

Proposal for Independent Audit Services

Marina Coast Water District

Fiscal year ended June 30, 2015, 2016, and 2017

TITLE PAGE

RFP Subject..... Independent Audit Services
for the Marina Coast Water District

Name of Proposer David D. Bruner CPA, Inc.

Address..... 3183 Collins Drive, Suite A
Merced, CA 95348

Telephone Number..... (209) 384-3343

Name of Contact Person Mr. David D. Bruner

Date May 8, 2015

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May 8, 2015

Ms. Kelly Cadiente
Marina Coast Water District

Dear Ms. Cadiente:

David D. Bruner CPA, Inc. is pleased to respond to your request for a proposal to provide auditing services for the Marina Coast Water District (the Agency) for the year ending June 30, 2015, 2016 and 2017. In this proposal, we present the auditing services proposed and the members of my engagement team.

To fully appreciate my qualification to serve your Agency we encourage a thorough reading of our proposal. We are genuinely interested in serving you and we are confident you will find our services to be of the highest professional standards in terms of quality, competence, and effectiveness.

Understanding of the Work to be Done

The purpose of our examination will be to express an opinion on the fair presentation of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in conformity with generally accepted accounting principles.

In regard to the Management's Discussion and Analysis (MD&A), we will apply certain limited procedures, which consists principally of inquiries of management regarding the methods of measurement and presentation of this information. We will provide an "in-relation-to" report on the combining of individual fund financial statements and supporting schedules based on the auditing procedures applied during the audit of the general purpose financial statements.

We will provide an "in-relation-to" report on that schedule based on the auditing procedures applied during the audit of the financial statements.

We will audit the compliance of the Marina Coast Water District with the type of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

Our examination will be conducted in accordance with generally accepted auditing standards, which will include reviews of the system of internal control, and tests of transactions to the extent we believe necessary. Accordingly, we will not include a detailed audit of transactions to the extent which would be required if intended to disclose defalcations or other irregularities, although their discovery may result.

The audit examination will be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the U.S. General Accounting Office's Government Auditing Standards, provisions of the Single Audit Act Amendments of 1996 and the provisions of the U.S. Office of Management and Budget Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations.

We will issue the following reports in connection with our audit:

- 1) Annual audit of financial statements.

In addition, we will review and report on the following:

1.) Federal single-audit requirements and reports.

2.) State controller's report.

Our company has the qualifications, experience and training to perform the services requested in a timely manner, no later than the dates specified in the request for proposal.

This proposal is firm and irrevocable for 30 days from the date of this letter.

Sincerely,

A handwritten signature in black ink that reads "David D. Bruner CPA, Inc." The signature is written in a cursive, flowing style.

David D. Bruner CPA, Inc.
Merced, California

TECHNICAL PROPOSAL

Affirmation of Independence

In all matters relating to the audit work, David D. Bruner CPA, Inc. and its individual auditors, whether government or public are free from personal or external impairments to independence. David D. Bruner CPA, Inc. shall be organizationally independent, and will maintain an independent attitude and appearance, in accordance with generally accepted auditing standards as defined by the U.S. General Accounting Office, Government Auditing Standards. We are independent of all of the component units of the Marina Coast Water District.

Affirmation of Licensing

David D. Bruner is a licensed Certified Public Accountant in good standing with the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants.

Description of David D. Bruner CPA, Inc.

David D. Bruner CPA, Inc. is a regional public accounting and management-consulting company located in Merced, California. The services we provide include a wide range of auditing, accounting, tax, and consulting services to clients throughout California.

Our company was founded on the principle of providing excellent service and going the extra mile for our clients. We are active in civic affairs and the local business and professional community. We have a wide range of experience in tax, accounting, auditing, and management consulting. Our clients range from small sole proprietorships to large companies. Our firm has established a niche in several key industries:

Construction / Real Estate

Health Care

Government / Non-Profit

Professional Practices

Our firm's services can be grouped into four areas:

- Audit Services
- Accounting and Reporting
 - Compilation Services
 - Review Services
- Tax Planning and Compliance
- Management Consulting Services

Understanding of the Scope of the Services Provided Financial Audit

The examination of the financial statements of the Marina Coast Water District for the fiscal year ending June 30, 2015, 2016, and 2017 will be for the primary purpose of expressing an opinion on its financial statements.

The examination will be performed in accordance with generally accepted governmental auditing standards as stated in Statement on Auditing Standards published by the American Institute of Certified Public Accountants, U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Government Auditing Standards published by the U.S. General Accounting Office, and the Single Audit Act Amendments of 1996 and its provisions. Accordingly, we will test the accounting records of the District and perform other auditing procedures by methods and to the extent we deem appropriate for the purpose of expressing an opinion on the financial statements. An examination based on selective testing is subject to the inherent risk that material errors or irregularities if they exist may not be detected. If conditions are discovered which lead to the belief that material errors, defalcations or other irregularities may exist, or if any other circumstances are encountered that require extended services, we will promptly advise the appropriate District officials. No extended services will be performed unless they are authorized in the contractual agreement or in an amendment to the agreement.

Compliance Audit

Our compliance audit examinations will be performed in accordance with generally accepted auditing standards. We will select necessary procedures to test compliance and enable us to comment regarding compliance with the provisions of any and all Federal and State Statutes, Ordinances, Charter, Administrative Code, rule and regulations.

Single Audit

Our single audit will be performed in accordance with the Single Audit Act Amendments of 1996 and its provisions. We will select necessary procedures to test compliance and enable us to comment on the federal program grants received in the fiscal year ending June 30, 2015, 2016, and 2017.

Qualifications of Audit Team

The audit team assembled by our company is very qualified to perform this engagement.

David D. Bruner, Engagement Leader

David D. Bruner, founding member and president of the company, has twenty two years of public accounting experience. He has an extensive background in the audits of local governments, special districts and nonprofit organizations. He graduated from California State University, Stanislaus with a Bachelor of Science in Business Administration / Accounting and Finance. He also graduated from Golden Gate University with his Masters in Taxation and Graduate Certificate in Estate Planning. He will be starting the MBA program at Northwestern University in the fall of 2013. He has been involved in the audits of the Cities of Chowchilla, Gustine, and Merced, and the audits of other governmental agencies such as Planada Community Services District, Le Grand High School District, and Bloss Memorial Health Care District. He has also been involved in the HUD audits of numerous apartment complexes in Stanislaus and San Joaquin counties. He has been involved in the audits of the American Red Cross of Merced and Mariposa Counties, Elks Lodge BPOE 1240, Merced Chamber of Commerce, Atwater Chamber of Commerce, Independent Construction Contractors of America, California Chapter, Turlock Christian School and numerous other nonprofits.

Mr. Bruner is a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants. Recent continuing professional education courses include *Planning for an Audit of a State or Local Government; Solving Complex Single Audit Issues for Government; and Governmental Accounting and Auditing Update 2011-12.*

Christa L. Bruner, Manager

Ms. Bruner, a staff accountant has five years of public accounting experience. She has a degree in Interdisciplinary Studies with a Concentration in Mathematics from Texas A&M University. She has also completed 10 classes of a 16-class MBA program at the University of Houston in Houston, Texas. Ms. Bruner has been involved in the audits of Bloss Memorial Healthcare District and Central

California Dental SurgiCenter. She is currently in the process of completing her governmental continuing education requirements.

Meuy Saechao, Staff Accountant

Ms. Saechao is a staff accountant with two years of public accounting experience. She has a degree in Business Administration with an emphasis in Accounting. She has worked in the private and public accounting sectors. She is currently in the process of completing her governmental continuing education requirements.

Harold M. Bruner, Staff Accountant

Mr. Bruner is a staff accountant with four years of public accounting experience. He has worked in the private and public accounting sectors. He has been involved in the audits of various governmental and nonprofit organizations. He has experience in running and operating businesses. He is currently working on his governmental continuing education.

Jim M. Stofle, Auditing Consultant

Mr. Stofle is a CPA in private practice in Merced, California with over twenty years of public accounting experience. He has been involved and performed audits of various governmental and nonprofit organization. Mr. Stofle will be a consultant to Mr. Bruner in reviewing the audit and quality control and accounting and auditing issues.

Continuing Education Program

The firm maintains a continuing education program to make sure the staff meets all governmental continuing education requirements. It is expected that each year, each staff person's governmental accounting experience and expertise increases.

Staffing Commitment

The firm is committed to committing and maintaining the staffing necessary to successfully complete the engagement in the time specified in this proposal.

Specific Audit Approach

Our audit approach will include an audit work plan that breaks the audit process into segments that include the following:

- 1) Planning
- 2) Preliminary review of internal control
- 3) Tests of internal control
- 4) Performance of audit field work
- 5) Preparation of audit reports

A comprehensive audit work plan below identifies the level of staff and hours assigned to each segment of the engagement. We will use both statistical and non-statistical sampling and we will use our professional judgment to determine which method of sampling will be used. We anticipate the use of EDP software in the engagement.

Analytical review will be used in the planning stage of the audit process to determine the nature and extent of the audit tests and procedures and analytical review procedures will be used as audit tests to evaluate the reasonableness of information on the financial reports. There are various methods of analytical review including:

- 1) Comparison with prior year information
- 2) Comparison with budget information
- 3) Ratio analysis
- 4) Relationship analysis
- 5) Comparison to expected results

Any significant variances will be documented and discussed with the appropriate personnel for explanation. Additional audit procedures may be required as a result of analytical review.

Our approach to understanding the internal control structure will begin with a review of the organizational structure as identified in organizational charts and similar documents. We will identify management information systems, computer programs, accounting systems and other related information

Interviews will be conducted with individuals identified in the preliminary analysis of the internal control structure. From the information obtained through this approach, tests of internal controls will be developed.

The audit approach to determine laws and regulations will be obtained from various sources that we will review to determine the nature and scope of our audit tests. Minutes of the Marina Coast Water District meetings, grant documents, Catalog of Federal Domestic Assistance Programs and if necessary contact with the Oversight Agency for Single Audit Compliance Issues.

Our approach to audit sampling will depend on the purpose of the testing. In test of controls, the size of the sample will depend on the risk assessment and will range from 25 to 60. We will define the population to be tested, and select a representative sample using several methods including random, haphazard and systematic selection. We will use our professional judgment in determining the appropriate method.

MARINA COAST WATER DISTRICT
AUDIT WORK PLAN

| <u>Task</u> | <u>Assign To / Hours</u> | <u>Timing</u> |
|--|--------------------------|-----------------------------|
| Appointment as auditors | | May 22 |
| Preparation of Audit Plan | Leader, staff / 20 | May 22 to June 15 |
| Petty Cash Counts | Leader, staff / 8 | June 30 |
| Review authoritative literature | Audit Team / 15 | Throughout the audit |
| Meetings with city staff or city representatives | Leader, staff / 25 | June to November |
| Preliminary review and assessment of accounting and administrative internal controls to determine nature, timing, and extent of audit tests and procedures | Leader, staff / 40 | July 20 to July 31 |
| Tests of transaction for compliance with controls | Leader, staff / 40 | August 1 to August 31 |
| Preparation of detailed audit programs | Leader, staff / 20 | August 1 to August 31 |
| Perform audit tests: | | |
| Verification tests | | |
| Test of transactions | | |
| Confirmations | | |
| Compliance tests for federal and state grants | Leader, staff / 80 | September 1 to September 30 |
| Preparation of audit report | Leader, staff / 30 | October 1 to October 10 |

This proposed audit work plan timetable is dependent on the trial balance, general ledger, financial statements and other related accounting records being available to us by August 1, 2015.

AUDIT AGREEMENT UNDERSTANDING

David D. Bruner CPA, Inc. clearly understands that the term of the audit agreement will be for a one (1) year period with the option of two (2) additional years.

Follow-up Proposal

David D. Bruner CPA, Inc. will review prior years management comments that were presented to the Planning Council to see whether they have been effectively implemented into the accounting and administrative systems of the Marina Coast Water District.

Peer Review Report

Our practice has just completed its first peer review. The report is with the State of California and has been approved by the State of California. We have our next peer review this summer in July or August 2015.

Prior Engagement

Bloss Memorial Healthcare District

Audit of General-Purpose Financial Statements for the year ended June 30, 2003, 2004, 2005, 2008, 2009, and 2011.

\$13,500

120 hours – 90 hours David D. Bruner
30 hours Christa L. Bruner

Contact – Bill Able, CFO (209) 381-2000 extension 607

Planada Community Service District

Audit of General-Purpose Financial Statements for the year ended June 20, 2007, 2008, 2009, 2010, 2011, 2012, 2013, and 2014.

\$3,750

40 hours - 40 hours David D Bruner

Contact - Daniel Chavez, District Manager (209) 382-0213

PROFESSIONAL SERVICES AGREEMENT FOR
CONSULTING SERVICES
BETWEEN
MARINA COAST WATER DISTRICT
AND
DAVID O. BRUNER CPA, INC.

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: 5/08/15
11 Reservation Road
Marina, CA 93933

The undersigned Consultant offers to furnish the following:

MCWD wishes to engage David O. Bruner CPA, Inc. 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 \$ 10,950.00

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 _____
Name _____
Title _____

By David O. Bruner, CPA
Name David O. Bruner CPA
Title CPA/President

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 MAY 8, 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.