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CITY OF NEWBERG, OREGON
AUDIT CONTRACT

This AGREEMENT is made and entered into this 1st day of June, 1995 by and between Grant Thornton LLP ("Contractor" herein) and The City of Newberg, a political subdivision of the State of Oregon ("City" herein).

ARTICLE 1. PURPOSE OF AGREEMENT

The purpose of this AGREEMENT is to clarify the relationship between the City and the Contractor. The Contractor shall provide audit services to the City as herein described. The audit shall be undertaken in order to express an opinion upon the financial statement of the City, and to determine if the City has complied substantially with appropriate legal provisions. In consideration for said services, the City shall pay the Contractor in U.S. funds such monies and in such manner as herein described.

ARTICLE 2. WHOLE AGREEMENT

This AGREEMENT is the complete and exclusive statement of the AGREEMENT between the parties relevant to the purpose described above and supersedes all prior agreements or proposals, oral or written, and all other communication between the parties relating to the subject matter of this AGREEMENT. No modification of this AGREEMENT will be binding on either party except as a written addendum signed by authorized agents of both parties.

ARTICLE 3. WRITTEN NOTICE

Any notice of change, termination or other communication having a material effect on this AGREEMENT shall be served in one or more of the following manners:

1. In-person delivery to an authorized officer, employee, agent or other representative of the contracting parties.
2. Deposited in the U.S. mails under certified or registered handling, postage prepaid, posted to the address(es) given in this document.

ARTICLE 4. GOVERNING LAW/VENUE

This AGREEMENT shall be governed by the laws of the State of Oregon. Any action or suit commenced in connection with this AGREEMENT shall be in the Circuit Court of Yamhill County. The prevailing party shall be entitled to reasonable attorney fees and

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costs as awarded by the court including any action at the appellate level. All rights and remedies of the City of Newberg shall be cumulative and may be exercised successively or concurrently. The foregoing is without limitation to or waiver of any other rights or remedies of the City of Newberg according to law. It is agreed that fifteen (15) calendar days shall constitute reasonable notice for the exercise of any right in the event that applicable law specifically requires such notice.

ARTICLE 5. JUDICIAL RULINGS

If any provision of this AGREEMENT as applied to either party or to any circumstance shall be adjudged by a court to be void or unenforceable the same shall in no way affect any other provision of this AGREEMENT or the validity or enforceability of this AGREEMENT.

ARTICLE 6. INDEPENDENT CONTRACTOR

Contractor shall be an "independent contractor". All persons employed to furnish services hereunder are employees of Contractor and not of City. Contractor shall own responsibility for payment of all Workmen's Compensation, matching Social Security taxes, Unemployment Insurance and other statutory requirements for its employees assigned to any work contemplated by this AGREEMENT.

ARTICLE 7. NONDISCRIMINATION

The Contractor represents that it is an equal opportunity employer and accordingly shall not discriminate on the grounds of sex, race, color, creed, marital status, age, national origin or disability. Any violation of this provision shall be considered a material violation of this AGREEMENT and shall be grounds for cancellation, termination or suspension in whole or in part by the City.

ARTICLE 8. FEES

The contractor agrees to provide audit services and related professional services as herein specified and in the manner herein specified for a fee not to exceed \$17,600, as identified in Contractor's "Proposal to Provide Annual Independent CPA Audit Services to City of Newberg, Oregon," and "Fee Proposal," ("Proposals" herein) attached hereto and incorporated herein. This fee includes all out of pocket costs which may be incurred by Contractor. If actual expenses are less than the above referenced fees, payment will be made only for actual costs. The fee for subsequent years of this AGREEMENT may increase if additional or increased costs are incurred. Such increases will be limited to the change in the Consumer Price Index (CPI).

ARTICLE 9. METHOD OF PAYMENT

The fee, Article 8, shall be paid by the City to the Contractor in the following manner: payment shall be made approximately the fifteenth day following the end of the month during which services under this AGREEMENT have been rendered or as otherwise agreed. Said fee shall be paid upon submission and approval or an invoice from the Contractor setting forth services rendered and/or the time and materials provided.

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ARTICLE 10. CHANGES

The not-to-exceed fee specified herein shall include all services specified herein. Any change in the amount or type of service shall cause the fee to be adjusted plus or minus accordingly. Any changes in fees must be agreed to in advance, in writing.

ARTICLE 11. SUBCONTRACTING

No portion of this AGREEMENT may be subcontracted to any other individual, firm or entity without the express and prior written approval of the City Finance Director.

ARTICLE 12. NONASSIGNMENT

No portion of nor any interest in this AGREEMENT may be assigned to a third party without the express and prior written approval of the City Finance Director.

ARTICLE 13. USE OF CITY FACILITIES

Contractor and its employees or agents shall have the right to use only those facilities of the City that are necessary to perform services under this AGREEMENT and shall have no right of access to any other facilities of the City without the prior approval of the City management.

ARTICLE 14. PUBLICITY

Contractor shall not use in its external advertising, marketing programs, or other promotional efforts, any data, pictures or other representations of the City except on prior specific written authorization from City management.

ARTICLE 15. SURVIVAL

The terms, conditions, representations, and all warranties contained in this AGREEMENT shall survive the termination or expiration of this AGREEMENT.

ARTICLE 16. TERMINATION OF AGREEMENT

This AGREEMENT may be terminated under the following conditions:

1. By written mutual agreement of both parties. Termination under this provision may be immediate.
2. Upon written notice, sixty (60) calendar days prior to the end of the period being audited, by either party to the other of intent to terminate (after the first year).
3. By the Contractor for nonpayment of monies due and payable. Termination under this provision shall require the Contractor to make to the City a written demand for payments.

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Contractor may terminate the AGREEMENT if payment of monies due and payable have not been received by the Contractor within forty-five (45) calendar days of receipt by the City of the demand for payment.

The City may, after giving Contractor five days written notice, terminate without recourse if any of the following conditions are present:

1. Contractor is adjudged as bankrupt or insolvent.
2. Contractor makes a general assignment for the benefit of creditors.
3. A trustee or receiver is appointed for Contractor or for any of Contractor's property.
4. Contractor files a petition to take advantage of any debtor's act or to reorganize under bankruptcy or similar laws.
5. Contractor otherwise violates in any substantial way any provisions of this AGREEMENT.

If this AGREEMENT is terminated by either party, the City agrees to pay to the Contractor all costs and expenses associated with services provided to the effective date of termination. Monies due and payable will be calculated based on actual costs and the schedule set forth in Proposals.

Notwithstanding any termination hereunder, all requirements of this AGREEMENT shall remain in full force and effect through the date of termination.

ARTICLE 17. STANDARD OF SERVICES

Contractor agrees to perform its services with that standard of care, skill and diligence normally provided by a professional organization in the performance of similar services. It is understood that the Contractor must perform the services based in part on information furnished by City and that Contractor shall be entitled to rely on such information. However, Contractor is given notice that City will be relying on the accuracy, competence and completeness of Contractor's services in utilizing the results of such services.

Contractor warrants that the recommendations, guidance and performance of any person assigned under this AGREEMENT shall be in accordance with sound technical practice and professional standards and the requirements of this AGREEMENT.

ARTICLE 18. DUTIES AND RESPONSIBILITIES OF THE CONTRACTOR PER RFP

All provisions of the City of Newberg Request for Proposals (RFP) for auditor's services dated March 31, 1992, are incorporated herein by reference excluding references to the Newberg Community Hospital and Hospital Foundation audits.

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It is agreed that, should unusual conditions arise or be encountered during the course of the audit whereby the services of the Contractor are necessary beyond the extent of the work contemplated, written notification of such unusual conditions shall be delivered to the City, who shall instruct the Contractor, in writing, concerning such additional services, and that a signed copy of each such notification and instruction shall be delivered immediately to the Secretary of State by the Party issuing the same.

The audit shall be started as soon after this AGREEMENT is executed as is agreeable to the Parties hereto and shall be completed and a written report thereon delivered within a reasonable time, but not later than six months, after the close of the audit period covered by this contract. Twenty-five copies of such report shall be delivered to the City by November 15 each year and its form and content shall be in accordance with and not less than that required by the Minimum Standards for Audits of Oregon Municipal Corporations.

It is agreed that the City is responsible for such financial statements as may be necessary to fully disclose and fairly present the results of operations for the period under audit and the financial condition at the end of that period. The Contractor shall draft them for the City by November 1 each year. The cost of preparing such financial statements shall be included in the fee for conducting the audit as set forth in Article 8.

ARTICLE 19. OWNERSHIP AND USE OF DOCUMENTS

All documents, working papers or other material submitted to the City from Contractor shall become the sole and exclusive property of the City, in the public domain, and not the property of the Contractor. The Contractor shall not copyright, or cause to be copyrighted, any portion of any of said documents submitted to the City as a result of this AGREEMENT.

Submission or distribution to meet official regulatory requirements or for other purposes is not to be construed as publication in derogation of the Contractor's rights.

ARTICLE 20. TERM OF AGREEMENT

This AGREEMENT shall remain in full force and effect as written from July 1, 1994 through June 30, 1995. At the option of the City, this AGREEMENT may be renewed on identical terms for an additional year through June 30, 1996.

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ARTICLE 21. SIGNATURES

The Contractor and the City hereby agree to all provisions of this AGREEMENT.

Signed this 2nd day of June, 1995, at Newberg, Oregon.

FOR THE CONTRACTOR

FOR THE CITY OF NEWBERG

And B. Blanchard
Name

Duane R. Cole
Duane R. Cole

Partner
Title

City Manager
City Manager

GRANT THORNTON LLP
Firm

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