEMENT, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR EXEMPLARY OR PUNITIVE DAMAGES ARISING OUT OF OR RELATED TO THIS AGREEMENT.

Subpoena or Other Release of Documents

As a result of our services to you, we may be required or requested to provide information or documents to you or a third-party in connection with governmental regulations or activities, or a legal, arbitration or administrative proceeding (including a grand jury investigation), in which we are not a party. You may, within the time permitted for our firm to respond to any request, initiate such legal action as you deem appropriate to protect information from discovery. If you take no action within the time permitted for us to respond or if your action does not result in a judicial order protecting us from supplying requested information, we will construe your inaction or failure as consent to comply with the request. Our efforts in complying with such requests or demands will be deemed a part of this engagement and we shall be entitled to additional compensation for our time and reimbursement for our out-of-pocket expenditures (including legal fees) in complying with such request or demand.

Pursuant to authority given by law or regulation, we may be requested to make certain engagement documentation available to an applicable entity with oversight responsibilities for the 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. We will notify you of any such request. If requested, access to such engagement documentation will be provided under the supervision of Moss Adams personnel. Furthermore, upon request, we may provide photocopies of selected engagement documentation to the aforementioned parties. These parties may intend, or decide, to distribute the photocopies or information contained therein to others, including other governmental agencies.

Document Retention Policy

At the conclusion of this engagement, we will return to you all original records you supplied to us. Your City records are the primary records for your operations and comprise the backup and support for the results of this engagement. Our records and files, including our engagement documentation whether kept on paper or electronic media, are our property and are not a substitute for your own records. Our firm policy calls for us to destroy our engagement files and all pertinent engagement documentation after a retention period of seven years (or longer, if required by law or regulation), after which time these items will no longer be available. We are under no obligation to notify you regarding the destruction of our records. We reserve the right to modify the retention period without notifying you. Catastrophic events or physical deterioration may result in our firm's records being unavailable before the expiration of the above retention period.

Except as set forth above, you agree that Moss Adams may destroy paper originals and copies of any documents, including, without limitation, correspondence, agreements, and representation letters, and retain only digital images thereof.

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Use of Electronic Communication

In the interest of facilitating our services to you, we may communicate by facsimile transmission or send electronic mail over the Internet. Such communications may include information that is confidential to the City. Our firm employs measures in the use of facsimile machines and computer technology designed to provide reasonable assurance that data security is maintained. While we will use our best efforts to keep such communications secure in accordance with our obligations under applicable laws and professional standards, you recognize and accept that we have no control over the unauthorized interception of these communications once they have been sent. Unless you issue specific instructions to do otherwise, we will assume that you consent to our use of facsimile transmissions to your representatives and other use of these electronic devices during this engagement as we deem appropriate.

Enforceability

In the event that any portion of this Agreement is deemed invalid or unenforceable, said finding shall not operate to invalidate the remainder of this Agreement.

Entire Agreement

This Professional Services Agreement and Engagement Letter constitute the entire agreement and understanding between Moss Adams and the City. The City agrees that in entering into this Agreement it is not relying and has not relied upon any oral or other representations, promise or statement made by anyone which is not set forth herein.

In the event the parties fail to enter into a new Agreement for each subsequent calendar year in which Moss Adams provides services to the City, the terms and conditions of this PSA shall continue in force until such time as the parties execute a new written Agreement or terminate their relationship, whichever occurs first.

Use of Moss Adams' Name

The City may not use any of Moss Adams' name, trademarks, service marks or logo in connection with the services contemplated by this Agreement or otherwise without the prior written permission of Moss Adams, which permission may be withheld for any or no reason and may be subject to certain conditions.

Use of Third-Party Service Providers

We may use third-party service providers in serving you. In such circumstances, if we need to share confidential information about the City with these service providers, we will require that the third-party service providers maintain the confidentiality of your information.

Use of Nonlicensed Personnel

Certain engagement personnel who are not licensed as certified public accountants may provide services during this engagement.

Dispute Resolution Procedure and Venue

This Agreement shall be governed by the laws of the state of ^{New Mexico} Washington, without giving effect to any conflicts of laws principles. If a dispute arises out of or relates to the engagement described herein, and if the dispute cannot be settled through negotiations, the parties agree first to try in good faith to settle the dispute by mediation using an agreed upon mediator. If the parties are unable to agree on a mediator, the parties shall petition the state court that would have jurisdiction over this matter if litigation were to ensue and request the appointment of a mediator, and such appointment shall be binding on the parties. Each party shall be responsible for its own mediation expenses, and shall share equally in the mediator's fees and expenses.

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Dona Ana County, State of New Mexico

If the claim or dispute cannot be settled through mediation, each party hereby irrevocably (a) consents to the exclusive jurisdiction and venue of the appropriate state or federal court located in ~~King County, state of Washington~~, in connection with any dispute hereunder or the enforcement of any right or obligation hereunder, and (b) WAIVES ITS RIGHT TO A JURY TRIAL. EACH PARTY FURTHER AGREES THAT ANY SUIT ARISING OUT OF OR RELATED TO THIS AGREEMENT MUST BE FILED WITHIN ONE (1) YEAR AFTER THE CAUSE OF ACTION ARISES. *B*

Termination

This Agreement may be terminated by either party, with or without cause, upon ten (10) days' written notice. In such event, we will stop providing services hereunder except on work, mutually agreed upon in writing, necessary to carry out such termination. In the event of termination, (a) you shall pay us for services provided and expenses incurred through the effective date of termination, (b) we will provide you with all finished reports that we have prepared pursuant to this Agreement, (c) neither party shall be liable to the other for any damages that occur as a result of our ceasing to render services, and (d) we will require any new accounting firm that you may retain to execute access letters satisfactory to Moss Adams prior to reviewing our files.

System Review Report

To the Partners of Moss Adams LLP
and the AICPA National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Moss Adams LLP (the "firm") applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended April 30, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations [Service Organizations Control (SOC) 1 engagement].

In our opinion, the system of quality control for the accounting and auditing practice of Moss Adams LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended April 30, 2014, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Moss Adams LLP has received a peer review rating of *pass*.

Cherry Bekaert LLP

Cherry Bekaert LLP
September 16, 2014

November 7, 2014

Christopher G. Schmidt, CPA
Moss Adams LLP
999 3rd Ave Ste 3300
Seattle, WA 98104

Dear Mr. Schmidt:

It is my pleasure to notify you that on October 31, 2014 the National Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is October 31, 2017. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Sincerely,



Larry Gray
Chair, National Peer Review Committee
nprc@aicpa.org 919 402.4502

cc: Samuel Edward Johnson

Firm Number: 10050024

Review Number 360155

Letter ID: 937205

MOSS-ADAMS_{LLP}

PROFESSIONAL FEES

FEE QUOTE

Description	1 st Year	1 st Year	2 nd Year	2 nd Year	3 rd Year	3 rd Year
	Hours	Cost	Hours	Cost	Hours	Cost
	FYE 6/30/15	FYE 6/30/15	FYE 6/30/16	FYE 6/30/16	FYE 6/30/17	FYE 6/30/17
Financial Statement Audit	1,200	\$162,000	1,200	\$166,800	1,200	\$174,000
Federal Single Audit	280	\$37,800	280	\$39,000	280	\$40,000
CAFR Preparation – City	200	\$29,000	200	\$30,000	200	\$31,000
Other allowed non-audit services	-	-	-	-	-	-
Other (component units)	110	\$12,000	110	\$13,500	110	\$14,000
Subtotal	1,790	\$240,800	1,790	\$249,300	1,790	\$259,000
Gross Receipts Tax	n/a	\$16,856	n/a	\$17,451	n/a	\$18,130
Total	1,790	\$257,656	1,790	\$266,751	1,790	\$277,130

BREAKDOWN BY ENTITY

Entity	Year 1		Year 2*		Year 3*		Total	
	Hours	Cost	Hours	Cost	Hours	Cost	Hours	Cost
City	1,490	\$208,300	1,490	\$215,300	1,490	\$223,500	4,470	\$647,100
SCSWA	100	\$12,000	100	\$12,500	100	\$13,000	300	\$37,500
METRO	100	\$12,000	100	\$12,500	100	\$13,000	300	\$37,500
MVRDA	60	\$5,500	60	\$5,750	60	\$6,000	180	\$17,250
ASCMV	40	\$3,000	40	\$3,250	40	\$3,500	120	\$9,750
Total Cost	1790	\$240,800	1790	\$249,300	1790	\$259,000	5,370	\$749,100

Manner and Timing of Billing

It is our policy to bill monthly in accordance with the State of New Mexico Office of the State Auditor, Audit Rule 2012, 2.2.2 NMAC.

MOSS ADAMS_{LLP}

Additional Assistance

As we have demonstrated throughout our professional relationship, we will be there when you need us. We will not charge for telephone calls seeking miscellaneous advice, meetings or other miscellaneous assistance. Should an issue arise that requires significant additional work or research, we will discuss a fee estimate with you before incurring additional time.

Rates for additional professional services:

Staff Level	Hourly Rate
Partner	\$300 – \$400
Senior Manager	\$200 – \$250
Manager	\$160 – \$180
Senior	\$130 – \$150
Staff	\$110

Please consider the following:

- Our proposed team is the same team that has served you for the past three years. By staying with Moss Adams, your finance staff can focus on their normal duties rather than training new auditors.
- Your audit will be led by senior managers, each of which have over 10 years of governmental audit experience. They will be on-site directing the audit team leading to an effective and efficient audit.
- Why worry about meeting deadlines? As we have demonstrated throughout our professional relationship, we will complete the audit well in advance of your filing deadline.
- To further demonstrate our commitment to the City, we will provide you with 20 hours of partner and senior manager time at no charge to assist in your understanding and implementation of GASB Statement No 68. We will also provide you with proprietary tools to address best practices with regard to internal controls and objectives for employers for the pension accounting cycle.

We are competitive with other firms offering a similar level of experience and service. If you have any questions about our fees or other matters, please contact us before issuing your final decision.