



May 8, 2015

Marina Coast Water District
11 Reservation Road
Marina, CA 93933
Attn: Kelly Cadiente

We are pleased to enclose our technical proposal to provide Professional Auditing Services for the Marina Coast Water District for the fiscal year beginning July 1, 2014 and ending June 30, 2015 with the options to renew for annual audits for the fiscal years ending June 30, 2016 and 2017.

Yours very truly,

A handwritten signature in black ink, appearing to read 'David Alvey', written in a cursive style.

David Alvey

DA:smg

Enclosures

PROPOSAL

**To Provide
Professional Auditing Services
For The**

MARINA COAST WATER DISTRICT

Submitted By

**MAZE & ASSOCIATES
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523
(925) 930-0902**

Contact Persons

May 8, 2015

Contact Persons	
David Alvey, CPA Vice President ☎ (925)-930-0902, Ext. 227 ✉ davida@mazeassociates.com	Vikki C. Rodriguez, CPA Vice President ☎ (925)-930-0902, Ext.247 ✉ vikr@mazeassociates.com

**MARINA COAST WATER DISTRICT
AUDIT PROPOSAL**

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May 8, 2015



Marina Coast Water District
11 Reservation Road
Marina, CA 93933
Attn: Kelly Cadiente

We appreciate this opportunity to submit our proposal to provide financial audit services for the Marina Coast Water District. We understand we will audit the District's Basic Financial Statements as well as assist with the preparation of the Comprehensive Annual Financial Report (CAFR). We will also perform additional services as specified in the District's Request for Proposal, within the time periods established by the District.

We are quite certain we are the most qualified firm to be your independent accountants. As our founder, Scott Maze, first coined almost a quarter of a century ago, "*We Are In Business to Help Our Clients Succeed!*" Since that time, we have rigorously employed this philosophy along with our commitment to continual improvement. Our clients know from experience we employ a variety of techniques, technologies and strategies to maximize effective and efficient audits without shifting our work onto our client's staff. We've summarized these techniques, technologies and strategies below and explained them in more depth in our proposal.

- **We are the best-known regional municipal audit firm in Northern California.** We are now in our twenty-eighth year. Over that quarter century, we have achieved national recognition with the consistently high quality of our work and with our leadership on issues such as GASB Statement 45, GASB Statement 34, Y2K, and municipal investment losses.
- **Municipal auditing is our main business.** Our clients presently include a total of over **one hundred municipal entities, including many districts the size of Marina Coast Water District.**
- **Our Partners are actively involved in planning, conducting and completing the audit in our client's offices** and our Partners are available when you need them. We resolve issues on the spot while the audit is going on.
- **When our partners communicate with Boards and Committees, their knowledge is based on detailed specifics,** not information which has been filtered through several layers of review.
- We consistently provide high levels of client support to minimize the impact of our audits.
- We have a long term track record of client retention beyond our client's original contract terms because of the quality of our service.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W mazeassociates.com

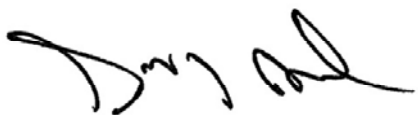
- We are properly licensed to practice in California.
- All key staff assigned to this audit possess California CPA licenses.
- Everyone on our audit staff averages approximately **80 hours of training in municipal auditing and accounting and 1500 hours of municipal audit experience each year**. This means you do not train our staff!
- With our qualified information security staff **we have developed and employ a number of technologies to streamline our audit process, ensure open channels of communication and data transfer while ensuring security and confidentiality of client data**. These technologies include LANs, a VPN, “Leapfile” data file transfers, “Mimecast” email protection software, paperless audit workpapers, and a major upgrade of our “electronic transfer of data” technique eliminating manual financial statement inputs and maximizing easy to use financial rollup reports.
- **Up to half our total audit time is spent at interim each year, ensuring a smoother year-end audit**. Our interim audit includes much of the work other firms postpone to year-end; we even begin the preparation of the notes to the financial statements.
- Our **Closing Checklists** help you prepare in advance for both our interim and year-end audits. These Checklists do away with last-minute requests for schedules and analyses at year-end and help identify potential problems early in the process. We will coordinate them with the work papers you are already preparing, so **you don’t have to prepare workpapers only for the auditors**.
- **We have never been sued over deficient work, although we are proud to say we were sued for doing our work too well!** See Litigation for details.
- **Our references** - indeed, any of our clients, will confirm we are your best choice.

As with all our audits, we are committed to providing timely, quality audit services to the Marina Coast Water District. We have no doubt that we are the firm best qualified to perform the services described in the request for proposal. After you have analyzed our proposal and - most important - talked with our references, we are quite confident you will agree. The proposal is a firm and irrevocable offer for 60 days.

David Alvey, Vice President (davida@mazeassociates.com) and Vikki Rodriguez, Vice President (vikr@mazeassociates.com) and are authorized to represent, sign for and contractually obligate Maze & Associates, a Professional Corporation, located at 3478 Buskirk Avenue, Suite 215, Pleasant Hill, CA, 94523, (925) 930-0902.

We look forward to the opportunity to work with the District!

Yours very truly,



David Alvey

DA:smg

INTRODUCTION

License to Practice in California

We are properly licensed California Certified Public Accountants. We are members of the Government Finance Officers Association (GFOA) and the California Society of Municipal Finance Officers (CSMFO) as well as the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants.

All assigned key professional staff are properly licensed to practice in California. Those staff that are certified public accountants have current California CPA licenses in the attest function, and have **received more than twice the required level of continuing education**, including the credits specifically required in the area of governmental audit.

Even though not required, all non-certified audit staff receive the same level of training.

Independence

As independent auditors, **our most valuable asset is our independence**. Unlike many firms, we have never allowed our independent audit function to be used to promote consulting or other work. In fact, consulting and related work have never amounted to more than a few percent of our total revenues, while our independent audit work has amounted to over eighty percent of our revenues.

Our firm and all our partners and employees are independent of the Marina Coast Water District and its component units as that term is defined by the General Accountability Office's Standards for Audits of Governmental Organizations, Programs, Activities and Functions, the American Institute of Certified Public Accountants, the California Society of Certified Public Accountants and the California State Board of Accountancy. We have no present or past professional relationships with the District or any of its Board members or employees that would compromise our independence.

We will discuss in advance with the District any professional relationships being contemplated during the period of engagement that may present a potential conflict of interest. If the District and we believe any such relationship presents a conflict of interest, we will not enter into it.

Insurance

Maze & Associates maintains professional, general liability, worker's compensation and automobile insurance at limits which minimally will meet those required by the District. All insurance will remain in effect through our entire term as the Marina Coast Water District's auditors.

We are a professional services corporation located in Pleasant Hill, California. We presently have a total of forty-five people, including ten shareholders, two Directors, four Managers, ten Supervisors, seven Senior Associates, five Associates and seven Office and IT Staff. Fifteen of our professional staff are California Certified Public Accountants and two additional staff are in the process of completing their applications for licensure. All of our professional staff comprise our governmental audit staff, as our firm's emphasis is on governmental auditing and accounting. Several of our professional staff have national accounting firm experience, which we have blended with the more personal approach of a smaller firm.

INTRODUCTION (Continued)

Most of our clients are municipal entities and we do this work twelve months of the year. We limit our practice in other areas and focus on being the best municipal audit firm in Northern California. Our clients include several Districts similar to the Marina Coast Water District in size. Our audit strategy is tailored to municipalities and is quite different from the traditional approach adapted from commercial clients by general practice accounting firms.

We have focused on municipalities since our inception in 1986. We are active in GFOA, CSMFO and CMTA, and our Partners have been speakers at many GFOA, CSMFO and CMTA functions.

We are in business to help our clients succeed. We help you use the ever-growing tangle of accounting rules properly, but to your best advantage, by helping you keep out of trouble and helping you do the right thing. We stay in touch throughout the year to keep you abreast of municipal accounting developments and to help you avoid problems, instead of coming in afterwards to assess the damage. We rotate our audit emphasis based on our planning meetings with you so areas that concern you can be addressed as a normal part of the audit at no extra cost.

Capacity and Resources

We have consistently demonstrated the ability of our capacity and resources to meet the demands of our clients. We have never missed a reporting deadline for any of our clients.

Over the years we have made substantial additional investments in our people and our systems. We have continued our policy of at least doubling the required amount of Continuing Education we provide our people. We routinely provide an average of one hundred hours of Continuing Education each year—the State requirement is forty hours. We routinely ensure that at least eighty of those hours are specific to municipal audit and accounting—the State and government auditing standard requirements are twenty-four hours.

We have more than doubled the number of people on our staff in the past six years, and most of these new people are professional audit staff members. More people and more continuity combine to mean that our people capacity and resources have more than doubled.

Hand-in-hand with our continuing investment in our people has been our increased investment in systems and hardware support. Eight years ago our systems work was handled by an outside consultant. **Today, we have a full-time staff of three people who maintain our state-of-the-art systems capabilities and provide increasing levels of such service to our clients.** Every person on our staff is now armed with a late model PC that communicates with all our other PCs, printers, servers, etc., via our own wireless network established in each client's office at the start of each audit. Most of our work-papers are now prepared on these PCs as we continue to move toward paperless audit and paperless files.

We have moved most of our clients from a manual input of their general ledger data to **a fully mechanized computer** “electronic transfer of data” that transfers general ledger data directly to our Excel-based financial statement formats. We understand the District prepares its own statements, however, we are happy to offer this option if ever the District desires to make a change. At the same time, we have added significant numbers of internal data controls to financial statement formats. This strategy has virtually eliminated input errors, increased efficiency, and allowed our clients to spend less time reviewing and approving the financial statements. And these improvements have been made without a hiccup - we **consistently deliver final draft financial statements and reports to our clients the last day of our field-work in our client's offices.**

We are not relying on the capabilities or resources of any other firms in our proposal.

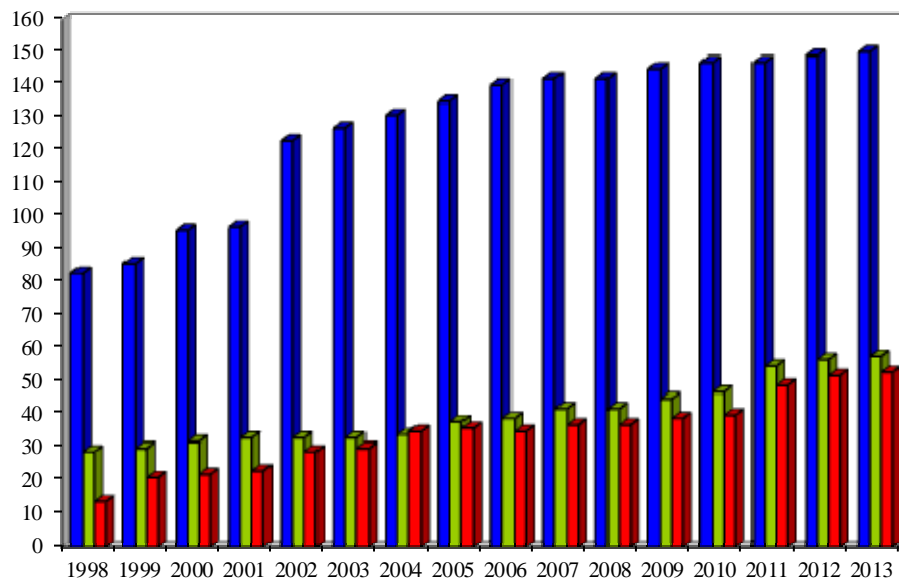
INTRODUCTION (Continued)

Audit Quality

Never has audit quality been the focus of more attention than now. With names like Orange County, San Diego and Bell in the news, municipal audits can no longer be relegated to a consent item. Ensuring quality audits is a necessity. Our commitment to quality remains our top priority.

Our Municipal Focus

Our practice includes forty city clients and more than fifty special districts, including forty-one city and special district CAFR award winners—more award winners than any other Northern California accounting firm or international firm branch office. Included in those totals are six award-winning Special District CAFRs. Eighty percent of our practice is municipal auditing, accounting and consulting, continuing throughout the entire year. Our growth can be seen in the graph below, which shows the growth in the number of our total **municipal entity** clients in **blue**, **City** audit clients in **green** and **CAFR** award winners in **red**.



Every one of the above CAFRs, won awards from GFOA and/or CSMFO.

National Recognition

We first achieved national recognition among accountants when we **identified problems with municipal investments in April of 1994, months before the same problem drove Orange County into bankruptcy.** While others dithered, we prepared our clients for the inevitable questions by alerting them immediately to the problem, working with GASB to address the accounting issues involved, and increasing our clients' financial statement disclosures so that the questions which came later were already answered in the financial statements. **We were pleasantly surprised to see that a key disclosure element of GASB 40 is investment maturity data.** Some of our clients have included maturity data in their CAFRs since 1994, when we recommended it as a way of reporting liquidity to financial statement users.

INTRODUCTION (Continued)

In early 1999, when most accounting firms were saying that Y2K uncertainties would affect their audit opinions, we took a different stance. We said full disclosure of the steps taken to prepare for Y2K was sufficient for us to issue an unqualified opinion. By this time our national reputation was such that GASB used our refusal to follow the majority as leverage in negotiating a compromise on the Y2K issue with the American Institute of CPAs.

In the years before the issuance of GASB 34, we developed a full-blown alternative to GASB's heavily criticized Dual Perspective proposal. **Our alternative received favorable written comment from over one hundred and twenty-five cities and prompted many of the major changes made by GASB before they issued GASB 34.** We received national recognition for this effort and one of our Partners was named to the GASB 34 Implementation Guide Task Force.

Our work quality and financial statement clarity have gained us a national reputation with underwriters, bond counsel, financial advisors and others involved with debt issuance. Our clients have been involved with a broad variety of debt issues and refundings over the years, and the quality of our work has never been an issue. Underwriters have praised our financial statements for being very clear and easy to understand.

INTRODUCTION (Continued)

City Clients

The table below summarizes our most recent experience with audits of cities. We are responsible for all phases of the work on these clients. **All of this work represents recurring annual audit and related work; all this work and that presented in the table was completed on or before the deadline from the first year listed for each client.**

City/Town	Client Since	CAFR	Successor Agency Disclosure	Single Audit	TDA	Transportation Measure	Retirement Plans	Financing Corp.
<i>Population > 100,000</i>								
Daly City	1992	✓	✓	✓	✓	✓	✓	
Hayward	2011	✓	✓	✓	✓	✓		✓
Richmond	2005	✓	✓	✓	✓	✓	✓	✓
Roseville	1998	✓	✓	✓			✓	✓
Santa Clara	2012	✓	✓	✓	✓			
Vallejo	2004	✓	✓	✓	✓	✓		
<i>Population < 100,000</i>								
Atherton	2009			✓		✓		
Belmont	1998	✓	✓	✓		✓		
Benicia	2011	✓		✓	✓			
Brentwood	2007	✓	✓	✓	✓	✓		
Brisbane	2011	✓	✓					
Cupertino	2010	✓	✓	✓	✓			
Dublin	2012	✓		✓		✓		
El Cerrito	2005	✓	✓	✓	✓		✓	✓
Fairfax	2009							
Galt	2009	✓	✓	✓				
Half Moon Bay	2014	✓		✓	✓			
Larkspur	1991			✓	✓			
Lathrop	2011	✓		✓				
Livermore	1988	✓	✓	✓	✓	✓		✓
Los Altos	2014	✓		✓		✓		
Manteca	1986	✓	✓	✓				✓
Martinez	2001	✓		✓	✓			
Millbrae	1998	✓	✓	✓	✓	✓		
Milpitas	1995	✓	✓	✓	✓			✓
Moraga	2012		✓	✓	✓			
Mountain View	2001	✓	✓	✓	✓			
Oakley	2000	✓	✓	✓	✓			
Pacifica	2015	✓		✓	✓	✓		
Petaluma	2011	✓		✓	✓			
Pittsburg	2011	✓	✓	✓	✓		✓	
Portola Valley	2005					✓		
Rancho Cordova	2009	✓	✓	✓				✓
San Leandro	2011	✓	✓	✓	✓	✓		
San Pablo	1995	✓	✓	✓	✓	✓	✓	
San Rafael	2007	✓	✓	✓				
San Ramon	2014	✓		✓	✓			
Sausalito	2006	✓						
South San Francisco	2004	✓	✓	✓	✓	✓		
Turlock	2013	✓	✓	✓	✓			✓

INTRODUCTION (Continued)

Special District and Authority Experience

The chart below shows our most recent experience with District and Authority audits. We are responsible for all phases of work for these entities.

Special Districts and Authority Clients	1st Year	Compliance Requirements	Single Audit/ Special Report
FINANCING			
Association of Bay Area Governments FAN	1997	X	
Concord Joint Powers Financing Authority	1992	X	
Governments of Livermore Financing Authority	1991	X	
Hayward Public Financing Authority	1996	X	
Milpitas Public Financing Authority	1995	X	
Palo Alto Public Financing Corporation	1998	X	
HOUSING			
Napa Valley Housing Authority	2000	X	X
Richmond Housing Authority	2005	X	X
Napa Housing Authority	2000	X	X
Suisun Housing Authority	2007	X	X
Vallejo Housing Authority	2004	X	X
PUBLIC SAFETY			
Belmont Fire Protection District	1998		X
Menlo Park Fire Protection District	2009		X
Net Six Joint Powers Authority (Dispatch services)	1998	X	
Rodeo-Hercules Fire Protection District	2009		
Ross Valley Paramedic Authority	1991	X	
San Mateo Pre-Hospital Emergency Svcs. Providers Group	2000	X	X
San Ramon Valley Fire Protection District	2000	X	X
South County Fire Authority	1998	X	X
South San Mateo Police Joint Powers Authority	2000	X	
Twin Cities Police Authority	1991	X	
RECREATION AND OTHER			
Association of Bay Area Governments	1997	X	X
Contra Costa Mosquito and Vector Control District	2008		
East Bay Regional Park District	1987	X	X
Livermore Area Recreation and Park District	1989	X	X
Manteca Recreational Facilities Authority	1986	X	
Marin-Sonoma Mosquito and Vector Control District	2013		
Silicon Valley Animal Control Authority	2001		
RISK MANAGEMENT			
Association of California Water Agencies JPIA	2009		
Association of Bay Area Governments PLAN	1997		
Association of Bay Area Governments SHARP	1997		
California Joint Powers Risk Management Authority	1993		
Redwood Empire Municipal Insurance Fund	2013		
Small Cities Organized Risk Effort	2009		

INTRODUCTION (Continued)

A chart of our Special District and Authority experience follows: (Continued)

TRANSPORTATION			
Alameda Contra Costa County Transit Authority	2010	X	X
Alameda County Transportation Improvement Authority	2010	X	X
City/County Association of Governments	2005	X	X
Contra Costa Transportation Authority	2003	X	X
Eastern Contra Costa Transit Authority	2012	X	X
Livermore/Amador Valley Transportation Authority	1994	X	X
Measure J Traffic Congestion Relief Agency (TRAFFIX)	2012	X	X
Peninsula Corridor Joint Powers Board	2010	X	X
Peninsula Traffic Congestion Relief Alliance	2001	X	X
Ralston/Holly /Harbor Grade Separation Projects	1998	X	X
San Francisco Bay Area Water Emergency Transit Auth.	1997	X	X
San Mateo County Transit District	2010	X	X
San Mateo County Transportation Authority	2010	X	X
Solano Transportation Authority	2004	X	X
West Contra Costa Transportation Authority Commission	1995	X	X
UTILITY			
Alameda Municipal Power	1990	X	
Bay Area Clean Water Agencies	2005		
Bethel Island Municipal Improvement District	2007		
Calaveras County Water District	2004		X
California Association of Sanitation Agencies (Non-profit)	2005		
Central Contra Costa Sanitary District	2013		
Coastside County Water District	1993	X	X
Contra Costa Water District	2002		X
Contra Costa Solid Waste Authority	1993	X	X
Delta Diablo Sanitation District	2004		X
Diablo Water District	2007		
Dublin San Ramon Services District	1999	X	X
DSRSD/EBMUD Recycled Water Authority	2005		
East Bay Municipal Utility District	2005	X	X
East Palo Alto Sanitary District	2013	X	
El Dorado Irrigation District	2007	X	X
Fairfield Suisun Sewer District	2000		
Freeport Regional Water Authority	2005		
Livermore-Amador Valley Water Management Agency	1987		X
Mid-Peninsula Water District	2006		
Novato Sanitary District	2013		X
Palo Alto Regional Water Quality Control Plant	1998	X	X
Placer County Water Authority	2005		X
Santa Clara Valley Water District	2004		
Sausalito-Marín City Sanitary District	2011		
Skyline County Water District	1992		
Solano Irrigation District	2006		
South Bay System Authority	1998	X	
South Bay Transfer Station Authority	1997	X	
South San Joaquin Irrigation District	2004		
South Placer Wastewater Authority	2001	X	
Stanislaus Waste-to-Energy	2005		
Stinson Beach County Water District	2011	X	
Tri-Valley Wastewater Authority	1990		
Union Sanitary District	2000		
Upper Mokelumne River Watershed Authority	2005		
West Bay Sanitary District	2005		
West Valley Sanitation District	2004		
Zone 7 Water Agency	2010	X	X

As you can see from the client list above, we have a winning combination that has resulted in **strong client loyalty and retention**. **Several clients who left have returned after seeing the difference between our firm and our competitors**, most recently Contra Costa Water District, Benicia and Pittsburg. **Others have gone through a full proposal process and retained us**, such as EBMUD, Delta Diablo, and LAVTA.

INTRODUCTION (Continued)

Joint Powers Authorities Experience

We have considerable experience with JPAs and with the practical difficulties of applying GASB Statement #14 in accounting for an entity's interest in a JPA. We are familiar with the information gathering process, the problems associated with accounting for an enterprise fund's interest in a JPA as opposed to a governmental fund's interest, and the related disclosure requirements.

Other Pertinent Experience

We have a variety of experience dealing with specific client needs, including:

- ◆ *Tax Services* - we have assisted most of our District clients with payroll tax and related questions regarding deferred compensation plans, independent contractor status, 1099 reporting, etc.
- ◆ *Information System Services* – we have assisted our clients in achieving compliance with several IS standards including FISMA, PCI Standards Council, and ISO. We have also conducted IS management reviews and vulnerability scans.
- ◆ *Other Services* - we perform audits, reviews and compilations for a number of private corporations as well as preparing corporate, partnership and individual income tax returns.

Litigation

We have not been sued over poor work quality, nor have we paid any such claims out of court in the past five years.

But we are proud to say we have been sued! This was an action by a third-party contractor who filed suit to prevent us from issuing a report critical of their operation and their method of determining the amount of revenue they should share with our client. This action was not settled out of court; but went to judgment. In that case the Superior Court of the State of California held in our favor and dismissed us from the proceedings without prejudice. In other words, the Court decided that our report should be issued without any change.

In the words of our CAMICO insurance representative, “You are the only accounting firm we know of that has been sued for doing their work RIGHT!”

No Disciplinary Action

We have no record of substandard or unsatisfactory performance, nor have any claims ever been filed with any State Board of Accountancy against our firm or any of our employees.

External Quality Control Review/Peer Review

We are members of the Quality Review Program of the AICPA, which means we subject ourselves to a peer review of our workpapers and quality control procedures every three years by independent accountants specializing in such work. **Our most recent peer review was completed in 2014; we again received a rating of pass, the highest level of assurance possible.** This peer review included a review of several governmental and non-profit audit engagements, including three Special Districts. A copy of our most recent peer review opinion is located at the end of this section.

INTRODUCTION (Continued)

Our municipal audit reports are subject to annual reviews by various branches of the Office of the State Controller. District audit reports and Single Audit Act reports receive particular scrutiny. During the past five years every one of these reports has been accepted as submitted. Of course, all of our clients' CAFRs are also reviewed by CSMFO and GFOA for award consideration; every report submitted has won an award from one of these organizations.

Federal or State Field Reviews

We have not been subject to any Federal or State Field Reviews of our audits during the past three years. However, during calendar 2008, the Department of Housing and Urban Development (HUD) selected our firm for a quality assurance review of our housing authority audits. HUD selected four of the five housing authorities we audited in fiscal year 2006 and performed an extensive, thorough review of our reports, filings, workpapers, audit methodologies, and our quality assurance controls. Their team expended approximately forty hours on each audit to determine whether our firm complied with Generally Accepted Auditing Standards as well as Generally Accepted Government Auditing Standards. After HUD's extensive review, they identified only four findings. We carefully reviewed their findings, implemented a few minor changes and communicated these changes to HUD where upon they concluded that no further action was warranted.

The State of California selected our largest financing authority audit for a field review covering three fiscal years. The State review team consisted of three individuals and their review lasted less than one week. The State had no findings.

INTRODUCTION (Continued)

Peer Review



POWELL & SPAFFORD, INC.
CERTIFIED PUBLIC ACCOUNTANTS

Jessie C. Powell, CPA (Ret.)
Patrick D. Spafford, CPA

Licensed by the California Board of Accountancy
Member: American Institute of Certified Public Accountants

SYSTEM REVIEW REPORT

To the Shareholders of
Maze & Associates Accountancy Corporation
and the Peer Review Committee of the CalCPA Peer Review Program

We have reviewed the system of quality control for the accounting and auditing practice of Maze & Associates Accountancy Corporation (the firm) in effect for the year ended May 31, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*.

In our opinion, the system of quality control for the accounting and auditing practice of Maze & Associates Accountancy Corporation in effect for the year ended May 31, 2014, 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*. Maze & Associates Accountancy Corporation has received a peer review rating of *pass*.

August 27, 2014

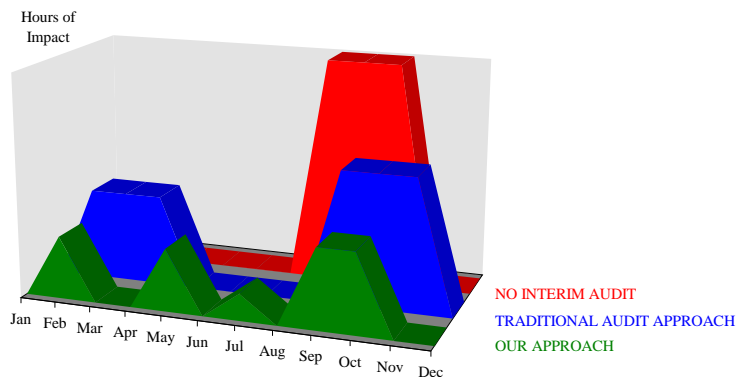
447 Missouri Court • Redlands, CA 92373 • P.O. Box 8847 • Redlands, CA 92375
Telephone 909-792-1852 • Fax 909-792-2015

SCOPE OF SERVICES

Overview

Our audit strategy is designed specifically for municipalities. Our people are highly trained, very knowledgeable, armed with computer laptops, printers and our custom municipal financial statement and audit programs. We perform half our audit well before year-end so we can identify problems early. Our strategy maximizes our efficiency and lessens the load on our clients. We prepare drafts of the financial statements and notes for your review well before year-end and we give you detail checklists of all the items we will need from you months in advance.

As you can see from the illustration below, our strategy significantly reduces our impact during the crucial year-end crunch.



Specific Audit Strategy—Interim

Unlike older-style firms, **we perform most of our important work at interim**, well before the end of the fiscal year. We use our interim work to identify and solve problems and plan the year-end closing and audit in detail. A month before we begin our interim work we'll send you a list of the items we need, so you will have time to prepare.

We start our work in your offices by evaluating your **internal control structure**, interviewing you and your staff and meeting with District department heads as needed. As part of our evaluations we may prepare narrative memoranda outlining the duties of each pertinent person as well as our GRID evaluation of the nexus important control points. The GRID is our own design; it is a two-axis chart we use to identify weak points in your controls.

We begin to apply our **preliminary analytical procedures** at interim, when we analyze year-to-date results and balances and compare them with budget and prior year actuals. We forecast many year-end amounts at interim, so that we can limit the amount of work required at year-end and concentrate instead on areas of concern. For example, we normally perform all our cash and investment testing at interim, including sending confirmation letters to depositories and determining financial statement categorizations. Performing these last two steps at interim allows plenty of time to follow up on confirmations or resolve questions about the proper categorization of an investment without delaying the audit.

SCOPE OF SERVICES (Continued)

All our **transaction samples** will be drawn and tested during the interim portion of our work. Each sample will run from twenty-five to sixty transactions in size. We generally sample payroll, disbursements, receipts, loan receivables, claims and budget transactions. **We use judgment sampling techniques because our experience with statistical sampling is that accounting populations are too small and too skewed to yield reliable, cost-effective statistical samples.**

To the extent possible, we also begin our tests **of compliance with laws and regulations** at interim, including use of the OMB Circular A-133 Compliance Supplement and any other applicable compliance guidelines. Even if the work cannot begin until year-end we determine the applicable laws and regulations for our compliance testing so that we may incorporate the necessary information in our year-end closing checklist. Our audit samples for purposes of compliance vary based on the grant or compliance guidelines and are usually project-specific.

We use **remote inquiry** as much as possible at interim, in order to increase our efficiency and reduce our impact on your staff. We can download Board Minutes and other documents from your Website for review, and we will select transactions for test and analyze accounts using remote inquiry and read-only features of your system. Combining these abilities with our Annual Closing Checklist has allowed us to perform larger portions of the audit in our own offices and reduce our questions to writing so that you have more time to deal with them.

At interim, we **review the notes on your financial statements in detail** and suggest revisions where necessary to account for new transactions and provide for new disclosures and accounting pronouncements. Completing this process at interim is particularly important because it forces all of us to address these issues before we enter the year end crunch. You and other interested parties will have time to review the effects of proposed accounting treatments and disclosures without the pressures of impending issuance deadlines.

We plan the year-end closing in detail with you using our Annual Closing Checklist which details all the information we will need from you to complete our year-end audit, along with the person responsible for preparing it and the date they will have it ready. We tailor it to refer directly to the schedules you already prepare.

We do not require special reports or reconciliations just for our audit. We have found that getting everyone involved in the planning works very well because it helps minimize the impact on your staff at year end. This way the Checklist includes everything we will need from you at year-end, so you and your staff can plan and schedule your work accordingly.

We also review last year's audit adjustments and reclassifications with you to find ways to avoid repeating them. Our goal is to help you eliminate post-closing entries and audit adjustments of any kind; we have helped many of our clients achieve that goal. In short, we will help you use our interim audit to set the stage for a smooth, well-planned year-end closing and audit.

SCOPE OF SERVICES (Continued)

Assessing Risks

We may reduce the scope of our audit tests provided we conclude there are effective specific controls in place which would detect and correct misstatements due to errors or fraud. Our strategy to assessing control risk begins with our Partner level review of your financial statements and operations, during which we identify unusual areas needing special emphasis. We use this review along with custom audit procedures designed by our Partners and Staff to identify controls needed to detect errors in the financial statements. We then test to see that the controls are operating effectively, using sampling, documentation reviews, and comparisons with other audit data. We may also compare unusual transactions and estimates to those used by other municipalities or to current trends and issues. After this has been completed, we reevaluate our audit plan to ensure we obtain sufficient evidence about the financial statements and disclosures.

Risk Assessment Statements of Auditing Standards (SAS's)

The primary objective of the Risk Assessment Standards is to enhance the auditor's application of an audit risk model. The concept is that a set of financial statements should be evaluated for the underlying risks of material misstatement. Then a customized audit should be tailored to test for misstatements and test that controls are designed and in place to prevent and detect misstatements. A general audit approach is not responsive to this concept.

Much of this new guidance came out of the aftermath of highly publicized audit failures such as Enron, Global Crossings and the like. The Statements make it clear that a generalized one-size-fits all audit approach will not be permitted. An audit must be based on a unique audit strategy customized to fit each client and its industry.

We have consistently employed this concept from our firm's beginning in 1986. Our current audit checklists and programs were originated by reference to *Audits of Local Governments* published by the Practioners' Publishing Company (PPC), a third party vendor specializing in producing audit guides for unique industries. PPC has employed the risk model concept since we began using their guide as a resource. But, we have not simply used their guide as our approach. We customized it further for the simple reason that California municipalities have many unique risks not faced by municipalities in other states. As you know, California state law and applicable regulations cover a wide variety of areas such as cash and investment management.

Specific Audit Strategy—Year End

At year-end we do not repeat any of the work we performed at interim. Instead, we focus on the items on your Checklist and on the Basic Financial Statements. **We will ask you to have all the items on the Checklist ready for us no less than one week before we are scheduled to begin our year-end audit in your offices.** We will review this information in advance of our arrival in our office. Then you will have a clear week while we begin our audit in our own offices.)

Our year-end audit field-work actually starts in our office, so that when we do arrive in your offices we are fully prepared and we minimize our impact on your operations.

SCOPE OF SERVICES (Continued)

In our offices, we cross-reference or reconcile your Checklist information, reports and schedules. The Engagement Partner **performs our detailed Analytical Review and emails our questions to you in advance of our arrival** in your offices. Our experience is that this Analytical Review identifies any issues remaining after our interim work, as well as most potential audit adjustments. This gives all of us time to address these items in person while the audit field-work is proceeding, instead of by telephone, fax and mail afterward.

When we start work in your offices, we will need you to help us complete our Analytical Review, but we will not need much of your time and we will not ask for more schedules or reports. Our Engagement Partner will meet with you on the first day of the year-end audit to review the draft financial statements with you and to discuss any remaining unanswered Analytical Review questions. This meeting sets the stage for the year-end audit; by this time the format and content of the financial statements is pretty well set and most audit adjustments have been identified. If we find any material adjustments, we will discuss them with you immediately and provide you with the journal entries required; we do not propose adjustments that are not material.

Before we begin the second part of our final year end work, we will update our Analytical Review based on your draft financial statements and email you any additional questions or comments we develop. At the conclusion of our final year end field-work, our Engagement Partner and Supervisor will review the final financial statement drafts with you and your staff as part of our exit conference. Subsequently, our Quality Assurance Director will perform a “quality assurance review” of the financial statements and workpapers so that we will be ready to sign the financial statements as soon as the District approves them.

Our strategy requires our Partners to be fully and actively involved in the planning and performance of the work and it allows us to issue final financial statements and reports immediately after we finish our field-work in your offices.

You will find our strategy allows you to control the audit process, enables you to spread the work over the year as you wish and greatly reduces the pressure at year end.

Information System Reviews

Information System Security is becoming a more important part of audits and we perform an Information Systems Review (ISR) with every audit as we have done since 2001. Unlike our competitors, we extend our review to not only encompass the financial system, but also the network environment that houses that system. From our perspective, the internal controls that are present in the overall network environment are important to understanding the internal controls over the financial system.

Unlike financial statements, there are currently no authoritative standards that local governments must employ to ensure adequate and appropriate IT controls are designed and implemented. We extensively researched this area and concluded it was most appropriate to base our ISR on the certification and accreditation framework developed by the National Institute of Standards and Technology (NIST) for the Federal Information Security Management Act (FISMA) which is the minimum security required for federal government agencies information systems. NIST recommends states, local governments and Indian tribes comply with these standards as well. **Our reviews include procedures to determine that your systems are adequately protected from unauthorized internal access, provide for reasonable measures to ensure continuation of service, provide for security of data from physical or network access and have internet access defenses including hacker prevention, detection and deterrent systems.**

SCOPE OF SERVICES (Continued)

Our information systems reviews are performed by qualified information security professionals who hold at least the Information Systems Audit and Control Association's (ISACA) Certified Information Systems Auditor (CISA) or the (ISC)²'s Certified Information Systems Security Professional (CISSP). Both certifications require continuing professional education. As a value added service we will provide the District with a matrix of the District's maturity as compared with NIST's certification and accreditation framework. Each internal control taken from NIST SP 800-53Rev1 is ranked in this maturity matrix and an average score is provided to the District to give the District a benchmark.

Audit IT Systems, Security and Going Green

Hand-in-hand with our continuing investment in our people has been our increased investment in systems and hardware support. Eight years ago our systems work was handled by an outside consultant. **Today, we have a full-time staff of three people who maintain our state-of-the-art systems capabilities and provide increasing levels of such service to our clients.**

Every person on our staff is armed with a Windows operating system PC networked with other audit team PCs and a printer via our own wireless LAN established at the start of each audit in our client's office. In 2008, we completely eliminated hardcopy workpapers by converting to *ProSystems fx Engagement* paperless audit software published by Commerce Clearing House. We use Word as our word processor and Excel for preparation of financial statements and schedules and Outlook for personal information management.

Because of our shift from hardcopy documentation to softcopy and our obligation under professional standards to maintain confidentiality of client data, we instituted state-of-the-art security protections to ensure client data remains confidential and secure. For example, many CPAs use email as a method of communicating financial data to and from clients. But emails are not secure communications! We therefore employ a secure data file transfer system called "LeapFile" under which we exchange data files with our clients using a secure website. This keeps data confidential and has the added benefit of permitting downloads of large excel files or Microsoft Office files erroneously rejected by some email scanning software. In the event one of our staff works out of town or telecommutes, they access data via our virtual private network. **Our VPN, LANs, and audit software are password protected and encrypted to ensure your data remains confidential and secure.**

We will also use some type of connection to the internet during our audit, but coordinate it with our client's IT Staff to ensure there are no breaches in security or protocols.

We have working experience with a broad range of accounting software and systems. We have reviewed and tested controls over these systems. We have used and tested reports produced by these systems. The newer systems allow on-line inquiry or query and custom report writing, and we use these functions whenever possible.

Communication and Coordination

We will meet with you at the start of each phase of work and conduct an exit conference at the end of each phase of work. This will ensure you know everything we do, with plenty of time to address any issues.

SCOPE OF SERVICES (Continued)

Two key objectives for a well-run audit are to ensure timely communication of the audit results and to provide for seamless coordination of the external auditors with District staff. We use our Accounting Issues Memorandum, detailed Closing Checklists and wrap-up Exit Conferences to satisfy these objectives. Because we rely so heavily on technology, we consistently and easily produce draft reports and our management comments and review them with you at the exit conference on the last day of field work. On that day, we provide you with paper and electronic versions of the drafts to provide for the efficient review, editing and completion of the reports. **This strategy coupled with our on-site partner involvement means you never have to wait for us to get back to you on important issues or decisions.**

The Accounting Issues Memorandum concept was originated by one of our staff over a decade ago to function as a partner's brief of an engagement's status. It worked so well we expanded it to all our audits and share it with our clients. It has proven to be an indispensable communication and coordination tool ever since. This informal memo condenses and summarizes the audit status and issues as of the end of our interim work. It includes housekeeping matters, minor audit findings, scheduled audit fieldwork start and finish dates, etc. We produce this memo right in your office before the conclusion of our interim work, so you have an idea of what we've found so far and whether there are areas that need work.

Our Memorandum on Internal Control is drafted at year-end and may include significant issues raised with our interim phase Accounting Issues Memorandum as well as issues arising from our year-end work. We review a draft with you, so that you will have plenty of time to review and discuss our findings before we present our audit results to the Board.

Prompt Service and Delivery of Reports

We have always focused on reducing financial statement turn-around time and we have never missed a deadline. We normally complete the final draft of the financial statements on the last day of our field-work in our clients' offices or within two weeks thereafter.

Our audit strategy emphasizes detail planning and coordination of our staff and client staff to complete the audit as efficiently as possible. We have found that completing all our work and our reports as part of our field-work dramatically reduces the time required to issue final reports to our clients.

Our strategy allows our clients ample time to review all report drafts before issuance, while ensuring that all reports are issued timely. **Many clients have been able to advance the date on which their reports are presented to Board.**

New GASB Implementation

We will provide the District with whatever support it needs with regard to gaining an understanding of new pronouncements affecting the financial statements and our audits. Our consistent approach is to provide our clients with advance identification of new GASBs as they are issued. With every audit, we provide overviews of new pronouncements including effective dates and we review these with staff.

In the year of implementation we proforma new disclosures and add on additional data requests to our interim and closing checklists. For complex rules, we prepare course materials and conduct training and education sessions during interim for finance and other affected District staff to ensure they understand the requirements. We include the new GASB provisions as well as any additional resources such as implementation guides, practical application examples and additional technical resources and contacts.

SCOPE OF SERVICES (Continued)

After staff has had a chance to think about the District's operations we conduct a follow-up conference to determine the potential impact to the financial statements and audit. In unusual cases we will schedule additional field work before year end to ensure the new rules do not affect year end timing.

Beginning in fiscal year 2015, the District will be required to implement the provisions of GASB Statements No. 68 and 71, which will have a significant impact on the District's financial statements and footnote disclosures related to the CalPERS pension plan. This will require additional audit tests, however, we will not charge the District extra fees related to the implementation. **Our proposed fees include implementation so that there will be no surprises to the District.**

Audit Schedule

We have timed our audit to complete all your reports so that they are ready to print by your deadlines. We will start our work as soon as you appoint us your auditors.

**Marina Coast Water District
Proposed Engagement Segments and Budget**

Audit Activities	Budgeted Hours					Total
	Partner	Quality	Supervisor	Staff		
	Engagement	Reviewer		Associates	Admin.	
Planning & budget/Confirm/Checklists	3.00		8.00	2.00		13.00
Fraud risk assessment	3.00		1.00	1.00		5.00
Minutes-resolutions				4.00		4.00
Report	4.00	2.00	16.00		6.00	28.00
Supervision/review	8.00		32.00			40.00
Conferences & meetings	4.00		2.00			6.00
Management letter	2.00		2.00		0.50	4.50
MD&A			2.00			2.00
Accounting Issues Memo	1.00		1.00			2.00
Analytical review	2.00		1.00			3.00
Internal Control Evaluation				8.00		8.00
Information Systems Review			2.00			2.00
Cash & Investments				16.00		16.00
Revenue/Receivables				14.00		14.00
Other assets				2.00		2.00
Capital Assets				16.00		16.00
Accounts Payable & accrued expenses				12.00		12.00
Payroll/Accrued liabilities				12.00		12.00
Long Term Debt				10.00		10.00
Deferred inflows and outflows				1.00		1.00
Pension and OPEB			3.00	10.00		13.00
Commitments and contingencies			2.00			2.00
Net position				1.00		1.00
Self insurance/claims				3.00		3.00
GRAND TOTAL - CAFR & Management Letter	27.00	2.00	72.00	112.00	6.50	219.50

QUALIFICATIONS

Audit Team

We are proposing to assign David Alvey as Engagement Partner, Vikki Rodriguez as Alternate/Technical Review Partner, and Whitney Crocket as Supervisor. We will also have Donald Hester, our Information Technology Director, perform a review of your information system as it relates to our work and our Quality Assurance Director, Cory Biggs, perform a Quality Assurance Review of all our reports and workpapers.

We understand that engagement partners, directors and other supervisory staff may be changed only with the express written permission of the District.

We will balance out our resources with our Senior Associates and Associates to form fully leveraged teams. All of our audit staff are experienced with Comprehensive Annual Financial Reports, large enterprise operations, retirement plans, Single Audits, capital assets and infrastructure, long term debt, including swaps and related compliance and continuing disclosures, and all other aspects of municipal accounting and financial reporting.

We provide our clients continuity while introducing enough new people to keep our perspective fresh and provide you with the benefits of rotation. We intend to retain all the people assigned to your audit throughout this year's entire engagement. In future years we plan to rotate no more than one person on each segment whom we will replace with someone of equal experience.

A brief resume of our proposed team members follows:

DAVID ALVEY, CPA, Engagement Partner - graduated from St Mary's College, Moraga with a Bachelor's of Science Degree in Accounting and a Minor in Business Administration. David has received **500 hours of continuing education in the past five years**. David has experience as an internal auditor at California Savings Bank in Oakland, CA. He is a Certified Public Accountant in the State of California. He is a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants. David is also a member of the Association of Certified Fraud Examiners. His audit experience includes:

City of American Canyon	City of Larkspur
American River Authority	City of Los Altos
Alameda County Transportation Authority	City of Livermore
Alameda County Transportation Improvement Authority	City of Manteca
Alameda-Contra Costa Transit District	Mid-Peninsula Water District
Alameda Mastic Senior Center	Middle Fork Project Finance Authority
Association of Bay Area Governments	Monument Crisis Center
Bay Area Clean Water Agencies	City of Napa
City of Benicia	City of Oakley
Bethel Island Municipal Improvement District	Partners in School Innovation
Calaveras County Water District	City of Petaluma
Castle Rock County Water District	City of Pittsburg
Central Contra Costa Sanitary District	Placer County Water Authority
Central Market Community Benefit Trust	City of Pleasant Hill
Clausen House	Regional Park Foundation
Coastside County Water District	Richmond Housing Authority

QUALIFICATIONS (Continued)

David Alvey (Continued)

Contra Costa Water Financing Authority	City of Rio Vista
Contra Costa Water District	City of Roseville
Contra Costa Water District Retirement Plan	City of San Leandro
City of Cupertino	San Mateo Community College Foundation
City of Daly City	San Mateo County Transportation Authority
City of Davis	Peninsula County Joint Powers Authority
Delta Diablo Sanitation District	San Mateo County Transit District
Diablo Water District	Santa Clara Valley Water District
DSRSD/EBMUD Recycled Water Authority	Skyline County Water District
Dublin San Ramon Services District	Solano Irrigation District
East Bay Municipal Utilities District (EBMUD)	Solano Transportation Authority
EBMUD Employee Retirement System	South San Joaquin Irrigation District
East Palo Alto Sanitary District	Southern Marin Fire Protection District
Education Pioneers	Stanislaus Waste to Energy
El Dorado Irrigation District	Stinson Beach County Water District
City of Escalon	Stopwaste
Fairfield-Suisun Sewer District	City of Sunnyvale
Freeport Regional Water Authority	Upper Mokelumne River Watershed Authority
City of Galt	Walnut Creek Chamber of Commerce
City of Hayward	The Wellness Community
ID Business Solutions	West Bay Sanitary District
Landmark Heritage Foundation	Zone 7 Water Agency

VIKKI C. RODRIGUEZ, CPA, Alternate/Technical Review Partner –Vikki graduated from San Diego State University where she received her Bachelor of Science Degree in Accounting with a Minor in English. Vikki received her Master’s in Taxation at Golden Gate University in 2006. She is a Certified Public Accountant in the State of California. She is a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants. Vikki spent a year and a half working as an accountant at the City of Daly City and her college years working part time for both municipal government and nonprofit organizations prior to joining the firm in 1998. Vikki has accumulated over 360 hours of continuing education in the past three years as an instructor, participant and student. She has attended the past four annual Nonprofit Organization Conferences held in May. Vikki chairs on the non-profit board of the Center for Human Development. Her audit experience includes the following:

Special Districts

Alameda-Contra Costa Transit District	Livermore Area Recreation & Park District
Bay Area Clean Water Agencies	Livermore Amador Valley Water Management Agency
Alameda Municipal Power	Marin-Sonoma Mosquito & Vector Control District
Bethel Island Municipal Improvement District	Menlo Park Fire Protection District
Calaveras County Water District	Mid-Peninsula Water District
Central Contra Costa Sanitary District	Novato Sanitary District
Coastside County Water District	Peninsula Corridor Joint Powers Board
Contra Costa Mosquito & Vector Control District	Rodeo-Hercules Fire Protection District

QUALIFICATIONS (Continued)

Vikki Rodriguez (Continued)

<p>Contra Costa Transportation Authority Contra Costa Water District Delta Diablo Sanitation District Diablo Water District DSRSD/EBMUD Recycled Water Authority Dublin San Ramon Services District East Bay Municipal Utility District East Palo Alto Sanitation District Eastern Contra Costa Transit Authority El Dorado Irrigation District Fairfield Suisun Sewer District Freeport Regional Water Authority Livermore Amador Valley Transit Authority</p>	<p>San Mateo Transportation Authority San Mateo County Transit Authority Santa Clara Valley Animal Control Authority Santa Clara Valley Water District Silicon Valley Animal Control Authority South San Joaquin Irrigation District Skyline County Water District Solano Transit Authority TRAFFIX Upper Mokelumne River Watershed Authority West Bay Sanitary District West Valley Sanitation District</p>
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Other Municipalities

<p>City of Alameda City of American Canyon City of Belmont City of Benicia City of Cupertino City of Daly City City of Emeryville City of Half Moon Bay City of Larkspur City of Livermore City of Los Banos Town of Los Altos Hills Town of Los Gatos City of Manteca</p>	<p>City of Martinez City of Milpitas City of Newark City of Palo Alto City of Petaluma City of Pittsburg City of Pleasant Hill City of Rio Vista City of San Carlos City of San Rafael City of Suisun City City of San Mateo City of South Lake Tahoe City of Tracy City of Visalia</p>
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WHITNEY L. CROCKETT, Supervisor - graduated from Washington State University with a Bachelors of Arts in Business Administration in Accounting and received Masters of Accounting Degree in August 2012. **Whitney has received 200 hours of continuing education** since joining our firm.

<p>City of Alameda City of Atherton Charitable Federated Group City of Concord City of Dublin City of East Palo Alto City of El Cerrito City of Fairfax City of Hayward</p>	<p>City of Mountain View City of Milpitas City of Moraga City of Oakley City of Petaluma City of Richmond City of Roseville City of Santa Clara City of San Pablo</p>
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QUALIFICATIONS (Continued)

WHITNEY L. CROCKETT (Continued)

Livermore Amador Valley Transit Authority
 City of Los Banos
 City of Manteca
 City of Martinez

Stopwaste
 TRAFFIX
 Vallejo
 City of West Sacramento

CORY BIGGS, CPA – Quality Assurance Director - Cory is a graduate of CSU Hayward with a B.S. in Business, emphasis in Accounting. He is a California CPA with over twenty-nine years experience, three with Deloitte, Haskins & Sells, three with Seiler & Company, a large Bay Area local firm, and the rest with us. He is a member of the AICPA and California Society of CPA's. Cory's experience includes cities, school districts, and a variety of high-tech and commercial for-profit organizations. Cory is an instructor of our GASB 45 and GASB 34 Implementation and many other training courses. **Cory has accumulated three hundred twenty hours of continuing education in the past three years as an in-house instructor and participant.** His relevant municipal experience includes:

City of Alameda
 City of American Canyon
 Association of Bay Area Governments
 Town of Atherton
 City of Belmont
 Belmont San Carlos Fire Department
 Belmont Net Six Joint Powers Authority
 Belmont South San Mateo Police Authority
 City of Capitola
 Coastside County Water District
 City of Concord
 Contra Costa County Bond Funds
 Contra Costa Transportation Authority
 City of Cupertino
 City of Daly City
 City of Dublin
 Dublin San Ramon Services District
 East Bay Municipal Utility District
 City of El Cerrito
 El Dorado Irrigation District
 City of Emeryville
 City of Hayward
 Town of Hillsborough
 City of Livermore
 Livermore-Amador Valley Transit Authority
 Livermore-Amador Valley Water Management Agency
 Livermore Area Recreation and Park District

Livermore Amador/Valley Transit Authority
 City of Los Altos
 Town of Los Altos Hills
 Town of Los Gatos
 City of Manteca
 City of Martinez
 City of Millbrae
 City of Milpitas
 City of Modesto
 City of Mountain View
 City of Napa
 City of Palo Alto
 Placer County Water Agency
 City of Pleasant Hill
 Town of Portola Valley
 Richmond Housing Authority
 San Francisco Bay Area Water Emergency Transit Auth.
 San Francisco Bay Transit Water Emergency Authority
 City of San Carlos
 City of San Rafael
 San Ramon Valley Fire Protection District
 Santa Clara Valley Water District
 City of Saratoga
 City of South Lake Tahoe
 South Lake Tahoe Basin Waste Management Authority
 City of South San Francisco
 City of Vallejo

QUALIFICATIONS (Continued)

DONALD E. HESTER, Director-Donald's clients include local municipalities, non-profits, corporations and federal government agencies, specializing in a wide array of compliance programs and security assessments such as PCI, FISMA, COBIT, ITIL and ISO27002. He is a guest lecturer and speaker on security topics for CMTA, CSMFO, MISAC, CISOA, ISACA and others and he has served on various advisory committees and as a subject matter expert in information technology and security. Donald also teaches IT Audit and Forensics at the University of San Francisco and Microsoft courses for Los Positas College, San Diego City College and for the @One program of the California State Chancellor's office. Donald graduated with honors from the American Military University with a Bachelor's Degree in Security Management with a concentration in Information Security. He has nearly 20 years of experience in the security field. Donald has been with us for ten years now and has received more than 320 hours of continuing education in the past three years and has over 900 hours of instructional work. His certifications include; CISSP, CISA, CAP, MCT, MCITP, MCTS, MCSE Security, MCSA Security, MCDST, Security+ and CTT+. Donald is also a Chairman and past Treasurer for the Brentwood Veterans Memorial Building and Commandant and past Treasurer for the Delta Diablo Det. 1155 Marine Corps League.

Staff Training

We believe the level of training we provide is unmatched by any other accounting firm. **Our audit staff receives an average of 80 hours of continuing education annually, including an average of over 48 hours of municipal audit and accounting training. These are twice the amounts required by professional standards.**

Our program places heavy emphasis on governmental accounting and auditing classes conducted by our own staff, supplemented by courses offered by the California Society of Certified Public Accountants, the American Institute of Certified Public Accountants, the Government Finance Officers Association, the California Municipal Finance Officers Organization and the Association of California Water Agencies.

We accomplish this task by reserving a solid week in January or February and another week in July solely for staff training. Our training is very specific and very participatory; lectures are almost non-existent as people are involved in a continual give-and-take format designed to educate while it helps us improve our services. We deal with specific clients and situations, we solve problems and do case studies, and we train people for real-life situations through role-play exercises. Everyone is equal in these exercises and everyone contributes their own experience in the field and the ideas they have formulated from that experience. **Suggestions coming out of staff training sessions are the source of most of the service improvements and refinements we make each year.**

Honoring Our Commitments

The concepts that we must meet deadlines and stay within budgets are integrated into everything we do. So much of our work is performed for our municipal clients that we instinctively understand that our clients' deadlines must be met and we must flourish within the constraints of agreed-upon fees. We have a long track record of meeting our deadlines and staying within negotiated fees. Please ask our other clients for their views on the subject and their experience with us.

Engagement partners, supervisory staff and specialists may be changed if those personnel leave the firm, or are promoted. These personnel may also be changed for other reasons only with the express prior written permission of the District. However in either case, the District retains the right to approve or reject replacements. Other audit personnel may be changed at the discretion of the firm submitting the proposal, provided that replacements have substantially the same or better qualifications or experience.

QUALIFICATIONS (Continued)

Qualifications and Continuity

Our people accumulate over 1500 hours of purely municipal audit and accounting experience annually, far more than in any general service accounting firm. And we keep the same people on the job, normally for at least three years.

We provide our clients continuity while introducing enough new people to keep our perspective fresh and provide you with the benefits of rotation. We intend to retain all the people assigned to your audit throughout this year's entire engagement. In future years we plan to rotate no more than one person on each segment whom we will replace with someone of equal experience.

We do everything we can to ensure continuity because it helps you, it helps our staff and it helps us. We schedule the entire year in advance to avoid conflicts, and we give priority to clients who are able to accurately predict the date their books will be closed, so that the staff on their audit will not be affected if another client's closing or audit is delayed. We attempt to match personalities as well as skills and abilities so that our staff and yours will get along well.

Professional Activity

We are active members of the Government Finance Officers Association and the California Society of Municipal Finance Officers as well as the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants. We are also a member of the Association of California Water Agencies (ACWA), and were a member of the California Redevelopment Association (CRA). We are frequent speakers at various organizations; some of our pertinent presentations are listed below:

We attend CSMFO Northern California chapter meetings on a regular basis, and we have served as speakers on various occasions. We all attend the CSMFO Annual Conference, at which our Partners have been speakers. We have also attended the League of California Cities' annual Financial Management Seminars.

We also attend the Semi-Annual Conference of ACWA.

Personnel Policies

We are an equal opportunity employer. Our staff includes both sexes, which are represented in every staff classification including Principal. Our hiring, management and personnel decisions are based solely on an individual's skills and knowledge. As a result, our staff is very representative of the State's population as a whole.

We are registered with the State as a small or minority owned business enterprise.

Books, Periodicals, News Letters, and Professional Standards

We provide our staff with all of the resources they need to complete their work efficiently and effectively. Our resources include all AICPA Professional Standards, AICPA Audit and Accounting Guides, FASBs, ARBs, APBs, GASB statements, interpretations, implementation guides and concept statements on CD, Generally Accepted Government Audit Standards (The "YellowBook"), Single Audit Regulations and website links including OMB Circulars, Form SF-Sac Data Collection Form and instructions, Website links for CFDA numbers, CFRs, GAO, OMB. We also provide our staff with the GFOA Checklist.

REFERENCES

Similar Significant Engagements Performed Within the Last Three Years (Includes References)

We have selected the following existing clients because they are similar in some respect to the Marina Coast Water District and the engagement partner assigned to your audit have worked on these clients. Please contact these clients for further information if you wish, or call any of our clients for a reference!

Contra Costa Water District – A client from 2000 – 2010 and returned in 2013

Engagement Partners – Vikki Rodriguez / Timothy Krisch

Manager – David Alvey

Principal Contact – Brice Bledsoe, Assistant General Manager of Administration (925) 688-8300

bbledsoe@ccwater.com

Work Scope & Reports:

District's Comprehensive Annual Financial Report

Memorandum on Internal Control

Retirement Plan Basic Financial Statements

Other Post Employment Benefit Basic Financial Statements

Contra Costa Water Authority (JPA) Basic Financial Statements

Central Contra Costa Sanitary District – A client since 2013

Engagement Partner – Vikki Rodriguez

Principal contact – Thea Vassallo, Finance Director

(925) 933-0990

Tvassallo@centralsan.org

Work Scope & Reports:

District's Comprehensive Annual Financial Report

Memorandum on Internal Control

Annual Report of Financial Transactions

Delta Diablo – A client since 2003

Engagement Partner – Vikki Rodriguez / Timothy Krisch

Principal contact - Theresa Harris, Finance Supervisor

(925) 756-1924

theresah@ddsd.org

Work Scope & Reports:

District's Comprehensive Annual Financial Report

Memorandum on Internal Control

Single Audit Compliance Report

Annual Report of Financial Transactions

REFERENCES (Continued)

East Bay Municipal Utility District – A client since 2005

Engagement Partner – Vikki Rodriguez

Principal contact – Scott Klein, Controller

(510) 287-0271

sklein@ebmud.com

Work Scope & Reports:

District’s Comprehensive Annual Financial Report

Employees’ Retirement System Basic Financial Statements

Memorandum on Internal Control

Freeport Regional Water Authority JPA Basic Financial Statements

Upper Mokelumne River Watershed Authority JPA Basic Financial Statements

DSRSD / EBMUD Recycled Water Authority JPA Basic Financial Statements

Bay Area Clean Water Agencies JPA Basic Financial Statements

Single Audit Compliance Report

Novato Sanitary District – A client since 2012

Engagement Partner – Vikki Rodriguez

Principal contact – Laura Creamer, Finance Officer

(415) 892-1694

LauraC@novatosan.com

Work Scope & Reports:

District’s Comprehensive Annual Financial Report

Memorandum on Internal Control

Single Audit Compliance Report

COST

Certification

David Alvey is authorized to submit this proposal and negotiate and sign a contract with Marina Coast Water District. Our offer is firm and irrevocable for a period of 60 days from the date of this proposal.

Total Cost of Audit

Our Estimated All-inclusive Maximum Price for the services specified in the Request for Proposal for the year ended June 15, 2015 is \$23,948, which excludes the \$5,500 single audit report fee if a Single Audit is not needed and is detailed at the end of this section. Our Total All-inclusive Maximum Price for the service specified in the RFP is firm fixed fees.

Additional Services

Any additional services will be performed and billed only on the District’s prior approval at our standard billing rates.

COST (Continued)

Fees and Billings

Our fees are firm fixed prices. In determining our fees, we understand that the District's records will be in condition to be audited; that is, transactions will be properly recorded in the general ledger and subsidiary records, these accounting records and the original source documents will be readily available to us, we will be furnished with copies of bank reconciliations and other reconciliations and analyses prepared by the District and District personnel will be reasonably available to explain procedures, prepare audit correspondence and obtain files and records.

We do not post separate rate structures for non-profit audit work. We view this work as being every bit as important and valuable as the work we perform for other clients and we put our best people on it. Any consulting work you request will be performed at the same rates as our audit work.

MARINA COAST WATER DISTRICT
SCHEDULE OF PROFESSIONAL FEES AND EXPENSES
FOR THE YEARS ENDED JUNE 30:

Deliverable	Hours (2)	Hourly Rates	Totals		
			2015	2016	2017
Comprehensive Annual Financial Report and Management Letter:					
Partner	27.00	\$295	\$7,965	\$7,965	\$7,965
Quality Assurance Director	2.00	160	320	320	320
Supervisor	72.00	95	6,840	6,840	6,840
Associates	112.00	75	8,400	8,400	8,400
Administrative Staff	<u>6.50</u>	65	<u>423</u>	<u>423</u>	<u>423</u>
Subtotal	<u>219.50</u>		<u>23,948</u>	<u>23,948</u>	<u>23,948</u>
Other Reports:					
Single Audit - One Program			5,500	5,500	5,500
Out-of-pocket expenses (1)					
Total all-inclusive maximum price for RFP Services	<u>219.50</u>		<u>\$29,448</u>	<u>\$29,448</u>	<u>\$29,448</u>

NOTES:

- (1) Out-of-pocket expenses are included in our standard hourly rate.
- (2) Estimated hours are expected to remain constant for years subsequent to 2015.