

**PROPOSAL TO PERFORM
AN ANNUAL INDEPENDENT AUDIT
MARINA COAST WATER DISTRICT
May 7, 2015**

Contact: Patricia M. Kaufman, CPA, Audit Partner-in-Charge, patriciak@mcgilloway-ray.co

MCGILLOWAY, RAY, BROWN & KAUFMAN

SALINAS OFFICE o 379 WEST MARKET STREET o SALINAS, CA 93901 o P. 831-424-2737 o F. 831-424-7936

www.mcgilloway-ray.com

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McGILLOWAY, RAY, BROWN & KAUFMAN

Accountants & Consultants

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Salinas, CA 93901
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May 7, 2015

Board of Directors
Marina Coast Water District
11 Reservation Road
Marina, California 93933

Thank you for the opportunity to submit this proposal to the Marina Coast Water District (“MCWD”) for the year ending June 30, 2015, with the option for renewal for the years ending June 30, 2016, and 2017.

Over the past thirty years, McGilloway, Ray, Brown & Kaufman has accumulated a staff of top quality professionals, dedicated to serving our clients, and maintaining high professional standards. We take pride in our role as well-rounded professionals to whom our clients can look to for informed support year-round in all phases of interest or concern.

Our success has been driven by utilizing staff that is experienced and well-trained in governmental operations. McGilloway, Ray, Brown & Kaufman (the “Firm”) recognizes that its most important product is prompt and effective service of the highest quality. The quality of our service allows us an opportunity to be an integral part of your accounting team. We believe that communication, expertise, education, and audit approach are important factors in MCWD’s relationship with an audit firm.

Our proposal is based on the information provided by MCWD and our Firm’s experience in serving governmental organizations. We understand the scope, nature, and specific complexities of the engagement as outlined in our proposal’s audit approach section, with reports to be issued as follows:

- Independent Auditor’s Report on the Comprehensive Annual Financial Report
- Annual State Controller’s Report on Financial Transactions of Special District, *if required*
- Independent Auditor’s Report on Internal Control Over Financial Reporting and on the Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards, *if required*

*Daniel M. McGilloway, Jr., CPA, CVA, Gerald C. Ray, CPA, Clyde W. Brown, CPA, Patricia M. Kaufman, CPA,
Larry W. Rollins, CPA*

*Sarita C. Shannon, CPA, Whitney Ernest, CPA, Devvyn MacBeth, CPA,
Jesus Montemayor, CPA, Smriti Shrestha, CPA, Wei Ding, CPA*

- Independent Auditor's Report on Compliance for Each Major Program; and on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, *if required*
- Completion of a management letter, if necessary, to report on the adequacy and effectiveness of the MCWD's current accounting procedures and controls
- Attendance and presentation of the firm's findings and recommendations to the Board of Directors

We understand the importance for the Marina Coast Water District to receive dependable, reliable, and timely service from your accountants. We are committed to providing you with such a level of service through our commitment to the personnel, time, and fee quotes for the fiscal years contained in this proposal. We look forward to meeting with you to answer any questions you may have regarding our proposal.

Yours very truly,

A handwritten signature in black ink that reads "Patricia Kaufman". The signature is written in a cursive style with a large, stylized initial "P".

Patricia M. Kaufman, CPA
Audit Partner

COMPANY PROFILE

McGilloway, Ray, Brown & Kaufman, Accountants & Consultants, incorporated on August 1, 1997, has been a leading provider of audit and assurance, accounting, tax, and advisory services to Central Coast and its surrounding areas for over thirty years. The Firm's commitment to each client and their specializations is self-evident in our dedication to advanced training focused specifically on the clients' expertise. We take pleasure in giving the client the assurance that the personal assistance they receive comes from years of advanced training, technical expertise, and financial acumen.

Our practice's industry specializations include governmental, not-for-profit, and privately-held businesses. Our clients range from small organizations to organizations with over \$275 million in assets. The Firm is a member of the American Institute of Certified Public Accountants (AICPA) Division of CPA Firms. Additionally, we are proud to belong to the AICPA Private Companies Practice Section and the AICPA Governmental Audit Quality Center. Membership is voluntary and is dedicated to improving the quality of audits through a combination of training, internal quality procedures, and peer reviews.

The Firm is currently comprised of 24 qualified staff members. We take great pride in our well-trained staff which participates in a variety of training seminars and team member meetings to enhance the quality of our audits and provide our cliental with highest level of service possible.

Presently, we have two offices, Monterey and Salinas, California. More specifically, our audit office located in Salinas, California will be your direct contact for the proposed audit and will handle all correspondence required to complete the work necessary for the engagement. This office consists of one principle, two audit managers, two senior accountants, three staff accountants, and two clerical assistants.

As a member of the AICPA Division of CPA Firms, another member of the Division conducted a peer review of our practice in October, 2013. We are pleased to announce we have received a rating of pass. The peer review included audits performed in accordance with the *Governmental Auditing Standards* and Circular A-133, "Audits of State, Local Governments, and Nonprofit Organizations". A copy is included for your review.

Our accountants pride themselves on attending and participating in presentations at many conferences and seminars through the California Society of Certified Public Accountants as it helps us keep up with the constantly changing world of state and federal accounting and auditing requirements.

Finally, we believe our continual investment of time and resources in professional continuing education, state-of-art computer technology, and extensive business relationship is indicative of our commitment to excellence.

QUALIFICATIONS

License to Practice in California

The Firm and all Certified Public Accountants in the Firm are licensed by the California Board of Accountancy to practice in the State of California and in good standing.

Independence

Our standards require we be without bias with respect to your operations. The Firm is independent and has no conflict of interest with MCWD, as defined by auditing standards generally accepted in the United States of America. Our Firm is not currently, nor has it in the past five years been in a professional relationship with MCWD.

Federal and State Reviews

McGilloway, Ray, Brown & Kaufman has had all federal and state compliance reports approved by the appropriate agency and has not had a report rejected or disciplinary action taken. The Firm has not had any disciplinary action taken or pending against it with state regulatory bodies or professional organizations.

Training and Continued Professional Education (CPE)

All professionals have and will continue to meet their general and governmental (Yellow Book) CPE compliance requirements. With the minimum requirements as follows:

- At least 80 hours of CPE that directly enhances each professional's proficiency to perform audits or attestation engagements, with a minimum of 20 hours in any one year of a two year period.
 - At least 24 of the abovementioned 80 hours of CPE in subjects directly related to governmental auditing, the governmental environment, or a specific/unique environment related to an audited entity's expertise.

ENGAGEMENT TEAM

The team chosen to perform the audit of MCWD is well-trained with extensive experience in audit engagements. Our small, fine-tuned group of professionals will deploy a non-intrusive approach to the engagement allowing the MCWD to continue its daily operation without noticeable disruptions. The personnel assigned to the engagement will consist of a partner-in-charge (reviewer), manager, and two staff accountants. It is the policy of the Firm to have an observing partner-in-charge to ensure the services provided to MCWD are of the highest quality.

The assignment of staff is as follows:

Patricia M. Kaufman, CPA, Partner-In-Charge and Reviewer
Devvyn MacBeth, CPA, Manager
Sukhdev Singh, Staff Accountant
Jacinto Bernal, Staff Accountant

As Partner-In-Charge, Mrs. Patricia Kaufman will have overall responsibility for the audit of Marina Coast Water District. Mrs. Kaufman has over twenty-five years of auditing experience, serving organizations throughout Southern and Central California. Mrs. Kaufman commits to hands-on participation in each and every phase of your engagement, from planning, to field work, to review of your financial reports, to the presentation of the reports to management and the Board of Directors. We believe with her day-to-day involvement in your audit, she can share, first hand, her expertise of governmental accounting with MCWD's personnel.

Mrs. Devvyn MacBeth, Audit Manager, has extensive governmental audit experience. Mrs. MacBeth most recently worked on Sunnyslope County Water District, a District east of MCWD, who furnishes water and waterwaste services to residents of the District in San Benito County, California. Mrs. MacBeth will deploy a non-aggressive, non-intrusive approach to learning, documenting and assessing MCWD's accounting process. In addition, Mrs. MacBeth will be on-site daily to assist in the progression of each aspect of your engagement.

Mr. Sukhdev Singh and Mr. Jacinto Bernal will be assisting Mrs. MacBeth with both interim and fieldwork. Mr. Singh recently worked on San Benito Water County District, a water conservation and flood control district governed by the San Benito County Water Conservation and Flood Control Act. Mr. Bernal most recently worked on Sunnyslope County Water District, who furnishes water and waterwaste services to residents of the District in San Benito County, California.

In the event it is necessary for the Firm to replace a team member, Mrs. Kaufman will notify the Board of Directors immediately. In addition, Mrs. Kaufman will be available to answer any questions or concerns the Board of Directors may have regarding the replacement.

Patricia M. Kaufman, CPA

Audit Partner-in-Charge

Mrs. Kaufman has over 25 years of experience in the accounting profession with experience in auditing, internal controls, accounting, and taxation.

INDUSTRY EXPERIENCE: Governmental
Not-for-profit
Privately held businesses
Special Districts
Redevelopment Agencies
Joint Power Authorities

OTHER EXPERIENCE: Federal A-133 grant compliance
Federal and State compliance and financial reporting
Licensed peer reviewer
Speaker for CalCPA
Trainer on Federal A-133 grant compliance and preparation of
990's

CURRENT ENGAGEMENT
EXPERIENCE: City of Salinas
San Benito County Water District
Sunnyslope County Water District
Hollister-Sunnyslope Water Treatment Agency
Monterey Peninsula Regional Water Authority
Salinas Valley Solid Waste Authority
Northern Salinas Valley Mosquito Abatement District

DESIGNATIONS: Certified Public Accountant
Chartered Global Management Accountant

PROFESSIONAL
MEMBERSHIP: California Society of Certified Public Accountants, State
Governmental Accounting and Auditing Committee Member
Director of CalCPA
American Institute of Certified Public Accountants
California Society of Certified Public Accountants
Government Finance Officers Association
Association of Governmental Accountants
Member of Finance Committee, United Way of Monterey
County

EDUCATION: Bachelor of Science, Accounting (with Honors)
Golden Gate University - San Francisco, California

Devvyn MacBeth, CPA

Audit Manager

Mrs. Devvyn MacBeth has four years of public accounting experience. She joined the Firm in 2010.

INDUSTRY EXPERIENCE: Not-for-profit
 Governmental
 Privately-held businesses
 Special Districts

CURRENT ENGAGEMENT
EXPERIENCE: City of Salinas – Yellow Book and Single Audit
 San Benito County Water District
 Sunnyslope County Water District
 Hollister-Sunnyslope Water Treatment Agency
 The Society for the Prevention of Cruelty to Animals for
 Monterey County

DESIGNATIONS: Certified Public Accountant

PROFESSIONAL
MEMBERSHIP: California Society of Certified Public Accountants

EDUCATION: Bachelor of Science, Accounting
 Santa Clara University – Santa Clara, California

**PARTIAL LIST OF CURRENT/PAST GOVERNMENTAL AUDIT/
REVIEW CLIENTAL**

<u>Client</u>	<u>Name and Positions</u>	<u>Address</u>
City of Salinas	Elizabeth Mariano, Supervising Accountant	200 Lincoln Street Salinas, CA 93901
San Benito County Water District	Natalie Sullivan, Accountant	30 Mansfield Road Hollister, CA 95023
Salinas Valley Solid Waste Authority	Ray Hendricks, Finance Manager	128 Sun Street Salinas, CA 93902
Sunnyslope County Water District	Cathy L. Buck, CPA, Finance Manager	3570 Airline Highway Hollister, CA 95023
Hollister-Sunnyslope Water Treatment Agency	Cathy L. Buck, CPA, Finance Manager	3570 Airline Highway Hollister, CA 95023
Northern Salinas Valley Mosquito Abatement District	Ken Klemme, Manager	342 Airport Blvd. Salinas, CA 93905
Monterey Educational Risk Management Authority	Marcus Beverly, Manager	76 Stephanie Drive Salinas, CA 93901
City of Seaside	Daphne Hodgson, Finance Manager	440 Harcourt Avenue Seaside, CA 93955
Carmel Valley Recreation and Park District	Paul Ingram, Treasurer	P.O. Box 334 Carmel Valley, CA 93924
Soledad Mission	Frances Bengtson, Executive Director	570 Walker Drive Soledad, CA 93960

CLIENT REFERENCES

<u>Name and Position</u>	<u>Address</u>	<u>Contact Information</u>	<u>Scope of Work</u>
Elizabeth Mariano, Supervising Accountant City of Salinas	200 Lincoln Avenue Salinas, CA 93901	(831) 758-7423	Yellow Book Audit, Single Audit
Natalie Sullivan, Accountant San Benito County Water District	30 Mansfield Road Hollister, CA 95024	(831) 637-8218	Audit of Comprehensive Annual Financial Report
Donald G. Ridenhour P.E. General Manager Sunnyslope County Water District & Hollister-Sunnyslope Water Treatment Agency	3570 Airline Highway Hollister, CA 95023	(831) 637-4670	Annual Audit
Ray Hendricks Finance Manager Salinas Valley Solid Waste Authority	128 Sun Street, Suite 101 Salinas, CA 93902	(831) 775-3000	Audit of Comprehensive Annual Financial Report
Ken Klemme, Manager Northern Salinas Valley Mosquito Abatement District	342 Airport Boulevard Salinas, CA 93905	(831) 422-6438	Annual Audit
James M. Cullem, P.E Executive Director Monterey Peninsula Regional Water Authority	580 Pacific Street, Room 6 Monterey, CA 93940	(831) 241-8503	Annual Audit

AUDIT APPROACH

We will audit the financial statements of Marina Coast Water District for the year ending June 30, 2015, with the option to renew for the years ending June 30, 2016, and 2017, in accordance with the following standards:

- Auditing Standards Generally Accepted in the United States of America
- State Controller's Minimum Audit Requirements and Reporting Guidelines for California Special Districts

Our audit will be for the purpose of expressing an opinion on the financial statements, and will include all auditing procedures considered necessary to accomplish this purpose. We anticipate issuing the following reports:

- Independent Auditor's Report on the Comprehensive Annual Financial Report

Also, we will assist MCWD with preparation of the following:

- Notes to the financial statements

In addition, we will provide MCWD with a management letter that gives a written appraisal of its accounting and related systems. This letter will identify any control deficiencies, significant control deficiencies, and/or material weaknesses that are identified during the audit. We will work with management before audit fieldwork and during the course of the audit to assess internal controls and review mitigating controls in place in an effort to reduce the control deficiencies, and material weaknesses that need to be reported to management in writing. The letter will also offer recommendations for the elimination of weaknesses that we identify and we will suggest any methods we discover to help improve efficiency and effectiveness. We will schedule an appearance with the MCWD's Board of Directors to present the audit and management letter. This is an excellent time for MCWD to resolve any questions they have regarding our audit or management letter. As mentioned earlier, the value in hiring our Firm comes from not only the audit but from our experience and the education we can provide. We hope as questions or concerns arise throughout the year, the MCWD staff will contact us and draw on our knowledge and experience.

Non-significant deficiencies discovered during the audit process shall be reported in a separate letter to management and Board of Directors. This separate letter also informs MCWD's Board of Directors of the following:

1. The auditor's responsibility under auditing standards generally accepted in the United States of America.
2. Significant accounting policies.
3. Management judgments and accounting estimates.
4. Significant audit adjustments.
5. Other information in documents containing audited financial statements.
6. Disagreements with management.
7. Management consultation with other accountants.
8. Major issues discussed with management prior to retention.
9. Difficulties encountered in performing the audit.

Document Retention

The Firm has been paperless for ten years. In addition, we have purchased a trial balance and financial reporting software for producing financial statements that are directly linked to your trial balance, which we will download from your system at the beginning of the audit. Likewise, we expect to extract various other information from your accounting system and other various electronic spreadsheets the MCWD's staff have prepared.

All working papers and reports will be retained at the Firm's expense for a minimum of ten (10) years, unless the Firm is notified in writing by MCWD of the need to extend the retention period.

The auditor will be required to make working papers available, upon request, whether or not the auditor is engaged by the MCWD, to the following parties or their designees:

1. Marina Coast Water District.
2. Parties designated by the Federal or State governments.

Communication with Successor Auditors

In addition, the Firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

SEGMENTATION OF ENGAGEMENT

Interim Fieldwork

Our goal during interim fieldwork is to gain a thorough understanding of your internal controls, processes, and procedures. Our objective is to accomplish as much interim fieldwork as possible so that our stay during fieldwork is kept to a minimum.

Our interim fieldwork focuses on planning and internal control documentation.

Planning

We envision the following process during preliminary fieldwork:

1. Establish understanding of services to be performed.
2. Complete our client continuance procedures and address any independence issues.
3. Document our understanding of your entity and compile risks identified.
4. Document significant processes and activities.
5. Perform required fraud “brainstorming” with audit team.
6. Assess risk of material misstatement arising from errors or fraud at entity level.
7. Agree on timing and deliverables through an entrance meeting.
8. Develop overall audit strategy.

Internal Control Documentation

Our internal control documentation usually occurs prior to our arrival for fieldwork. Our documentation process will be as follows:

1. Gather or update documentation for significant processes defined in our preliminary fieldwork.
2. Perform a “walk-through” of significant processes.
3. Ask “what can go wrong” questions.
4. Identify preventative and detective controls in place.
5. Evaluate the design of internal controls.
6. Decide whether to test and rely on controls.

Year-end Fieldwork

We assess risks, design procedures, and obtain evidence to support financial statement amounts and disclosures during fieldwork. Our Firm utilizes a methodology designed for governmental and not-for-profit entities. Our process emphasizes continuous communication with your staff.

Assess Risks and Design Procedures

As outlined in the risk based suite of audit standards, our Firm will use a risk-based approach to the audit. Our procedures to assess risks and design procedures are as follows:

1. Assess risk of material misstatement from errors or fraud based on internal controls combined with inherent risk of significant accounts.
2. Design procedures to test controls.
3. Design procedures to test details of account balances and classes of transactions based on risk.

Approach to be Taken in Determining Laws and Regulations Subject to Audit Test Work

We are required to obtain an understanding of the possible financial statement effect of laws and regulations that have a direct and material effect on the determination of financial statement amounts. The determination of laws and regulations is addressed in the planning stage through reading available grant documentation, inquiry of the client, a preliminary review of finance system accounts, and search of MCWD's minutes.

Identification of Anticipated Potential Audit Problems

At this time we do not anticipate any potential audit problems. If problems were to arise, we would fully discuss them with MCWD to resolve the issue.

Preparation of Audit Report and Management Letter

After reviewing the financial statements, notes, and required supplementary schedules, we will agree the data to our working papers and provide a thorough review of all information by using the Firm's written standards and checklists. We will also review and incorporate any statistical data in order to verify appropriate presentation and disclosure. In addition, we will prepare a management letter that identifies financial trends and recommendations for improvement, reports required communications to the MCWD's Board of Directors, and discuss changes in the environment in which MCWD operates.

Audit Completion

After the previously mentioned segments are complete, we will be ready to finalize our audit. During this stage we will complete the following procedures:

1. Complete subsequent events review procedures and review legal and representation letters.
2. Complete final overall analytical review procedures.
3. Communicate significant deficiencies and material weaknesses.
4. Conduct exit conference.
5. Issue audit opinion.
6. Assemble audit documentation.
7. Assemble final financial statements.

Once all competent audit information is received and fieldwork is complete, we anticipate the completion of the reports to occur four to six weeks later.

EXPECTATION OF HOURS & PROFESSIONAL FEES

Our professional fees are based on actual time devoted to an engagement, at hourly rates commensurate to the experience levels of the professionals performing the work. While our rate structure is comparable to those of other public accounting firms, we believe the quality of our professionals and the efficiency of our audit technique enables us to provide services of unsurpassed quality and value.

<u>Classification</u>	<u>Hourly Rate</u>
Partner	\$250
Manager	\$195
Staff Accountant	\$125
Clerical Support	\$90

All-Inclusive Maximum Price

For the year ending June 30, 2015, the Firm estimates fees to be \$19,750, if only an audit is required. Please see the fees and other services below that may be required in addition to the fees for optional years.

Fees for a Financial Audit for the fiscal years ending June 30, 2015 – June 30, 2017

Classification	Hours	Discounted Hourly Rates	2015	2016	2017
Partner	28	200	\$ 5,600	\$ 5,880	\$ 6,174
Manager	62	145	8,990	9,440	9,912
Staff Accountant	46	90	4,140	4,347	4,564
Clerical Support	11	70	770	809	849
Estimate Hours	147				
		Subtotal	19,500	20,476	21,499
Out of pocket expenses			250	300	350
		<u>All-inclusive Maximum Price</u>	\$ 19,750	\$ 20,776	\$ 21,849
State Controller's Report, <i>if required</i>			1,200	1,260	1,323
		<u>All-inclusive Maximum Price, if State Controller's Report is required</u>	\$ 20,950	\$ 22,036	\$ 23,172
Single Audit Report, <i>if required*</i>			6,000	6,300	6,615
		<u>All-inclusive Maximum Price, if a Single Audit is required</u>	\$ 26,950	\$ 28,336	\$ 29,787

*price based on one major program

Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

This fee estimate is based on the anticipated cooperation of your personnel, and the assumption unexpected circumstances will not be encountered during the work performed. If significant additional time is necessary, we will discuss it with Marina Coast Water District and arrive at a new fee estimate before we incur the additional costs.

PROFESSIONAL SERVICES AGREEMENT FOR
CONSULTING SERVICES
BETWEEN
MARINA COAST WATER DISTRICT
AND

McGilligway, Ray, Brown & Kaufman ("MRBK")

Some of the important terms of this Agreement are printed on Page 2. For your protection, make sure that you read and understand all provisions before signing. The terms on Page 2 are incorporated in this document and will constitute a part of the Agreement between the parties when signed.

TO: Marina Coast Water District DATE: 5/7/15
11 Reservation Road
Marina, CA 93933

The undersigned Consultant offers to furnish the following:

MCWD wishes to engage MRBK to perform an independent audit and report on the financial position of the District. The scope of services is included as Attachment A.

Contract price \$ 19,750

Completion date October 15, 2015

Instructions: Sign and return two originals. Upon acceptance by the Marina Coast Water District, a copy will be signed by its authorized representative and promptly returned to you.

Accepted: Marina Coast Water District	CONSULTANT
	<u>MRBK</u>
By _____	By <u>Pat Kauf</u>
Name _____	Name <u>Patricia Kaufman</u>
Title _____	Title <u>5/7/15</u>

Consultant agrees with the Marina Coast Water District that:

1. When the law establishes a professional standard of care for Consultant's services, to the fullest extent permitted by law, Consultant will defend, indemnify and hold harmless the Marina Coast Water District, its directors, officers, employees, or authorized volunteers from all claims and demands of all persons that arise out of, pertain to, or relate to the Consultant's negligence, recklessness, or willful misconduct in the performance (or actual or alleged non-performance) of the work under this agreement. Consultant shall defend itself against any and all liabilities, claims, losses, damages, and costs arising out of or alleged to arise out of Consultant's performance or non-performance of the work hereunder, and shall not tender such claims to District nor to its directors, officers, employees, or authorized volunteers, for defense or indemnity.

2. Other than in the performance of professional services, to the fullest extent permitted by law, Consultant will defend, indemnify and hold harmless the Marina Coast Water District, its directors, officers, employees, and authorized volunteers from all claims and demands of all persons arising out of the performance of the work; including but not limited to claims by the Consultant or Consultant's employees for damages to persons or property except for the sole negligence or willful misconduct or active negligence of the Marina Coast Water District, its directors, officers, employees, or authorized volunteers.

3. By his/her signature hereunder, Consultant certifies that he/she is aware of the provisions of Section 3700 of the California Labor Code which requires every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and that Consultant will comply with such provisions before commencing the performance of the professional services under this Agreement. Consultant will keep workers' compensation insurance for their employees in effect during all work covered by this Agreement and shall file with the Marina Coast Water District the certificate required by Labor Code Section 3700.

4. This paragraph is part of the contract. Yes or No (Circle One) [This section applies in most cases except for laboratory work.] Consultant will file with the Marina Coast Water District, before beginning professional services, a certificate of insurance satisfactory to the District evidencing professional liability coverage of not less than \$1,000,000 per claim and annual aggregate, requiring 30 days notice of cancellation (10 days for non-payment of premium) to the Marina Coast Water District. Coverage is to be placed with a carrier with an A.M. Best rating of no less than A- :VII, or equivalent, or as otherwise approved by the District. The retroactive date (if any) is to be no later than the effective date of this Agreement. Consultant shall maintain such coverage continuously for a period of at least Three years after the completion of the contract work. Consultant shall purchase a one-year extended reporting period i) if the retroactive date is advanced past the effective date of this Agreement; ii) if the policy is canceled or not renewed; or iii) if the policy is replaced by another claims-made policy with a retroactive date subsequent to the effective date of this Agreement.

5. This paragraph is part of the contract. Yes or No (Circle One) Consultant will file with the Marina Coast Water District before beginning professional services, certificates of insurance satisfactory to the Marina Coast Water District evidencing general liability coverage of not less than \$1,000,000 per occurrence (\$2,000,000 general and products-completed operations aggregate (if used)) for bodily injury, personal injury and property damage; auto liability of at least

\$1,000,000 for bodily injury and property damage each accident limit; workers' compensation (statutory limits) and employer's liability (\$1,000,000) (if applicable); requiring 30 days (10 days for non-payment of premium) notice of cancellation to the Marina Coast Water District. The general liability coverage is to state or be endorsed to state "such insurance shall be primary and any insurance, self-insurance or other coverage maintained by the Marina Coast Water District, its officers, directors, employees, or authorized volunteers shall not contribute to it". The general liability insurance shall give Marina Coast Water District, its officers, directors, employees and its authorized representatives and volunteers insured status using ISO endorsement CG2010, CG2033 or equivalent. Coverage is to be placed with a carrier with an A.M. Best rating of no less than A-:VII or as otherwise approved by the Marina Coast Water District.

6. If any of the required coverages expire during the term of this agreement, the Consultant shall deliver the renewal certificate(s) to the District at least ten (10) days prior to the expiration date.

7. Consultant shall only accept direction or orders from the General Manager or his designee or from the Board of Directors.

8. The terms of this agreement shall commence on _____, 2015 and continue in full force unless terminated by a 15-day written notice by either party to the other.

9. Any change in the scope of the professional services to be done, method of performance, nature of materials or price thereof, or to any other matter materially affecting the performance or nature of the professional services will not be paid for or accepted unless such change, addition or deletion be approved in advance, in writing by a supplemental agreement by the Marina Coast Water District. Consultant's "authorized representative(s)" has (have) the authority to execute such written change for Consultant.

PROFESSIONAL SERVICES AGREEMENT FOR
CONSULTING SERVICES
BETWEEN
MARINA COAST WATER DISTRICT
AND

McGillivray, Ray, Brown & Kaufman ("MRBK")

Some of the important terms of this Agreement are printed on Page 2. For your protection, make sure that you read and understand all provisions before signing. The terms on Page 2 are incorporated in this document and will constitute a part of the Agreement between the parties when signed.

TO: Marina Coast Water District DATE: 5/7/15
11 Reservation Road
Marina, CA 93933

The undersigned Consultant offers to furnish the following:

MCWD wishes to engage MRBK to perform an independent audit and report on the financial position of the District. The scope of services is included as Attachment A.

Contract price \$ 19,750

Completion date October 15, 2015

Instructions: Sign and return two originals. Upon acceptance by the Marina Coast Water District, a copy will be signed by its authorized representative and promptly returned to you.

Accepted: Marina Coast Water District

CONSULTANT

By _____

MRBK
By Pat Kauf

Name _____

Name Patricia Kaufman

Title _____

Title 5/7/15

Consultant agrees with the Marina Coast Water District that:

1. When the law establishes a professional standard of care for Consultant's services, to the fullest extent permitted by law, Consultant will defend, indemnify and hold harmless the Marina Coast Water District, its directors, officers, employees, or authorized volunteers from all claims and demands of all persons that arise out of, pertain to, or relate to the Consultant's negligence, recklessness, or willful misconduct in the performance (or actual or alleged non-performance) of the work under this agreement. Consultant shall defend itself against any and all liabilities, claims, losses, damages, and costs arising out of or alleged to arise out of Consultant's performance or non-performance of the work hereunder, and shall not tender such claims to District nor to its directors, officers, employees, or authorized volunteers, for defense or indemnity.
2. Other than in the performance of professional services, to the fullest extent permitted by law, Consultant will defend, indemnify and hold harmless the Marina Coast Water District, its directors, officers, employees, and authorized volunteers from all claims and demands of all persons arising out of the performance of the work; including but not limited to claims by the Consultant or Consultant's employees for damages to persons or property except for the sole negligence or willful misconduct or active negligence of the Marina Coast Water District, its directors, officers, employees, or authorized volunteers.
3. By his/her signature hereunder, Consultant certifies that he/she is aware of the provisions of Section 3700 of the California Labor Code which requires every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and that Consultant will comply with such provisions before commencing the performance of the professional services under this Agreement. Consultant will keep workers' compensation insurance for their employees in effect during all work covered by this Agreement and shall file with the Marina Coast Water District the certificate required by Labor Code Section 3700.
4. This paragraph is part of the contract. Yes or No (Circle One) [This section applies in most cases except for laboratory work.] Consultant will file with the Marina Coast Water District, before beginning professional services, a certificate of insurance satisfactory to the District evidencing professional liability coverage of not less than \$1,000,000 per claim and annual aggregate, requiring 30 days notice of cancellation (10 days for non-payment of premium) to the Marina Coast Water District. Coverage is to be placed with a carrier with an A.M. Best rating of no less than A- :VII, or equivalent, or as otherwise approved by the District. The retroactive date (if any) is to be no later than the effective date of this Agreement. Consultant shall maintain such coverage continuously for a period of at least Three years after the completion of the contract work. Consultant shall purchase a one-year extended reporting period i) if the retroactive date is advanced past the effective date of this Agreement; ii) if the policy is canceled or not renewed; or iii) if the policy is replaced by another claims-made policy with a retroactive date subsequent to the effective date of this Agreement.
5. This paragraph is part of the contract. Yes or No (Circle One) Consultant will file with the Marina Coast Water District before beginning professional services, certificates of insurance satisfactory to the Marina Coast Water District evidencing general liability coverage of not less than \$1,000,000 per occurrence (\$2,000,000 general and products-completed operations aggregate (if used)) for bodily injury, personal injury and property damage; auto liability of at least

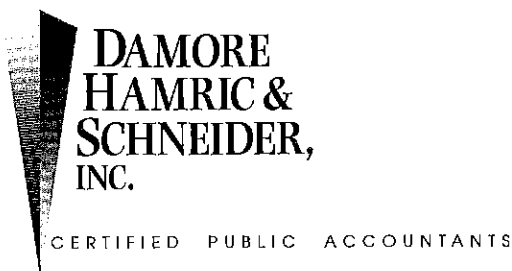
\$1,000,000 for bodily injury and property damage each accident limit; workers' compensation (statutory limits) and employer's liability (\$1,000,000) (if applicable); requiring 30 days (10 days for non-payment of premium) notice of cancellation to the Marina Coast Water District. The general liability coverage is to state or be endorsed to state "such insurance shall be primary and any insurance, self-insurance or other coverage maintained by the Marina Coast Water District, its officers, directors, employees, or authorized volunteers shall not contribute to it". The general liability insurance shall give Marina Coast Water District, its officers, directors, employees and its authorized representatives and volunteers insured status using ISO endorsement CG2010, CG2033 or equivalent. Coverage is to be placed with a carrier with an A.M. Best rating of no less than A-:VII or as otherwise approved by the Marina Coast Water District.

6. If any of the required coverages expire during the term of this agreement, the Consultant shall deliver the renewal certificate(s) to the District at least ten (10) days prior to the expiration date.

7. Consultant shall only accept direction or orders from the General Manager or his designee or from the Board of Directors.

8. The terms of this agreement shall commence on _____, 2015 and continue in full force unless terminated by a 15-day written notice by either party to the other.

9. Any change in the scope of the professional services to be done, method of performance, nature of materials or price thereof, or to any other matter materially affecting the performance or nature of the professional services will not be paid for or accepted unless such change, addition or deletion be approved in advance, in writing by a supplemental agreement by the Marina Coast Water District. Consultant's "authorized representative(s)" has (have) the authority to execute such written change for Consultant.



System Review Report

October 30, 2013

To the Partners of McGilloway, Ray, Brown & Kaufman Accountants and Consultants
and the Peer Review Committee of the *California Society of CPAs*

We have reviewed the system of quality control for the accounting and auditing practice of McGilloway, Ray, Brown & Kaufman Accountants and Consultants (the firm) in effect for the year ended May 31, 2013. 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*.

In our opinion the system of quality control for the accounting and auditing practice of McGilloway, Ray, Brown & Kaufman Accountants and Consultants in effect for the year ended May 31, 2013, 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 deficiencies*, or *fail*. McGilloway, Ray, Brown & Kaufman Accountants and Consultants has received a peer review rating of *pass*.

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