



**Marina Coast Water District
Proposal to Perform
Annual Audit Services**

May 8, 2015

Submitted by:

**HUDSON HENDERSON &
COMPANY, LLP**
55 Shaw Ave., Suite 101
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HUDSON HENDERSON & COMPANY, LLP
Certified Public Accountants



TABLE OF CONTENTS

| | <u>Page</u> |
|-------------------------------------------|-------------|
| Transmittal Letter | 1 |
| Introduction: The Firm | 3 |
| Scope of Services | 4 |
| Qualifications | 8 |
| References | 10 |
| Cost | 12 |
| Draft Agreement | 13 |
| Conclusion | 16 |
| Appendix 1: Resumes of Key Personnel..... | 17 |



HUDSON HENDERSON & COMPANY, LLP
Certified Public Accountants

Transmittal Letter

May 8, 2015

Ms. Kelly Cadiente, Director of Administrative Services
Marina Coast Water District
11 Reservation Road
Marina, CA 93933

Dear Ms. Cadiente:

Hudson Henderson & Company, LLP (HHC) is pleased to have the opportunity to respond to your request for a proposal to provide annual audit services and to submit its qualifications for the Marina Coast Water District (MCWD) for the fiscal years ending June 30, 2015 through 2017, with an option for two additional years. The objective of our audits is to issue opinions regarding the fairness of presentation of the financial position of the MCWD in accordance with generally accepted accounting principles. These audits are to be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the General Accounting Office's (GAO) *Government Auditing Standards*, *Governmental Accounting Standard Board (GASB) Pronouncements*, all other applicable federal, state, local or programmatic audit requirements, and if applicable, the provisions of the federal Single Audit Act of 1984, as amended in 1996, and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

If required, we will also prepare the Annual Report of Financial Transactions of Special Districts to the State Controllers' Office. In addition, we will prepare the management letter containing comments and recommendations regarding our review and evaluation of the systems of internal control and accounting procedures. This proposal will highlight the background of the partners and staff assigned to the engagement, summarize our experience in the governmental special district area, and describe our approach to auditing the MCWD.

This proposal demonstrates our ability to render the quality examination and to perform the necessary accounting and auditing services requested by the MCWD on a timely basis.

We are committed to performing the required work, completing the audits, and issuing the necessary auditors' reports prior to the MCWD's published time frames and commit to you that we will perform the work within the time frames required.

We believe we are the best qualified to perform the audit because our audit staff includes individuals well versed in governmental auditing and special district reporting requirements. We will also be responsive to the needs of the MCWD year round, not just at audit time.

As an accounting firm that specializes in special districts, especially in water districts, we understand the MCWD's operational environment, and pledge to you our complete commitment to providing a quality product that meets the MCWD's requirements. As a firm that specializes in performing local governmental and special district auditing, MCWD would be one of our marquee clients which we would be proud to serve and contribute to your continued success and impact on your local community.

I will be the engagement partner assigned to your audit. I am an authorized representative of the firm and can be contacted at 55 Shaw Avenue, Suite 101, Clovis, California 93612, or by telephone at (559) 322-4400, and by email at bhenderson@hhccpas.com.

This proposal is a firm and irrevocable offer for 90 days.

We are confident that you will find our firm offers the required expertise, technical knowledge, and business understanding to perform an audit of the MCWD and its components. Our past experience provides us with a thorough understanding of the needs and requirements of the MCWD, as well as the technical knowledge to perform such services in accordance with the accounting and auditing guidelines as published by the various authoritative entities.

We welcome your inquiries and look forward to further discussions with you.

Sincerely,
HUDSON HENDERSON & COMPANY, LLP



By: Brian Henderson, CPA
Partner



INTRODUCTION: THE FIRM

Hudson Henderson & Company, LLP (HHC) was founded by Mr. Kip Hudson and Mr. Brian Henderson to bring together their extensive knowledge, broad client background, and expertise in public accounting services. Both founding partners gained their experience working in large Central Valley Regional accounting firms and bring to the table over 15 years of combined experience. Their main purpose was to create a public accounting firm that is focused on bringing the quality and depth of knowledge of a large accounting firm combined with the personal relationships and attention that a smaller local firm can provide. Ultimately, the focus is to enhance the relationship and service provided to their clients. While the name on the letterhead is newer, the experience and knowledge of the partners who will be performing your audit services are anything but new, and have the expertise to complete your audit in an exceptional and efficient manner. While HHC is growing, we currently stand with two Partners, one CPA accounting supervisor, and two professional/admin staff. All services are performed out of our one Clovis location.

HHC is a full service public accounting firm providing assurance, tax and bookkeeping services. While both partners have a depth of assurance and audit experience in various industries, HHC is working on specializing and focusing on governmental and non-profit auditing. HHC is particularly specialized in providing assurance services to special districts and local governmental agencies, especially in the realm of irrigation and water districts. HHC has a vast level of experience, knowledge and history of performing governmental audits in accordance with auditing standards generally accepted in the United States of America, *governmental auditing standards*, as well as experience in performing audits in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133. We are also current members of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants.

Prior to founding HHC, Mr. Henderson was a senior manager with Brown Armstrong Accountancy Corporation, where he headed their Fresno office. Mr. Henderson has been the lead auditor on several large governmental and non-profit entities, which are listed further below in the qualifications section.

We believe that the real value of our audit lies in what level service we can provide, the depth of experience of the audit team actually performing the audit procedures, that being primarily the partners, and other services we can provide while performing the audit. No sub-consultants or outside services will be used. Other inclusive services include:

- To offer substantive observations and recommendations relating to accounting and operating control policies and procedures.
- To identify areas for efficiencies and activities for cost reduction opportunities.
- To perform the audit in an efficient and effective manner and minimize the impact and disruption to the daily office workload that already exists.
- To be available year-round to offer assistance and advice in the running of the MCWD and implementation of new accounting standards.



SCOPE OF SERVICES

Our overall approach is simple, and follows the core values of our firm. We want to be efficient in our procedures and time, to eliminate redundancy and to ease the process and completion of the audit for both our people, but mostly for our clients. We put great effort and time into planning and preparing for the audit. We look for ways to efficiently perform tests and we follow our risk based planning approach to properly perform the audit, without performing excess or non-useful testing. If a single audit is required, we have found efficiencies by correlating our testing selections of expenditures for the District audit with our testing of the single audit allowable cost principles to reduce the amount of invoices and items selected for testing.

Our audits are primarily performed by the partners of the firm. Using their experience and knowledge gained over the years, there is no on-the-job training of new staff by the client while performing your audit or major turnover in the audit team from year-to-year. Some firms claim to have "hands on" partners, but often after the first year, you will never see the Partner during fieldwork, unless it is a contract year. Not here at HHC.

We pride ourselves on the fact that at least one partner will be onsite each day for fieldwork. This not only improves our audit product and gains efficiency with time, but eases the pain of the audit for our clients who get direct access to the partner to easily take care of any situations and/or questions that arise during the audit.

Our evaluation of internal controls consists of concise interviews, so that we can quickly determine the areas for control and substantive testing, but also and most importantly to gain a solid understanding of our clients and how they operate. We look for ways to improve processes and procedures, so that we can consult with our clients and help them become more efficient and effective in their methods as well.

One of our core values is accountability. We take this very seriously, and when deadlines are set, we make sure they are met. Without the satisfaction of our clients, we would not be in business today. This is one of the major keys to our success, and that is meeting the expectations and deadlines of our clients. For MCWD, that means completing a quality complete Comprehensive Annual Financial Report, that demonstrates the financial reporting ability of the MCWD that is deserving of the GFOA award for financial excellence. We understand the true meaning of that award, and the implications it means for the financial and executive staff of the organization that earn such a prestigious award. We will ensure all requirements are met via detailed review of the CAFR and the GFOA requirements checklist, and look for possible improvements for gained efficiencies and progress towards minimal, if any, comments back from the GFOA review process. We also acknowledge that the MCWD has a history of completing their CAFR by the end of October, and we will ensure that tradition continues.

We are also aware of the SCO and if applicable, the Single Audit standards and deadlines that must be met for each of those reports, and will ensure those are met without exception. If applicable, we aim to complete the single audit along with the CAFR, to avoid lingering testing and results where the information is no longer timely and useful for the organization.

The engagement will be conducted within the framework of the Firm's quality control program which includes the use of audit programs, careful planning, use of computerized audit software and internal control evaluation & documentation software, and objective review procedures.



We will conduct the necessary audit steps to perform:

- Planning of the engagement, including evaluation of the existing internal control environment to determine the degree of risk of material misstatement.
- Determination of the degree of compliance with laws, regulations, grants, provisions, and MCWD approved policies.
- Assessment of potential fraudulent issues.
- Substantiation of account balances.
- Verification of reasonableness of management estimates.

The audit approach will consist of three phases, with estimated hours as follows:

- Initial Planning & Intro Meeting (*May/June- 1 day onsite, remainder in office*)
- Year End Fieldwork & Internal Control Evaluation (*Mid-to-Late Sep- 5 days onsite*)
- Reporting
 - o *Draft SCO Report- October 2*
 - o *Financial Report Drafts- October 9*
 - o *SCO Report Submission- October 15*
 - o *Final Financial Reports- October 15*

| Audit Hours by Proposed Segments | | | | |
|-----------------------------------------|----------------|---------------------------|-----------------|--------------------|
| Segment | Partner | Professional Staff | Clerical | Total Hours |
| Planning | 32 | - | 2 | 34 |
| Fieldwork | 82 | 38 | - | 120 |
| Final Reports | 38 | 10 | 5 | 53 |
| Total Hours | 152 | 48 | 7 | 207 |

Planning, Understanding and Communication

We will begin the planning of the examination upon notification of award of the contract. Based on our previous audit experience, using the budget, organizational charts, manuals and other financial information systems and our knowledge of how governments and special districts work, we will obtain an insight to the specific concerns and sensitivities of the MCWD. Our understanding is updated continuously through our year-round contact and communication efforts. We will agree on common audit objectives and expectations with management before audit work begins and, throughout the audit, will meet regularly with management to discuss audit issues and to gather feedback. Tasks to be accomplished during this phase include:

- Conference with management to discuss the scope of the examination, availability of your staff, scheduling, and coordination of our audit efforts with your efforts to produce the required financial reports. (*Initial kick-off meeting, May/June*)
- Conferences with all personnel involved in the engagement to discuss the scope and timing of the engagement, and anticipated areas of audit emphasis. (*Initial kick-off meeting, May/June*)
- Analytical review of year to date financial information. (*To be completed in June*)
- Inquiry of your predecessor auditor. (*June/July*)

Study and Evaluation of Internal Controls and Systems (Fieldwork)

This is the cornerstone of the examination. Evaluating internal accounting controls is primarily focused on the procedures and records that are concerned with the safeguarding of assets and reliability of financial records. We have developed diagnostic reviews which enable us to evaluate your systems and controls, and to provide management with constructive feedback.





Combined with our knowledge, understanding and experience with accounting software, our control review will form the basis of our audit risk assessment. We will utilize the COSO approach in our evaluation of the MCWD's internal processes to identify potential control deficiencies. In future years, we will update our understanding through similar procedures.

We will begin by preparing documentation matrices to fully describe all significant financial systems. We will then review the documents to isolate the significant strengths and weaknesses that would affect the extent of substantive audit procedures to be employed. Each strength is then tested and the results subjected to evaluation. These evaluations assist us in determining the amount of reliance we can place on those significant strengths we have identified. At this point we make adjustments to our auditing plan to compensate for the significant strengths and weaknesses thus identified and substantiated.

Sample Size and Sampling Techniques (*Samples will be provided prior to start of fieldwork to allow ample time for staff to pull supporting documentation*)

Our audit approach will include sampling activities. Population size and the level of assurance to be derived from a particular test will dictate the sample size. We use sampling in our audit approach to compliment skilled judgment and knowledge of the particular situation. We look for efficiencies in testing a sample across multiple attributes to eliminate the need for multiple samples pulled by your staff. Our sample size will normally range from 25 to 40 items.

Risk-Based Audit Approach (*Directly following internal control evaluation- for Final audit procedures*)

Our audit approach is tailored to governmental applications. We will use audit programs specifically designed to address the operational environment of governmental entities. Our approach will identify potential control risks and the opportunities for risk of material misstatements and fraud. We will evaluate the various risk assessments and identify the potential risks relating to the basic financial statements of the MCWD. Our audit procedures will then be developed to address these risk areas.

Analytical Procedures (*Fieldwork*)

We use analytical procedures in several aspects of our audit. Extensive knowledge and industry background are required for effective analytics, and our partners possess the appropriate experience and knowledge for the MCWD to benefit from these procedures. We use detailed analytics including predictive tests, ratio analysis, annual trends, etc. to assist and often reduce the amount of vouching and substantive testing of balances.

Vouching of Balances & Substantive Fieldwork (*Fieldwork*)

Once our audit procedures are developed, the vouching of balances include tracing to supporting documentation, confirmation of balances with outside third parties, and performing substantive procedures over ending balances which ultimately support the conclusion that the financial statements are free of material misstatement will be performed. We believe in performing quality analytical procedures, including comparison to prior years, predictive tests, ratio analysis, and inter-entity account analysis to determine the reasonableness of ending balances. Additional procedures include subsequent transaction testing of disbursements and receipts to assist in testing completeness and existence of balances and managements assertions. Expanded audit procedures are performed on high risk areas, while analytics and limited procedures are performed on lower risk areas.



Transition

We understand that changing audit firms can be a difficult and time consuming task for the entity. Our audit approach and focused testing on audit risks along with our experienced partners actually performing the audit procedures allow for a smoother transition for the entity and less impact on your staff.

Information Technology *(During interim fieldwork, June)*

We will evaluate controls over the IT functions to assess control risk. We intend to test controls for the purpose of reliance. Our review procedures will evaluate controls over:

- Security Management
- Logical and Physical Access
- Configuration Management
- Segregation of Duties
- Contingency Planning

In addition, we will review controls over:

- Input, processing, output, master data
- Application interface
- Data management system interface

Laws & Regulations Subject to Audit Procedures *(continuous throughout audit)*

We continuously refer to specific regulations, compliance supplements, state guidelines and contracts currently in force. We perform the procedures required related to laws and regulations, using inquiries, observations and sampling techniques. Some of the laws and regulations that we believe may be applicable to the MCWD are the Single Audit Act and other applicable laws and regulations, including the California Government Code, provisions of applicable Grant guidelines, governmental special district reporting requirements, requirements of local measures, and state water requirements.

Adjusting Journal Entries *(continuous throughout audit)*

We will discuss and explain proposed audit adjusting entries with the MCWD's designated finance personnel prior to recording to ensure all facts are obtained and agreed upon prior to moving forward with the adjustment. Audit adjusting entries will be provided in a format showing the lowest level of posting detail needed for data entry on the MCWD's general ledger system.

Computer Software

The firm maintains a variety of software packages to be used during the audit and in the financial statement compilation process, which include MS Office (Word, Excel, etc.), Prosystem Fx Engagement, PPC Checkpoint and Checkpoint Tools, and SMART e-practice aids tool. We also have the ability to run reports using IDEA (data analysis software), when needed.

Our audit software enables us to link our audit trial balance to the financial statements, which allows for efficient financial statement compilation. It also allows us to easily create analytical reports (e.g. year to year comparisons, budget to actual comparisons, trend analysis, ratio analysis, etc.) to identify any potential issues to be resolved during fieldwork.

Our research tools are always kept up to date to ensure compliance with accounting and auditing standards, and are also a resource for us to provide guidance to our clients or research any complex accounting transactions. We are a paperless firm, which we believe greatly assists us in performing audits efficiently and effectively.



QUALIFICATIONS

Personnel

HHC has policies and procedures to ensure it hires only qualified people, that it properly supervises them and provides professional training, that it advances them to responsibilities they are capable of handling, and that it provides them with necessary technical resources.

Engagement Partner: The Engagement Partner will be Mr. Brian Henderson, CPA. Mr. Henderson has over eight (8) years of governmental audit and accounting experience and he is one of the co-founding Partners of HHC. Brian obtained the vast majority of his governmental audit experience working as a senior audit manager at Brown Armstrong Accountancy Corporation, the largest CPA firm in Bakersfield, CA. He will be responsible for the conduct of fieldwork and the examination and review of the workpapers. He will be charged with the responsibility of keeping the client informed as to the status of the examination. Mr. Henderson is licensed as a CPA in the State of California and his CPA license number is 104495.

Engagement Co-Partner: The Engagement Co-Partner will be Mr. Kip Hudson, CPA. Mr. Hudson has over seven (7) years of audit and accounting experience and he is also one of the co-founding Partners of HHC. Prior to founding HHC, Kip gained his audit and background working at Baker Peterson & Franklin, the largest accounting firm in Fresno, CA. He will share the responsibility for the conduct of fieldwork and the examination and review of the workpapers. He will also be completing much of the detail audit work performed throughout the engagements. Mr. Hudson is licensed as a CPA in the State of California and his CPA license number is 112668.

Appendix I of this proposal contains resumes for these audit team leaders detailing their government and nonprofit auditing experience, continuing education, and membership in professional organizations relevant to the performance of your audit. Our firm policy is to maintain staffing continuity for all audits. In the unlikely event that key team members must be replaced, we will only do so with your permission. Any staffing replacements during the term of the agreement will have the same or better qualifications and experience of the staff which they replace. The quality of the staff over the term of the agreement will be assured because of our participation in excellent audit and accounting continuing education classes, and our unexcelled on the job training. All members of HHC are very familiar with the stringent quality control standards established by the AICPA.

Continuing Professional Education

HHC is committed to quality training and technical proficiency. With such a large segment of the practice dedicated to attestation services, including financial and compliance audits, professional training and education in standards and regulations applicable to auditing and financial reporting are of the utmost importance. Firm standards meet or exceed professional and governmental standards of training and involve professional staff receiving at least forty hours of professional continuing education each year. This emphasis on continuing education is served in several ways.



During the year, the professional staff attend various educational sessions sponsored by the AICPA and California State Society of CPAs, as considered appropriate for the level and need of the individual. These classes include, among others:

- Governmental Financial Reporting Standards and Practices.
- Yellow Book: Government Auditing Standards.
- Financial Accounting Standards: Comprehensive Review.
- Single Audit.
- Governmental Auditing & Accounting Update.
- Comprehensive Review of Generally Accepted Auditing Standards.

Relevant Experience

We are committed to providing appropriate and related experience, personal involvement, and a broad business perspective to produce a quality end product within the time frames required.

The Firm aims to provide financial and compliance auditing services to governmental agencies throughout the Central Valley and throughout California. We are a governmental agency auditing firm that aims to specialize in special district audits, with a particular interest and specialization in irrigation and water companies, and our Partners have been performing these services for many years. As a result, our Partners have performed financial and compliance audits on most, if not all, types of governmental agencies and operations including:

- Cities
- Counties
- Redevelopment Agencies
- Financing Authorities
- Electrical Utilities
- Special Districts
- Water Districts
- Pension Plans
- Child Care Operations
- Joint Power Authorities
- Investment Activities
- Landfills
- Enterprise Funds
- Airports
- Transportation Operations
- Federal and State Grants

In addition, the vast majority of our Partner experience in municipal auditing included clients that required a Single Audit also be conducted. We perform our audits in a detailed manner utilizing approaches developed internally that comply with the authoritative literature currently issued by the AICPA, GASB, FASB, GAO, Single Audit Act, OMB, and the California State Controller's Office. And we do this with minimal disruption to our clients and within the time frame required.



REFERENCES

Located in Clovis, CA, HHC was formed to service a variety of local governments and non-profit entities in the Central Valley, as well as throughout California. Names and phone numbers of current and past clients and other references are provided for your inquiries. We encourage you to contact these individuals to obtain information on the quality of the audit and services provided by the founding Partners. Listed below is a partial listing of that prior experience:

Experience Auditing Irrigation District and Water Districts

- 1) DeAnn Hailey, Controller
Fresno Irrigation District- *Audit, MPP Audit, & SCO Report*
2907 South Maple Ave.
Fresno, CA 93725
(559) 233-7161
dhailey@fresnoirrigation.com
- 2) Paul Merrill, Finance Manager
Fresno Metropolitan Flood Control District- *Audit, Single Audit & SCO Report*
5469 E. Olive Avenue
Fresno, CA 93727
(559) 456-3292
paulm@fresnofloodcontrol.org
- 3) Ruth Madera, Controller
Henry Miller Reclamation District #2131- *Audit, Single Audit & SCO Report*
11704 W. Henry Miller Avenue
Dos Palos, CA 93620
(209) 387-4305
ruth@hmr.net

Experience Auditing Programs Funded by the State of California, the Federal Government and in Conducting Organization-Wide Single Audits in Accordance with OMB Circular A-133 Standards and Requirements

- 4) Becky Carr, Director of Finance
Kings County- *Audit, Single Audit, OES Grants, Treasury Oversight & TDA*
1400 W. Lacey Blvd.
Hanford, CA 93230
(559) 582-3211
Becky.carr@co.kings.ca.us
- 5) DeAnna Espinoza, Principal Accountant
City of Modesto- *Audit, Single Audit, JPA Audits, AVA & TDA*
1010 Tenth Street, Suite 6113
Modesto, CA 95353
(209) 577-5384
daespinoza@modestogov.com



- 6) Lawrence Seymour, Accounting-Financial Division Chief
County of Fresno- *Audit, Single Audit, OES Grants, Treasury Oversight & Zoo*
Hall of Records, Room 105
2281 Tulare Street
Fresno, CA 93721
(559) 600-1373
lseymour@co.fresno.ca.us

In addition to the above, our Partners have recent experience performing audits for Santa Clara Valley Water District, City of Fresno Employee Retirement System, Fresno County Employees' Retirement System & associated Money Purchase Plan, San Joaquin Valley Air Pollution Control District, City of Pasadena, City of Visalia, and Table Mountain Rancheria.



COST

Based on our experience in performing similar engagements, the following table will list a summary of all projects, the total not-to-exceed cost for the fiscal year ending June 30, 2015, along with cost information for extensions of two to four years.

| <u>Service</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>Total</u> |
|-----------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| CAFR Audit | \$ 21,390 | \$ 21,390 | \$ 21,390 | \$ 22,460 | \$ 22,460 | \$ 109,089 |
| SCO Report Prep | 500 | 500 | 500 | 525 | 525 | 2,550 |
| Total | \$ 21,890 | \$ 21,890 | \$ 21,890 | \$ 22,985 | \$ 22,985 | \$ 111,639 |

The following table will list all project tasks, with proposed staff, to detail out the hours and hourly rate for each, plus project-related expenses.

DISTRICT CAFR AUDIT

MCWD CAFR Audit

| <u>Level of Personnel</u> | <u>Standard Rate</u> | <u>MCWD Quoted Rate</u> | <u>Billing Hours</u> | <u>Amount</u> |
|---------------------------------|----------------------|-------------------------|----------------------|-----------------|
| 1 Partners | \$140 | \$115 | 148 | \$17,020 |
| 2 Professional Staff | \$80 | \$60 | 48 | \$2,880 |
| 3 Clerical | \$50 | \$40 | 6 | \$240 |
| Estimated Out of Pocket Expense | | | | \$1,250 |
| | | Total Hours | <u>202</u> | <u>\$21,390</u> |
| CAFR Audit Proposal Price | | | | <u>\$21,390</u> |

SCO ANNUAL REPORT PREPARATION (IF REQUIRED)

MCWD SCO Annual Report Preparation

| <u>Level of Personnel</u> | <u>Standard Rate</u> | <u>MCWD Quoted Rate</u> | <u>Billing Hours</u> | <u>Amount</u> |
|----------------------------------------------|----------------------|-------------------------|----------------------|-----------------|
| 1 Partners | \$140 | \$115 | 4 | \$460 |
| 2 Professional Staff | \$80 | \$60 | 0 | \$0 |
| 3 Clerical | \$50 | \$40 | 1 | \$40 |
| Estimated Out of Pocket Expense | | | | \$0 |
| | | Total Hours | <u>5</u> | <u>\$500</u> |
| SCO Annual Report Preparation Proposal Price | | | | <u>\$500</u> |
| | | Total Hours | <u>207</u> | |
| | | TOTAL PRICE | | <u>\$21,890</u> |



DRAFT AGREEMENT

**PROFESSIONAL SERVICES AGREEMENT FOR
CONSULTING SERVICES
BETWEEN
MARINA COAST WATER DISTRICT
AND
HUDSON HENDERSON & COMPANY, LLP (HHC)**

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: MAY 8, 2015
11 Reservation Road
Marina, CA 93933

The undersigned Consultant offers to furnish the following:

MCWD wishes to engage HHC 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 \$ 21,890

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>HUDSON HENDERSON & COMPANY, LLP</u> |
| By _____ | By _____ |
| Name _____ | Name <u>BRIAN HENDERSON</u> |
| Title _____ | Title <u>PARTNER</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.



CONCLUSION

A professional external auditing relationship with the MCWD will be of great value to our Firm, and we are excited and welcome the opportunity to develop a long-term relationship with the MCWD. We are committed to providing excellent service, advisory value-added benefits to the MCWD, and producing a timely quality end-product. We would like to express our appreciation to the MCWD for allowing us the opportunity to submit a proposal for our services. We are available at any time to discuss our proposal with you. Thank you for allowing us to present our Firm to you.



**APPENDIX I: RESUMES OF
KEY PERSONNEL**



RESUMES OF KEY PERSONNEL

Brian Henderson, CPA – Engagement Partner

Kip Hudson, CPA – Engagement Co-Partner

Professional Resume

Brian Henderson, CPA
Engagement Partner

HUDSON HENDERSON
& COMPANY, LLP
Certified Public Accountants

Academic Background:

California State University Fresno
Bachelor of Science in Business Administration, Option in Accountancy

Professional Experience: (partial listing)

| | | |
|--------------------------------|-----------------------------------|--------------------------|
| <u>Counties:</u> | <u>Special Districts:</u> | <u>Cities:</u> |
| County of Fresno | Pixley Public Utility District | City of Visalia |
| County of Stanislaus | Fresno Metropolitan Flood | City of Mendota |
| County of Tulare | Control District | City of Modesto |
| County of Kings | Santa Clara Valley Water District | City of Pasadena |
| <u>First 5 Commissions:</u> | <u>School Districts:</u> | <u>Non-Profits:</u> |
| County of Kings | Visalia USD | EDC- Fresno |
| County of Merced | Fresno USD | EDC- Kings County |
| County of Kern | Davis Joint USD | Rose Bowl Operating |
| County of Stanislaus | San Leandro USD | Company |
| | | Pasadena Center |
| | | Operating Company |
| <u>Financial Institutions:</u> | <u>Retirement Systems:</u> | <u>Transits:</u> |
| Mission Bank | Fresno County | Kings County COG |
| Mission National Bank | City of Fresno | City of Modesto |
| Premier Valley Bank | Fresno Metro MPP | City of Hanford |
| | Tulare County | City of Corcoran |
| | Marin County | |
| <u>Business:</u> | Fresno Irrigation District MPP | |
| Makoil Inc. | | |
| Orchard Petroleum Inc. | | |
| Hunter Edison Oil Dev. | <u>PCAOB:</u> | <u>Joint Power Auth:</u> |
| ESK Limited & Subs. | Ireland Inc. | Tuolumne River |
| Spiral Technology | Searchlight Minerals | Modesto Regional Fire |

Professional Associations:

American Institute of Certified Public Accountants
California Society of Certified Public Accountants

Recent Continuing Education: Current on Governmental CPE Credits

Governmental Accounting & Auditing Update
SEC & Financial Reporting, USC, 2009, 2011, 2012
GASB Update, 2011-2014
Auditing in the Small Business Environment, 2011, 2013
FASB Review & Update, 2011, 2013, 2014

Professional Resume

Kip Hudson, CPA
Engagement Co-Partner

HUDSON HENDERSON
& COMPANY, LLP
Certified Public Accountants

Academic Background:

California State University Fresno
Bachelor of Science in Business Administration, Option in Accountancy

Professional Experience (partial listing)

Business:

| | |
|--------------------------------------|--------------------------------|
| Betts Spring Company | Lyons Magnus, Inc. |
| Brattalid, Inc. | Morison Cogen, LLP |
| Britz-Simplot | Nikkel Iron Works Corporation |
| Eriksson, LLC | Northland Process Piping, Inc. |
| Coastal Green Vegetable Company, LLC | Paper Pulp & Film, Inc. |
| Coelho Meat Company, Inc. | T.G. Schmeiser Co., Inc. |
| Central Valley Meat Company, Inc. | Schultz Ranch, Inc. |
| Del Rey Farms | SupHerb Farms |
| Joseph Gallo Farms | Sandridge Partners |
| Harris Woolf California Almonds | SunnyGem, LLC |
| | Ultra Gro, LLC |
| | Vucovich, Inc. |
| | San Luis Canal Company |

Special Districts:

Henry Miller Reclamation District #2131
Fresno Metropolitan Flood Control District
Farmers Water District

Tribal Governments:

Table Mountain Rancheria

Non-Profits:

Fresno Metropolitan Museum
Hope Now For Youth
Ag One Foundation

Professional Associations:

American Institute of Certified Public Accountants
California Society of Certified Public Accountants

Recent Continuing Education: Current on Governmental CPE Credits

Governmental and Nonprofit Annual Update 2015
Auditing & Assurance Update
Spidell Tax Update
Yellow Book 2013
FASB Review & Update
Accounting and Auditing with Excel
Advanced Audit Standards Workshop: Understanding Risk Assessment

