



Marina Coast Water District

Marina, California

**Proposal to Provide
Annual Audit Services**

**For the Fiscal Year Ending
June 30, 2015
with Option to Extend
for Two (2) Subsequent Years**

May 8, 2015

PROPOSAL

Kenneth H. Pun, CPA, CGMA
Managing Partner
1655 North Main Street, Suite 355
Walnut Creek, California 94596
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California CPA License Number: PAR 7601
Federal Identification Number: 46-4016990



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May 8, 2015

Marina Coast Water District

Ms. Kelly Cadiente
11 Reservation Road
Marina, CA 93933

Dear Ms. Cadiente:

Please allow us to share our qualifications and proposed audit plan for the Marina Coast Water District (the "District") pursuant to your Request for Proposals to Provide Annual Audit Services for the fiscal year ending June 30, 2015 with the option to extend for two (2) subsequent years. The Pun Group, LLP, formerly known as Pun & McGeady LLP (the "Firm"), due to consolidation, has the knowledge and experience necessary to continue as the District's next public accounting firm, and the work plan to ensure a smooth audit process.

This letter is an acknowledgement of the Firm's understanding of the work to be performed. **We hereby offer our commitment to perform all of the required work, complete the audit and, issue the necessary auditor's report, and within the time periods outlined by the District.** We are secure in affirming our commitment because we have:

1. A lengthy legacy of serving California governmental special districts and municipalities, including Marina Coast Water District;
2. Prodigious experience serving governmental entities; and
3. An efficient, lower-cost approach to auditing that focuses on high-risk areas.

I will serve as your primary contact for contract negotiations. I am a partner of the Firm and have been authorized to legally bind the Firm. My contact information follows:

Name: Mr. Kenneth H. Pun, CPA, CGMA
Position: Managing Partner
Address: 1655 North Main Street, Suite 355
Walnut Creek, California 94596
Telephone: (925) 954-3301
Email: ken.pun@pungroup.com

You may also contact the following partner, who is authorized to represent the Firm:

Name: Mr. Paul J. Kaymark, CPA
Position: Audit Partner
Address: 200 East Sandpointe Avenue, Suite 600
Santa Ana, California 92707
Telephone: (949) 777-8821
Email: paul.kaymark@pungroup.com

Marina Coast Water District

Ms. Kelly Cadiente

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The Pun Group is the right choice for Marina Coast Water District because we are focused on your industry.

- We have audited and consulted many California special districts, including Marina Coast Water District.
- We have assisted many clients in earning the GFOA Certificate of Achievement for Excellence in Financial Reporting.
- The depth of resources and specific government experience are substantial, we are committed to deploy these resources and experience to the District. Simply put, the District will remain one of our most important clients, and receive the priority service you deserve.
- We are committed to performing all of the work outlined in the District's Request for Proposal within the time periods established by the District, in accordance with the District's contract terms.
- **We have assigned Gary Caporicci, our GASB 68/71 Specialist, who is appointed to the State Retirement Advisory Committee by the State Controller, in assisting the District in the implementation of GASB 68/71, the new Pension Standards.**

Our goal for this audit is to complete the process in accordance with regulations while minimizing disruption to the District's daily operations. The Firm will:

- Develop solid familiarity with the District's operations.
- Create a detailed audit plan during initial stages of the audit.
- Maintain open communication lines between the Engagement Team and the District's Management and Board.
- Assign duties to qualified staff members.

This method ensures that the audit process will be performed steadily, communicated clearly, and completed efficiently. Detailed explanation of the Scope of Service can be found on pages 9 to 12, under this proposal.

Our *Walnut Creek* office, located at 1655 North Main Street, Suite 355, Walnut Creek, California 94596 will perform the requested services for the District. However, we may assign additional staff from our Orange County, San Diego, or La Quinta, California offices to the engagement, at no additional cost to the District. No subcontractors will be used.

The Firm is an Equal Opportunity Employer and complies with all Federal and State hiring requirements.

This proposal meets the requirements of the District's Request for Proposal. This letter and the accompanying proposal represent a ***firm and irrevocable offer valid for 90 days from the date of this letter.***

If you have any questions about the proposal or the Firm, please contact us. We look forward to speaking with you.

Sincerely,

The Pun Group, LLP
Certified Public Accountants and Business Advisors



Kenneth H. Pun, CPA, CGMA
Managing Partner

Marina Coast Water District

Proposal to Provide Annual Audit Services

Section I – Introduction

About The Pun Group, LLP

The Pun Group, LLP, *formerly known as Pun & McGeady LLP*, Certified Public Accountants and Business Advisors, founded in 2012, is a limited liability partnership. The full-service accounting firm comprises forty (40) professionals on full-time basis who provide auditing, accounting, and advisory services. Of the forty (40) professionals, thirty (30) of them focus in the Government Assurance Practice. The Firm has offices in Walnut Creek, Orange County, San Diego, and La Quinta, California, and Phoenix, Arizona.

The Firm has served hundreds of governmental agencies since 1989, under the umbrella of its predecessor firm, Caporicci & Larson, where all key personnel assigned provided outstanding services to governmental entities throughout California.

The combination of hands-on experience and practical knowledge of our audit professionals makes the Firm unique in the field. Our technical knowledge and thorough understanding of current regulations and issues—along with the Firm’s commitment to hard work, integrity, and teamwork on every engagement—enable us to help our clients flourish.

Our Governmental Partners Group—which includes partners Kenneth H. Pun, Paul J. Kaymark, Gary M. Caporicci, Lisa B. Lumbard, and Jack F. Georger—has provided auditing, accounting, and advisory services to numerous governmental entities throughout the United States. Our more than one hundred-fifty (150) years of combined experience in the government industry have made us a trusted business partner with our clients, and we have become well-respected as one of the most socially responsible accounting firms.

In addition to annual financial audits, team members undertake special studies in financial management, accounting, cost-accounting-system analysis, internal audit services, and internal control documentation and testing. By participating in industry associations and activities, we are always up to date on the latest industry changes and the impact they will have on your operations. We will keep you and our colleagues in the Firm, fully informed of these developments.

Our team is committed to bringing the full breadth and depth of our expertise to the audit of the District at an outstanding value to you.

While many accounting firms can perform an audit, not all can build a great working relationship with their clients. The Pun Group, LLP develops lasting, personal relationships with clients. Our hands-on partner involvement and low personnel turnover will make you appreciate our firm more every day we work together.

Staff Consistency

The Firm is committed to maintaining staff continuity throughout audit engagements. While we cannot guarantee that our staff members will stay with the Firm, we encourage loyalty by paying competitive wages, offering opportunities for promotion, using state-of-the-art equipment, and providing excellent working conditions. We also offer benefits including retirement plans, medical plans, profit-sharing programs, and continuing education. The Firm is an equal-opportunity employer and complies with all federal and state hiring requirements. The Firm also supports affirmative-action philosophies and works hard to provide opportunities for self-enhancement to members of disadvantaged groups.

We guarantee that the partners assigned to this audit will be involved throughout the entire engagement term, and that assigned staff members will return to the District in future years if they are still with the firm. One of our primary audit concerns is staff continuity, and our hands-on partner involvement ensures that qualified and experienced professionals will perform audits efficiently and effectively every year of the engagement.

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AT THE PUN GROUP, LLP WE WORK TOGETHER WITH OUR CLIENTS TO ADDRESS A VARIETY OF CHALLENGES LIKE:

- ✓ Reporting and Compliance Requirements
- ✓ Risk and Internal Controls
- ✓ Operational Transformation
- ✓ Technology Consulting

GFOA CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING:

100% of our clients that have submitted their reports to the GFOA have received the Certificate of Excellence.

UNPARALLELED PARTNERS SUPPORT:

Hands-on partner involvement always available to address our client's needs and answer questions.

OUR SERVICES INCLUDE:

- ✓ Financial statement audits
- ✓ Performance audits
- ✓ Single audit (OMB Circular A-133)
- ✓ Employee benefit plan audits
- ✓ Internal controls evaluations

EXPERIENCE. PRINCIPLES. KNOWLEDGE.
COMMITMENT. CAPACITY. DIVERSITY

We understand our clients have broad and complex needs. That's the number one reason our solutions are developed to specifically address these unique needs. This is why we have such a high retention rate. Some of our clients have been with us for over a decade.

The following is the most current list of our Assurance Clients:

Cities and Towns:

- City of Arcadia
- City of Arvin
- City of Bradbury
- City of Calexico
- City of Cerritos
- City of Clovis
- City of Desert Hot Springs
- City of Encinitas
- City of Gardena
- City of Hermosa Beach
- City of Lakewood
- City of Monterey Park
- City of National City
- City of Placerville
- City of Poway
- City of Ridgecrest
- City of Stockton
- Town of Andrews
- Town of Danville

Transportation Authorities/Agencies:

- Washington Metropolitan Area Transit Authority
- San Diego Metropolitan Transit System
- SunLine Transit Agency
- Shasta Regional Transportation Agency
- Ventura County Transportation Commission

Health Centers:

- Alliance Medical Center
- Anderson Valley Health Center, Inc.
- Fallbrook Healthcare District
- Family Health Centers of San Diego
- Marin City Health and Wellness Center
- McCloud Healthcare District
- Redwood Coast Medical Services
- Ritter Center
- Shingletown Medical Center
- Tulare Community Health Clinic
- United Health Centers of San Joaquin Valley

Special Districts/Others:

- Las Virgenes Municipal Water District
- Marina Coast Water District
- Newport Coast Elementary Foundation
- Orange County Business Council
- Palmdale Water District
- Shanghai Jiao Tong University Foundation of America
- Southwestern Community College District
- Valley Sanitary District
- Orange County – City Hazardous Material Emergency Response Authority
- West Valley Water District

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Most Recent External Quality Control Review


The Firm participates in the AICPA Peer Review Program, which is designed to identify weaknesses in accounting-service policies, practices, and procedures.

In 2013, an independent reviewer assessed the Firm's quality-control policies, reviewed administrative records, interviewed professional personnel, and inspected the Firm's working papers and reports from a representative sample of accounting and auditing engagements, including governmental audits. The reviewer concluded that the Firm fully complies with the AICPA's stringent standards for quality control.

A quality-control reviewer considers, among other things, a firm's policies regarding hiring, training, supervision, delegation of responsibilities, and access to technical resources.

The reviewer determined that the Firm's accounting and auditing work and internal quality-control system meet the AICPA's guidelines for professional standards.

The Firm's participation in the Peer Review Program demonstrates our commitment to quality. We also affirm our dedication to excellent client service through our voluntary memberships in the AICPA—including the AICPA's Governmental Audit Quality Center—and CalCPA.



JOHN LERIAS, CPA
STEPHEN C. WILLIAMS, CPA
JOSEPH O. ROBERTO, CPA

System Review Report

PUN & MCGEADY LLP
Irvine, California;
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Pun & McGeady LLP (the firm) in effect for the year ended March 31, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As 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* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Pun & McGeady LLP in effect for the year ended March 31, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Pun & McGeady LLP has received a peer review rating of *pass*.

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*your
Success
is our
DESTINATION*

Gyl Decauwer LLP
Ontario, California
May 31, 2013

CPA AMERICA
INTERNATIONAL

Marina Coast Water District

Proposal to Provide Annual Audit Services



California Society of CPAs
1800 Gateway Dr., Ste. 200
San Mateo, CA 94404

September 27, 2013

Kenneth Hing-Kwong Pun, CPA
Pun & McGeady LLP
9 Corporate Park Ste 130
Irvine, CA 92606

Dear Mr. Pun:

It is my pleasure to notify you that on September 24, 2013 the California Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is September 30, 2016. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Sincerely,

A handwritten signature in black ink that reads "Linda McCrone".

Linda McCrone, CPA
Director, Peer Review Program

cc: John Lerias

Firm Number: 6131850 Review Number 342418



T: (650) 522-3094 | F: (650) 522-3080 | peerreview@calcpa.org

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Federal or State Desk Review

No federal or state desk reviews or field reviews have been undertaken of any audits performed by the Firm or any of its partners, managers, or professionals during the past three (3) years.

Disciplinary Action

No disciplinary action has been taken by state regulatory bodies or professional organizations against the Firm or any of its partners, managers, or professionals during the past three (3) years.

The Firm has no conditions such as bankruptcy, pending litigations, planned office closures, mergers or any organizational conflict of interest that may affect the ability of the Firm to perform the required duties requested by the Marina Coast Water District.

License to Practice in California

The Firm and all key professional staff are licensed by the State of California to practice as Certified Public Accountants, and meet the Continuing Professional Education requirements under U.S. GAO's *Government Auditing Standards* to perform the proposed audits.



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GASB 68 and 71 Implementation

Gary M. Caporicci, the assigned *GASB 68/71 Specialist*, has tremendous expertise in assisting clients with the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*—an amendment of GASB Statement No. 68. **Clients of The Pun Group will benefit from his expertise during the entire process of implementation of these Standards throughout the engagement.**

Description: Designed to present the New Pension Standards from the Governmental Auditing Standards Board (GASB). These standards are effective for fiscal years beginning after June 15, 2014 and are applicable to all State and Local government agencies. This program will cover the following standards, as well as any updates.

- GASB No. 68, *Accounting and Financial Reporting for Pensions*
- GASB No 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*—an amendment of GASB Statement No. 68

Objectives:

- Understand the accounting depth and financial reporting impact of the New Pension Standards
- Review the accounting and financial reporting of significant accounts including:
 - Total Pension Liability
 - Net Pension Liability
 - Deferred Outflows and Deferred Inflows of Resources
 - Net Fiduciary Position
 - Pension Expense
- Present and thoroughly review the audit implications and solutions for the retirement systems auditor's and the local government agencies auditor.

Major Topics:

- Accounting and financial reporting, including expanded Note Disclosures and Required Supplementary Information
- Identify and explain critical dates for implementation
- Understand and describe the actuary's role as to key dates and actuarial information

Client Training Seminar

Also, **every year, the Firm hosts a conference to update governmental clients on new technical accounting and financial issues.** The day-long session—held in Clovis, San Diego, Cerritos, and Danville—qualifies for **eight hours of CPE** with the California Board of Accountancy.

Participants in the most recent training seminar received a high-level examination of numerous technical issues, including the following:

- New and anticipated Pronouncements issued by Governmental Accounting Standards Board (GASB) and future issues under consideration by GASB
- Fraud in Government
- Current Development in Marijuana Dispensaries and Related Internal Control Concerns
- What you need to know, as an auditee, for your 2014 Single Audits, including the OMB Circular A-133 Compliance Supplement
- **Discussion of GASB Statements No. 67 and 68, “Accounting and Financial Reporting for Pension Plans”**
- Overview of the Survey of Cities and Counties

Importantly, all of our clients are invited to attend the Pun Group, LLP client training seminar *FREE OF CHARGE.*

Marina Coast Water District

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Section II – Scope of Services

Understanding of the Scope

Marina Coast Water District (District) is requesting proposals from qualified independent certified public accountants to audit and report on the financial position of the District.

The Firm will:

- ✓ Perform an audit of the District's financial statements in accordance with Generally Accepted Auditing Standards as set forth by the American Institute of Certified Public Accountants, and in accordance with "Minimum Audit Requirements and Reporting Guidelines for California Special Districts" as required by the State Controller's Office.
- ✓ Issue a separate "management letter" that includes recommendations for improvements in internal control, operations and procedures, other significant observations that are considered to be non-reportable conditions, and management response to the recommendations.
- ✓ Render an opinion on the financial statements as to whether they present fairly, in all material respects, the financial position of the District and the changes in financial position in conformity with generally accepted accounting principles (GAAP), and issue an independent auditors' report stating this opinion.
- ✓ Test internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, in accordance with Government Auditing Standards, and issue a report on their considerations.
- ✓ Prepare and submit to the State Controller's Office the Annual Report of Financial Transactions of Special Districts pursuant to Government Code Section 53891.
- ✓ Prepare a Single Audit Report, if required.

The firm will communicate immediately and in writing all irregularities and illegal acts, or indications of illegal acts, of which they become aware, to the District's General Manager and the Board.

The partner in charge of the audit will attend the District's Board of Directors meeting where the audit report will be presented to the Board.

The auditor will assist the District in providing more meaningful and concise financial statements by seeking improved methods of reporting.

Working Paper Retention and Access to Working Papers

The Firm will retain, at its own expense, all working papers and reports for a minimum of (7) seven years (California Law), unless the District notifies the Firm in writing of the need to extend the retention period. Upon request, the Firm will make working papers available to Marina Coast Water District or other governmental agencies included in the audit of federal grants.

The Firm will comply with reasonable inquiries from successor auditors and allow them to review working papers that relate to matters of continuing accounting significance.

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Proposed segmentation of the engagement

The audit will be performed in four phases:

Initial Planning Meeting:

The Engagement Partner and Manager will meet with District's Management to get up to speed with District policies and procedures, establish any specific requirements Management may have identification of unique transactions, implementation of new GASB pronouncements and develop the audit work plan for the engagement.



Interim:

The Engagement Team—including the Engagement Partner—will assess accounting policies adopted by the District, obtain an understanding of the District and its operating environment, review internal controls on all significant transaction classes, perform walkthroughs and/or tests of internal control, perform preliminary analytical procedures, evaluate Single Audit compliance (if needed), identify any audit issues, and prepare confirmation correspondence. The Engagement Team and District Management will establish expectations including responsibilities and assignments for the year-end audit, and will hold a progress status meeting at the end of the Interim phase.

Year-End:

The Engagement Team—including the Engagement Partner—will conduct audit procedures on account balances in the general ledger, finish confirmation procedures, perform preliminary analytical procedures, search for unrecorded liabilities, perform substantive analytical review procedures, complete work on compliance with Federal Assistance, and conclude fieldwork. The Engagement Team and District Management will hold an exit conference at the end of the Year-End phase.

Reporting:

The Firm will review and prepare audit reports and perform quality control procedures in accordance with the Quality Control Standards issued by the AICPA. We will also review reports for compliance with GFOA reporting guidelines at no additional cost. Any comments will be issued in a letter to Management. At the District's request, the Engagement Partner, Concurring Partner, and Managers will present the audit to the District's governing body.

The Firm will complete the audit fieldwork and issue all reports within the established timeframe, assuming no internal or external (CalPERS GASB No. 68 Reporting) District circumstances delay the audit.

Objectives of Our Services

Our primary objective for the proposed audit is to examine the District's financial statements and express our opinions on their fairness of presentation, in accordance with generally accepted accounting principles. Other objectives that will benefit the District include the following:

- To offer beneficial observations and recommendations about policies and procedures for accounting and operating controls.
- To identify opportunities to make District **operations more efficient and reduce costs.**
- To perform the audit efficiently and effectively, so disruption to office operations is minimized.
- To provide continuing advisory services to help the District implement recommendations.
- To meet these objectives at no additional cost to the District.

The Engagement Team will perform the audit in accordance with the Firm's quality-control procedures, which include following standard audit programs, careful planning, using industry-standardized software for auditing and internal control documentation, and welcoming an objective review of audit work.

The Firm will supply portable computers and second monitors to the onsite staff members.

Our audit approach emphasizes careful planning, open communication, and proper assignment of responsibilities. This method ensures that audit requirements will be met with minimal disruption of the District's daily operations, and that the audit will proceed efficiently with full understanding between the Engagement Team and the District.

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Project Schedule

In order to accomplish our audit objectives and meet your deadlines for delivery, the sequence and timing of our procedures are critical. Interim work is to be performed during July – August (District preference of dates); final fieldwork to be performed and completed during September – October (District preference of dates); the delivery of the final auditor’s report and management letter is to be delivered by end of November.

Timing	Activity
April - June (schedule meeting during this period)	Conduct audit entrance conference.
During July - August (2 to 3 days scheduled during this period at the District's convenience)	Perform preliminary procedures including: transition efforts, initial control assessments, minute and contract/major agreement review, major transaction review, conduct EDP review, final controls assessment, determination of specific audit procedures, provide finance department with audit plan and listing of audit schedules required, conduct progress conference with key Finance personnel.
During September - October (2 to 3 days working days during this period)	Commence audit fieldwork and execute detailed audit plan, conduct progress conference with key Finance personnel.
By the end of November	Deliver final Financial Statements, related reports, and management letters. Present Final Financial Statements to the Board of Directors

Level of staff and number of hours to be assigned to each proposed segment of the engagement

We understand that the District is looking for value in the professional relationship they have with their auditors. Value comes from the knowledge, experience and dedication that the auditing firm employs. We stress “employ” because all of the knowledge and expertise shown on paper will not benefit you unless it is applied. This application equates to time spent. We have developed an hours plan that we feel will accomplish the objectives of the District and meet your particular needs. We have used the information you have shared with us and our experience over the years auditing other governmental entities including cities of a similar size and nature to develop an effective and efficient plan for all major areas.

Total Hours:

Staff Classification Performing Work	Estimated Hours Annually
Partners	20
Managers	40
Supervisory Staff	65
Professional Staff	80
Total Annual Hours:	205

Hours by Audit Phase	Hours
Phase I - Planning	30
Phase II - Interim	70
Phase III - Year End	75
Phase IV - Reporting	30
Total Annual Hours:	205

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Extent to which statistical sampling is to be used in this engagement and the sample size

In our audit approach, statistical sampling is used in conjunction with our skilled judgment and knowledge of each situation. The population size and assurance level needed from any given test will determine the sample size used in our testing.

Type and extent of analytical procedures to be used in the engagement

We use analytical procedures during the interim phase to set up expectations for the year-to-date results and balances and compare them with *budgeted* and prior-year amounts. This allows us to forecast year-end amounts, reducing the workload during the year-end phase and allowing us to focus on areas of concern.

We also use trend and ratio analysis to identify any uncertain or unusual events. In order to perform these analysis, our firm performs a survey of special districts and counties and develops benchmarks on certain key financial indicators, such as cost of services to tax revenues ratios, average general fund balance, capital assets, debt per capital, general fund unassigned fund balance to total general fund expenditures, etc.

Our staff members have the knowledge and experience to effectively use analytical procedures to the District's benefit.

Approach to be taken to gain and document an understanding of Marina Coast Water District's internal control structure

Audit risk assessment will be established by an internal control review, combined with the Engagement Team's understanding of the District's operations and accounting software. Using the Committee of Sponsoring Organizations (COSO) Framework, staff members will evaluate the District's processes and identify any control deficiencies. These diagnostic review procedures allow the Engagement Team to evaluate the District's systems and controls and to provide constructive feedback to District Management.

The Engagement Team will perform a walkthrough of the District's accounting systems, including processes for financial reporting, revenue recognition and cash receipts, purchasing/contract management and cash disbursements, and payroll and related liabilities, etc. Auditors will document the process with flowcharts or narrative summary.

Approach to be taken in determining laws and regulations that will be subject to audit test work

The Firm stays continually up to date with audit requirements—including new regulations, compliance supplements, state guidelines, and pertinent contracts—to ensure that we conduct audits in accordance with applicable laws and regulations. We test transactions for compliance with the Single Audit Act and California Government Code provisions of applicable grant guidelines, requirements of local measures, etc.

For example, the Single Audit Act requires that we determine which grants to include in our audit and select transactions from those grants for detailed testing. While most transactions are tested as part of the Interim phase, we cannot determine which grants to test for the Single Audit until the Year-End phase of audit.

Our compliance audits of cash, investments, debt covenants, and other areas are performed in accordance with the California Government code, which has many provisions and regulations covering investments.

Approach to be taken in determining audit samples for purposes of compliance testing

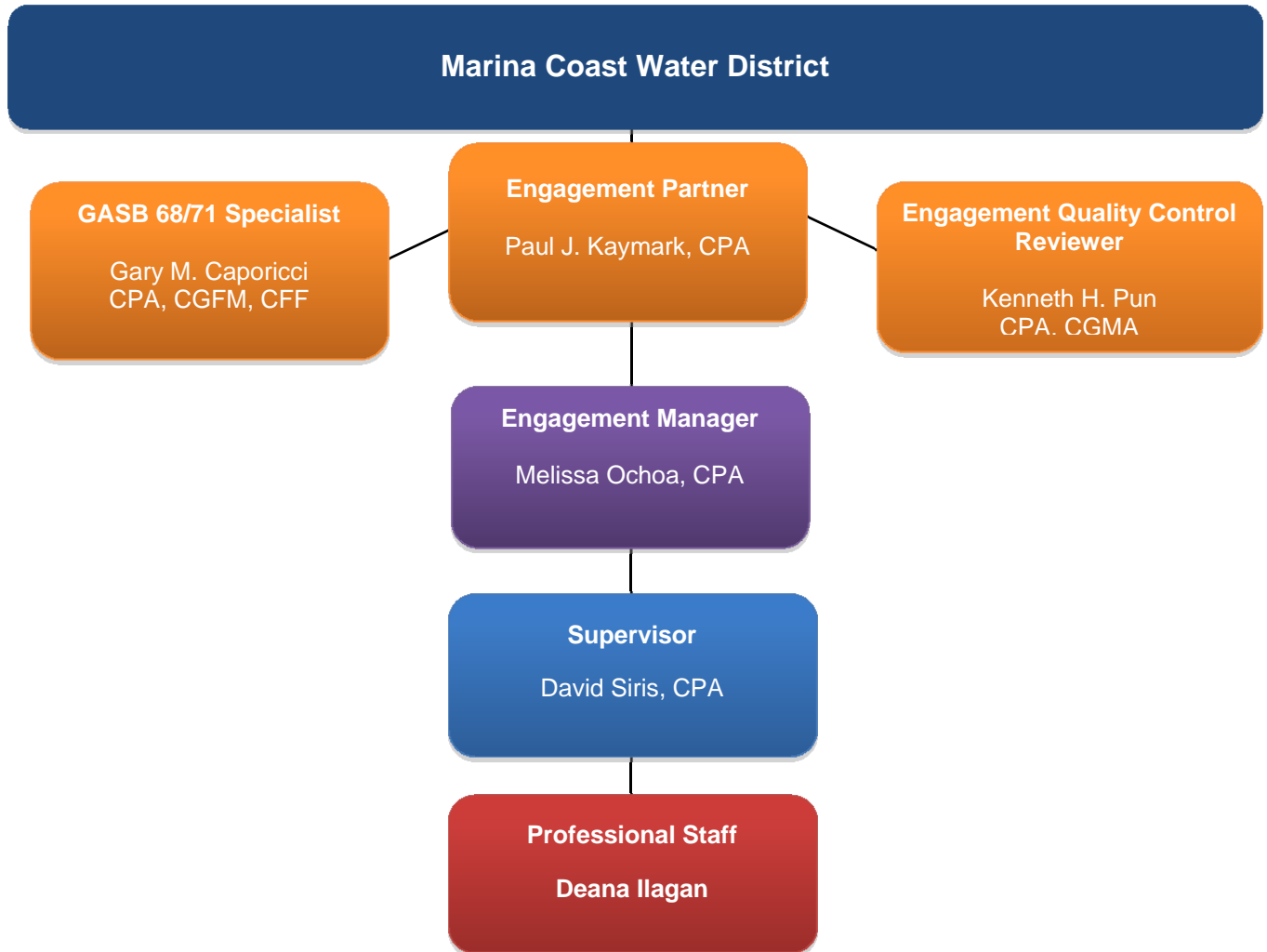
To test compliance, we follow the AICPA's *Audit Sampling Considerations of Circular A-133 Compliance Audits*. We will select an appropriate sample size based on our professional judgment and knowledge. Any deviations from control and compliance requirements will be documented.

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Section III – Qualifications

The Engagement Team is carefully chosen to provide the District with all services needed to successfully complete the audit. The Engagement and Concurring Partners are personally involved in the audit, and the Engagement Team has significant experience in governmental auditing. Our broad experience and technical capabilities allow us to provide technical support, interpret findings, and offer effective solutions to any issues.



The personnel assigned to this engagement are fully qualified to perform an effective and efficient audit of the District, and their extensive experience will be invaluable to the audit process. Our professionals are familiar with the complexities of governmental accounting, auditing, and financial reporting, including but not limited to, all GASB pronouncements, the Single Audit Act, OMB Circular A-133, and fund operations.

If the Firm changes key personnel for reasons other than those specified in the Proposal, we will provide the District with written notification and will only be changed with the express prior written permission of the District.

Other audit personnel may be changed with replacement that has substantially the same or better qualifications or experience.

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Paul J. Kaymark, CPA ***Engagement Partner***

Paul is an assurance partner with the Government and Not-for Profit Practice of the Firm who has over twenty-years of public accounting experience. He specializes in auditing special district governments and not-for-profit organizations. Paul will directly oversee the Engagement Team, and he will be responsible for the delivery of all services to Marina Coast Water District. In addition, he will manage engagement planning and fieldwork, and he will review and approve the work papers and reports.

Kenneth H. Pun, CPA, CGMA ***Engagement Quality Control Reviewer***

Ken is an assurance partner and the Partner In-Charge of Government and Not-for Profit Practice at the Firm who has over fifteen years of public accounting experience. He specializes in audits and management consulting for government organizations. Ken will act as the Concurring partner.

Gary M. Caporicci, CPA, CGFM, CFF ***GASB 68/71 Specialist***

As an assurance partner with over forty years of experience, Gary has provided financial and compliance audit and consultation services to governmental clients including cities, counties, transportation agencies, and school districts, as well as various not-for-profit entities. He provides advice and consultation regarding complex accounting matters, assists engagement teams in audit matters. Gary will be responsible in providing advice and consultation for the implementation of these new pension standards.

Melissa Ochoa, CPA ***Engagement Manager***

Melissa will work closely with Paul Kaymark and Gary Caporicci, directing the audit team in its daily activities. She is an assurance services/audit manager and has extensive experience auditing local government entities including special districts, cities, counties, not-for-profit and healthcare entities.

David Siris, CPA ***Supervisor***

David will direct the audit staff, coordinate with Marina Coast Water District personnel, and implement the audit approach.

Deana Ilagan ***Professional Staff***

Deana is qualified to perform financial and compliance audits of special district and other governmental agencies. This ensures that the staff quality will be consistent throughout the engagement term. Because we support both staff development and engagement continuity, we encourage senior and staff accountants to take increased responsibilities on their previous engagements as they advance professionally.

Marina Coast Water District

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Quality-Control System

The quality of our practice is extremely important to the Firm, as well as to our clients and the people who rely on our reports. We are meticulous about meeting professional standards, and we are careful to form professional relationships only with individuals who have strong integrity.

Our quality-control system, which is designed to meet our own elevated standards and those of the AICPA, includes the following professional-development activities:



Professional Development

Each Engagement Team member is up-to-date with continuing professional education requirements. The Firm encourages staff members to participate in the continuing education programs offered by the AICPA and the CalCPA Education Foundation. These classes include, among others:

- Basic Concepts of Governmental Accounting, Financial Reporting and Auditing
- Government Auditing Standards
- GASB Basic Financial Statements for State and Local Governments
- Single Audits: OMB Circular A-133
- Governmental and Nonprofit Annual Update
- Governmental Accounting and Auditing: The Annual Update
- Auditing Standards: A Comprehensive Review

In addition, the Firm provides comprehensive in-house training for all levels of staff. The program includes seminars developed by the Firm, educational programs developed by the AICPA and CalCPA, and on-the-job training.

Every year, all professional and administrative staff members receive an annual overview and review of topics such as these:

- Principles of accounting and financial reporting for state and local governments
- Governmental fund types
- Newly issued U.S. generally accepted auditing standards and government auditing standards
- Internal control evaluation approaches, including COSO Internal Control Framework
- Updates on recent governmental accounting and reporting guidelines and pronouncements
- Single Audit requirements and approaches
- Risk based audit approaches
- Working paper techniques
- Current issues facing the governmental community

These ongoing continuing education activities and training programs ensure the Engagement Team is highly educated, well prepared, and fully able to perform an efficient and effective audit of the District.

Engagement Team Resumes

Marina Coast Water District deserves experienced professionals who work as a team. The Pun Group, LLP will provide qualified employees to perform the audit; no subcontractors will be used. Resumes for key Engagement Team members follow.



Paul J. Kaymark, CPA *
Engagement Partner

Paul J. Kaymark is an Audit Partner with the Governmental and Not-for-Profit Practice of The Pun Group, LLP. Prior to joining our firm, Mr. Kaymark spent over twenty-years with KPMG, McGladrey and CZFCPA in these firms' governmental and not-for-profit audit services practice.

Mr. Kaymark has also provided significant other services to various governmental and not-for-profit entities. In these engagements, he has been involved in the strategic planning processes, design and implementation of policies and procedures manuals and operational and organizational reviews of accounting departments. He has also been involved in the implementation of performance management budgeting and planning processes, financial reviews, trend analysis, cash management practices and utility rate setting.

EDUCATION

BS Degree in Business Administration,
emphasis in Accountancy from Cal
State University Long Beach

PROFESSIONAL & CIVIC AFFILIATIONS

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Certified Public Accountants (CalCPA)
- Member, Government Finance Officers Association (GFOA)
- Member, California Society of Municipal Finance Officers (CSMFO)
- GFOA Certificate for Excellence in Financial Reporting – Reviewer

AREAS OF EXPERTISE

Audits
Reviews
Federal Compliance

PROFESSIONAL EXPERIENCE

- Metropolitan Water District of Southern California
- San Diego County Water Authority
- Imperial Irrigation District
- Los Angeles County Sanitation District
- City of Los Angeles Department of Water & Power
- County of Los Angeles
- City of Glendale Water & Power
- City of Long Beach
- City of Pasadena
- City of South Pasadena
- City of Santa Monica
- Mojave Water Agency
- Casitas Municipal Water District
- Hi-Soledad-Mission Water District
- North Marin Water District
- Palmdale Water District
- Rincon del Diablo Municipal Water District
- West Valley Water District
- Big Bear City Community Services District
- Stallion Springs Community Services District
- Monterey Regional Water Pollution Control Agency
- Various Airport, Cemetery, Fire and Park & Recreation Special Districts
- Various Not-For-Profit organizations throughout California

CONTINUING PROFESSIONAL EDUCATION

- Various municipal accounting courses offered by the CalCPA Education Foundation including:
 - Governmental and Nonprofit Annual Update
 - Government Auditing Standards
 - GASB Basic Financial Statements for State and Local Governments
 - Single Audits: OMB Circular A-133
- Has met the current CPE educational requirements to perform audits of governmental agencies.

200 East Sandpointe Avenue, Suite 600
Santa Ana, California 92707

paul.kaymark@pungroup.com

**Licensed by the State of California*



Kenneth H. Pun, CPA*, CGMA Engagement Quality Control Reviewer

Kenneth H. Pun is the Partner In-Charge of the Governmental and Not-for-Profit Practice and the Founder of The Pun Group, LLP. Prior to founding his own practice, Mr. Pun spent over twelve years with Caporicci & Larson, a specialty CPA firm recognized as one of California's foremost experts in governmental and not-for-profit accounting, auditing, and advisory services.

Ken has more than fifteen years of public-accounting experience and has achieved with a high level of expertise from successfully working with the governmental, private, and not-for-profit sectors. Clients often engage Ken because he provides premier service, commits to completing projects quickly and accurately, and introduces innovative methods of increasing operational efficiencies and reducing costs. Mr. Pun is a trusted advisor and a leader of accounting services to governmental and not-for-profit organizations.

In addition to working with clients, Ken provides the audit teams with direction and technical guidance to ensure adherence to the Firm's quality controls, and he assists with the development of the Assurance Services practice. Ken also speaks publicly on topics related to audits and quality control and shares his expertise with clients through annual educational seminars.

EDUCATION

BS Degree in Business Administration,
emphasis in Accounting from the
University of California, Riverside

AREAS OF EXPERTISE

Audits
Reviews
Federal Compliance
Litigation Support

1655 North Main Street, Suite 355
Walnut Creek, California 94596

ken.pun@pungroup.com

**Licensed by the State of California*

PROFESSIONAL & CIVIC AFFILIATIONS

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Certified Public Accountants (CalCPA)
- Member, CalCPA Governmental Accounting and Auditing Committee
- Member, Government Finance Officers Association (GFOA)
- Member, California Society of Municipal Finance Officers (CSMFO)
- Speaker, CSMFO Conference (2014)
- GFOA Certificate for Excellence in Financial Reporting – Reviewer
- Speaker, California Education Foundation Long Beach and Orange County Chapter Fall Series 2014

PROFESSIONAL EXPERIENCE

- City of Arcadia
- City of Calexico
- City of Cerritos
- City of Chula Vista
- City of Clovis
- City of Soledad-Mission Hot Springs
- City of Fairfield
- City of Gardena
- City of Placerville
- City of Poway
- City of Stockton
- North County Transit District
- San Diego Metropolitan Transit System
- San Diego Association of Governments
- Town of Danville

CONTINUING PROFESSIONAL EDUCATION

- Various municipal accounting courses offered by the CalCPA Education Foundation and local universities including:
 - Governmental and Nonprofit Annual Update
 - Government Auditing Standards
 - GASB Basic Financial Statements for State and Local Governments
 - Single Audits: OMB Circular A-133
- Has met the current CPE educational requirements to perform audits of governmental agencies.

Marina Coast Water District

Proposal to Provide Annual Audit Services



Gary M. Caporicci, CPA*, CGFM, CFF GASB 68/71 Specialist

Gary M. Caporicci has more than forty years of diversified business experience, including a specialization in audit and management consulting for government organizations. Gary's clients include public and private universities and colleges, city and county governments, state agencies, joint power authorities, healthcare agencies, transportation agencies, and special Districts. Known for his expertise in the areas of construction and government, Gary wrote the AICPA audit guides on these topics, and he has authored many audit and accounting courses for professional groups, as well as academic institutions. He frequently speaks and lectures at many professional organizations, governmental seminars, and conferences held by industry associations, other accounting firms, and universities. In addition, he authors white papers for the California Committee on Municipal Accounting.

Prior to working with the Firm, Gary founded his own accounting practice. He also spent eleven years with a "Big Eight" professional services firm, where he was an Audit Manager and gained broad experience in a wide range of industries such as government, construction, manufacturing, mutual funds, and insurance. Prior to that, Gary held a consultant position with a "Big Four" practice and was Vice President of a national insurance and financial services company.

EDUCATION

BS Degree in
Accounting and Finance from the
Armstrong University

AREAS OF EXPERTISE

Audits
Reviews
Federal Compliance
Litigation Support

200 East Sandpointe Avenue, Suite 600
Santa Ana, California 92707

gary.caporicci@pungroup.com

**Licensed by the State of California*

PROFESSIONAL & CIVIC AFFILIATIONS

- Member and Instructor, American Institute of Certified Public Accountants (AICPA)
- Member, Author and Instructor, California Society of Certified Public Accountants (CalCPA)
- Past Chair, CalCPA Governmental Accounting and Auditing Committee
- Chair and Speaker, CalCPA Governmental Accounting and Auditing State Conferences
- Member, CalCPA Council
- Chair, California Committee on Municipal Accounting (CCMA)
- Member, Government Finance Officers Association (GFOA)
- Member, California Society of Municipal Finance Officers (CSMFO)
- Member, Governmental Accounting Standards Board (GASB),
- Member, Deposit and Investment Risks Disclosure Task Force (GASB No. 40)
- National Reviewer and Speaker, Government Finance Officers Association
- Adjunct Professor, National University
- Past Member, Texas Governmental Accounting and Auditing Committee
- GFOA Certificate for Excellence in Financial Reporting – Reviewer

CONTINUING PROFESSIONAL EDUCATION

- Author and instructor of various municipal accounting courses offered by CalCPA Education Foundation and local universities including:
 - Governmental and Nonprofit Annual Update
 - Government Auditing Standards
 - GASB Basic Financial Statements for State and Local Governments
 - Single Audits: OMB Circular A-133
- Has met the current CPE educational requirements to perform audits of governmental agencies

Marina Coast Water District

Proposal to Provide Annual Audit Services



Melissa Ochoa, CPA*

Engagemnet Manager

Melissa Ochoa is a Manager in The Pun Group, LLP's Assurance division. Melissa has over fifteen years of accounting and auditing experience working with governmental agencies, not-for-profit entities, and private for profit entities. Melissa also has particular expertise in conducting financial audits under GAO Yellow Book standards and compliance audits in accordance with OMB Circular A-133.

Melissa has performed audits and other attestation services for several governmental agencies throughout California including: special districts, airports, financing authorities, water, sewer, flood and sanitation districts. She has assisted these clients with publishing their Comprehensive Annual Financial Reports in compliance with GASB Statement No. 34.

Melissa develops training materials and shares her expertise internally with other Firm professionals. Melissa is a frequent speaker at in-house seminars on topics related to government auditing standards and Single audits.

EDUCATION

BA Degree in Business Administration, Emphasis in Accounting, from California State University, Fullerton

AREAS OF EXPERTISE

Audits
Reviews
Federal Compliance

PROFESSIONAL & CIVIC AFFILIATIONS

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Certified Public Accountants (CalCPA)
- Member, Member of Government Finance Officers Association (GFOA)
- Member, California Society of Municipal Finance Officers (CSMFO)

RELEVANT PROJECT EXPERIENCE

- Castaic Lake Water Agency
- Monterey Regional Water Pollution Control Agency
- North Marin Water District
- El Toro Water District
- East Orange County Water District
- Trabuco Canyon Water District
- Hi-Soledad-Mission Water District
- Casitas Municipal Water District
- Soquel Creek Water District
- Santa Maria Airport District
- Gold Coast Transit
- Oxnard Harbor District
- Rancho Santa Fe Fire Protection District
- Coachella Valley Mosquito and Vector Control District
- West Valley Mosquito and Vector Control District
- Injured Marine Semper Fi Fund
- Festival of Arts of Laguna Beach
- Laguna Beach Seniors
- Irvine Chamber of Commerce
- Quality Drug Holdings Corporation
- Oschin Family Foundation
- Compilations and Reviews of several private entities

CONTINUING PROFESSIONAL EDUCATION

- Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:
 - Governmental and Nonprofit Annual Update
 - Government Auditing Standards
 - GASB Basic Financial Statements for State and Local Governments
 - Single Audits: OMB Circular A-133
 - Financial Accounting Standards Board Annual Updates
 - Statement on Standards for Accounting and Review Services Updates
- Has met the current CPE educational requirements to perform audits of governmental agencies.

200 East Sandpointe Avenue, Suite 600
Santa Ana, California 92707

melissa.ochoa@pungroup.com

*Licensed by the State of California

Marina Coast Water District

Proposal to Provide Annual Audit Services



David Siris, CPA *

Supervisor

David Siris is a Supervisor for The Pun Group, LLP. He has more the seven (7) years of governmental experience that ranges from GASB audit/reporting, Internal Controls/COSO Framework, and Single Audit.

David has been involved in providing significant services to various government entities and actively contributed and participated in the planning process, implementation of the audit work plan, supervision of staff, compliance testing for the Single Audit, and preparation of the Comprehensive Annual Financial Reports and other various reports.

PROFESSIONAL & CIVIC AFFILIATIONS

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Certified Public Accountants (CalCPA)

RELEVANT PROJECT EXPERIENCE

- City of Arcadia
- California Municipal Finance Authority
- City of Cerritos
- City of Gardena
- City of Hermosa Beach
- City of Lawndale
- City of Loma Linda
- City of Lomita
- City of Redding
- City of San Clemente
- City of San Gabriel
- City of Santa Barbara
- County of Santa Cruz
- City of Santa Clarita
- City of Stockton
- United Health Centers of San Joaquin Valley

CONTINUING PROFESSIONAL EDUCATION

- Various municipal accounting courses offered by the California Society of CPAs and local universities including:
 - Governmental Financial Reporting Standards and Practices
 - Yellow Book: Government Auditing Standards
 - Municipal Accounting
 - Single Audit
- Has met the current CPE educational requirements to perform audits of governmental agencies.

EDUCATION

BS Degree in Finance from Cal State University Fullerton

AREAS OF EXPERTISE

Audits
Reviews
Federal Compliance
Litigation Support

200 East Sandpointe Avenue, Suite 600
Santa Ana, California 92707

david.siris@pungroup.com

**Licensed by the State of California*

Marina Coast Water District

Proposal to Provide Annual Audit Services



Deana Ilagan Professional Staff

Deana Ilagan is a Professional Staff for The Pun Group, LLP. She has more than six (6) years of public-accounting experience with governmental, private, and not-for-profit sectors. Governmental experience ranges from GASB audit/reporting and Internal Controls/COSO Framework.

In various engagements, Deana has been involved in providing significant services to various government entities and actively contributed and participated in the planning process, implementation of the audit work plan, and preparation of the Comprehensive Annual Financial Reports and other various reports.

EDUCATION

BS Degree in Business Administration, emphasis in Accounting from California State University, Long Beach

AREAS OF EXPERTISE

Audits
Reviews

200 East Sandpointe Avenue, Suite 600
Santa Ana, California 92707

deana.ilagan@pungroup.com

PROFESSIONAL & CIVIC AFFILIATIONS

- Member, California Society of Certified Public Accountants (CalCPA)

RELEVANT PROJECT EXPERIENCE

- City of Garden Grove
- City of Palm Springs
- Castaic Lake Water Agency
- Chino Basin Water Conservation District
- Chino Basin Watermaster
- Big Bear City Community Services District
- Gold Coast Transit
- Hi-Soledad-Mission Water District
- Lake Hemet Municipal Water District
- Monterey Regional Water Pollution Control Agency
- Palmdale Water District
- Port of Hueneme – Oxnard Harbor District
- San Lorenzo Valley Water District
- Scotts Valley Water District
- Solano Irrigation District
- Stallion Springs Community Services District
- Victor Valley Wastewater Reclamation Authority
- The Farm Mutual Water Company
- Nature Reserve of Orange County
- Orange County Coastkeepers
- Semper Fi Fund
- Bi-Bett Corporation
- Ujima Family Recovery Services

CONTINUING PROFESSIONAL EDUCATION

- Various municipal accounting courses offered by the California Society of CPAs and local universities including:
 - Governmental Financial Reporting Standards and Practices
 - Yellow Book: Government Auditing Standards
 - Municipal Accounting
- Has met the current CPE educational requirements to perform audits of governmental agencies.

Marina Coast Water District

Proposal to Provide Annual Audit Services

Section IV – References

The following engagements are ranked based on total staff hours. Please contact the following governmental agencies to learn more about their experiences working with us.

Reference No. 1

Governmental Client Name: Palmdale Water District
Contact Individual: Mr. Dennis Hoffmeyer
Address: 2029 East Avenue "Q", Palmdale, CA 93550
Year: 2014 - Present

Phone No: (661) 456-1021

Description of Services Provided:

- ✓ Audit and preparation of the Basic Financial Statements

Reference No. 2

Governmental Client Name: El Toro Water District
Contact Individual: Ms. Neely Shahbakht
Address: 24251 Los Alisos Blvd., Lake Forest, CA 92630
Year: 2014 - Present

Phone No: (949) 837-7050 x 240

Description of Services Provided:

- ✓ Audit of the Basic Financial Statements
- ✓ Quarterly Agreed-Upon Procedures Engagement

Reference No. 3

Governmental Client Name: Las Virgenes Municipal Water District
Contact Individual: Mr. Joseph Lillio, Finance Manager
Address: 4232 Las Virgenes Road, Calabasas, CA 9202
Year: 2013 - Present

Phone No: (818) 251-2128

Description of Services Provided:

- ✓ Audit of the Comprehensive Annual Financial Report (CAFR).
<http://www.lvmwd.com/home/showdocument?id=4683>
- ✓ Las Virgenes-Triunfo Joint Powers Authority (JPA)

Reference No. 4

Governmental Client Name: San Dieguito Water District
Contact Individual: Ms. Cindy Choquette, Sr. Financial Analyst
Address: 505 S. Vulcan Avenue, Encinitas, CA 92024
Year: 2014 - Present

Phone No: (760) 943-2290

Description of Services Provided:

- ✓ Audit and preparation of the Basic Financial Statements.

Marina Coast Water District

Proposal to Provide Annual Audit Services

Section V – Cost Proposal

Certification

We are committed to the performance of a high quality audit at the most reasonable fee level possible, both initially and throughout the engagement. Also, both partners will provide advice and consultation as needed, at no additional cost to the Marina Coast Water District.

Name of Firm: The Pun Group, LLP
 Certified Public Accountants and Business Advisors
 1655 North Main Street, Suite 355
 Walnut Creek, California 94596

Certification: Kenneth H. Pun is entitled to represent the Firm, empowered to submit the bid, and authorized to sign a contract with the Marina Coast Water District.

Total All-Inclusive Maximum Price

Following are our total “not-to-exceed” fees for the first year (FY2014-2015) and the optional two (2) subsequent years of the engagement (FY2015-2016, and FY2016-2017), per District’s request:

Service	2014-2015	2015-2016	2016-2017
District's Financial Audit, and related reports	\$ 24,000	\$ 24,000	\$ 24,000
Total for fiscal year (not-to-exceed)	\$ 24,000	\$ 24,000	\$ 24,000
Optional Services	2014-2015	2015-2016	2016-2017
Single Audit, if required*	\$ 3,000	\$ 3,000	\$ 3,000

*The Single Audit fee is based on (1) one major program. The fee to audit additional major programs will be \$3,000 each. The number of programs determined to be “major” will be based on OMB Circular A-133. The Engagement Team will discuss this with the Marina Coast Water District’s management before starting Single Audit work.

Rates for Professional Services

Below is detailed information regarding the estimated number of hours and rates to be dedicated to the City’s engagement, delineated by staffing level.

Financial Audit	Hours	Rate	Fee
Partner	20	\$ 175.00	\$ 3,500
Manager	40	\$ 150.00	6,000
Supervisor	65	\$ 125.00	8,125
Staff	80	\$ 100.00	8,000
Subtotal			\$ 25,625
Discount			(1,625)
Grand Total	205		\$ 24,000

Marina Coast Water District

Proposal to Provide Annual Audit Services

Rates for Additional Professional Services

The Firm's policy is to maintain flexible billing rates in order to meet the needs of clients and help them control costs. In the interest of the start of our long-term relationship, we will **absorb all costs** required to familiarize ourselves with the operations and accounting systems, as well as, travel, typing, clerical and printing costs. Additionally, our Partners will be available to provide advice and consultation as necessary to the Marina Coast Water District. These **costs** will also be **absorbed** by the Firm.

Any supplemental reports, audits, or agreed-upon procedures not covered by this proposal may be added in a written addendum/agreement prior to commencing audit work. The Firm and the District shall discuss and approve the scope and associated costs of these tasks. Any additional work will be performed at the same rates set forth on the schedule of fees and expenses included in the above cost proposal.

Manner of Payment

Engagement Team members are required to maintain timesheets detailing the date, number of hours, and work performed for every audit task. The Firm will collect these timesheets and bill Marina Coast Water District, at the rates outlined in this proposal, in three stages: at the conclusion of the interim phase, at the conclusion of the Year-End phase, and after presentation and acceptance of the final audit reports. Billing is based on a percentage of completion of content. Interim billings will cover a period not less than a calendar month. The billing amounts generally break down as follows:

Work Performed	% of Proposal Amount
For Planning	10%
For Interim work	40%
For year end work	40%
At Presentation and Acceptance of Final Reports	10%
Total	<u>100%</u>

Section VI – Draft Agreement

The Firm has no objections to the District's standard Professional Services Agreement. A draft copy of the District's Professional Service Agreement can be found in the Appendix on page 29.

Marina Coast Water District

Proposal to Provide Annual Audit Services

Benefits of Choosing The Pun Group, LLP

The Pun Group, LLP is known for its professionalism, integrity, and ability to guide clients through their unique challenges. Firm policy emphasizes providing personalized client service, so our carefully chosen engagement teams are led by an experienced partner who is directly involved in the work. This philosophy allows us to provide a superior level of service.

We trust that this proposal has given you the information you need about the Firm, the Engagement Team members, overall audit approach, cost-saving measures, and audit fees. We are committed to exceeding your expectations, and we look forward to bringing our experience and expertise to the Marina Coast Water District and providing you with the excellent level of service that you expect and deserve.

Thank You

Thank you for giving us the opportunity to introduce the Firm and submit our qualifications to provide you with audit services. Please direct inquiries to:

Mr. Kenneth H. Pun, CPA, CGMA
Managing Partner
1655 North Main Street, Suite 355
Walnut Creek, California 94596
ken.pun@pungroup.com
(925) 954-3301

Sincerely,

A handwritten signature in black ink that reads "The Pun Group, LLP". The signature is written in a cursive, flowing style.

The Pun Group, LLP
Certified Public Accountants and Business Advisors

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APPENDIX

- ✓ Draft Professional Service Agreement
- ✓ Proof of Insurance

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**PROFESSIONAL SERVICES AGREEMENT FOR
CONSULTING SERVICES
BETWEEN
MARINA COAST WATER DISTRICT
AND
The Pun Group, LLP**

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: _____
11 Reservation Road
Marina, CA 93933

The undersigned Consultant offers to furnish the following:

MCWD wishes to engage The Pun Group, LLP 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 \$ 24,000

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>The Pun Group, LLP</u>
By _____	By _____
Name _____	Name <u>Kenneth H. Pun</u>
Title _____	Title <u>Managing 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 not accept direction or orders from any person other than the General Manager or his designee.

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.

Attachment A - Scope of Services

The District wishes to engage The Pun Group, LLP to perform the following Scope of Services:

- Perform an audit of the District's financial statements in accordance with Generally Accepted Auditing Standards as set forth by the American Institute of Certified Public Accountants, and in accordance with "Minimum Audit Requirements and Reporting Guidelines for California Special Districts" as required by the State of Controller's Office.
- Prepare an audit report of the District's financial statements which will be prepared by the District with assistance and recommendations from the selected external auditor.
 - Examples of suggested changes or additions to footnote disclosure will be provided by the selected external auditor.
 - The audit report shall include at least the auditor's comments on the study and evaluation of the internal control structure of the District. It must identify the organization's significant internal accounting controls. This report must identify the controls not evaluated, and any material weaknesses identified as a result of the evaluation.
 - The audit report must contain any other applicable requirements of law under the Governmental Accounting Standards Board.
 - Prior to the submission of the final report, the audit firm's staff will be required to review the draft report and management letter with District Staff.
- Prepare a management letter that includes a statement of audit findings (any reportable conditions found during the audit) and recommendations affecting the financial statements, internal control structure, accounting procedures, accounting systems, legality of actions, and any instances of non-compliance with laws and regulations and any other material matters. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize, and report the financial data consistent with the assertions of management in the financial statements.
- If conditions are discovered which lead to the belief that material errors, defalcations, or other irregularities may exist, or if any other circumstances are encountered that require extended services, the auditor will promptly advise the District's General Manager and/or the Board President and Budget & Personnel Committee.

- If required, prepare and forward to the State Controller's Office the Annual Report of Financial Transactions of Special Districts pursuant to Government Code Section 53891.
- Attend District Board of Directors meeting when the audited financial statements are presented to the Board.

Marina Coast Water District

Proposal to Provide Annual Audit Services



CERTIFICATE OF LIABILITY INSURANCE

PUN&M-1 OP ID: S9

DATE (MM/DD/YYYY)
05/05/2015

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Leavitt Ins Agency San Diego CA License #0B72756 3636 Nobel Drive, Suite 100 San Diego, CA 92122 Mike Pradels - Assigned	Phone: 858-259-5800 Fax: 858-259-6069	CONTACT NAME: Sandra Bao PHONE (A/C, No, Ext): 858-519-3211 E-MAIL ADDRESS: sandra-bao@leavitt.com FAX (A/C, No):
	INSURER(S) AFFORDING COVERAGE INSURER A: Travelers Casualty Ins Co Amer NAIC # 31194 INSURER B: Travelers Casualty Ins Co Amer NAIC # 31194 INSURER C: Argonaut Midwest Insurance Co NAIC # 19828 INSURER D: INSURER E: INSURER F:	
INSURED The Pun Group, LLP 1655 N. Main Street, Suite 355 Walnut Creek, CA 94596		

COVERAGES CERTIFICATE NUMBER: REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR			16802B545975	03/01/2015	03/01/2016	EACH OCCURRENCE \$ 2,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 300,000 MED EXP (Any one person) \$ 5,000 PERSONAL & ADV INJURY \$ 2,000,000 GENERAL AGGREGATE \$ 4,000,000 PRODUCTS - COMP/OP AGG \$ 4,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC						
A	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS			16802B545975	03/01/2015	03/01/2016	COMBINED SINGLE LIMIT (Ea accident) \$ 2,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
	<input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS						
	UMBRELLA LIAB EXCESS LIAB						OCCUR CLAIMS-MADE DED RETENTION \$
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below			JUB2B550371	03/01/2015	03/01/2016	<input checked="" type="checkbox"/> WC STATUTORY LIMITS OTHER E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000
	Y/N <input checked="" type="checkbox"/> N/A						
	DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)						
C	E&O			IAC1193201 CLAIMS MADE	03/01/2015	03/01/2016	Per Claim 1,000,000 Aggregate 3,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
 Certificate holder is named as additional insured per CGD105 04-94.

CERTIFICATE HOLDER Evidence of Insurance	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.
	AUTHORIZED REPRESENTATIVE <i>Sandra Bao</i>

