

MARINA COAST WATER DISTRICT

Proposal for Professional Auditing Services

***For the fiscal years ending June 30, 2015
(with the option for two additional years)***

PREPARED BY:

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May 8, 2015

MARINA COAST WATER DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Table of Contents

	<u>Page</u>
<i>Transmittal letter</i>	i
<i>Technical Proposal</i>	
Introduction	1
<i>About our firm</i>	
<i>Relevant audit experience</i>	
<i>External quality control examinations</i>	
<i>Single audit experience</i>	
<i>CAFR preparation</i>	
<i>Quality control</i>	
<i>Governmental Audit Quality Center</i>	
<i>Legal entity and License to practice</i>	
<i>Independence</i>	
<i>Memberships</i>	
Scope of services (audit approach)	5
<i>Specific audit strategy</i>	
<i>Work plan</i>	
<i>Sample sizes</i>	
<i>Computer technology in the audit</i>	
<i>Analytical procedures</i>	
<i>Approach in determining applicable laws and regulations</i>	
<i>Approach in drawing samples for compliance testing</i>	
<i>Understanding of internal control</i>	
<i>Evaluation of internal controls and management letter comments</i>	
Qualifications	13
<i>Partner and supervisory staff involvement</i>	
<i>Continuing professional education</i>	
<i>Assigned personnel</i>	
References	17
Cost proposal and draft agreement	18
Resumes of key engagement personnel	19
Attachment A: Quality control review report	
Attachment B: Current governmental clients	
Attachment D: Cost proposal detail	



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I am pleased to respond, on behalf of Rogers, Anderson, Malody & Scott, LLP, (RAMS) to your request for proposals regarding professional auditing services. Our goal for the past 67 years has been to provide honest, accurate, objective results to all of our clients, including not-for-profit organizations such as yours. Our success in this effort is witnessed by both the growth of our firm and the list of long-term clients who trust us.

At RAMS, we are committed to achieving the highest quality audit possible. We understand the complexity of performing governmental audits and that's why we have a dedicated team of auditors that possess the specialized knowledge and experience to help ensure compliance and changes in regulations that may impact your audit. We plan and execute our audits in a way that maximizes audit efficiency and quality and provides you the highest quality services.

We are aware that the District has other proposals to consider. We believe that RAMS would be the appropriate choice for the audit engagement for the following reasons, which are provided in more detail in our proposal. Our firm:

- Has an established reputation in the governmental and not-for-profit accounting and auditing community for providing excellent, timely service and high quality reporting to our clients.
- Provides auditing services to over 50 governmental entities and not-for-profit organizations, including over 20 cities, most of which have enterprise activities.
- Understands the audit process, as a whole, can be a stressful experience for you and your staff; we understand that you will have other commitments and your regular workloads during the audit period. We make every effort to ensure the audit process, from the interim field work to the preparation of the required financial reports, will be as trouble-free as possible for you and your staff. We accomplish this through comprehensive planning of the audit and utilizing our staff in the most efficient and effective manner.

MEMBERS

American Institute of
Certified Public Accountants

*PCPS The AICPA Alliance
for CPA Firms*

*Governmental Audit
Quality Center*

California Society of
Certified Public Accountants

- Has audit team members that are personable and easy to work with. Through open and responsive communication with all parties involved in the audit process, we work to have the most efficient audit possible by minimizing operational distractions of your staff, while maximizing quality service and products.
- Provides extensive training and continuing education to all of our audit staff through a combined use of in-house instruction and third-party providers.
- Is committed to helping you meet all reporting/auditing deadlines, resolving any issues encountered during your audit (e.g., accounting or auditing, new pronouncements, etc.), and providing you with quality audit services.
- Has an extensive quality control review process to ensure your financial reports meet the highest standards. In addition to the preparation of financial reports by the engagement team and review by the engagement manager, each report is also examined by 2 partners and 2 professional proofreaders.
- Has assisted many of our clients with the preparation of their Comprehensive Annual Financial Reports, and all of our clients that have submitted their reports for the Government Finance Officers Association (GFOA) or California Society of Municipal Finance Officers (CSMFO) awards have received the awards. Our participation as a GFOA reviewer also indirectly benefits our clients in the quality review process.
- Is a full service firm, with specialists in auditing, reviews and compilations, tax planning and preparation, as well as business consulting. The diverse experience and accessibility of the professionals in these areas help us to provide a comprehensive approach to a wide variety of needs.
- Believes that our fee estimate and arrangement provides a fair and reasonable cost, commensurate with the experience of the audit team members, to perform the annual audit for the District.

We understand the scope of the work to be performed, auditing standards to be followed, and the reports to be issued, as described in the District's *Request for Proposal*. In addition, we will be committed to performing the work within the proposed time period.

Mr. Welebir, Director and Mr. Manno, Partner, are authorized to act on behalf of Rogers, Anderson, Malody and Scott, LLP. They can be reached at: 735 E. Carnegie Drive, Suite 100, San Bernardino, CA 92408, (909) 889-0871, bwelebir@ramscpa.net or smanno@ramscpa.net.

Thank you for the opportunity to serve the Marina Coast Water District. We look forward to having a long and mutually beneficial association.

Respectfully yours,

ROGERS, ANDERSON, MALODY & SCOTT, LLP



Scott W. Manno, CPA, CGMA
Partner

MARINA COAST WATER DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Introduction

About our firm

Rogers, Anderson, Malody & Scott, LLP is a local firm and was founded in 1948 and located at 735 E. Carnegie Drive, Suite 100, San Bernardino, California. Our firm is one of the oldest CPA firms in Southern California, with over 67 years of public practice experience, specializing in governmental agency auditing, accounting and management advisory services. Over *fifteen thousand hours per year* are devoted to this area of our practice, which includes cities, water districts, other special districts, nonprofit corporations and joint power authorities.

Our firm has a total staff of thirty-one people, which includes sixteen certified public accountants. The staff consists of five partners, one director, one manager, ten supervisors/senior accountants, ten staff accountants and four support staff. The audit staff consists of twenty members who devote over 80% of their time to municipal/not-for-profit engagements. Tentatively, the audit team assigned to the District's engagement will consist of the following full-time staff: two audit partners, one audit senior and two staff auditors. All personnel are located in our San Bernardino office.

As governmental auditors, we understand that the District desires its auditors to have a thorough understanding of the complex accounting and compliance issues confronting governmental entities such as yours. The firm is committed to providing our clients with the highest quality service at the most reasonable fee. The professionals assigned to the District financial audit have each made providing quality services their priority.

As stated earlier, our firm has a long history of governmental accounting and auditing. Over the years, the firm has gained valuable experience, acquired an in-depth knowledge and obtained the technical expertise needed for governmental accounting and auditing. The firm's partners and professional staff assigned to the District have performed audits, various accounting services and management advisory services for many governmental agencies like yours.

Relevant audit experience

The following is a listing of current clients for whom we provide audits similar to the type requested:

*Rossmoor Community
Services District
Vista Irrigation District
Crestline-Lake Arrowhead
Water Agency
Big Bear Area Regional
Wastewater Agency
Idyllwild Water District
Twentynine Palms Water
District*

*San Bernardino Valley
Municipal Water District
Saticoy Sanitary District
Ventura Regional
Sanitation District
Helendale Community
Services District
Pine Cove Water District*

*Crestline Village Water
District
Valley Water District
Western Municipal Water
District
Inland Empire Resource
Conservation District
Helix Water District*

MARINA COAST WATER DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Introduction (continued)

We have also performed audits for several cities that have municipal water and sewer funds, pension plans, and compliance requirements in accordance with *OMB Circular A-133*. In addition, we have provided audit and consulting services for various private enterprises.

The firm provides various other services to governmental agencies. Services to these governments, in addition to auditing services, include:

- Study/evaluation of financial condition and fiscal policies
- Financial projections
- System design, analysis, and review
- Job classification and compensation studies
- Accounting policies and procedures
- Capital improvement program procedures and policies
- Financing and public bond offering assistance
- Assistance in development of internal audit programs
- Employee benefit consulting
- Investment policy reviews
- Franchise agreement assistance (ambulance, cable, television, refuse, etc.)

The firm also provides audit, tax, and consulting services to various not-for-profit and for-profit enterprises.

External quality control examinations

As a member of the AICPA Private Companies Practice Section, our firm has participated in "Peer Review" since 1993 and has been examined every three years since that date. During participation in this program, the firm has received unqualified opinions from the peer reviewers. A copy of our most recent external quality control review dated May 31, 2012 for the year ended November 30, 2011 (Attachment A) is attached. The latest review included reviews of specific governmental agencies.

The firm is not aware of any federal or state desk reviews or field reviews of its audits during the last three years. The firm **has never** had any disciplinary action taken or pending against it with state regulatory bodies or professional organizations, nor has it ever had any pending or settled litigation, civil or criminal investigations. Our firm does not have a record of substandard work.

Single audit experience

Over the past several years, many of our government clients have been subject to an audit in accordance with OMB A-133. We perform between 5-15 single audits a year.

MARINA COAST WATER DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Introduction (continued)

CAFR preparation

We have extensive experience in the preparation of Comprehensive Annual Financial Reports (CAFR). For the fiscal year ended June 30, 2013, our staff prepared over 15 CAFR's, and each entity received the Certificate of Achievement for Excellence in Financial Reporting from the GFOA. For the fiscal year ended June 30, 2014, our staff again prepared over 15 CAFR's for our clients for their submittal to the GFOA. In addition, we have helped many cities and special districts develop their first year's report for submittal.

Quality control

The firm's quality control review process is detailed and extensive to ensure your audit meets the highest standards. In addition to the preparation of financial reports by the engagement team and review by the engagement manager, each report is also examined by the engagement partner and the technical review partner, and is proofread by two professional staff. Our firm is a member of the AICPA's Governmental Audit Quality Center (GAQC) and the AICPA's Private Company Practice Section (PCPS). We perform an in-house peer review over our audit and attest engagements annually, and receive an independent external peer review every three years.

Governmental Audit Quality Center

As a member of the American Institute of CPAs *Governmental Audit Quality Center*, we are committed to adhering to the highest quality standards by voluntarily agreeing to the Center membership requirements, which include designating a partner responsible for the quality of our governmental and not-for-profit audit practice, establishing quality control programs, performing annual internal inspection procedures, and making our peer review report findings publicly available. At RAMS, our goal is to continue to enhance our quality initiatives within our governmental and not-for-profit audit practice to deliver the highest quality audit services possible.

In addition, the Governmental Audit Quality Center provides access to comprehensive resources that will assist us in further enhancing the quality of your audit. The Center membership will provide us timely information on a variety of technical, legislative and regulatory subjects that we can in turn apply to your audit to help ensure compliance with the appropriate standards and changes in regulations.

Our team of auditor specialists stays current in this highly technical practice area by adhering to the continuing professional education requirements of *Government Auditing Standards* and attending various continuing education programs including the annual AICPA National Governmental Accounting and Auditing Update Conference, the AICPA National Not-for-Profit Industry Conference, the Governmental Audit Quality Center Annual Webcast Update and other relevant seminars and by reviewing monthly publications from the American AICPA, the GFOA, and various other resources.

MARINA COAST WATER DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Introduction (continued)

Legal entity and license to practice

Rogers, Anderson, Malody & Scott, LLP is a registered partnership with the Department of Consumer Affairs license number 2596. We have been licensed under this number since 1972. All key professional staff, which includes the partners and managers, are all certified public accountants licensed to practice in the State of California.

Independence

Our firm is also independent of the Marina Coast Water District as defined by the second general standard for government auditing in the U.S. Government Accountability Office's *Government Auditing Standards* (2011).

We have had no professional relationships with the District within the last 5 years.

Memberships

Rogers, Anderson, Malody & Scott, LLP is in good standing with the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants.

MARINA COAST WATER DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of services (audit approach)

Specific audit strategy

The following is a summary of our audit team's approach for the Marina Coast Water District engagement. The audit will be divided (segmented) into the following phases:

Interim phase – planning, pre-audit administration and internal control testing:

During this phase of the audit, our principal objectives will be as follows:

- ✓ Discuss the dates of the interim and year-end fieldwork.
- ✓ Perform risk assessment procedures by completing the following procedures:
 - Gather information about the District and its control environment(s),
 - Evaluate the design and effectiveness of the District's internal controls and determine whether they have been implemented,
 - Perform walkthroughs of all significant transaction classes,
 - Perform tests of controls, if applicable and
- ✓ Perform single audit testing procedures, if applicable.

In order to achieve the desired objectives of this phase of the audit, we will:

- * Meet with the District's Finance Manager and key accounting staff in order to determine convenient dates for the District in which we can begin our audit and to discuss the assistance to be provided by them. Also, we will discuss the prior year audit and the interim work to be performed.
- * Review and evaluate the District's accounting and reporting processes by reviewing the prior year audit work-papers, any District prepared documents such as budgets, in-house financial reports, policies and procedures manuals, minutes of board meetings, etc. and by using various analytical procedures. Analytical procedures will enhance our understanding of the District and will help us identify areas that may need further assessment and additional testing.
- * Review and retain copies of any pertinent local, state, and federal statutes, regulations, or charters that apply to the District. We will also review and retain copies of any agreements or contractual obligations (e.g., bond and grant documents, lease agreements, contracts for deposit of monies, revenue agreements, etc).
- * Evaluate the design of controls that are relevant to the audit by obtaining a thorough understanding of the District's internal controls over financial reporting and compliance by documenting key internal control components, utilizing questionnaires, walkthroughs, inquiring of the District's personnel, and observing and reviewing key supporting documentation (a more thorough explanation of this process is discussed later in the technical proposal: understanding of internal control).
- * Hold brainstorming sessions with engagement team members to discuss the susceptibility of the District's financial statements to material misstatement and fraud.

MARINA COAST WATER DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of services (scope of work)(continued)

- * Review and analyze supporting data and determine what reliance will be placed on internal controls and assess control risk.
- * Test controls, if control risk is assessed below the maximum, by selecting a sample of transactions within the audit area being tested and reviewing supporting documentation, evaluating the completeness of the documentation tested, as well as the adequacy of support and approvals as they appear on the support.
- * Document and review with management any findings noted during the testing of internal controls and provide a preliminary management letter that will include our recommendations for improving any weaknesses in operations noted during our internal control analysis and tests of controls. The letter will also include suggestions for improving the efficiency of the District's operations.

Year-end phase I – substantive testing:

During this phase of the audit, our principal objectives will be as follows:

- ✓ Assess the risk of material misstatement at the financial statement level and specific assertions.
- ✓ Design overall responses to assessed risks and further audit procedures.
- ✓ Perform substantive tests as needed and complete the audit.
- ✓ Evaluate audit findings, if applicable.

In order to achieve the desired objectives of this phase of the audit, we will:

- * Determine whether our testing supports the assessed level of risk initially assigned at the financial statement level and at the assertion level.
- * Identify significant risks.
- * Develop a detailed audit plan.
- * Design substantive tests of balances, designed and modified specifically for the District's operations and assessed level of risk. Substantive procedures could, depending on our risk assessment, consist of the following:
 - Testing of cash and investment reconciliations
 - Testing GASB 40 disclosures
 - Perform subsequent receipt testing for significant receivables
 - Determine if receivables are valued properly and perform tests of balances in conjunction with the testing of revenues
 - Test significant inventory accounts
 - Test additions and deletions to capital assets, including CIP accounts
 - Perform search for unrecorded liabilities
 - Test significant liability and accrued liability accounts
 - Review the valuation of claims payable balances
 - Test revenues through either analytical procedures and/or detailed testing

MARINA COAST WATER DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of services (scope of work)(continued)

- Test expenses through either analytical procedures and/or detailed testing
- Test net position classifications
- Review subsequent events
- Read minutes of board meetings
- Test for compliance with the District's investment policy
- Test for significant commitments to be disclosed in the financial statements
- Confirm with legal counsel any significant litigation
- Review significant employee contracts
- Ensure financial statements meet GFOA requirements for award

The above list is not all-inclusive. After our detailed risk assessment procedures, we will determine which procedures to perform relative to the audit. All of our audits are customized by client helping to ensure a complete, effective, and efficient audit.

Year-end phase II – reporting/audit conclusion:

During this phase of the audit, our principal objectives will be as follows:

- ✓ Evaluate whether financial statements, taken as a whole, are free from material misstatement.
- ✓ Form an opinion and issue the audit report.

In order to achieve the desired objectives of this phase of the audit, we will:

- Meet with Chief Financial Officer and key accounting personnel to summarize results of fieldwork and review significant findings, if any.
- Determine whether, based on our substantive testing and other procedures, the financial statements, taken as a whole, are free of material misstatement. This will provide the basis for our opinion.
- Review all audit work-papers by the engagement partner and manager to ensure that the audit was performed in accordance with the required standards (GAAS, GAGAAS, etc.).
- Prepare drafts of all required reports by the agreed upon dates.
- Conduct an independent review of financial statements draft by firm's technical review partner.
- Issue all reports by agreed upon date.
- Attend audit committee and Board meeting as necessary.

MARINA COAST WATER DISTRICT
PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of services (scope of work)(continued)

Work plan

Audit schedule	Proposed timing
<p>Auditor Transition Schedule to meet with your prior auditor to review their working papers.</p>	June 2015
<p>Audit Planning Meet with management for pre-audit planning, and to obtain an understanding of systems, internal controls, and current-year issues. Perform interim audit fieldwork and tests of internal controls.</p>	June 2015
<p>Provide management with a detailed listing of items needed to perform the audit, including the timing of when items are needed.</p>	June 2015
<p>Audit Fieldwork Send confirmations of cash, investment, and other accounts as deemed necessary.</p>	July 2015
<p>Perform substantive audit fieldwork.</p>	September/ October 2015
<p>Report Preparation Present draft of financial statements, audit report, and management letter to senior management.</p>	September/ October 2015
<p>Issuance of auditor reports.</p>	October 2015

* This timeline is a tentative outline of the key milestones for your audit. It can be modified as appropriate to meet your needs.

Sample sizes

Our sample sizes will be determined in accordance with the AICPA *Audit and Accounting Guide, Audit Sampling*. Our methods are designed to provide the most audit coverage without expending excess time. Our sample sizes will depend upon our preliminary assessment of control risk, as well as our planned substantive testing and analytical procedures.

MARINA COAST WATER DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of services (scope of work)(continued)

Computer technology in the audit

Our firm has adopted a paperless audit approach. Using our engagement software, all team members are linked to each other using a local router which enables them to share information at an almost real time speed. In addition, once your trial balances are entered into our software (your financial statements as well), we are able to observe your statements in the field allowing us to notice any variances and deal with them at your office. With this in mind, we would prefer all audit information in an electronic format, particularly trial balances and general ledgers. If electronic formatting is not available, all audit teams have laptops, portable scanners, and printers while on location at the client's place of business. In addition, we can access our accounting and auditing resources through either a wireless or wired internet connection.

Analytical procedures

Analytical review procedures will be used throughout the audit of the District. During the *interim* phase of our audit, current and prior year unadjusted balances will be compared to determine areas that may need additional analysis; we will also compare current year actual amounts to the District's annual budget. During the *final* phase of our audit, we will perform procedures similar to those mentioned above as well as compare certain financial ratios for current and prior years. Certain "reasonableness" tests will also be performed. Finally, after the completion our fieldwork, we will compare current and prior year audited balances, keeping in mind expected relationships obtained from our knowledge of the District and various other entities.

MARINA COAST WATER DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of services (scope of work)(continued)

Approach in determining applicable laws and regulations

As governmental auditors, we realize the importance of laws and regulations in planning an audit of a local government agency. As part of our audit process, our audit team will obtain an understanding of the laws that will have a direct and material effect on the District's financial statements. In determining which laws and regulations are applicable to the District's financial statement audit, we will consult the following sources:

- ◆ AICPA Audit and Accounting Guide, *Audits of State and Local Governments*
- ◆ California Code of Regulations *Minimum Audit Requirements and Reporting Guidelines for Special Districts*
- ◆ State of California *Water Code*
- ◆ U. S. Government Accountability Office's *Government Auditing Standards* (The Yellow Book), 2011 Revision
- ◆ Applicable contracts/grants of the Marina Coast Water District
- ◆ The Single Audit Act Amendments of 1996
- ◆ Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*
- ◆ OMB Circular A-87, *Cost Principles for State and Local Governments*
- ◆ OMB's Circular A-133, *Compliance Supplement*

After consulting the applicable sources, we will design our audit to provide reasonable assurance of detecting material instances of noncompliance.

Approach in drawing samples for compliance testing

Our approach to be taken in drawing audit samples for purposes of tests of compliance will depend on the number of transactions, the amounts of financial assistance provided (as applicable) and the District's internal controls over its respective programs. We will select samples that will provide sufficient evidence of the District's compliance with the laws and regulations that will have a material effect on compliance with laws and regulations.

MARINA COAST WATER DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of services (scope of work)(continued)

Understanding of internal control

Our approach to obtaining an understanding of the District's internal control over financial reporting will be performed in accordance with professional standards as promulgated by the American Institute of Certified Public Accountants - our understanding will include the *Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring*. Our approach is as follows:

Control Environment: Through inquiry of the District's personnel, prompted by questionnaires, personal knowledge, and review of the minutes of the District board meetings, we will obtain an understanding of management's and the District board's attitudes, awareness and actions concerning the control environment, focusing on the substance of the controls rather than their form.

Risk Assessment: Again, through inquiry of the District's personnel and the use of questionnaires, we will obtain sufficient knowledge of the District's risk assessment process to understand how management considers risks relevant to financial reporting objectives and decides upon actions to address those risks. This will include understanding how management identifies risks, estimates the significance of these risks, assesses the likelihood of their occurrence, and relates them to financial reporting.

Control Activities: Certain procedures will be documented during our analysis of the control environment and the accounting system. However, many specific control procedures will still need to be documented (and walk-through(s) performed) that will focus primarily on the District's significant transaction cycles. As mentioned above, we will test the District's control procedures which we intend to rely on for safeguarding assets from unauthorized use or disposition and detecting/preventing unauthorized transactions. Any flow charts, organizational charts, and any other manuals, programs and financial and management information systems will be analyzed during this process.

Information and Communication: Again, through inquiry of the District's personnel, we will identify the major types of transactions (and significant transaction classes) processed by the District. Next, we will become familiar with the treatment of those transactions, including how the transactions are initiated, the related accounting records and the manner of processing the transactions. Finally, we will obtain an understanding of the District's financial reporting process used to prepare financial reports, including the approaches used to make accounting estimates and disclosures.

Monitoring: With the use of questionnaires we will obtain sufficient knowledge of the major types of activities the District uses to monitor internal control over financial reporting. We will also determine how those activities are used to initiate corrective actions.

MARINA COAST WATER DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of services (scope of work)(continued)

Evaluation of internal controls and management letter comments

During our audit, we will consider the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Our consideration of internal control is not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. There are three classifications of internal control deficiencies. We will work carefully with your staff to ensure the correct classification of any identified internal control deficiencies. The three classifications are as follows:

- *Control deficiency* – a minor internal control deficiency that can be communicated either verbally or in writing to management.
- *Significant deficiency* – a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance, and must be communicated in writing.
- *Material weakness* – a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis, and must be communicated in writing to those charged with governance.

When we prepare internal control recommendations, we obtain a thorough understanding of the specific circumstances surrounding the finding, and discuss the matters with management prior to drafting the letter. We work with your staff to ensure that the recommendation is reasonable and practical to implement.

MARINA COAST WATER DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Qualifications

The quality of service you receive is dependent on the capabilities of the individuals assigned to the engagement and the manner in which those personnel resources are organized to efficiently focus their abilities on providing you with the requested audit services.

Your engagement team will provide significant experience coupled with an extensive, practical understanding of governmental accounting and auditing. These professionals are highly trained and knowledgeable and have a thorough understanding of the environment in which governmental entities operate.

Partner and supervisory staff involvement

All partners and supervisory staff are working professionals and are actively and continually involved in all aspects of their engagements. We believe that partner and supervisory level staff personnel involvement in all areas of the audit is a key aspect of the overall audit process. This involvement includes being on-site for interim and year-end fieldwork, thus; facilitating a proper, efficient and effective audit, with minimal disruption of the District's staff. In addition, the time spent on-site by the partners and supervisory staff ensures they gain an understanding of all the District's accounting processes and procedures. This understanding will enable them to evaluate and develop opportunities for efficiency as well as offer practical and functional advice for improving your accounting processes and procedures.

Continuity of audit staff is a principal concern with our firm. Therefore, our goal is to provide staff continuity from year to year, which is in the best interest of the District and our firm. Continuity ensures an orderly, efficient, and less disruptive audit experience by competent professionals. Since we cannot guarantee staff will remain with us, principal supervisory and management staff, including engagement partners, managers, other supervisory staff, and specialists, may be changed if those personnel leave the firm or are promoted.

In summary, we want to emphasize the credentials of the professionals who will be directly responsible for the quality of service the District will receive. Additionally, our audit team has another attribute that is very important, even though it is intangible; the professionals assigned to the District's audit have worked together as a multi-disciplined team, thus ensuring a smooth, efficient and effective audit. Our firm is committed to allocating the necessary resources to ensure that we provide continuity of personnel throughout the term of our relationship with the District.

MARINA COAST WATER DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Qualifications (continued)

Continuing professional education

All professionals at our firm participate in continuing professional education (CPE) programs, which are sponsored by various organizations including the Government Finance Officers Association, the American Institute of Certified Public Accountants, the California State Society of Certified Public Accountants, the California Society of Municipal Finance Officers and the Association of Government Accountants. Participation in these programs helps us to ensure that our clients are serviced with the best trained and most proficient government and not-for-profit auditors and accountants available. In addition, we provide in-house training taught by our partners and senior level staff using published resources.

In accordance with our firm's Quality Control document and Government Auditing Standards (GAS), all staff members who work on audits subject to GAS are required to complete CPE in accordance with GAS standards.

In April 2013, our firm hosted a training event sponsored by the California Society of Certified Public Accountants titled GASB Update – Just the Facts in which we paid for clients to attend. On March 20, 2014 we hosted an update class titled Update on Clarified Audit Standards and GASB 67, 68 and 71; again we paid for clients' attendance. Our firm plans on hosting two sessions in May 2015, one at our San Bernardino office and another in the San Diego area.

Assigned personnel

It is our goal to provide the District with capable, competent, and personable individuals who offer an extensive background, not only in governmental accounting and auditing, but also in general business practices. Our goal is to offer practical solutions, as well as provide technical support. This enables you to stay at the forefront of governmental accounting and provides you with the support you need in dealing with the complex issues confronting governments such as yours.

In addition, our engagement team has the managerial and supervisory experience to provide the District with a comprehensive audit of the highest quality, while still focusing on personal service. The following individuals will be assigned to the engagement for the entire contract period:

Scott Manno, – CPA, CGMA – Engagement Partner

Mr. Scott Manno, CPA, CGMA is a municipal audit partner with the firm and will be the engagement partner. He is licensed to practice as a certified public accountant in the State of California. Mr. Manno has been in public accounting for 20 years serving local governments such as yours. As the engagement partner, he will be responsible for overall engagement quality, as well as ensuring that the engagement is performed in the most effective and efficient manner. He will review all work-papers prepared during the engagement, in addition to all required reports.

MARINA COAST WATER DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Qualifications (continued)

Mr. Manno has assisted the following cities in their endeavors to obtain the CSMFO and/or GFOA awards for outstanding financial reporting: Town of Yucca Valley, Marina Coast Water District, Rincon del Diablo Municipal Water District, City of Lake Elsinore, City of Ontario, the Ventura Regional Sanitary District, Vista Irrigation District and the City of Twentynine Palms.

Currently Mr. Manno serves as a technical reviewer for the GFOA CAFR Award program and from 1997 to 2000 he served as a technical reviewer under the CSMFO award program. Since 2010, Mr. Manno has been serving as a technical volunteer on the California Special Districts Association Audit Committee and is now a member of the Associations fiscal committee providing accounting and fiscal program guidance.

In addition, he is part of the California State Society of Certified Public Accountants Governmental Accounting and Auditing Committee which meets periodically to discuss current events, pronouncements, etc. including the upcoming implementation of GASB 68.

Terry Shea, CPA – Quality Control Partner

Mr. Terry Shea, CPA, will be the quality control partner. He is licensed to practice as a certified public accountant in the State of California. Mr. Shea has been in public accounting for 34 years serving local governments such as yours. As the quality control partner, he will be responsible for engagement quality and will review all required reports.

Mr. Shea has assisted the following cities in their endeavors to obtain the CSMFO and/or GFOA awards for outstanding financial reporting: City of Goleta, City of Mission Viejo, City of Norco, City of Redondo Beach, the Ventura Regional Sanitary District and the City of Twentynine Palms. He currently serves as the Contract Finance Director for two Riverside County Cities and one Los Angeles County City.

Brad A. Welebir, CPA, MBA – Director

Mr. Brad A. Welebir, CPA, is a director with the firm. He is licensed to practice as a certified public accountant in the State of California. Mr. Welebir has over eleven years of public accounting experience. He has provided accounting, auditing, and consulting services for municipalities, special districts, water agencies, and various nonprofit organizations. He will be responsible for planning the audit, supervising the staff assigned to the engagement, and performing reviews of all work-papers prepared for the engagement. In addition, he will also be responsible for the preparation of any required reports.

MARINA COAST WATER DISTRICT
PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Qualifications (continued)

Nathan Statham, CPA, MBA – Senior Accountant

Mr. Nathan Statham, CPA, MBA, is a senior accountant with the firm. He is licensed to practice as a certified public accountant in the State of California. Mr. Statham has over three years of public accounting experience. He has provided accounting, auditing, and consulting services for municipalities, special districts, water agencies, and various nonprofit organizations. He will be responsible for planning the audit, supervising the staff assigned to the engagement, and performing reviews of all work-papers prepared for the engagement. In addition, he will also be responsible for the preparation of any required reports.

MARINA COAST WATER DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

References

References

1. *Entity:* **WESTERN MUNICIPAL WATER DISTRICT**
 Scope of work: Financial Audit/CAFR*/Single Audit
 Date: Years ending June 30, 2011 through 2014
 Engagement partner: Scott Manno
 Contact person: Mr. Kevin Mascaro, Director of Finance, (951) 571-7100

2. *Entity:* **CRESTLINE-LAKE ARROWHEAD WATER AGENCY**
 Scope of work: Financial Audit
 Date: Years ending June 30, 1996 through 2014
 Engagement partner: Terry Shea
 Contact person: Ms. Roxanne Holmes, General Manager, (909) 338-1779

3. *Entity:* **VISTA IRRIGATION DISTRICT**
 Scope of work: Financial Audit/CAFR*
 Date: Years ending June 30, 2011 through 2014
 Engagement partner: Scott Manno
 Contact person: Mrs. Marlene Kelleher, Accounting Manager,
 (760) 597-3100

4. *Entity:* **HELENDALE COMMUNITY SERVICES DISTRICT**
 Scope of work: Financial Audit
 Date: Years ending June 30, 2010 through 2014
 Engagement partner: Scott Manno
 Contact person: Mr. Paul Harmen, Finance Director, (760) 951-0006

5. *Entity:* **TWENTYNINE PALMS WATER DISTRICT**
 Scope of work: Financial Audit
 Date: Years ending June 30, 2012 through 2014
 Engagement partner: Scott Manno
 Contact person: Mrs. Cindy Byerrum, Finance Director, (760) 367-7546

* = received GFOA award.

MARINA COAST WATER DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Cost proposal and draft agreement

Cost proposal

Certification: Scott Manno is entitled to represent the firm, empowered to submit the bid, and authorized to sign a contract with the District.

The annual fee for the audit of each fiscal year 2014/15, 2015/16 and 2016/17 shall not exceed the following:

	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>
Financial statement audit	\$ 24,780	\$ 24,780	\$ 25,540
Single audit, if required*	<u>3,635</u>	<u>3,610</u>	<u>3,685</u>
Total all-inclusive maximum price	<u>\$ 28,415</u>	<u>\$ 28,390</u>	<u>\$ 29,225</u>

* = for first major program, each additional major program is \$2,750

See attachment C for the proposed cost detail.

Draft agreement

At this time, we have no issues with the District's draft agreement.

MARINA COAST WATER DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Resumes of key engagement personnel

Scott W. Manno, CPA, CGMA ***Engagement Partner***

Professional experience

Mr. Manno began his career with Thomas, Bigbie and Smith in 1995. He spent six years with the firm primarily working on audits of municipalities, special districts and redevelopment agencies as well as various non-profit organizations. He joined Rogers, Anderson, Malody & Scott, LLP in July 2001.

Education / licenses

Bachelor of Science degree from California State University, San Bernardino
Certified Public Accountant – State of California
Chartered Global Management Accountant – American Institute of Certified Public Accountants

Related professional experience

Governmental agencies that Mr. Manno has served include the following:

Vista Irrigation District	Idyllwild Water District
Western Municipal Water District	Helix Water District
East Valley Water District	Valley Sanitary District
Rincon del Diablo Municipal Water District	Valley Water Company
San Bernardino Valley Municipal Water District	Crestline Village Water District
Idyllwild Water District	Pine Cove Water District
Helendale Community Services District	Twentynine Palms Water District

Mr. Manno has completed approximately 126 hours of continuing professional education courses over the past two years of which the following select courses are relevant to this engagement:

- ◆ Association of Certified Fraud Examiners, *How to Detect and Prevent Financial Statement Fraud*
- ◆ Association of Certified Fraud Examiners, *Fighting Fraud in Government*
- ◆ American Institute of Certified Public Accountants, *Governmental Accounting and Reporting*

Professional affiliations

Mr. Manno is a member of the following organizations:

- ◆ American Institute of Certified Public Accountants (AICPA)
- ◆ California Society of Certified Public Accountants (CSCPA)
- ◆ Association of Certified Fraud Examiners (ACFE)
- ◆ Association of Government Accountants (AGA)
- ◆ Government Finance Officers Association (GFOA)
- ◆ California Special Districts Association (CSDA)
- ◆ California Society of Municipal Finance Officers (CSMFO)

MARINA COAST WATER DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Resumes of key engagement personnel (continued)

Terry P. Shea, CPA **Quality Control Partner**

Professional experience

Mr. Shea began his career with Thomas, Byrne and Smith in 1981. He spent six years with the firm primarily working on audits of municipalities, special districts, redevelopment and other governmental agencies. He joined Rogers, Anderson, Malody & Scott, LLP in 1987 and has completed governmental audits including municipalities and has provided financial consulting services for various cities.

Education

Bachelor of Arts degree from California State University, Fullerton
Certified Public Accountant – State of California

Related professional experience

Governmental agencies that Mr. Shea has served include the following (*includes enterprise fund accounting):

Yucaipa Valley Water District	Idyllwild Water District	Crestline Village Water District
Crestline Lake Arrowhead Water Agency	Twentynine Palms Water District	Joshua Basin Water District
Pine Cove Water District	Helix Water District	City of Riverside*
City of Corona*	City of San Jacinto*	Valley Water District
City of Norco*	Crestline Lake Arrowhead	City of La Mesa*
City of Mission Viejo*	Water Agency	Jurupa Comm. Services District
Ventura Regional Sanitation District	San Bernardino Valley Municipal Water District	S.B. County Special Districts*

Mr. Shea served as the Interim Finance Director for the City of Perris from July 1998 to October 2001. He currently serves as the Contract Finance Director for one Riverside County City and one Los Angeles County City.

Continuing professional education

Mr. Shea has completed approximately 80 hours of continuing professional education courses in the past three years, of which, the following select courses are relevant to this engagement:

- ◆ Thomson Reuters, *Audits of State and Local Governments*
- ◆ American Institute of Certified Public Accountants, *Foundations in Governmental Accounting*
- ◆ California CPA Education Foundation, *Governmental Auditing Skills*
- ◆ American Institute of Certified Public Accountants, *Governmental and Not-for Profit Conference*

Professional affiliations

Mr. Shea is a member of the following professional organizations:

- ◆ American Institute of Certified Public Accountants (AICPA)
- ◆ California Society of Certified Public Accountants (CSCPA)
- ◆ Government Finance Officers Association (GFOA)
- ◆ California Society of Municipal Finance Officers (CSMFO)

MARINA COAST WATER DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Resumes of key engagement personnel (continued)

Brad A. Welebir, CPA, MBA ***Audit Director***

Professional experience

Mr. Welebir joined Rogers, Anderson, Malody & Scott, LLP in January 2004. He works primarily on audits of governmental agencies, small to mid-sized businesses, and nonprofit organizations. Prior to joining our firm, he began his career with Sam's Club, where he was the operations manager. He then worked for La Sierra Academy as an accountant.

Education

Masters of Business Administration – Accounting Emphasis from California State University, Fullerton in June 2003
Bachelor of Arts in Business Administration from La Sierra University in 1996
Certified Public Accountant – State of California

Related professional experience

Organizations that Mr. Welebir has served include the following:

- Vista Irrigation District
- Western Municipal Water District
- Crestline Village Water District
- Lake Elsinore & San Jacinto Watersheds Authority
- San Bernardino Municipal Water District
- Running Springs Water District
- Santa Ana Watershed Project Authority
- West Valley Water District

Continuing professional education

Mr. Welebir has completed 81 hours of continuing professional education courses in the past two years of which the following select courses are relevant to this engagement:

- ◆ Thomson Reuters, *Audits of State and Local Governments*
- ◆ American Institute of Certified Public Accountants, *Foundations in Governmental Accounting*
- ◆ California Society of CPAs Education Foundation, *Governmental Accounting and Auditing Update*
- ◆ American Institute of Certified Public Accountants, *Applying A-133 to Nonprofit and Governmental Organizations*

Professional affiliations

Mr. Welebir is a member of the following professional organizations:

- ◆ American Institute of Certified Public Accountants (AICPA)
- ◆ California Society of Certified Public Accountants (CSCPA)

MARINA COAST WATER DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Resumes of key engagement personnel (continued)

Nathan Statham, CPA, MBA **Senior Accountant**

Professional Experience

Mr. Statham joined Rogers, Anderson, Malody & Scott, LLP in 2012. He works primarily on audits of governmental agencies, small to mid-sized businesses, and nonprofit organizations. Prior to joining our firm, he worked in the real estate finance industry.

Education / licenses

Masters of Business Administration – Finance Emphasis from California State University, San Bernardino
Bachelor of Arts in Business Administration from California State University, San Bernardino
Certified Public Accountant – State of California

Related Professional Experience

A sample of governmental entities that Mr. Statham has served include the following (*includes enterprise fund accounting):

City of San Juan Capistrano	City of Redondo Beach*
City of Sierra Madre*	City of El Cajon*
City Rosemead*	City of Fillmore*
Western Municipal Water District*	Ventura County Public Finance Authority*
Inland Empire Resource Conservation District	Crestline Village Water District*
City of Poway*	Santa Ana Watershed Association*

Continuing Professional Education

Mr. Statham has completed over 120 hours of continuing professional education courses in the past 3 years of which the following select courses are relevant to this engagement:

- ◆ California Society of CPAs Education Foundation, *Governmental Accounting and Auditing Update*
- ◆ American Institute of Certified Public Accountants, *Single Audit Advanced Concepts*
- ◆ Governmental Accounting Standards Board, *Other Postemployment Benefits*

Professional Affiliations

Mr. Statham is a member of the following professional organizations:

- ◆ American Institute of Certified Public Accountants (AICPA)
- ◆ California Society of Certified Public Accountants (CSCPA)

FOUNDERS

Lawrence S. Timpson, CPA (1891-1974)
LeVerne W. Garcia, CPA (1904-1983)

PARTNERS

Dennis S. Kaneshiro, CPA
Elaine Lee Kawasaki, CPA
William E. Moy, CPA

FIRM ADMINISTRATOR

Liz Davis

System Review Report

May 31, 2012

To the Owners of
Rogers, Anderson, Malody & Scott, LLP
and the Peer Review Committee of the
California Society of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of **Rogers, Anderson, Malody & Scott, LLP** (the firm) in effect for the year ended November 30, 2011. 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. 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* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of **Rogers, Anderson, Malody & Scott, LLP** in effect for the year ended November 30, 2011, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. **Rogers, Anderson, Malody & Scott, LLP** has received a peer review rating of *pass*.

Timpson Garcia, LLP

Current governmental clients

<u>Client</u>	<u>Years Served</u>		<u>CSMFO/ GFOA Awards</u>
City of Norco	06/30/04	to 06/30/14	Yes
City of Grand Terrace	06/30/04	to 06/30/14	
City of El Cajon	06/30/07	to 06/30/14	Yes
City of Fillmore	06/30/08	to 06/30/14	
Town of Yucca Valley	06/30/08	to 06/30/14	Yes
City of San Juan Capistrano	06/30/11	to 06/30/14	Yes
City of La Verne	06/30/11	to 06/30/14	Yes
City of San Jacinto	06/30/11	to 06/30/14	
City of Twentynine Palms	06/30/11	to 06/30/14	Yes
City of Chino	06/30/11	to 06/30/14	Yes
City of La Mesa	06/30/11	to 06/30/14	
City of Rosemead	06/30/11	to 06/30/14	Yes
City of Moorpark	06/30/12	to 06/30/14	Yes
City of Mission Viejo	06/30/12	to 06/30/14	Yes
City of Capitola	06/30/12	to 06/30/14	Yes
City of Redondo Beach	06/30/12	to 06/30/14	Yes
City of Sierra Madre	06/30/12	to 06/30/14	
City of Loma Linda			
Crestline Village Water District	04/30/96	to 04/30/14	
Crestline-Lake Arrowhead Water	06/30/98	to 06/30/14	
San Bdn Valley Muni Water Dist	06/30/04	to 06/30/14	
Ventura Regional Sanitation District	06/30/07	to 06/30/14	Yes
Saticoy Sanitary District	06/30/07	to 06/30/14	
Helendale CSD	06/30/10	to 06/30/14	
Pine Cove Water District	06/30/10	to 06/30/14	
Western Municipal Water District	06/30/11	to 06/30/14	Yes
WRCRWA	06/30/11	to 06/30/14	
Vista Irrigation District	06/30/11	to 06/30/14	Yes
Idyllwild Water District	06/30/11	to 06/30/14	
Helix Water District	06/30/12	to 06/30/14	Yes
29 Palms Water District	06/30/12	to 06/30/14	
Big Bear Area Regional Wastewater	06/30/12	to 06/30/14	Yes
Inland Empire Resource Cons Dist	06/30/04	to 06/30/14	
Rossmoor CSD	06/30/05	to 06/30/14	
Rim of the World Park & Rec Dist	06/30/06	to 06/30/14	
Ventura County Regional Energy	06/30/07	to 06/30/14	
Heartlands Communications Fac Auth	06/30/07	to 06/30/14	
Heartlands Fire Training Auth	06/30/07	to 06/30/14	
Santa Ana Watershed Assoc	12/31/09	to 12/31/12	
Idyllwild Fire Protection District	06/30/11	to 06/30/14	

Attachment B

Capistrano Bay CSD	06/30/13	to	06/30/14
Ventura County Public Fin Auth	06/30/12	to	06/30/14
CSUSB - Student Union	06/30/05	to	06/30/14
CSUSB - Associated Students Incorp	06/30/10	to	06/30/14
CSUSB - Philanthropic Foundation	06/30/11	to	06/30/14
CSUSB - University Enterprise Corp	06/30/11	to	06/30/14

Our firm also provides contract Finance Director services/accounting support for the following entities:

Running Springs Water District
City of Canyon Lake
City of Eastvale
City of Rolling Hills

**Marina Coast Water District
Schedule of fees and expenses
For the fiscal year ending June 30, 2015**

	<u>Standard Hourly Rates</u>	<u>Quoted Hourly Rates</u>	<u>Hours</u>	<u>Total</u>
Partner	\$ 255	\$ 245	14	\$ 3,430
Manager	185	175	14	2,450
Senior	135	125	60	7,500
Staff	85	75	<u>152</u>	<u>11,400</u>
			<u>240</u>	
Total for services described in RFP				24,780
Out-of-pocket expenses				-
Meals and lodging				1,000
Transportation				450
Other (specify): _____				<u>-</u>
Total all-inclusive maximum price fiscal year 2015 audit				<u>\$ 26,230</u>

**Marina Coast Water District
Schedule of fees and expenses
For the fiscal year ending June 30, 2016**

	<u>Standard Hourly Rates</u>	<u>Quoted Hourly Rates</u>	<u>Hours</u>	<u>Total</u>
Partner	\$ 255	\$ 245	14	\$ 3,430
Manager	190	175	14	2,450
Senior	145	125	60	7,500
Staff	85	75	<u>152</u>	<u>11,400</u>
			<u>240</u>	
Total for services described in RFP				24,780
Out-of-pocket expenses				-
Meals and lodging				1,020
Transportation				460
Other (specify): _____				<u>-</u>
Total all-inclusive maximum price fiscal year 2016 audit				<u>\$ 26,260</u>

**Marina Coast Water District
Schedule of fees and expenses
For the fiscal year ending June 30, 2017**

	<u>Standard Hourly Rates</u>	<u>Quoted Hourly Rates</u>	<u>Hours</u>	<u>Total</u>
Partner	\$ 265	\$ 245	14	\$ 3,430
Manager	195	175	14	2,450
Senior	145	125	60	7,500
Staff	90	80	<u>152</u>	<u>12,160</u>
			<u>240</u>	
Total for services described in RFP				25,540
Out-of-pocket expenses				-
Meals and lodging				1,040
Transportation				470
Other (specify): _____				<u>-</u>
Total all-inclusive maximum price fiscal year 2017 audit				<u>\$ 27,050</u>