



## OROVILLE CITY COUNCIL

Council Chambers  
1735 Montgomery Street  
Special Meeting

### SPECIAL MEETING OCTOBER 18, 2016 TO BE HELD IMMEDIATELY FOLLOWING THE 5:00 P.M. REGULAR MEETING AGENDA

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#### ROLL CALL

Council Members Berry, Del Rosario, Hatley, Pittman, Simpson, Vice Mayor Wilcox, Mayor Dahlmeier

#### PLEDGE OF ALLEGIANCE

#### RECOGNITION OF INDIVIDUALS WHO WISH TO SPEAK ON AGENDA ITEMS

This is the time the Mayor will invite anyone in the audience wishing to address the Council on a matter that is on the agenda to state your name and the agenda item on which you wish to speak. When that item comes up on the agenda, you will be asked to step to the podium, repeat your name for the record, and make your presentation or ask questions regarding the agenda item. Following your remarks, Council and/or staff may respond to your comments or questions. **Presentations are limited to three minutes per person.** Under Government Code Section 54954.3 the time allotted for presentations may be limited.

#### SPECIAL BUSINESS

1. **LETTER OF AGREEMENT WITH DAVIS HAMMON AND COMPANY** – staff report

The Council may consider a Letter of Agreement with Davis Hammon & Company to review the City's financial information and recap both the Community Development Block Program Income and the Home Investment Partnership Program's (HOME) Program Income, received and expended for the period July 1, 2014 through September 30, 2016. **(Amy Bergstrand, Management Analyst III and Donald Rust, Director of Community Development)**

Council Action Requested: **Adopt Resolution No. 8549 – A RESOLUTION OF THE OROVILLE CITY COUNCIL AUTHORIZING AND DIRECTING THE MAYOR TO EXECUTE A LETTER OF AGREEMENT WITH DAVIS HAMMON AND COMPANY, IN AN AMOUNT NOT TO EXCEED \$3,680, FOR FINANCIAL SERVICES RELATING TO THE COMMUNITY DEVELOPMENT BLOCK GRANT AND HOME INVESTMENT PARTNERSHIP PROGRAM'S PROGRAM INCOME RECEIVED AND EXPENDED FOR THE PERIOD JULY 1, 2014 THROUGH SEPTEMBER 30, 2016 – (Agreement No. 3194).**

## **ADJOURNMENT**

The meeting will be adjourned to a regular meeting of the Oroville City Council to be held on Tuesday, November 1, 2016 at 5:00 p.m.

**OROVILLE CITY COUNCIL  
STAFF REPORT**

**TO: MAYOR AND CITY COUNCIL MEMBERS**

**FROM: AMY BERGSTRAND, MANAGEMENT ANALYST III  
DONALD RUST, DIRECTOR (530) 538-2433  
COMMUNITY DEVELOPMENT DEPARTMENT**

**RE: LETTER OF AGREEMENT WITH DAVIS HAMMON AND COMPANY**

**DATE: OCTOBER 18, 2016**

**SUMMARY**

The Council may consider a Letter of Agreement with Davis Hammon & Company to review the City's financial information and recap both the Community Development Block Program Income and the Home Investment Partnership Program's (HOME) Program Income, received and expended for the period July 1, 2014 through June 30, 2016.

**DISCUSSION**

Staff is requesting the assistance of Davis Hammon and Company to review the financial system and to track and recap the HOME Program Income received and expended for the period July 1, 2014 through September 30, 2016. Secondly, Davis Hammon and Company will determine the amount of unexpended HOME Program Income as of June 30, 2016. Lastly, Davis Hammon and Company will develop adjusting journal entries to correct any errors discovered to reconcile the MOM System's General Ledger accounts to reports submitted to the HOME and CDBG Programs.

Davis Hammon and Company have agreed to provide this service to the City for an hourly rate of \$115. They anticipate a maximum of 32 hours will be needed to perform the work.

**FISCAL IMPACT**

There is no impact to the General Fund.

Funding in the amount of approximately \$3,680 is available in the Community Development Block Grant (CDBG) Program Income General Administration Account: 229-7071-6360.

## **RECOMMENDATIONS**

Adopt Resolution No. 8549– A RESOLUTION OF THE OROVILLE CITY COUNCIL AUTHORIZING AND DIRECTING THE MAYOR TO EXECUTE A LETTER OF AGREEMENT WITH DAVIS HAMMON AND COMPANY, IN AN AMOUNT OF APPROXIMATELY \$3,680, FOR FINANCIAL SERVICES RELATING TO THE COMMUNITY DEVELOPMENT BLOCK GRANT AND HOME INVESTMENT PARTNERSHIP PROGRAM'S PROGRAM INCOME RECEIVED AND EXPENDED FOR THE PERIOD JULY 1, 2014 THROUGH JUNE 30, 2016 – (Agreement No. 3194).

## **ATTACHMENTS**

Resolution No. 8549  
Agreement No. 3194

1 CITY OF OROVILLE  
2 RESOLUTION NO. 8549

3 A RESOLUTION OF THE OROVILLE CITY COUNCIL AUTHORIZING AND DIRECTING  
4 THE MAYOR TO EXECUTE A LETTER OF AGREEMENT WITH DAVIS HAMMON AND  
5 COMPANY, IN AN AMOUNT NOT TO EXCEED \$3,680, FOR FINANCIAL SERVICES  
6 RELATING TO THE COMMUNITY DEVELOPMENT BLOCK GRANT AND HOME  
7 INVESTMENT PARTNERSHIP PROGRAM'S PROGRAM INCOME RECEIVED AND  
8 EXPENDED FOR THE PERIOD JULY 1, 2014 THROUGH JUNE 30, 2016

9 (Agreement No. 3194)

10 Be it hereby resolved by the Oroville City Council as follows:

- 11 1. The Mayor is hereby authorized and directed to execute a Letter of  
12 Agreement with Davis Hammon and Company for financial services  
13 relating to the Community Development Block Grant and HOME  
14 Investment Partnership Program. A copy of the Agreement is  
15 attached as Exhibit A.
- 16 2. The City Clerk shall attest to the adoption of this Resolution.

17 **PASSED AND ADOPTED** by the Oroville City Council at a special meeting on  
18 October 18, 2016, by the following vote:

19 AYES:

20 NOES:

21 ABSTAIN:

22 ABSENT:

23 \_\_\_\_\_  
Linda L. Dahlmeier, Mayor

24 APPROVED AS TO FORM:

ATTEST:

25 \_\_\_\_\_  
Scott E. Huber, City Attorney

26 \_\_\_\_\_  
Donald Rust, Acting City Clerk

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**DAVIS HAMMON & CO.**  
Certified Public Accountants

Davis W. Hammon, Jr., CPA  
(1924-1989)

Stephen B. Norman, CPA • PFS  
Stephen J. Herr, CPA  
James L. Duckett, CPA

**PREPARATION OF CDBG & HOME PROGRAM INCOME  
ACTIVITY REPORTS SERVICE AGREEMENT**

October 17, 2016

City of Oroville  
1735 Montgomery Street  
Oroville, CA 95965

This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide.

**PREPARATION SERVICES**

We will prepare, from information you provide, the CDBG and HOME Program Income Activity Reports ("Reports") for the period July 1, 2014 through June 30, 2016, in accordance with the "preparation standards" as set forth in the Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants (AICPA) and applicable ethical principles established by the AICPA's Code of Professional Conduct.

The objective of our engagement is to prepare the Reports in accordance with the financial reporting framework you select, based on information provided by you, and to apply accounting and financial reporting expertise to assist you in the presentation of the Reports without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the Reports in order for them to be in accordance with that framework. It is our understanding that you have selected the modified accrual basis as your financial reporting framework and, as such, that is the framework we will use for this engagement. We will not compile, review, or audit these Reports. By your signature below you acknowledge and agree that no accountants' report will accompany the Reports, and **each page of the Reports will clearly indicate that no assurance is provided.**

Should management require a different level of service for the aforementioned Reports in addition to, or in place of, the limited preparation services described in this letter (i.e., compilation, review, or audit), we will issue a separate engagement letter for such services.

A preparation differs significantly from a compilation, review, or an audit of financial statements; the information provided by management will not be verified, corroborated, compiled, reviewed, or audited. Additionally, this engagement does not contemplate obtaining an understanding of the entity's internal control; assessing fraud risk; tests of accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation; or the examination of source documents (for example, cancelled checks or bank images); or other procedures ordinarily performed in an audit. Therefore, this engagement does not provide a basis for expressing an opinion or a conclusion, nor will we express any level of assurance on the Reports being prepared. Accordingly, no form of assurance will be given on the Reports, and we will clearly indicate that on each page of the Reports. Because we are performing our preparation services as accountants rather than as auditors, you should not record or describe our services as an "audit" or "auditing" in your minutes or books of record.

If, for any reason, we are unable to complete the preparation of your Reports, we will not issue such Reports as a result of this engagement.



City of Oroville  
October 17, 2016

### **RESPONSIBILITIES OF MANAGEMENT**

Management is responsible for providing us with access to all information of which management is aware that is relevant to the preparation and fair presentation of the Reports, such as records, documentation, and other matters, as well as additional information we may request for this engagement. Management will also provide us with unrestricted access to persons within the entity with whom we determine it necessary to communicate. By your signature below, you understand and agree that management is responsible for the accuracy and completeness of the records, documents, explanations, and other information provided to us, including management's significant judgements impacting the preparation and fair presentation of the Reports.

As outlined in this letter, we will prepare your Reports and may advise you about appropriate accounting principles and their application, but the final responsibility for the preparation and fair presentation of the Reports in accordance with the financial reporting framework you selected, modified accrual basis of accounting, remains with you. Also, as part of our engagement, we may propose standard, adjusting, or correcting journal entries to your financial statements. Management, however, has final responsibility for reviewing and accepting the proposed entries and understanding the nature and impact of the proposed entries to the financial statements. Management understands that the Reports prepared in accordance with the terms of this letter will not be accompanied by an accountants' report; and agrees that the Reports will clearly indicate that no assurance is provided on them.

In addition, you are responsible for establishing and maintaining internal controls, including monitoring ongoing activities. This includes designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the Reports that are free from material misstatement, whether due to fraud or error, as well as identifying and ensuring that the organization complies with the laws and regulations applicable to its activities. We will have no responsibility to identify and communicate deficiencies in your internal control as part of this engagement.

It is our understanding that management has designated qualified individuals with the necessary expertise, preferably within senior management, to be responsible and accountable for overseeing the preparation of the Reports performed as part of this engagement. By your signature below, you acknowledge that management agrees to evaluate the adequacy of, and accept responsibility for, the results of all services performed as part of this agreement.

Our engagement cannot be relied upon to disclose errors, fraudulent financial reporting, misappropriation of assets, or illegal acts that may have occurred. By your signature below, you understand and agree that you are responsible for preventing and detecting fraud.

### **OTHER MATTERS**

**FEES:** Our hourly fees will be charged at a rate of \$115. We estimate maximum of 32 hours will be needed to perform the procedures. This fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.



City of Oroville  
October 17, 2016

**RECORD RETENTION:** In accordance with our firm's current document retention policy, we will retain copies of the records you have supplied us along with our working papers for your engagement for a period of five years. All of your original records will be returned to you. After five years, our working papers and files will no longer be available. The working papers and files of our firm are not a substitute for your original records. It is agreed and understood that in connection with the performance of this engagement by our firm, all the working papers prepared by us shall remain the property of our firm.

**ELECTRONIC COMMUNICATIONS:** In connection with this engagement, we may communicate with you or others via email transmission. We take reasonable measures to secure your confidential information in our email transmissions, including password protecting confidential documents. However, as email can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom it is directed and only to such parties, we cannot guarantee or warrant that email from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure or communication of email transmissions, or for the unauthorized use or failed delivery of email transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of email transmissions, including any inconsequential, incidental, direct, or special damages, such as loss of sales or anticipated profits, or disclosure or communication of confidential or proprietary information.

**FEES, BILLING, AND PAYMENT:** Our fees for services will be charged at our regular hourly rates, for the individuals involved, plus direct out-of-pocket expenses we incur, and are billed the first of each month. Our hourly rates are subject to change during the course of time in which services are rendered. All accounts are due and payable upon presentation of statement. Payments are to be received by Davis Hammon & Co. on or before the last day of each month. All unpaid balances carried beyond that date are subject to 1.5% per month carrying charge on the unpaid balance. Payments will be credited first to carrying charges, then to principal, and the entire balance of a delinquent account shall be payable upon demand.

**SUBPOENAS AND OUTSIDE INQUIRIES:** In the event that we receive a subpoena or summons requesting that we produce documents from this engagement or testify about the engagement, we will notify you prior to responding to it if we are legally permitted to do so. 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 actions do not result in a judicial order protecting us from supplying requested information, we may construe your inaction or failure as consent to comply with the request.

In the event a dispute arises between the parties to this agreement, we mutually agree to try in good faith to resolve the dispute through mediation administered by the American Arbitration Association (AAA) under its Rules for Professional Accounting and Related Service Disputes. All unresolved disputes shall then be decided by final and binding arbitration in accordance with the Rules for Professional Accounting and Related Service Disputes of the AAA. Fees charged by any mediators, arbitrators, or the AAA shall be shared equally by all parties. IN AGREEING TO ARBITRATION, WE BOTH ACKNOWLEDGE THAT IN THE EVENT OF A DISPUTE EACH OF US IS GIVING UP THE RIGHT TO HAVE THE DISPUTE DECIDED IN A COURT OF LAW BEFORE A JUDGE OR JURY AND INSTEAD ARE ACCEPTING THE USE OF ARBITRATION FOR RESOLUTION.



City of Oroville  
October 17, 2016

If the foregoing is in accordance with your understanding, please acknowledge with your signature(s) in the space provided.

Sincerely,

Stephen J. Herr, CPA  
Davis Hammon & Co.

**RESPONSE:**

This letter correctly sets forth the understanding of the City of Oroville.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_