

CITY OF MONTPELIER, VERMONT
Professional Auditing Services Proposal
For the Years Ended June 30, 2010, 2011 & 2012
Dated March 29, 2010

Submitted By
Cota CPA, PC
Certified Public Accountant
and Consultant

Contact: Raymond S. Cota, CPA

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Cota CPA, PC

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Shareholder

Raymond S. Cota, CPA

Licensed in:

VT #190 March 29, 2010
NY #48227
NH #4684

William J. Fraser, City Manager
City of Montpelier, Vermont
39 Main Street Ste. 1
Montpelier, VT 05406

We welcome this opportunity to propose our services as independent auditors and consultants for City of Montpelier, Vermont for the years ending June 30, 2010, 2011 and 2012. We realize a number of factors will affect your selection of outside accountants. Here are some details that we feel will be of prime interest to the management and Board.

- We know your business. Cota CPA, PC, located in Williston, VT, has served over the years as the independent auditors and consultants for a number of separate governmental and tax-exempt entities in Vermont.
- Cota CPA, PC's staff-to-shareholder ratio of approximately 4-to-1 is designed to provide clients with prompt and thoughtful shareholder attention and to ensure experienced counsel is available when it is needed. This enables clients to make important decisions quickly, capitalizing on opportunities as they arise and avoiding costly mistakes. The low staff-to-shareholder ratio helps maintain continuity on the engagement through the significant involvement of the shareholder in client projects.
- Frequent shareholder contact throughout the year is stressed to meet the client's desire for proactive involvement. This contact is intended to keep clients up-to-date on technical or other issues, and to keep Cota CPA, PC informed as to the client's current situation and concerns.
- We do much more than audit. Cota CPA, PC has experienced professionals that provide consulting services for many of our governmental and tax exempt entity clients including assistance in budgeting; operation and performance auditing, and financial structuring. Cota CPA, PC also provides tax, accounting, and management advisory services.
- We are prepared to help answer any questions you and your staff may have about your daily operations. Many times throughout the year questions arise concerning bookkeeping procedures, budgeting, and other matters. We believe that you will find it reassuring to be able to call an experienced professional for advice whenever needed.

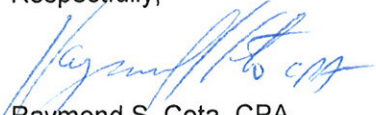
Cota CPA, PC proposes to conduct an audit in accordance with Auditing Standards generally accepted in the United States of America and in conformance with the audit requirements of the American Institute of Certified Public Accountants (AICPA). Our audit will also comply with Government Auditing Standards as issued by the Comptroller General of the United States of America Single Audit Act of 1996, and the provisions of Office of Management and Budget (OMB) Circular A-133, if required. We will perform auditing procedures we consider necessary to enable us to express such an opinion and to render the required reports.

Cota CPA, PC affirms the fact that we are independent with regards to the City of Montpelier, Vermont. We also recognize that this proposal is a firm offer not revocable for 60 days. See Section 3 of our professional auditing services proposal for estimated fees (Subject to Notes) in the amount of \$32,000.00, \$33,500.00 and \$35,000.00 for the fiscal years ending June 30, 2010, 2011 and 2012, respectively.

As part of our service, we will provide a management letter and meet with you to discuss both the financial report and management letter at your request.

We appreciate your consideration and look forward to hearing from you. If there are any questions concerning this proposal, please contact me at 1-800-244-0451 or 1-802-878-1158.

Respectfully,



Raymond S. Cota, CPA
Shareholder/President



Cota CPA, PC

Certified Public Accountant & Consultant

City of Montpelier, Vermont
Professional Auditing Services Proposal
For the Years Ended June 30, 2010, 2011 & 2012

-SECTION 1-

THE FIRM

March 29, 2010

SECTION 1.1: FIRM QUALIFICATIONS AND EXPERIENCE

Firm Description and Philosophy

Cota CPA, PC is registered in the State of Vermont for the purpose of providing Certified Public Accounting and Consulting services.

Cota CPA, PC is a member of the American Institute of Certified Public Accountants and participates in its quality review program through the New England Peer Review, Inc.

Raymond S. Cota, CPA is the president, director, and shareholder of the firm of Cota CPA, PC. Mr. Cota established Cota CPA, PC in August 1997. He was formerly merged with Telling-Besaw-Cota CPAs, P.L.L.C. from August 1995 to 1997. Prior to 1995, Mr. Cota was president, director, and shareholder of the firm, Cota & Towne, PC, located in Burlington, VT from June 1984 to August 1995 and sole proprietor of the firm Raymond S. Cota, CPA from June 1983 to June 1984.

Cota CPA, PC's clients include individuals, sole proprietorships, partnerships, associations, corporations, not-for-profit organizations, employee benefit plans and governmental entities. While its clients' financial affairs range from small individuals to large corporate accounts, each benefit from Cota CPA, PC's systematic and coordinated approach to combining the numerous services the Firm can provide.

Cota CPA, PC's services include accounting, compilations, reviews, audits, projections, tax return preparation, tax audit representation, management consulting services and financial planning depending on the particular needs of each client. Consulting services have included acquisitions and sales of businesses, assistance in planning and recommendation for internal control analysis of procedures, accounting systems and computerization and general business managerial organization. In addition, Cota CPA, PC has been actively involved in general business planning including new business creation and development.

Cota CPA, PC recognizes that its growth lies in the Firm's ability to maintain independence, knowledge, and service to clients. Cota CPA, PC's commitment is to provide sophisticated financial/accounting services at fair and competitive rates. To ensure a high standard of professionalism and knowledge on current subjects, it is the Firm's policy to have all staff participate in continuing professional education programs. Its Certified Public Accountants are required to become members of the American Institute and State Society of Certified Public Accountants.

Our original concept of service, predicated upon the personal attention of the shareholder to the needs of our clients, has remained unchanged. While most large accounting Firms have a ratio of approximately one member/partner to ten or more professional staff, Cota CPA, PC has generally maintained a ratio of four to one. This enables us to provide each client, regardless of size, with services under the personal supervision of a shareholder. We want to support management in making their organization a success. We do this by working hard to provide the best possible service, at the highest levels of quality, in a cost effective manner. We are large enough to offer a variety of experience in solving accounting and managerial problems and providing innovative ideas, yet small enough, to pay attention to our clients and to their needs.

The commitment of our personnel to the public sector extends far beyond a normal professional relationship. Our Firm's personnel actively participate in for profit, governmental and not-for-profit activities. We are members of the American Institute and States of Vermont, New Hampshire, and New York Societies of Certified Public Accountants, the Vermont Chamber of Commerce, the Lake Champlain Regional Chamber of Commerce, and the Essex Business and Professional Association, Inc.

Service Philosophy

Our Firm operates under the philosophy "more than the numbers." To us, this means that we want to be more than auditors to you. We do this by working hard to provide the best possible service, at the highest levels of quality in a cost-effective manner, and to offer substantive business advice and counsel to help our clients realize their goals.

We are proud of our reputation for hard work; we do whatever is required to get the job done on time and with great accuracy. It is our goal to use basic audit-related tasks as a springboard to provide you with solid business and financial advice. As a result, we consider ourselves to be a source of valuable counsel on other operational issues.

Finally, we recognize the individuality of the clients with whom we work. We are not providing, nor attempting to provide, identical services to everyone. We listen to each client and adjust our services and the manner of their delivery to the desires of the client, rather than expect the client to adjust to us. We find that our services are received more favorably and used more effectively, when we are viewed as a positive and supportive force. We, not the client, have the primary obligation to see that our contribution is delivered in an independent manner that encourages its optimum use.

Service Capabilities

Our Firm provides entities with a full array of services ranging from cost-efficient, high quality audits like those we are proposing to you, to information system and management consulting. Among the services we offer are:

General Services

- Opinion Audits
- Compliance and Reviews
- Assistance in developing an Accounting and Standard Operating Procedures Manual
- Performance and Operational Audits
- Personal Financial Condition Evaluations and Consulting
- Internal Control Evaluations
- Sub-recipient Monitoring Assistance
- Financial Projections
- Internal Audit Program Development/Evaluation
- Evaluation of Financing Alternatives
- Litigation Support

Experience

Over the years our Firm has worked with many not-for-profit, governmental and commercial entities and has provided a wide variety of services, including audit, review, compilation, accounting and consulting services. The following are some of our most recent governmental and not-for-profit clients and the types of services we provided to them:

| <u>Internal Revenue Code</u> | <u>Type of Organization</u> |
|------------------------------|--|
| N/A | Town Government |
| 501(c)(2) | Corporation organized to hold property |

| | |
|------------|--|
| 501(c)(3) | Organized and operates for religious, charitable, scientific, testing for public safety, literary or educational purposes, or for prevention of cruelty to children or animals |
| 501(c)(4) | Civil organizations and local association of employees |
| 501(c)(6) | Business leagues, chambers of commerce, real estate boards, and boards of trades |
| 501(c)(7) | Social clubs |
| 501(c)(8) | Fraternal beneficiary societies |
| 501(c)(9) | Voluntary employees beneficiary associations |
| 501(c)(10) | Fraternal organization operating under lodge system |
| 501(c)(19) | War veterans organizations |

Types of services provided include audits, reviews, compilations, tax and consulting.

References are available upon request.

Quality Assurance

Governmental and not-for-profit auditing and accounting are of the most dynamic aspects of public accounting. The needs of clients and the expectations of governmental and not-for-profit financial statements and audit report uses are changing rapidly. As a result, it is necessary that both our firm and our clients have a means to keep current on changing requirements to access decision makers when laws, regulations, standards and principles change. To assure these benefits for both our firm and clients, we have established formal and informal relationships with government officials, industry associations, standards setting bodies, and professional organizations.

United States of America Generally Accepted Auditing Standards are evolving rapidly. In this important area, we maintain through our professional networks and associations in both formal and informal communications regarding various projects. This assures that the interests of our clients are well represented and that the firm and our clients have a clear and complete understanding of the nature and intent of Board actions.

In our profession, we participate in the American Institute of Certified Public Accountants (AICPA) and various state society committees and task forces concerned with governmental and not-for-profit entities, accounting, auditing and other matters.

As a result of our participation in the AICPA Division of CPA Firms, we abide by the various membership requirements imposed, including the documentation of our quality control policies and procedures and their independent review every three years. Our latest external quality control review, which included a review of specific not-for-profit organization engagements, was conducted in 2008 by the firm of Fisk, Reed & Love, Certified Public Accountants, PC. They issued an unqualified report dated December 31, 2008 on the quality assurance system for the firm's audit and accounting practices with no letter of comments. A copy of the peer review report issued and accepted by the New England Peer Review, Inc. Peer Review Program letter dated January 19, 2009 is included in the appendix.

All previous peer reviews conducted have indicated that the Firms' system of quality control used in the conduct of its practice met the standards established by the AICPA and that the Firm was in compliance with the membership requirements established by the AICPA.

Professional Development

Cota CPA, PC's Audit and Accounting programs train General Service professionals to provide the basic accounting and auditing services which have become the cornerstone of our client relationships. This knowledge of historical services provides the foundation for many of the expanded services that clients are currently seeking.

All professional employees of Cota CPA, PC normally receives at least 40 hours of CPE per year; most professionals exceed that amount.

Audit Service Team

The City of Montpelier, Vermont will be an important client to Cota CPA, PC and the quality of the personnel we assign to the engagement underscores that importance. Our commitment to serve the organization is only as good as the people you will encounter. The personnel to be assigned to the Client Service Team have outstanding technical skills and are familiar with the operational, compliance, and financial environment of municipalities, governmental entities and not-for-profits. Their individual and collective talents make them uniquely qualified to provide the organization with the highest level of professional services. Our team approach will ensure timely completion of the engagement and communication of findings. Use of these experienced professionals will ensure minimum disruption of the organization's daily routines and be mutually efficient.

The people selected to fill the roles on the organizational chart are vital to perform a successful audit. We have formed a team that contains the capabilities and experience we believe are indispensable for this engagement. All key personnel that will be assigned to the organization's engagement will be available on a full-time basis. The contributions that these key team members will make are described below.

Audit Shareholder

In his role as audit shareholder, Raymond S. Cota, CPA will have ultimate responsibility for the overall quality of the audit and will ensure required professional services are delivered in a timely and efficient manner. He will determine the content of our audit reports and be responsible for ascertaining that state, professional and regulatory standards have been complied with throughout the engagement. Specifically he will direct the activities of the audit team and review audit results and conclusions. Mr. Cota will also be responsible for all significant communications including presenting the results of our audit.

Audit-in-Charge

In his role as in-charge accountant, Justin D. Wolcott of Cota CPA, PC will assist Mr. Cota with requirements to deliver professional services in a timely and efficient manner. He will assist in determining the content of our audit reports and ascertaining that state, professional and regulatory standards are complied with throughout the engagement. Justin will direct the activities of the audit team and review audit results and conclusions.

Audit Staff

Various staff accountants of Cota CPA, PC whom have participated on other audits will perform the fieldwork under the direction of the in-charge accountant. Their functions will include completing audit procedures, gathering data, preparing analysis and performing internal control testing.

Technical Report Reviewer

Raymond S. Cota, CPA will perform a technical review of the audit report prior to issuance of the report to ensure that the report is in compliance with all professional and regulatory reporting requirements, will perform a technical review. He has performed a number of audits for governmental entities and not-for-profits.

Quality Control Reviewer

Prior to the release of the report a staff independent of the audit will evaluate the report file to ensure that there are no unresolved issues and that all significant judgments and conclusions reached are appropriate. The quality control reviewer will also assess the financial statements and auditors' reports for their appropriateness.

It is the Firm's policy to staff all engagements with professionals that possess sufficient experience and technical knowledge. We will notify the organization immediately of any changes in key personnel on their engagement.

Summary

In summary, we want to emphasize the credentials of the above professionals who will be directly responsible for the quality of service the organization will receive. The professionals who will be on the engagement are:

- Highly trained and knowledgeable relative to public sector accounting and auditing with a thorough understanding of the environment in which the organization operates.
- Knowledgeable relative to computer auditing and related computer controls; this knowledge coupled with their understanding of governmental and not-for-profit entities results in a "business persons" approach to auditing the entire accounting system and overall operations of the organization.

The Cota CPA, PC team has a further attribute, which is very important even though it is intangible--the key personnel we will assign to the organization's audit have worked together on other engagements. The fact that they are accustomed to working together as a multi-disciplined team, means that the performance of the audit will be smooth and effective. We are committed to allocating the necessary resources to ensure that we provide a continuity of personnel to The City of Montpelier, Vermont.

SECTION 1.2: OTHER INFORMATION***Independent Verification Process***

Each employee must complete an annual independence questionnaire. Responsible personnel review these questionnaires and follow-up where needed, to monitor a situation or isolate someone from an office or from an engagement, as necessary, to ensure that no engagement is continued where an independence problem exists, unless the lack of independence is mentioned in the report.

Affirmation of Proper Licensing

Cota CPA, PC is incorporated in the State of Vermont as a professional corporation and is licensed as an accounting firm with the Vermont State Board of Accountancy (Vermont license number 092-0000557). The audit shareholder is licensed, as required in accordance with the states of New Hampshire, New York and Vermont as applicable.

Insurance Coverage

The Firm maintains an errors and omissions insurance policy, which provides a prudent amount of coverage for the willful or negligent acts or omissions of any shareholder, employee or agent thereof. The firm also maintains policies covering property (including valuable papers) and other liability and employee coverage (including workman's compensation) certificates of coverage.

**APPENDIX I-I:
PEER REVIEW REPORT**

A I C P A
PEER REVIEW PROGRAM

is proud to present this

Certificate of Recognition

to

COTA CPA, P.C.

For having a system of quality control for its accounting and auditing practice in effect for the year ended September 30, 2008 which has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA and which was complied with during the year then ended to provide the firm with reasonable assurance of conforming with professional standards.



A handwritten signature in dark ink, appearing to read "G. William Graham".

G. William Graham, Chair
AICPA Peer Review Board
2009



January 19, 2009

Mr. Raymond S. Cota, CPA
Cota CPA, P.C.
P.O. Box 1405
Williston, Vermont 05495-1405

Dear Ray:

Enclosed is the report for the peer review of your accounting and auditing practice for the year ended September 30, 2008. The report should be forwarded to New England Peer Review, Inc. (NEPR) within thirty days.

Congratulations on the outcome of your review and thank you for selecting Fisk Reed & Love, P.C. to perform the review. If you have any questions or comments, please let me know.

Sincerely,

FISK REED & LOVE, P.C.

A handwritten signature in black ink, appearing to read 'Steve', written over a horizontal line.

Stephen C. Love, CPA

SCL/rmz

Enclosures

115 Elm Street • P.O. Box 319 • Bennington, Vermont 05201-0319
(802) 442-5552 • (800) 894-5511
Facsimile: (802) 442-7314 • e-mail: mail@frlcpa.com
www.frlcpa.com



December 31, 2008

To Cota CPA, P.C.

We have reviewed the system of quality control for the accounting and auditing practice of Cota CPA, P.C. (the firm) in effect for the year ended September 30, 2008. A system of quality control encompasses the firm's organizational structure, the policies adopted and procedures established to provide it with reasonable assurance of conforming with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of CPAs (AICPA). The firm is responsible for designing a system of quality control and complying with it to provide the firm reasonable assurance of conforming with 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 with its system of quality control based on our review.

Our review was conducted in accordance with standards established by the Peer Review Board of the AICPA. During our review, we read required representations from the firm, interviewed firm personnel and obtained an understanding of the nature of the firm's accounting and auditing practice, and the design of the firm's system of quality control sufficient to assess the risks implicit in its practice. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the firm's system of quality control. The engagements selected represented a reasonable cross-section of the firm's accounting and auditing practice with emphasis on higher-risk engagements. The engagements selected included among others, an audit of an Employee Benefit Plan and an engagement performed under *Government Auditing Standards*. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with firm management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the firm's accounting and auditing practice. In addition, we tested compliance with the firm's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the firm's policies and procedures on selected engagements. Our review was based on selected tests therefore it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it. There are inherent limitations in the effectiveness of any system of quality control and therefore noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the accounting and auditing practice of Cota CPA, P.C. in effect for the year ended September 30, 2008, has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA and was complied with during the year then ended to provide the firm with reasonable assurance of conforming with professional standards.

Fisk Reed & Love, P.C.

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www.frlcpa.com

APPENDIX I-IV:

Resumes

Raymond S. Cota, CPA, Shareholder

Vermont License Number: 001-0000190
New Hampshire License Number: 4684
New York License Number: 048227-1

Expires July 31, 2011
Expires June 30, 2011
Expires June 30, 2012

E-mail: rcota@cotacpa.com

Raymond S. Cota, CPA is president/director/shareholder of the firm Cota CPA, PC. His accounting career began in June 1966, with a large upstate New York accounting firm, John H. Mullholland, CPA, which was subsequently purchased by Raymond Telling, CPA and moving in October 1970 to a larger Vermont accounting firm, P. F. Jurgs & Co., which has subsequently merged into KPMG Peat Marwick LLP. On June 1, 1983, he established the firm of Raymond S. Cota, CPA, effective July 1, 1984 incorporated as Cota & Towne, P.C., becoming its president, and on August 1, 1995 merged into Telling-Besaw-Cota, CPAs, P.L.L.C., becoming a member/partner. Cota CPA, PC was the result of a de-merger of the Williston/Burlington, Vermont office of Telling-Besaw-Cota, CPAs P.L.L.C. effective August 1, 1997.

Raymond is a licensed Certified Public Accountant in the States of Vermont, New Hampshire, and New York. He has a wide variety of experience in serving clients both large and small, in many industries, including construction, manufacturing, distributing, transportation, retailing, wholesaling, services (accountants, engineers, planners, lawyers, restaurant, lodging, etc.), governments and non-profit organizations.

Raymond was born in St. Albans, Vermont in July 1944 and graduated from St. Mary's High School in 1962. He studied electrical engineering at the University of Vermont, graduated from Champlain College with an Associates Degree in Accounting and Trinity College of Vermont with a Bachelor of Science Degree, majoring in Accounting and Business Administration.

He is a member of the American Institute and States of Vermont, New Hampshire, and New York Societies of Certified Public Accountants, Vermont Chamber of Commerce, Lake Champlain Regional Chamber of Commerce, Essex Business and Professional Associates, Inc., Rotary Club of Essex, Vermont, Inc., St. Albans Post # 1 of the American Legion, St. Albans Council # 297 and Assembly No. 1149 of Knights of Columbus and Burlington Lodge No. 916 Benevolent and Protective Order of Elks and Green Mountain Council of Boy Scouts of America.

Raymond is currently Chair (1998 - present) of the Essex Community Enhancement Corporation, Co-Chair (2004 - present) of the tax committee of the Vermont Society of Certified Public Accountants, Member (2006 - present) of the St. Lawrence Holy Family Parish Finance Council, and Member (2008 - present) of the Diocesan Finance Council's Audit Committee of the Diocese of Burlington, Vermont.

He has served as District Treasurer (2007 - 2009) and (2003-2004) of the Rotary International District #7850, Board Member (May 2006 - May 2008) and Secretary (May 2007 - 2008) of the Vermont Society of Certified Public Accountants, Financial Consultant (2003 - 2004) and Treasurer (1998 - 2003) of the Champlain Valley Exposition, Inc., Chair (2000 - 2001), President (1999 - 2000) of the Essex Business and Professional Association, Inc., President (1995 - 1996) of the Rotary Club of Essex, Vermont, Inc., Chair (1994 - 1995) of the Essex Economic Development Commission for the Town of Essex, commission member (1986 - 1990) of the Town of Essex Planning Commission, Chair (1989 - 1992) of the St. Lawrence Parish Pastoral Council, President (1987 - 1988) of the Greater Vermont Chapter of the International Association for

Financial Planning, Chair (1984 - 1985) of Cub Scout Pack #671 in the Town of Essex, Board Member of the Green Mountain Boy Scouts of America serving as the State Popcorn Campaign Chair, Treasurer of United Cerebral Palsy of Vermont and Treasurer of the St. Albans Council # 297 of Knights of Columbus.

Raymond is a Brigadier General in the Vermont State Guard (August 2001 to present) serving as the State of Vermont Adjutant General's Liaison Officer to the Vermont State Guard (March 2008 – present), Special Projects Officer (April 2007 - March 2008), Deputy Commanding General (February 2006 - April 2007), the Task Force - Central Commander (October 2004 - February 2006), State Headquarters Director of Operations, Military Support (G-3) (May 2004 - October 2004), First Battalion Commander (November 2001 - May 2004) and Headquarters and Headquarters Company Commander (August 2001 - November 2001).

He is a Retired Captain in the United States Army Reserve with over twenty-one years of service (1966 - 1987), serving seventeen years with the Vermont Army National Guard. His assignments while in the Vermont Army National Guard included battalion liaison officer, transportation section leader, support platoon leader, armor platoon leader, battalion motor officer, headquarters and headquarters commander and brigade assistant logistics support officer.

Raymond was the the recipient of the Vermont Society of Certified Public Accountants Public Service Award for the year 2009 and the recipient of the Champlain College Vermont Alumni Leadership Award for the year 2002.

He lives with his wife, Shirley, in the Town of Essex, Vermont and they have a summer residence at Bow & Arrow Point in North Hero, Vermont. They have two children: Gregory (employed in Washington, D.C., as a member of Senator Patrick Leahy's Senate Staff) and Stephen (employed in Arlington, Virginia as an Emergency Medical Technician (EMT) and Firefighter with the Arlington Fire Department). Gregory is married to Elizabeth and they have a terrier mix named Otis. Stephen has a fiancée, Michelle, a chocolate lab named Daisy and a red slider turtle named Cleo. Shirley and Ray have a Jack Russell Terrier named Molly.

Elizabeth C. Weischedel (Betsy), Tax Supervisor, Accountant & Consultant

E-mail: eweischedel@cotacpa.com

Betsy Weischedel joined the firm of Cota CPA, PC in January 2002 as a staff accountant. Prior to this she spent two year working as the Finance Manager for the Essex Health Center in Essex Junction, Vermont. Before moving to Vermont, Betsy worked for John Driscoll, CPA as a staff accountant. During that time she serviced a wide variety of clients, including those in the medical, legal, retail, and other industries. Previously, Betsy worked as a tax specialist for McGladrey & Pullen in Iowa and Coopers & Lybrand in North Carolina and New York. The clients included those in construction, farming, real estate and banking as well as the health care industry.

Betsy grew up outside of Boston, Massachusetts. She graduated from St. Lawrence University in 1980 with a Bachelor of Arts degree in Economics and completed her Master of Arts degree in Accounting at the University of Iowa in 1990.

Betsy, her husband Garry, and their four children reside in Essex, Vermont. She is currently a St. Lawrence University Alumni Admissions volunteer as well as a member of the First Congregational Church of Essex Junction Stewardship Committee and treasurer of the Essex High School Booster Club.

Justin D. Wolcott, Staff Accountant

E-mail: jwolcott@cotacpa.com

Justin D. Wolcott joined the firm of Cota CPA, PC in December 2006 as a staff accountant. Since joining the firm, Justin has worked as a leader and staff member on a variety of engagements including: Financial Statement Audits, Review and Compilations, and Business and Individual Income Tax Preparations. He has served a wide array of clients in a number of different industries such as: Manufacturing & Distributing, Construction, Retail Sales, Convenient Stores, Restaurants, Real Estate, Not-For-Profits, and Estates. Justin was born in Burlington, Vermont and graduated from Missisquoi Valley Union High School in Swanton, Vermont. Following graduation, he went to Plattsburgh State University of New York. Justin graduated in December 2006 with Bachelors of Science degrees in Accounting and Business.

Justin currently resides in Milton, VT with his fiance Jennifer, and their dog and two cats. In his free time, he enjoys playing golf and devoutly following the Boston Red Sox.

Laura R. Colwell, Staff Accountant

E-mail: lcolwell@cotacpa.com

Laura R. Colwell joined the firm of Cota CPA, PC in October 2008 as a Staff Accountant. Prior to moving to Vermont, Laura served in a variety of corporate roles such as the Director of Operations for a large non-profit organization, as Controller for a small prototype manufacturer and as Corporate Account Representative in the banking industry.

Laura grew up primarily in West Michigan where she graduated from Calvin College with a B.A. degree. She completed her Master of Science degree in Accounting at DePaul University in Chicago, Illinois in 1997.

Laura currently resides in Hinesburg, Vermont with her husband, their two girls and one dog. She is active at her daughters' school and at St. Andrews Christian Church in downtown Burlington.

Karen M. Towler, Staff Accountant

E-mail: ktowler@cotacpa.com

Karen M. Towler joined the firm of Cota CPA, PC in November 2006. She majored in Pharmacy at Northeastern University, Boston, MA in June 1977. Before moving to Vermont in 1981 Karen worked at Highland Pharmacy and Countryside Pharmacy in Newton, MA. Between 1998 and 2005, Karen worked as an administrative assistant and bookkeeper for St. Lawrence Parish in Essex Junction, St. Stephen's Parish in Winooski and as the bookkeeper for Holy Family Parish in Essex Junction. During 2005-2006 Karen worked for Fletcher Allen Health Care, Fanny Allen Campus, as a contracted Medical Transcriptionist.

Karen and her husband Fred currently reside in Essex Junction, VT. They have three children, one in college, one in North Carolina, and one in Upstate New York. Karen and Fred also have two dogs.

April C. Colman, Staff Accountant

E-mail: acolman@cotacpa.com

April C. Hammond joined the firm of Cota CPA, PC in July 2008 as a staff accountant. Prior to joining the firm, April attended Lyndon State College of Vermont, where in May 2008 she earned Bachelors of Science degrees in Accounting and Business Administration. April grew up in Berkshire, Vermont on a small family farm with her parents and two younger sisters.

April currently resides in Jericho, VT with her husband Chris and their two labs.

James L. Benoit, EA, Tax Specialist and Consultant

E-mail: jbenoit@cotacpa.com

James L. Benoit, Enrolled Agent, is a tax specialist and consultant of the firm Cota CPA, PC. He is the owner and principal of a consulting business, J.L. Benoit & Company LLC, which specializes in providing advice and representation in federal income and employment tax cases involving examinations, claims, appeals and fraud investigations.

Prior to starting his consulting company, Jim worked for the Internal Revenue Service for 32 years, retiring in 2007 as a GS-14 level Supervisory Internal Revenue Agent (Group Manager). From 2002 to mid-2007, Jim supervised a group of employment tax specialists conducting field examinations of small and large businesses in central and western Massachusetts, Connecticut, Rhode Island and Vermont. He supervised revenue agents and revenue officer examiners, selected and assigned cases for examination and approved enforcement actions. This assignment included supervising a team of employment tax specialists examining a Fortune 500 company, as well as supervising examiners auditing medium size and small businesses of all kinds. During this time, Jim was a member of a national team of IRS managers and examiners that worked on redesigning examination case procedures.

Before he became an IRS field group manager, Jim was an Internal Revenue Agent based in the Burlington, Vermont office. He conducted examinations of individual income tax returns and income and employment tax returns of small and large private and public companies in Vermont. Jim spent four years of his career working on criminal tax cases in the offices of the U.S. Attorneys in Burlington and Rutland, the IRS Criminal Investigation Division and the FBI. In addition, he served as project coordinator for various statewide tax outreach programs, made presentations on behalf of the IRS at professional seminars and meetings, and was a trainer and classroom instructor of IRS agents and employees on federal tax and technology subjects.

Jim is a graduate of Rice Memorial High School, Champlain College and the University of Vermont. He resides in Burlington.

City of Montpelier, Vermont
Professional Auditing Services Proposal
For the Years Ended June 30, 2010, 2011 & 2012

**-SECTION 2-
THE PROCESS**

March 29, 2010

SECTION 2

Introduction

The audit procedures will be completed in accordance with United States of America Generally Accepted Auditing Standards, as described in statements of auditing standards published by the American Institute of Certified Public Accountants or subsequent revisions. Our audit will also comply with Government Auditing Standards as issued by the Comptroller General of the United States of America, and the provisions of Office of Management and Budget (OMB) Circular A-133, if required.

SECTION 2.1: AUDIT PLANNING PROCESS

Planning is necessary to ensure a quality examination, efficient use of professional staff and a timely delivery of reports and other letters. Adequate planning of the examination is also essential to develop an efficient audit approach.

Our overall audit approach is to test the various systems for purposes of reliance on internal control and to assess the reliability of analytical review procedures. After this evaluation, appropriate modifications are made to reduce the amount of substantive tests of balances to a commensurate level.

The work plan has been divided into three basic components:

1. Systems understanding, evaluations of the internal control structure, and planning.
2. Preliminary audit procedures and general fieldwork.
3. Review, exit conference and final report delivery.

Our Firm has developed audit program techniques specifically designed for school districts, not-for-profit, and governmental entities. These general techniques will be modified and adapted to fit the individual and unique aspects of The City of Montpelier, Vermont as identified in the planning phase of the audit.

SECTION 2.2: OUR APPROACH TO THE AUDIT

The following is a brief description of each of the three phases of auditing procedures: preliminary planning, fieldwork, and completion, incorporated in the Cota CPA, PC approach.

Engagement Outline

Cota CPA, PC's overall approach to the audit of the organizations Financial Statements will consist of the following, as applicable:

1. Preliminary Phase

- A. Hold Pre-Audit Conference with Audit Committee
- B. Achieve familiarity with current year operations of the organization through discussions with officials and a review of the following documents:
 - a. Year end trial balances
 - b. Contracts and other agreements
 - c. Approved budgets
 - d. Current year board minutes
- C. Assign staff, ensuring compliance with independence and education requirements.

- D. Obtain an understanding of the organizations control environment and flow of transactions through the accounting system; determine fund types, departments, etc. Document this understanding in the form of checklists, flowcharts, and/or narratives.
- E. Select a sample of transactions to test control procedures and compliance with laws and regulations to determine whether the procedures prescribed are being followed satisfactorily and to test for proper recording of transactions as described above. The approach to be taken in drawing these samples will be to select a random sample, for example from all checks/purchases and deposits/revenue during the year, for each of the following populations:
 - a. Payroll transactions
 - b. Receipts (billings and receivables)
 - c. Disbursements (purchases and payments)
 - d. General (Standard) journal entries
- F. Select and prepare confirmations for cash, property taxes, receivables, payables, attorneys, and other areas where considered appropriate.
- G. Prepare a detailed audit plan and a list of schedules and analysis to be prepared by the organizations personnel.
- H. Evaluate potential component units' inclusion in the reporting entity.
- I. Evaluate revenue sources and expenditures along with grant contracts to determine whether or not a Single Audit is required.

2. Field Work Phase

- A. Hold a progress conference with financial personnel prior to commencing the fieldwork procedures.
- B. Our approach is to focus on revenues and expenses, as follows:
 - a. Extend the testing described above to ensure coverage of the full year.
 - b. Test items selected above for proper recording.
 - c. Investigate significant variance from budgeted and prior year's amounts.
 - d. Test subsequent activity for unrecorded revenues and expenses.
 - e. Test major transactions for propriety.
 - f. Confirm contract and grant agreements.
 - g. Single Audit Testing, if necessary.
- C. Verification of all significant Statement of Net Assets amounts including some of the following:
 - a. Confirm cash
 - b. Confirm property tax assessments
 - c. Confirm receivables
 - d. Obtain schedules of prepaids and perform analytic procedures on prepaid expenses.
 - e. Correlate unbilled receivables, if any, with schedule, test collections in available periods.
 - f. Ensure symmetry of inter-fund balances.
 - g. Test for payable understatements.
 - h. Correlate deferred revenue, if any, with schedule, test collections in available period.
 - i. Confirm payables.

- j. Compensated absences-test for understatement, review for reasonableness.
- k. Obtain schedule of land, plant, property and equipment and related depreciation. Correlate additions and disposals to capital expenditures and test high dollar items.

D. Hold an exit conference with financial personnel.

3. Completion Phase

- A. Perform internal reviews of work papers and reports.
- B. Summarize management recommendations.
- C. Meet with the organization's financial personnel to review the draft reports.
- D. Meet with the organization's executive and/or audit committee, if applicable, to review draft reports.
- E. Finalize and deliver copies of the Independent Auditors' report.
- F. Meet with management and board to review and discuss final reports, on request.

SECTION 2.3: QUALITY CONTROL PROCEDURES

General

Cota CPA, PC has a comprehensive quality control program for all professional services performed. An important part of the quality control program is the review of all reports and tax returns (not just audit reports) issued by the Firm by quality control professionals. The independent quality control review on audit engagements has many purposes; among which are providing assurance that reports issued are in compliance with Firm policies, AICPA standards, governmental reporting requirements, State statutes and provisions contained in applicable contracts and State and Federal regulations.

All audit products delivered are subject to at least four separate reviews. They are:

- Engagement Administration Review
- Fairness (Detail) Review
- Engagement Shareholder Review
- Final Engagement Quality Control Review

Engagement Administration Review

The in-charge accountant conducts this review. Its objective is to ascertain that assistants have gathered evidence in compliance with the audit documentation is in accordance with the Firm's standards.

Fairness (Detail) Review

The purposes of this review are to determine that, based on all the evidence gathered, the Firm has a reasonable basis for:

- The conclusion in their report and the information within the report.
- Formulating a report on the degree of compliance the auditee has maintained with applicable contractual and regulatory requirements and supports all reports on such compliance.

This review is performed by an experienced and knowledgeable professional to bring together all of the planning, execution and documentation to make sure that procedures are adequate and appropriate, that they have been performed properly, that conclusions reached are objective and logical, and that there is a properly documented basis for all that is reported.

Engagement Shareholder Review

The engagement shareholder review is to determine the Firm has a reasonable basis for the report on the compliance with applicable contractual and regulatory provisions. As a measure of satisfying this responsibility, the engagement shareholder must be able to conclude that:

- Based on this review and his knowledge of the client:
 1. The reports are fairly presented.
 2. Opinions and other representations about compliance matters are accurate.
- The work performed is consistent with the arrangements made with the client and complies with the Firm's policies in all material respects.

Final Engagement Quality Control Review

The primary objective of this review is to ascertain the financial statements and the report thereon contain no material errors or omission in compliance with generally accepted standards of reporting. The secondary objective is to be alert to any evidence of material noncompliance with auditing standards and to cause any such material deficiencies to be timely corrected. In addition, this review should be a final diagnostic for any departure from the Firm's policies and quality expectations i.e. proper sign-offs on all audit steps and work paper documentation.

SECTION 2.4: SCOPE OF SERVICES

The following outlines the scope of services to be provided:

On paper, audit services look pretty much the same. In process, there is a big difference. It is the difference between a once-a-year hassle and a year-round contract with Cota CPA, PC, professionals who know employee benefit plan, commercial, governmental, and not-for-profit accounting and reporting.

When you engage our Firm to review and test financial transactions per your requirements, you will receive services, which conform to United States of America Generally Accepted Auditing Standards and have been specifically designed. But more than that, you will benefit from the efficiency and cost-effectiveness, which are functions of our experience and familiarity with local governments, school districts, commercial, employee benefit plans, and not-for-profit organizations in the State of Vermont. We believe you will appreciate our way of doing business.

CONCLUSION

Our shareholder and professional staff have developed a broad base of experience in a variety of client situations. We have made a major commitment of resources to ensure excellence in our services to our clients. We strive diligently to provide a range of services, which meet the needs of today's constantly changing financial environment. We are **easily accessible** and **quick to respond** to our client's needs, and are **proactive** in communicating our ideas. Our objective in every engagement, regardless of its nature, is to perform that engagement in a manner which meets not only the **highest standards** of our profession, but also the requirements and expectations of our clients and those third parties who rely on the financial statements and other reports with which we are associated.

Cota CPA, PC is committed to providing sophisticated financial/accounting services at fair and competitive rates with accuracy and attention to detail while maintaining a high degree of independence, knowledge, and service to clients.

We believe that an integral part of fulfilling client expectations is the **commitment** that the shareholder, in-charge accountant and staff on the engagement team be conveniently accessible to client personnel. Accordingly, we commit that Raymond S. Cota, CPA, shareholder, and, Justin D. Wolcott (in-charge), will remain available to The City of Montpelier, Vermont's management throughout the year for whatever assistance we may be called on to provide.

City of Montpelier, Vermont
Professional Auditing Services Proposal
For the Years Ended June 30, 2010, 2011 & 2012

**-SECTION 3-
THE FEE**

March 29, 2010

SECTION 3

Estimated Fees

The charges for our work vary according to the degree of responsibility involved, the skill required, and the out-of-pocket costs. Our standard billing rates effective June 1, 2009 range from \$115.00 to \$290.00 per hour. The average composite service rate range is approximately \$145.00 to \$160.00 per hour.

This proposal is pursuant to your request on March 16, 2010. We would expect the trial balance, various schedules and other data to be available prior to our commencing.

We do not claim to quote the lowest fees, however, our philosophy is to provide a blend of experience with economic responsibility. Our fees are competitive when measured against the quality of service we will provide. If at any point of the selection process fees become the central issue, we will be pleased to discuss other ways for you to reduce the fees.

Audit – Proposed Fees for the City of Montpelier, Vermont

| Description | Estimated Hours | Estimated Fee at Standard Rates* | Estimated Fixed Fees (See Notes) |
|---|-----------------|----------------------------------|----------------------------------|
| <ul style="list-style-type: none"> • Audit of the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information as of June 30, 2010 and the related Statement of Activities and Cash Flows for the year then ended and accompanying footnotes. | 294.0 | \$45,500.00 | \$26,700.00 |
| <ul style="list-style-type: none"> • OMB Circular A-133 Audit (Single Audit), for the year ending June 30, 2010. | 40.0 | \$6,200.00 | \$3,500.00* |
| <ul style="list-style-type: none"> • Establishing permanent data files. | 20.0 | \$3,100.00 | \$1,800.00 |
| Total for Year ending June 30, 2010 | 354.0 | \$55,500.00 | \$32,000.00 |
| <ul style="list-style-type: none"> • Audit of the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information as of June 30, 2011 and the related Statement of Activities and Cash Flows for the year then ended and accompanying footnotes. | 279.0 | \$45,000.00 | \$29,700.00 |
| <ul style="list-style-type: none"> • OMB Circular A-133 Audit (Single Audit), if required, for the year ending June 30, 2011. | 36.0 | \$5,900.00 | \$3,800.00* |
| Total for Year ending June 30, 2011 | 315.0 | \$51,600.00 | \$33,500.00*** |
| <ul style="list-style-type: none"> • Audit of the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information as of June 30, 2012 and the related Statement of Activities and Cash Flows for the year then ended and accompanying footnotes. | 279.0 | \$47,000.00 | \$30,800.00 |
| <ul style="list-style-type: none"> • OMB Circular A-133 Audit (Single Audit), if required, for the year ending June 30, 2012. | 36.0 | \$6,300.00 | \$4,200.00* |
| Total for Year ending June 30, 2012 | 315.0 | \$54,000.00 | \$35,000.00*** |

NOTES:

* The quoted fee for the Single Audit, if required, is generated assuming there is only one major program requiring a Single Audit. Each additional major program will result in an additional fee of \$1,750.00, \$1,900.00 and \$2,100.00 for the years ended June 30, 2010, 2011 and 2012, respectively.

** The above fee is contingent upon receipt of necessary information in a timely manner. If the necessary information is not received timely additional fees may be added to the above proposed fee, until received.

*** Future issuance of new/revised professional auditing and financial reporting standards could have a significant impact on the work required to complete our auditing services for years ending June 30, 2011 and 2012, which would in turn affect our overall proposed fee. In the event that this should occur, we agree to notify you before proceeding with fieldwork and arrange a new fixed fee that is mutually suitable.

Should it become necessary to perform additional services, we will be pleased to do so and would discuss any additional billing with you prior to commencing the work.

The proposal is based on the following rate schedule. Although we do not have staff at each level we utilize the following rate schedule based on the task performed.

Standard Billing Rates (Per Hour) effective June 1, 2009

| Staff Level | Minimum Billing Rate | Maximum Billing Rate | Engagement Staff | Standard Billing Rate |
|-------------------------|----------------------|----------------------|-------------------------------------|-----------------------|
| Shareholder | \$260.00 | \$300.00 | Raymond S. Cota, CPA | \$290.00 |
| Principal | \$231.00 | \$260.00 | | |
| Manager | \$196.00 | \$231.00 | | |
| Supervisor | \$167.00 | \$196.00 | | |
| Tax Supervisor | \$167.00 | \$196.00 | Elizabeth C. Weischedel | \$175.00 |
| Senior | \$144.00 | \$167.00 | Laura R. Colwell | \$140.00 |
| Staff Accountant III | \$136.00 | \$144.00 | Justin D. Wolcott | \$130.00 |
| Staff Accountant II | \$115.00 | \$135.00 | Karen M. Towler April C. Hammond | \$115.00 \$115.00 |
| Staff Accountant I | \$88.00 | \$114.00 | | |
| Administrative/Clerical | \$55.00 | \$122.00 | Barbara L. Barra | \$115.00 |

We expect the prior rate schedule will stay in effect until May 31, 2010.

In order to provide professional quality services during our engagements, our firm occasionally will consult outside accounting firms for additional technical expertise and manpower and for engagement quality control reviews.

Tentative Engagement Schedule:

| Description | Begin Date | End Date |
|--|--------------------|--------------------|
| Pre-Engagement Planning | September 13, 2010 | September 24, 2010 |
| Pre-Audit Conference with Audit Committee | | September 27, 2010 |
| Internal Control Evaluation & Risk Assessments | September 28, 2010 | September 29, 2010 |
| Developing Audit Programs | September 30, 2010 | October 1, 2010 |
| Fieldwork | October 4, 2010 | October 15, 2010 |
| Draft of Financial Report and Letters | | November 19, 2010 |
| Finalization Conference with Audit Committee | | November 24, 2010 |
| Issuance of Financial Audit Report | | November 30, 2010 |