

**CITY OF MANHATTAN BEACH
PROFESSIONAL AUDITING
SERVICES PROPOSAL
RFP #974-14, AUDITING SERVICES**

**FOR THE THREE YEARS ENDING
JUNE 30, 2016**

**(WITH OPTIONS TO EXTEND FOR THE
TWO YEARS ENDING
JUNE 30, 2017 AND 2018)**

Submitted By:

WHITE NELSON DIEHL EVANS LLP



TITLE PAGE

RFP Subject: Certified Audits on the City of Manhattan Beach
For the Three Years Ending June 30, 2016
(With Options to Extend for the Two Years
Ending June 30, 2017 and 2018)

Name of Proposer: White Nelson Diehl Evans LLP
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Engagement Partner

Nitin P. Patel, CPA
Technical Review Partner

Date: February 5, 2014

CITY OF MANHATTAN BEACH

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February 5, 2014

Mr. Bruce Moe
Finance Director
City of Manhattan Beach
1400 Highland Avenue
Manhattan Beach, CA 90266

Dear Mr. Moe:

We are pleased to present our proposal to serve as independent auditors for the City of Manhattan Beach. We have prepared this information in accordance with the guidelines set forth in your request for proposal.

Why We Are The Best Qualified Firm

We consider ourselves to be the best qualified firm to perform auditing and accounting services for the City of Manhattan Beach. Please consider these qualifications:

- A significant part of our practice is devoted to providing professional services to your governmental industry and over the past year, the firm provided services to approximately 100 governmental organizations and on an annual basis our firm issues over 150 reports on audits of governmental agencies including, Cities, Redevelopment Agencies, Special Districts and Joint Power Authorities.
- Our firm has devoted a substantial amount of time and resources in order to provide governmental agencies with quality audits. Our knowledge of the industry is best demonstrated by the fact that our clients who apply for the "Outstanding Award in Financial Reporting" issued by the California Society of Municipal Finance Officers (CSMFO) and the "Certificate of Achievement in Financial Reporting" issued by the Government Finance Officers Association (GFOA) consistently receive these awards. A list of these clients is presented on page 6 of this proposal.
- We are in a professional alliance with BDO Seidman, a National Accounting Firm, and a network of accounting firms allowing us the ability to provide quality attestation services. The BDO Alliance provides us access to BDO's personnel and technical resources which allows White Nelson Diehl Evans LLP to deliver the range of services and capabilities of a large national firm, including the use of specialists to support the needs of our clients.
- We are a full service CPA firm. Our Consulting Services Department can provide the City with a variety of services, including investment policy compliance reviews, litigation support, dispute resolution services, and consulting on a wide array of governmental issues.
- Our audits include extensive use of information technology as described in detail on pages 6 and 7 of our proposal.

Why We Are The Best Qualified Firm (Continued)

- We understand that we provide a service to the City. We are committed to providing an effective and efficient audit that will meet the proposed timing of the project deliverables by assigning experienced governmental auditors. Understanding the size of the City of Manhattan Beach and the scope of work requested in the proposal, we are proposing an engagement team with extensive governmental audit experience. The staffing plan includes Robert J. Callanan, CPA, the engagement partner with 23 years of experience, Michael Glaab, CPA with 9 years of experience who will manage the audit, and Joseph Ludin, CPA a supervisor with 5 years of experience who will be on-site supervising the audit fieldwork. We are confident that the proposed staffing plan with an engagement team experienced in governmental audits and who are familiar with municipal procedures will result in an effective and efficient audit that meets the project timing and deliverables requirements with minimum disruption to your staff.

The scope of our services for the three years ending June 30, 2016 would be as follows:

- A financial audit of the basic financial statements of the City of Manhattan Beach in accordance with Governmental Auditing Standards to be included in the Comprehensive Annual Financial Report (CAFR).
- A Single Audit of Federal Grants to be performed to meet the requirements of the U.S. Office of Management and Budget (OMB) Circular A-133.
- An agreed-upon procedures review of the calculation of the City's GANN Appropriations Limit (GANN), as required by Section 1.5 of Article XIII B of the California Constitution.
- A management letter containing any comments or recommendations resulting from our review of the systems of internal controls in connection with the financial audits.
- A report communicating information related to the audit to those in charge of governance at the conclusion of the audits.
- Our fees include assistance with the implementation of new GASB pronouncements, including the pension standards. We will advise City staff of new GASB pronouncements during the planning stage of the audit.
- At the City's discretion, assistance in preparing the City's CAFR.

We make a commitment to deliver all necessary reports based on the timetable presented herein on page 19. Also, a more detailed discussion of our understanding of the work to be performed is set forth on pages 19 through 26.

Our goal is to provide the City with the highest quality of service, including a CAFR which meets all required reporting standards. We are confident that our service and experience will be of benefit to the City and will provide added value over and above the performance of the audit itself. Throughout the year, you should feel comfortable in calling us for advice regarding accounting and auditing matters, as we are never too busy to meet the needs of our clients.

We thank the City for the opportunity to present our proposal. Please feel free to contact me, or Mr. Nitin P. Patel, CPA, at (714) 978-1300 if you have any questions. This proposal constitutes a firm and irrevocable offer for 60 days from the date of this letter. Mr. Patel and I are authorized to represent our firm, and bind the firm to a contract.

Very truly yours,

WHITE NELSON DIEHL EVANS LLP



Robert J. Callanan, CPA
Engagement Partner

FIRM PROFILE AND QUALIFICATIONS

LICENSING AND INDEPENDENCE

Our firm, and all of our certified personnel, are properly licensed to practice public accounting in California.

Also, we meet the independence requirements of "Government Auditing Standards", as published by the U.S. General Accountability Office. We have no conflict of interest with the City and will provide written notice to the City of any professional relationships contemplated with the City during our term as auditors. We have not provided auditing or any other services to the City during the past five years.

SIZE AND LOCATION OF THE FIRM

White Nelson Diehl Evans LLP is a California accounting firm with offices in Irvine, Carlsbad and Escondido.

Our firm has approximately 120 employees. The audit department for the firm has approximately 55 professional staff members, including 11 partners and 15 managers. Your City would be served by the audit department from our Irvine office, which has approximately 45 professional staff members, including 10 partners and 12 managers.

White Nelson Diehl Evans LLP has extensive experience in providing auditing, accounting and consulting services in the governmental sector. Over twenty thousand hours per year are devoted to this area of our practice for over 100 governmental units including cities, successor agencies, special districts, nonprofit corporations and joint power authorities.

RANGE OF ACTIVITIES

White Nelson Diehl Evans LLP is a full service CPA firm. We offer a broad range of services, including:

Certified Audits	Tax Planning and Consulting
Compilations and Reviews	Income Tax Preparation and Representation
Agreed-Upon Procedure Reviews	Consulting Services
Financial Services	Litigation Support Services

Our specific services available to governmental agencies are more fully set forth in this proposal.

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PARTICIPATION IN "QUALITY REVIEW" PROGRAMS

In July 2013, our firm underwent a quality review, by an independent CPA firm, under provisions of the AICPA Quality Review Program. This review is required every three years and covered our audits of governmental agencies. A final report dated August 3, 2013 with a pass rating on our systems and procedures was received. A copy of the independent CPA firm's report is included herein at Attachment II. Accordingly, we are confident that our current auditing standards and techniques meet all existing requirements.

No regulatory action has ever been taken against any office of our firm due to substandard work. We had no significant deficiencies noted in any federal or state desk reviews over the past three years.

EDUCATION PROGRAMS

White Nelson Diehl Evans LLP has a formal continuing education program. All firm auditors are required to obtain 80 hours of continuing education every two years in the accounting and auditing area as required by Government Auditing Standards, and at least 24 hours of government related continuing education courses. Our staff is continually expanding their knowledge of the governmental industry through our in-house training programs, programs offered by the AICPA, GFOA, the California Society of Certified Public Accountants and other professional organizations, and through on-the-job training.

Noted below is a description of certain in-house education courses taken by our partners and staff to meet the governmental continuing education requirements. All personnel involved with governmental auditing are required to attend these courses.

- Understanding the Risk Assessment Standards
- Understanding of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments
- Understanding, and Auditing, Deposits and Investments of California Governmental Units
- Understanding GASB Statements 43 and 45 related to Other Post Employment Benefits
- Reviews of Internal Controls in Accordance With Statements on Auditing Standards
- Assessing Audit Risk and Materiality in Conducting An Audit
- Consideration of Fraud in a Financial Statement Audit
- Computer Auditing in the Governmental Environment
- The Single Audit - New Provisions under OMB Circular A-133
- Laws and Regulations in the Government Sector
- Understanding GASB Statement 54 related to Fund Balance Reporting and Governmental Fund Type Definitions
- Understanding GASB Statement 65 related to reporting of Deferred Outflows and Deferred Inflows of Resources
- Understanding the new GASB Pension Standards

PARTICIPATION IN PROFESSIONAL ORGANIZATIONS

Our partners and staff are actively involved in professional organizations in the governmental accounting field. Noted below is a summary of our participation in various national and California governmental organizations.

AICPA

Our firm is a member of the AICPA Governmental Audit Quality Center. The Center is a firm-based voluntary membership Center whose primary purpose is to promote the importance of quality governmental audits to purchasers of governmental audit services. The Center provides members with an online forum tool for sharing best practices, as well as discussions on audit, accounting, and regulatory issues. As a member of the Center, the firm receives updates on changes in auditing and accounting standards that effect governmental audits. The quality control partner is required to attend an annual web cast to discuss auditing and reporting issues effecting governmental audits. Our firm uses the resources of the Center to maintain the quality of our governmental audits.

GFOA, GASB and FASB

Our firm is an associate member of the Government Finance Officers Association of the United States and Canada (GFOA).

Also, we have web based access to the latest pronouncements issued by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standard Board (FASB), including Interpretations, Technical Pronouncements and Newsletters. We regularly analyze these pronouncements and advise our governmental clients of changes in accounting rules.

CSMFO

Our Irvine office partners and our Director of Consulting Services are associate members of the California Society of Municipal Finance Officers (CSMFO). Our personnel regularly attend local CSMFO chapter meetings throughout Southern California, and the annual statewide conference. We often provide public speakers for these meetings.

CSCPA

Several partners and principals of the firm have been members of the Governmental Accounting and Auditing (GAA) Committee of the Orange County Chapter of the California Society of Certified Public Accountants (CSCPA). Mr. Patel, Mr. Ludin and Mr. Morgan have each served as chairman of this committee. Firm personnel have been involved over the years in preparing position papers issued for professional organizations on governmental accounting matters. Currently, Mr. Patel and Mr. Callanan are members of the State Governmental Accounting and Auditing Committee.

GFOA AND CSMFO AWARD PROGRAMS

The partner and manager will be involved in all phases of report preparation or review. Reporting checklists will be used to assure compliance with all reporting requirements. In addition, another member of the firm, not associated with the audit, and with extensive governmental auditing and accounting experience, will review each financial statement audited and related reports. Based on the high quality of our review process, we have been able to assist various clients in obtaining the GFOA "Certificate of Achievement for Excellence in Financial Reporting" or the "Outstanding Award" for financial reporting from CSMFO. The recent clients that have received the awards are:

Cities:

Alhambra
Bellflower
Beverly Hills
Buena Park
Burbank
Camarillo
Campbell
Costa Mesa
Cypress
Downey
Fountain Valley
Fullerton
Highland
Irvine
Lake Forest
Lakewood
Newport Beach
Palm Desert
Pico Rivera
Port Hueneme
Rancho Palos Verdes
Rancho Santa Margarita

Cities (Continued):

San Buenaventura
San Fernando
San Gabriel
San Juan Capistrano
Sanger
Signal Hill
Stanton
Tustin
West Covina
Westminster

Special Districts:

Costa Mesa Sanitary District
Inland Empire Utilities Agency
Las Virgenes Municipal Water District
Olivenhain Municipal Water District
Orange County Water District
Otay Water District
Rancho California Water District
Santa Ana Watershed Project Authority
Yorba Linda Water District

COMPUTER AUDITING CAPABILITIES

White Nelson Diehl Evans LLP uses technology to make the audit process more effective. We utilize a paperless audit software, ProSystem fx Engagement, which allows us to manage our audit documentation electronically. Some of the benefits of paperless audit are:

- Receive the City's schedules in either hard copy or electronic format.
- Import and integrate trial balance data from virtually any accounting system. We avoid the time and expense of keying in account numbers, descriptions and account balances. We simply take your electronic trial balance and import it directly into our audit software.
- Create our own lead sheets, which can include prior year balances. This helps us to easily identify significant fluctuations between fiscal years.
- CAFR schedules are linked to trial balances. CAFR is updated automatically for any last minute journal entries, if any.

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COMPUTER AUDITING CAPABILITIES (CONTINUED)

Our approach includes using IDEA (Interactive Data Extraction and Analysis) which is a data analysis software that can be used to analyze large amounts of information. It allows the firm to extract data from the City's accounting records to tailor specific audit tests based on risk assessments. Some audit procedures that IDEA can be utilized for are:

- Mechanical accuracy of worksheets or general ledgers.
- Exception and gap/completeness testing for missing check numbers.
- Cross checking different data bases for common information such as employee names.
- Duplicate testing of invoice numbers.
- Completeness of general ledger balances.

The firm also has document management software which allows our clients to access our web portal. We utilize the web portal to transfer data files that are confidential or too large to be sent by e-mail.

PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS AND EXPERIENCE

AUDIT TEAM

The audit team assembled consists of individuals who have extensive experience auditing governmental agencies and are familiar with municipal accounting. In addition, each team member's skill and experience developed working in other industries our firm serves can be applied to the individual requirements of the City of Manhattan Beach.

The personnel assigned to the engagement team are as follows:

The engagement partner will be Mr. Robert J. Callanan, CPA. Mr. Callanan has over 23 years of experience with audits of local governments. He will be involved with all phases of the audit including (a) the planning phase of the audit to assess risks related to the audit (b) a final review of all the work papers and financial reports, and (c) attending any meetings with City's management and City council at the conclusion of the audit. He will be responsible for assuring that all work for the City is performed in a complete and timely manner.

Mr. Nitin P. Patel, CPA, will be the Technical Review Partner and will perform a quality review of all reports issued in connection with the audit. Mr. Patel has over 28 years of experience with audits of local governments. He will also consult on the accounting treatment of unusual transactions or audit issues.

Mr. Michael Glaab, CPA, will serve as the audit manager. Mr. Glaab has over 9 years of experience with audits of local governments. He will be the primary contact for the City and related audits. He will (a) perform the initial review of the work papers including a review of the work completed related to internal controls, (b) supervise the completion of the financial reports and management letter and (c) assist in the audit of any complex or unusual audit areas.

The audit supervisor will be Mr. Joseph Ludin, CPA. Mr. Ludin has over 5 years of public accounting experience. He will be onsite supervising staff accountants and performing the fieldwork including performing tests of internal controls, substantive tests of account balances, and analytical tests. He will also draft the financial statements and various reports required for this engagement.

Resumes for the above partners and personnel are included at pages 9 through 14.

COMMITMENT RELATED TO PERSONNEL

We make a commitment to retain the same personnel on the City from year to year, except where such personnel leave the firm, or where the change is approved by the City. If a staff member is replaced, we make a commitment to replace that person with staff of at least equal experience.

NONDISCRIMINATION POLICY

Our firm has a policy to provide equal employment opportunities to all qualified persons without regard to race, color, age, sex, religion, national origin or handicap.

ROBERT J. CALLANAN, CPA

Position Engagement Partner

Education Aquinas College, Grand Rapids, Michigan
Bachelor of Arts, Business Administration, 1988
Bachelor of Science, Accounting, 1988

Licensing Certified Public Accountant in California since 1993

Professional Organizations American Institute of Certified Public Accountants - Member
California Society of Certified Public Accountants - Member
California Society of Municipal Finance Officers (CSMFO) -
Associate Member
California Governmental Accounting and Auditing Committee Member

Range of Experience Twenty-three years with the firm specializing in governmental audit, accounting and consulting services.

Two years of experience as Chief Financial Officer of a mortgage lending corporation.

Responsible for the firm's in-house governmental accounting and auditing training programs.

GFOA Report Reviewer for Award Program - Certificate of Achievement for Excellence in Financial Reporting.

Mr. Callanan was the engagement partner on the following local government audits in 2013:

Cities:

Camarillo
Campbell
Hawaiian Gardens
La Habra Heights
Lakewood
Oxnard
Pico Rivera
Rancho Santa Margarita
San Buenaventura
Signal Hill
West Covina

Special Districts:

Laguna Beach County Water District
Pico Rivera Water Authority
Pomona-Walnut-Rowland Joint Water
Line Commission
Rowland Water District
Sunset Beach Sanitary District
Surfside Colony Stormwater Protection
District
Surfside Community Services District
Valencia Heights Water Company
Ventura Port District

ROBERT J. CALLANAN, CPA (CONTINUED)

Range of

Experience In recent years, Mr. Callanan was the engagement partner on the following governmental clients:

Cities:

Avalon
Buena Park
Chino
Diamond Bar
Irvine
Los Alamitos
Mission Viejo
Oceanside
Rancho Palos Verdes
Santa Clarita

Special Districts:

Jurupa Community Services District

Continuing

Professional
Education

For the period of January 1, 2011 through December 31, 2013:

Total Hours: 207.00

Total Government Hours: 116.00

NITIN P. PATEL, CPA

Position Technical Review Partner

Education University of California at Irvine - Bachelor of Arts in Economics
California State University at Long Beach - Masters of Accounting Program

Licensing Certified Public Accountant in California since 1988

Professional Organizations American Institute of Certified Public Accountants
California Society of Certified Public Accountants
California Society of Municipal Finance Officers (CSMFO) - Associate Member
Governmental Accounting and Auditing Committee of Orange County
- Committee Chairman (2001-2002)
California Governmental Accounting and Auditing Committee Member

Range of Experience Has been with the firm since 1986 with emphasis in governmental accounting and financial reporting and is responsible for firm's in-house governmental accounting and auditing training programs.

Experience includes supervision of over one hundred audits of governmental agencies including cities, redevelopment agencies, non-profit corporations, joint powers authorities and special districts.

CSMFO Report Reviewer for Award Program.

GFOA Report Reviewer for Award Program - Certificate of Achievement for Excellence in Financial Reporting.

Other experience includes providing consulting services for governmental agencies including special internal control reviews, cost allocation plans, cable television rate reviews, reviews of City Treasurer operations and transient occupancy tax reviews of city hotels/motels.

Mr. Patel was the engagement partner on the following local government audits in 2013:

Cities:	Special Districts:
Alhambra	Chino Basin Desalter Authority
Artesia	Costa Mesa Sanitary District
Bellflower	Cypress Recreation and Park District
Burbank	El Toro Water District
Costa Mesa	Inland Empire Regional Composting Authority
Cypress	Inland Empire Utilities Agency
Gilroy	La Habra Heights County Water District
Lake Forest	La Puente Valley County Water District
Newport Beach	Las Virgenes Municipal Water District
Palm Desert	Otay Water District
Port Hueneme	Rancho California Water District
Rialto	South Coast Water District
San Gabriel	Yorba Linda Water District
Sanger	
Stanton	
Westminster	

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NITIN P. PATEL, CPA (CONTINUED)

Range of

Experience In recent years, Mr. Patel was the engagement partner on the following governmental clients:

Cities:

Fullerton
Healdsburg
Huntington Beach
Indian Wells
Lake Elsinore
San Fernando
San Juan Capistrano
Santa Clarita
Temecula
Thousand Oaks
Tustin

Special Districts:

Coachella Valley Association of Governments
Coachella Valley Conservation Commission
Laguna Beach County Water District
Lake Elsinore Assessment District
Lake Elsinore Community Facilities Districts
Midway City Sanitary District
Municipal Water District of Orange County
Orange County Water District
Puente Basin Water Agency
Sunset Beach Sanitary District
Victor Valley Wastewater Reclamation
Authority
Walnut Valley Water District

Continuing

**Professional
Education**

For the period of January 1, 2011 through December 31, 2013:

Total Hours: 166.00

Total Government Hours: 112.00

MICHAEL GLAAB, CPA

Position Audit Manager

Education Chapman University
 Bachelors of Science in Accounting, 2004

Licensing Certified Public Accountant in California Since 2006

Professional Organizations California Society of Certified Public Accountants (CSCPA)

Range of Experience Mr. Glaab has been employed with the firm since January 2004. Mr. Glaab has performed all phases of audits. He has managed audits in the following areas: manufacturing, retail, health care, financing, agriculture, non-profit, and local governments. As an audit manager, he is involved with planning the audit, supervising staff accountants, reviewing work performed in all areas of the audit, and preparation of financial statements. Mr. Glaab served as the audit manager on the following local government audits during 2013:

City of Beverly Hills	Los Angeles County Local Agency
City of Burbank	Formation Commission
City of Campbell	Riverside County Local Agency
City of Highland	Formation Commission
City of Signal Hill	San Bernardino County Local Agency
City of West Covina	Formation Commission

Mr. Glaab also served as the audit manager on the following for-profit and not-for-profit audits during 2013:

Anthem Foundation	Roger Dunn, Inc.
FirstSight Vision Services, Inc.	Specialty Silicone Fabricators, Inc.
LeVecke Corporation	The Ayn Rand Institute
Mission Financial Services Corp.	United Family Care, Inc.
Pacific American Fish Co.	Village Nurseries, LP

In addition to the audit experience noted above, Mr. Glaab has extensive experience with various compilation and review engagements, as well as audits of various employee benefit plans. He is also in charge of educating and monitoring staff.

Continuing Professional Education For the period of January 1, 2011 through December 31, 2013:

Total Hours: 120.50 Total Government Hours: 29.50

JOSEPH LUDIN, CPA

Position Audit Supervisor

Education California Polytechnic, San Luis Obispo, California
 Bachelor of Business Administration and Marketing, 2001

Licensing Certified Public Accountant license in California, June 2013

Range of Experience Mr. Ludin has been with the firm since July 16, 2009. Mr. Ludin has performed all phases of local governmental audits including Cities, Redevelopment Agencies, Single Audit of Federal Grants, Special Districts, Compliance Audits and Agreed-Upon Procedures engagements. As an audit senior, he is involved with planning the audit, performing fieldwork for all aspects of the audit, supervising staff accountants and preparation of financial statements. Mr. Ludin served as the Audit Senior on the following local government audits in 2013:

- | | |
|-------------------------|-----------------------------|
| City of Camarillo | El Toro Water District |
| City of Costa Mesa | La Habra Heights County |
| City of Fountain Valley | Water District |
| City of Goleta | Surfside Colony Storm Water |
| City of Sanger | Protection District |
| | Surfside Colony Community |
| | Services District |

In recent years, Mr. Ludin has also been involved with the following governmental clients:

- | | |
|--------------------------|----------------------------------|
| City of Avalon | Rancho California Water District |
| City of Downey | Sunset Beach Sanitary District |
| City of Huntington Beach | |
| City of Irvine | |
| City of La Habra Heights | |
| City of Lake Elsinore | |
| City of San Buenaventura | |
| City of Westminster | |

Continuing Professional Education

For the period of January 1, 2011 through December 31, 2013:

Total Hours: 183.00 Total Government Hours: 84.00

FIRM EXPERIENCE WITH GOVERNMENTAL ENTITIES

SIMILAR ENGAGEMENTS WITH OTHER MUNICIPAL ENTITIES

Your request for proposal called for a maximum of five similar engagements. These are set forth below:

<u>City</u>	<u>Engagement Partner</u>	<u>Total Staff Hours</u>	<u>Scope of Work</u>
Camarillo	Callanan	535	City, RDA and Single Audits
Lakewood	Callanan	635	City, RDA and Single Audits
Oxnard	Callanan	1,035	City, other component units and Single Audits
Pico Rivera	Callanan	810	City, Public Financing and Water Authorities, And Single Audits; State Controller's Report
San Buenaventura	Callanan	720	City, RDA Public Financing Authority and Single Audits; State Controller's Report

Certified audits were performed on the financial statements of all of these cities and their component units for the past year.

Client references for these cities are included below.

City of Camarillo

Mr. Ronnie Campbell
Finance Director
(805) 388-5320

City of Lakewood

Ms. Diane Perkin
Director of Finance
(562) 866-9771

City of Oxnard

Mr. Marichu Maramba
Accounting Manager
(805) 385-7468

City of Pico Rivera

Mr. Michael Matsumoto
Director of Administrative
Services
(562) 801-4391

City of San Buenaventura

Mr. Rudy Livingston
Assistant Chief Financial
Officer
(805) 654-7859

A complete list of similar engagements for the past year is included in Attachment I of this proposal.

CITY CLIENT REFERENCES

One means of judging the high quality of our auditing and accounting services would be contact with some of our clients over the past year. We are including the names and phone numbers of the city clients as presented in Attachment I of this proposal. We encourage you to contact any of these individuals and verify our level of service.

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ENTERPRISE FUND EXPERIENCE

Most cities audited by our firm have a water utility enterprise fund. Noted below is a partial listing of other enterprise funds audited by our firm in recent years:

<u>City</u>	<u>Enterprise</u>
Alhambra	Water, Sewer, Storm Drain, Sanitation, Golf Course
Avalon	Harbor, Sewer, Saltwater, Solidwaste, Hospital
Bellflower	Water
Beverly Hills	Water, Solidwaste, Wastewater, Stormwater
Burbank	Water Reclamation, Sewer, Golf, Electric Utility Water Utility, Refuse Collection and Disposal
Camarillo	Water, Sanitary, Solidwaste, Transit
Cypress	Sewer
Downey	Water, Sewer, Golf Course, Transit System
Gilroy	Water, Sewer
Fountain Valley	Water, Solidwaste
Hesperia	Water, Sewer
Lakewood	Water
Lancaster	Power Authority
Newport Beach	Water, Sewer
Oxnard	Water, Wastewater, Environmental Resource, Performing Arts and Convention Center, Housing Authority, Golf Course
Palm Desert	Golf Course
Pico Rivera	Water, Sports Arena, Golf
Port Hueneme	Water, Wastewater, Solidwaste, Housing
Rancho Palos Verdes	Water Quality Flood Protection
Rialto	Airport, Cemetery, Recreation, Wastewater, Water
San Buenaventura	Water, Sewer
Sanger	Water, Sewer, Disposal, Ambulance
Signal Hill	Water
Stanton	Sewer
Tustin	Water
West Covina	Simulator, Computer
Westminster	Water

SINGLE AUDIT EXPERIENCE

We perform single audit services for most of our cities that receive federal funds as required by OMB Circular A-133. In recent years, Single Audits were performed for the following cities.

Cities:

City of Alhambra	City of Lakewood
City of Artesia	City of Lancaster
City of Bellflower	City of Newport Beach
City of Beverly Hills	City of Oxnard
City of Burbank	City of Palm Desert
City of Camarillo	City of Pico Rivera
City of Campbell	City of Port Hueneme
City of Costa Mesa	City of Rancho Palos Verdes
City of Cypress	City of Rancho Santa Margarita
City of Downey	City of Rialto
City of Fountain Valley	City of San Buenaventura
City of Gilroy	City of San Gabriel
City of Goleta	City of Sanger
City of Hawaiian Gardens	City of Signal Hill
City of Hesperia	City of Stanton
City of Highland	City of Tustin
City of La Habra Heights	City of West Covina
City of Lake Forest	City of Westminster

EXPERIENCE WITH PREPARATION OF STATE-MANDATED REPORTS

We have experience with the preparation of various state-mandated reports, such as the State Controller's Report and the Annual Street Report. Specifically, with regard to cities, we have prepared the state mandated reports, in recent years, for the Cities of Alhambra, Avalon, Goleta, La Habra Heights, Lancaster, Newport Beach, Pico Rivera, Rancho Palos Verdes, San Buenaventura, Sanger and Tustin.

SPECIAL DISTRICTS

Noted below is a listing of special districts audited by our firm in recent years:

Borrego Water District	Olivenhain Municipal Water District
Chino Basin Desalter Authority	Orange County Vector Control District
Costa Mesa Sanitary District	Otay Water District
Cypress Recreation and Park District	Padre Dam Municipal Water District
Downey Cemetery District	Rancho California Water District
El Toro Water District	Rowland Water District
Grossmont Healthcare District	Santa Ana Watershed Project Authority
Inland Empire Regional Composting Authority	South Coast Water District
Inland Empire Utilities Agency	South County Regional Wastewater Authority
La Habra Heights County Water District	Sunset Beach Sanitary District
La Puente Valley County Water District	Surfside Colony Stormwater Drainage District
Laguna Beach County Water District	Surfside Community Services District
Lake Elsinore and San Jacinto Joint Powers Authority	Vallecitos Water District
Las Virgenes Municipal Water District	Valley Wide Recreation and Park District
Leucadia Wastewater District	Ventura Port District
Midway City Sanitary District	Yorba Linda Water District

NONPROFIT CORPORATIONS AND JOINT POWER AUTHORITIES

Noted below is a partial listing of nonprofit corporations and joint power authorities audited by our firm over the past year. Some of these entities are "component units" which are combined into the basic financial statements of governmental organizations which exercise oversight responsibility.

AIDS Services Foundation - Orange County	Downey Public Financing Corporation
Age Well Senior Services, Inc.	Las Virgenes-Triunfo Joint Powers Authority
Anaheim District of the Churches of the Nazarene	Palm Desert Recreational Facilities Corporation
Annunciation Byzantine Catholic Church of Anaheim	Pomona-Walnut-Rowland Joint Water Line Commission
Cal State L.A. Metrolink Authority	Public Cable Television Authority
California Transplant	Southeast Area Animal Control Authority
Casa de las Campanas	United Cerebral Palsy Association
Costa Mesa Community Foundation	Valencia Heights Water Company
	Westview Services, Inc. 403(b) Plan

ENTITIES TO BE INCLUDED IN AUDIT

City of Manhattan Beach
Manhattan Beach Capital Improvements Corporation

REPORTS TO BE ISSUED AND DUE DATES

	<u>Draft Due Dates</u>	<u>Final Due Dates</u>
City of Manhattan Beach - Independent Auditors' Report on the Comprehensive Annual Financial Report	November 21	December 1
Management Letter	November 21	December 1
Audit Committee Letter	November 21	December 1
Report on Compliance with Article XIII B Appropriation Limit	November 21	December 1
Single Audit Reports:	December 23	December 30
<ul style="list-style-type: none">• Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>• Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards.		

AUDIT TIMING

Assuming that the City's books are closed and ready for examination and that all necessary schedules and documents are available for our use by October 13th each year, the suggested time schedule for the various phases of the audit would be approximately as follows:

	<u>Completed By</u>
Entrance conference with key City staff. Discussion of any prior audit concerns and the performance of interim work.	June 2
Interim audit fieldwork and management review	June 9 - 13
Final audit fieldwork and management review	October 13 - 24
Exit conference to summarize the results of the fieldwork and to review significant findings	October 24
Deliver draft copies of reports	See page 19
Deliver Final Reports	See page 19

COMMITMENT TO DELIVER REPORTS ON A TIMELY BASIS

If all books and records, schedules and documents are made available to us by October 13th, and a draft of the CAFR is made available to us by November 17th, we make a commitment to have audit team members available and to provide all reports by the due dates specified above.

AUDITS TO BE IN ACCORDANCE WITH GAAS AND OTHER REQUIREMENTS

We will audit the financial statements of the City and the component units noted on the preceding page. The financial statements of all entities where the City exercises oversight will be combined with the City's financial statements, in accordance with GASB requirements. Our audit will be in accordance with auditing standards generally accepted in the United States of America as set forth by the AICPA, and will include such auditing procedures as we consider necessary under the circumstances. We will apply certain limited procedures, which consist principally of inquiries of management regarding methods of measurement and presentation of required supplementary information. However, we do not audit such information and do not express an opinion on it. Any supplemental financial statements will be subjected to auditing procedures as we consider necessary in relation to the financial statements taken as a whole. The scope of our audit will not include any statistical information, and we will not express an opinion concerning it.

Our audits will conform with the guidelines set forth in the AICPA's Industry Audit Guide, Audits of State and Local Governmental Units. Also, each examination will comply with the standards for financial and compliance audits contained in the Government Auditing Standards, issued by the U.S. General Accounting Office, the provisions of the Single Audit Act and the provisions of the U.S. Office of Management and Budget (OMB) Circular A-133.

AUDITS TO BE IN ACCORDANCE WITH GAAS AND OTHER REQUIREMENTS (CONTINUED)

Also, we will perform an agreed-upon procedures review of the City's Gann Spending Limitation Computation as required by Section 1.5 of Article XIII B of the California Constitution. Our review will be performed in conformance with the provision of the "League of California Cities Uniform Guidelines".

AUDIT APPROACH

- Our audit approach is tailored to meet the technical requirements while maintaining professional skepticism without forgetting that we provide a service. The following aspects of our audit approach will add additional value to the audit services.
- On a first year engagement, we will assign experienced staff auditors including the in-charge field auditor having at least 5 years of experience. You will not spend time training our auditors.
- Whenever possible, we will use same format for audit supporting schedules used in prior years for the current year audit. This will reduce time spent by the City staff in dealing with the audit when a different audit firm is chosen.
- Throughout the year we are available as a resource to our clients in researching technical questions, dealing with new pronouncements, reviewing complex financial entries and helping with any other issues as they arise.
- The work papers will be reviewed by the manager or partner as field work is being completed to minimize additional questions after the fieldwork is completed.

Our firm uses a governmental audit program which will be modified to the City of Manhattan Beach's operations to accommodate specific client circumstances. Our audit programs are organized by the financial statement approach and general procedures. The requirements by the Standards for assessing risk are utilized to modify the audit programs to focus on the higher risk areas of the financial statements.

AUDIT APPROACH (CONTINUED)

1. Audit Planning Procedures and Interim Fieldwork:

Gather information about the City and its environment, including internal control:

- Preaudit conference with the City to establish process of communication between the audit team and City staff.
- Establish scope of working and timing of fieldwork.
- Evaluate the design of internal controls that are relevant to the audit and determine whether the control, either individually or in combination is capable of effecting, preventing or detecting and correcting material misstatements.
- Determine that the controls have been implemented, that is, that the controls exist and that the City is using it.
- Specific areas to review include:
 - Accounts payable/cash disbursements
 - Accounts receivable/cash receipts
 - Payroll disbursements
 - Utility billing process
 - Investment compliance
 - Property and equipment
- Review of minutes of the City of Manhattan Beach.
- Review of important contracts and debt agreements.

2. Final Audit Work:

During the final audit work, we will assess “risk” of material misstatement based on understanding of the City’s audit environment, including its internal control, to identify account balances to audit that appear in the City’s financial statements. Our work may include:

- Confirmation of cash and investments balances and testing of bank reconciliations.
- Confirm significant receivable balances or review subsequent cash receipts to verify receivable balance.
- Search for unrecorded liabilities.
- Testing of interfund balances and transfers.
- Test capital asset additions and depreciation expense.
- Confirm long-term debt balances and review the accounting treatment of debt issued or refunded.
- Test support for other significant assets or liabilities.
- Analytical procedures on balance sheet and revenue and expenditure accounts, to evaluate and explain unusual fluctuations from prior year balances or current year budgeted amounts.
- Review of attorney letters for significant legal matters affecting the City’s financial position.

The audit workpapers will be reviewed by our management team as the work is being performed in the field so that at the conclusion of the fieldwork we are able to report any adjustments or findings. An exit conference will be held to review any significant adjustments or findings.

APPROACH TO INTERNAL CONTROL

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Our understanding of the internal controls will be completed by completing narratives and checklists for various processes related to internal control. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to Government Auditing Standards.

As required by OMB Circular A-133, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, Government Auditing Standards, and OMB Circular A-133.

SINGLE AUDIT APPROACH

The single audit will be performed in accordance with all the requirements of the Single Audit Act Amendments of 1996, OMB Circular A-133, Government Auditing Standards issued by the GAO (the "Yellow Book") and AICPA Statement on Auditing Standards No. 117, "Compliance Audits".

Our audit will include tests of transactions related to major federal award programs for compliance with applicable laws and regulations and the provisions of contracts and grant agreements. Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by use. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that comes to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a Single Audit.

SINGLE AUDIT APPROACH (CONTINUED)

We will perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

We will plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of the applicable procedures described in the OMB Circular A-133 "Compliance Supplement" for the types of compliance requirements that could have a direct and material effect on each of the City's major programs and any specific requirements of ARRA funds. The purpose of those procedures will be to express an opinion on the City's compliance with requirements applicable to major programs in our report on compliance issued pursuant to OMB Circular A-133.

When we begin the single audit, we will identify the Major and Nonmajor Federal Financial Assistance Programs of the City. Each Major and Nonmajor program will be identified as either a low risk or high risk program. Programs to be tested will be selected based on our assessment of risk for each program.

We will identify the types of activities that are either specifically allowed or prohibited by the laws, regulations, and contract or grant agreements pertaining to the programs and document an understanding of the internal controls the City has to provide reasonable assurance that federal awards are expensed only for allowable activities or costs.

We will select a sufficient number of transactions to support a low level of assessed control risk. If no exceptions in the function of key controls are noted, we will conclude that a low level of control risk was achieved. If weaknesses in the internal controls are noted, we will modify our audit program as needed.

As part of our single audit, we will request that the City assist in completing the Data Collection Form. The form will assist us in identifying the federal programs which will be required to be tested.

DETERMINING LAWS AND REGULATIONS SUBJECT TO AUDIT

Under provisions of AICPA Statement on Auditing Procedures No. 117, management of the City is responsible for identifying to its outside auditors any laws and regulations which would have a significant effect on the audit. This would include federal laws (such as federal grant regulations), State laws (such as permitted investments under the California Government Code) and local laws (such as restrictions on special revenues levied by the City). After our selection as auditors, we will consult with City officials regarding these matters, to determine what laws and regulations need to be evaluated in connection with our audit. If a City is not able to identify specific laws and regulations that effect it, we have references (California Government Code and Health and Safety Code) to the more common laws, rules and regulations in our standard audit programs for the usual activities of a California City or Successor Agency to the Redevelopment Agency which will assist us in identifying laws and regulations to review in the audit.

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Certified Public Accountants & Consultants

METHOD OF SAMPLING

Our approach is to utilize random sampling based in our testing of the internal control systems related to cash receipts, cash disbursements, payroll and utility billings. Based on a statistical conclusion used by the firm our sample sizes can range from 25 to 60 transactions for each system. A random sample selection allows each item in the population of an equal chance of being selected. In addition, for disbursements, we may select a stratified sample of all transactions over a specified dollar amount for review.

ANALYTICAL PROCEDURES

Analytical procedures are used in the planning and final stages of the audit. In the planning phase, we use analytical procedures to identify unusual financial transactions and comparing relationships to expected results. We compare current year information to the prior years for balance sheet items, revenues and expenditures. In addition, revenues and expenditures are compared to budgets to identify unexpected results. In the final stages of the audit, the financial statements are reviewed to identify expected relationships such as comparing debt paid to expenditures recorded on governmental funds, transfers between funds, depreciation expense, etc. For all significant relationships identified, explanations are obtained as to why the situation occurred and additional audit procedures are applied to resolve any concerns.

MANAGEMENT LETTERS

In connection with each audit, a complete review of internal controls will be made of all significant accounting procedures. Our firm uses an internal control questionnaire, computer systems questionnaire and narration to gain an understanding of the internal control process as part of our audit. We will identify weaknesses and after discussion with the appropriate City staff, we will submit a management letter which will identify weaknesses observed during these reviews and throughout the audit. The management letter will also assess the effect of the management letter comments on the financial reporting process and recommend steps towards eliminating the weaknesses.

POTENTIAL AUDIT PROBLEMS

We do not anticipate any significant potential audit problems. If any potential audit problems are identified, we will immediately discuss them with the City's management. Our approach is to coordinate the resolution of any problems with the City's management. Considering our experience with auditing governmental entities and resources, we expect minimal disruption to the City's management in resolving any identified audit problems.

RETENTION OF AND ACCESS TO AUDIT WORKPAPERS

In accordance with provisions of OMB Circular A-133, GAO requirements, and the California Board of Accountancy, our audit workpapers will be maintained for at least seven years after the date of the report. These workpapers will be made available as necessary to your cognizant audit agency (or its designee), to GAO representatives, or to any other federal or state agency needing access to the workpapers. Also, our firm will respond to any reasonable inquiries of successor auditors and we will allow any successor auditors to review our workpapers.

WHITE NELSON DIEHL EVANS LLP

Certified Public Accountants & Consultants

OTHER PROFESSIONAL SERVICES

We will be available for any other professional assistance you require to research and answer accounting and reporting problems raised by the City, regardless of the time of year. Such assistance may include, but is not limited to, tax questions, the review of bond documents, cost allocation programs and employee benefit programs. We have provided several tax opinions to City audit clients for matters relating to deferred compensation, fringe benefits, stipends and allowances, and other issues. We also will keep the City informed of new developments affecting municipal finance and reporting, changes in grant rules and regulations, etc.

IRREGULARITIES AND ILLEGAL ACTS

We will make an immediate, written report of all irregularities, illegal acts or indications of illegal acts of which we become aware, to the following parties: City Manager, City Attorney and the Finance Director.

SEGMENTATION OF THE AUDIT HOURS, BY PARTNER AND STAFF LEVEL

	<u>Partners</u>	<u>Manager</u>	<u>Supervisory Staff</u>	<u>Staff</u>	<u>Clerical</u>	<u>Total</u>
City of Manhattan Beach Audit and Related Reports	22	46	97	176	4	345
Preparation of Financial Statements	-	2	8	31	14	55
Single Audit and Related Reports	1	3	5	29	2	40
Total Hours	<u>23</u>	<u>51</u>	<u>110</u>	<u>236</u>	<u>20</u>	<u>440</u>

SEGMENTATION OF THE AUDIT HOURS, BY PHASES OF THE AUDIT

	<u>Partners</u>	<u>Manager</u>	<u>Supervisory Staff</u>	<u>Staff</u>	<u>Clerical</u>	<u>Total</u>
Planning	7	17	20	14	2	60
Interim Fieldwork	2	4	30	50	-	86
Final Fieldwork and review	14	30	60	172	18	294
Total Hours	<u>23</u>	<u>51</u>	<u>110</u>	<u>236</u>	<u>20</u>	<u>440</u>

DISCUSSION OF RELEVANT ACCOUNTING ISSUES

GASB STATEMENT NO. 65

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, is effective for periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflow of resources and deferred inflow of resources, such as changes in the determination of major fund calculations and limiting the use of the term deferred in financial statement presentation.

GASB STATEMENT NO. 66

GASB Statement No. 66, Technical Corrections - 2013 - an amendment of GASB Statements No. 10 and No. 62, is effective for periods beginning after December 15, 2013. This Statement removes the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about the fund type classification on the nature of the activity to be reported. This Statement also modifies the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, "Accounting for Operating Leases with Scheduled Rent Increases" and result in guidance that is consistent with the requirements in Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", respectively.

GASB STATEMENT NO. 67

GASB Statement No. 67, Financial Reporting for Pension Plans, is effective for periods beginning after June 15, 2013. This Statement improves the financial reporting by state and local governmental pension plans. This Statement replaces the requirements of GASB Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and GASB Statement No. 50, Pension Disclosures, as they relate to pension plans administered through trusts. For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan, about which information is required to be presented. The Statement also details the note disclosure requirements for defined contribution pension plans administered through trusts.

DISCUSSION OF RELEVANT ACCOUNTING ISSUES (CONTINUED)

GASB STATEMENT NO. 68

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, is effective for periods beginning after June 15, 2014. This Statement improves the accounting and financial reporting by state and local governments for pension plans. This Statement replaces the requirements of GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, and GASB Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosures and required supplementary information requirements about pensions are also addressed.

GASB STATEMENT NO. 69

GASB Statement No. 69, Government Combinations and Disposals of Government Operations, is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The term, *government combinations*, includes mergers, acquisitions, and transfers of operations.

GASB STATEMENT NO. 70

GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, is effective for periods starting after June 15, 2013. The objective of the Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The objective of the Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions.

GASB STATEMENT NO. 71

GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68 are required to be applied simultaneously with the provisions of Statement 68. The requirements of the Statement will eliminate the source of a potential understatement of restated beginning net position and expense in the first year implementation of Statement 68 in the accrual-basis financial statements of employers and nonemployer contributing entities.

WORK REQUIRED BY CITY STAFF

Our fixed annual fees contemplate that conditions satisfactory to the normal progress and completion of the examination will be encountered and that City accounting personnel will furnish the agreed-upon assistance in connection with the audit. However, if unusual circumstances are encountered which make it necessary for us to do additional work, we shall report such conditions to the responsible City officials and provide the City with an estimate of the additional accounting fees involved.

Noted below is a listing of work required by City staff to assist in the audit.

1. Technical assistance in familiarizing our staff with:
 - The flow of information through the various departments and accounting systems.
 - Reports generated by your accounting system.
 - The system of internal controls.
 - Controls established to monitor compliance with federal grants.
2. Preparation of trial balances for all funds, after posting of all year end journal entries.
3. Preparation of schedules supporting all major balance sheet accounts, and selected revenue and expenditure accounts.
4. Typing of all confirmation requests.
5. Pulling and refiling of all supporting documents required for audit verification.
6. Assistance with the preparation of the CAFR and footnotes, including:
 - a. Determination of major funds.
 - b. Determination of general and program revenues and allocation of program revenues to:
 1. charges for services,
 2. operating grants and contributions, and
 3. capital grants and contributions.
 - c. Determination of components of net position (net investment in capital assets, restricted and unrestricted net position).
 - d. Assistance in determining the amounts to be reported (1) the Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position and (2) in the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.
 - e. Consolidation of internal service fund activity into governmental activities or business-type activities in the government-wide financial statements.
 - f. Preparation of the management's discussion and analysis, transmittal letter and all statistical tables for the CAFR.

CONSULTING SERVICES DEPARTMENT

OVERVIEW OF SERVICES PROVIDED

White Nelson Diehl Evans LLP offers a wide range of consulting services to governmental agencies. This section of our proposal summarizes the primary types of services provided by the firm.

The firm's Director of Consulting Services is Mr. William S. Morgan, CPA. Mr. Morgan has over thirty years of experience in providing accounting, auditing and consulting services to California cities, counties, redevelopment agencies, water districts, special districts, joint power authorities and nonprofit corporations. Many of the firm's consulting projects are planned, supervised and reviewed by Mr. Morgan.

Our firm provides the following types of services:

- Governmental Tax Consulting
- Performance and Operational Studies
- Redevelopment Consulting Services
- Reviews of City Treasurer Operations
- Cable Television and Broadband Consulting Services
- Reviews of Solid Waste Haulers and Assistance With Trash Rate Negotiations
- Litigation Support and Dispute Resolution Services
- Fraud Investigations
- Hotel/Motel Transient Occupancy Tax Reviews
- Business License Operation Reviews

With regard to these engagements, we would intend to perform limited procedures reviews in connection with each assignment, in accordance with the AICPA's attestation standards. Under the provisions of the attestation standards, the City would designate what specific procedures it wishes to have performed. We would then perform those procedures and report on our findings. This type of engagement would not constitute a certified audit in accordance with auditing standards generally accepted in the United States of America. Such special services are not part of our standard fee arrangements and would be subject to a separate fee quotation.

ATTACHMENT I

CITY CLIENT REFERENCES
AND
LISTS OF CITY AND SPECIAL DISTRICT ENGAGEMENTS

CITY CLIENT REFERENCES

One means of judging the high quality of our auditing and accounting services would be contact with some of our existing clients. We are including the names and phone numbers of our city clients over the past year. We encourage you to contact any of these individuals.

City of Alhambra
Mr. Paul Espinoza
Finance Director
(626) 570-5027

City of Artesia
Ms. Justine Menzel
Deputy City Manager
(562) 865-6249

City of Bellflower
Mr. Tae Rhee
Director of Finance
(562) 804-1424

City of Beverly Hills
Mr. Noel Marquis
Acting Finance Director
(310) 285-2429

City of Burbank
Mr. Dino Balos
Accounting Manager
(818) 238-5518

City of Camarillo
Mr. Ronnie Campbell
Finance Director
(805) 388-5320

City of Campbell
Mr. Jesse Takahashi
Finance Director
(408) 866-2113

City of Costa Mesa
Ms. Colleen O'Donoghue
Assistant Finance Director
(714) 754-5421

City of Cypress
Mr. Matt Burton
Assistant Finance Director
(714) 229-6718

City of Downey
Ms. Maurina Lee
Accounting Manager
(562) 904-7262

City of Fountain Valley
Ms. Sherri Holman
Finance Director
(714) 593-4501

City of Gilroy
Ms. Christina Turner
Finance Director
(408) 846-0750

City of Goleta
Ms. Tina Rivera
Finance Director
(805) 961-7527

City of Hawaiian Gardens
Ms. Sandra Sato
Interim Finance Director
(562) 420-2641

City of Hesperia
Mr. Brian Johnson
Director of
Administrative Services
(760) 947-1442

City of Highland
Mr. Chuck Dantuono
Director of Administrative
Services
(909) 864-6861

City of La Habra Heights
Ms. Rochelle Clayton
Finance Director
(562) 694-6302

City of Lake Forest
Mr. Keith Neves
Director of Finance
(949) 461-3400

City of Lakewood
Ms. Diane Perkin
Director of Finance
(562) 866-9771

City of Lancaster
Ms. Barbara Boswell
Finance Director
(661) 723-6035

City of Newport Beach
Mr. Dan Matusiewicz
Director of Finance
(949) 644-3126

City of Oxnard
Mr. Marichu Maramba
Accounting Manager
(805) 385-7468

City of Palm Desert
Mr. Paul Gibson
Director of Finance
(760) 346-0611

City of Pico Rivera
Mr. Michael Matsumoto
Director of Administrative
Services
(562) 801-4391

City of Port Hueneme
Mr. Al Burell
Finance Director
(805) 986-6529

City of Rancho Santa Margarita
Ms. Linda Brown
Accounting and Budget
Supervisor
(949) 635-1812

City of Rialto
Ms. Anita Agramonte
Finance Manager
(909) 820-4963

City of San Buenaventura
Mr. Rudy Livingston
Assistant Chief Financial
Officer
(805) 654-7859

City of San Gabriel
Mr. Thomas Marston
Director of Finance
(626) 308-2812

City of Sanger
Ms. Debby Sultan
Administrative Services
Director
(559) 876-6300

City of Signal Hill
Ms. Terri Marsh
Director of Finance
(562) 989-7319

City of Stanton
Ms. Courtney Bing
Finance Manager
(714) 379-9222

City of Tustin
Ms. Pamela Arends-King
Finance Director
(714) 573-3061

City of West Covina
Ms. Denise Bates
Accounting Manager
(626) 939-8463

City of Westminster
Ms. Sherry Johnson
Accounting Manager
(714) 898-3311

LIST OF CITY ENGAGEMENTS

We have listed below the cities which were under contract with us during the past fiscal year.

City	Period of Service		Scope of Work
	From	To	
Alhambra	2005	Present	CA, RDA, SA, SCR
Artesia	2012	Present	CA, RDA, SA
Bellflower	2013	Present	CA, SA, Financing Authority, Public Facilities Corporation
Beverly Hills	2013	Present	CA, SA
Burbank	2013	Present	CA, AQMD, SA, Water & Utility Enterprise Fund
Camarillo	2012	Present	CA, RDA, SA
Campbell	2013	Present	CA, SA, T, Solid Waste Management Authority
Costa Mesa	2012	Present	CA, RDA, PFA, SA, Housing Authority
Cypress	2012	Present	CA, RDA, RA, SA
Downey	1987	Present	CA, RDA, AQMD, PFA, SA, OCU
Fountain Valley	2013	Present	CA, SA, Housing Authority, Financing Authority
Gilroy	2013	Present	CA, SA
Goleta	2013	Present	CA, SA, SCR, SR
Hawaiian Gardens	2012	Present	CA, RDA, PFA, SA
Hesperia	1997	Present	CA, RDA, SA
Highland	2012	Present	CA, SA
La Habra Heights	2008	Present	CA, SA, SCR
Lake Forest	2011	Present	CA, RDA, SA, Housing Authority
Lakewood	1974	Present	CA, RDA, SA
Lancaster	2013	Present	CA, SA, SCR - City, SCR - Power Authority
Newport Beach	2011	Present	CA, SA, SCR
Oxnard	2013	Present	CA, SA, OCU
Palm Desert	2008	Present	CA, RDA, SA, Housing Authority
Pico Rivera	2012	Present	CA, PFA, SA, SCR, Water Authority
Port Hueneme	2012	Present	CA, SA, Housing Authority, Surplus Property Authority
Rancho Santa Margarita	2012	Present	CA, SA
Rialto	2013	Present	CA, SA
San Buenaventura	2011	Present	CA, RDA, PFA, SA, SCR
San Gabriel	2013	Present	CA, SA
Sanger	2011	Present	CA, RDA, PFA, SA, SCR
Signal Hill	1962	Present	CA, RDA, SA
Stanton	2012	Present	CA, RDA, SA
Tustin	2011	Present	CA, RDA, SA, SCR
West Covina	2011	Present	CA, RDA, AQMD, SA
Westminster	1997	Present	CA, RDA, AQMD, SA

Legend:

AQMD - Air Quality Management District Audit

CA - City Audit

OCU - Other Component Unit Audits

PFA - Public Financing Authority

PI - Public Improvement

PP - Pension Plans

RA - Recreation Authority

RDA - Former Redevelopment Agency Audit

SA - Single Audit

SCR - State Controllers' Reports

SR - Street Report

T - Transportation

Substantially all of the above engagements were performed through the firm's Irvine office.

LIST OF SPECIAL DISTRICT ENGAGEMENTS

We have listed below the special districts which were under contract with us during the past fiscal year.

Client Name	Period of Service	
	From	To
Borrego Water District	2006	Present
Chino Basin Desalter Authority	2011	Present
Costa Mesa Sanitary District	2005	Present
Cypress Recreation and Park District	2012	Present
Downey Cemetery District	1987	Present
El Toro Water District	2008	Present
Grossmont Healthcare District	2011	Present
Inland Empire Regional Composting Authority	2011	Present
Inland Empire Utilities Agency	2011	Present
La Habra Heights County Water District	2002	Present
La Puente Valley County Water District	1986	Present
Laguna Beach County Water District	2002	Present
Lake Elsinore and San Jacinto Joint Powers Authority	2013	Present
Las Virgenes Municipal Water District	2007	Present
Leucadia Wastewater District	2010	Present
Midway City Sanitary District	2012	Present
Olivenhain Municipal Water District	2009	Present
Orange County Vector Control District	2013	Present
Otay Water District	2009	Present
Padre Dam Municipal Water District	2009	Present
Rancho California Water District	2012	Present
Rowland Water District	2007	Present
Santa Ana Watershed Project Authority	2013	Present
South Coast Water District	2011	Present
South County Regional Wastewater Authority	2013	Present
Sunset Beach Sanitary District	1986	Present
Surfside Colony Stormwater Drainage District	2010	Present
Surfside Community Services District	2010	Present
Vallecitos Water District	2010	Present
Valley Wide Recreation and Park District	1986	Present
Ventura Port District	2011	Present
Yorba Linda Water District	2008	Present

Substantially all of the above engagements were performed through the firm's Irvine office.

ATTACHMENT II

RESULTS OF OUTSIDE QUALITY REVIEW



Heidenreich & Heidenreich, CPAs, PLLC

10201 S. 51st Street, Suite #170
Phoenix, AZ 85044
(480)704-6301 fax 785-4619

System Review Report

August 3, 2012

To the Owners of
White Nelson Diehl Evans, LLP
and the Peer Review Committee of the CA Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of White Nelson Diehl Evans, LLP (the firm) in effect for the year ended March 31, 2012. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of White Nelson Diehl Evans, LLP in effect for the year ended March 31, 2012, 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*. White Nelson Diehl Evans, LLP has received a peer review rating of *pass*.

Heidenreich & Heidenreich

Heidenreich & Heidenreich, CPAs, PLLC

**SEALED DOLLAR COST BID FOR
PROFESSIONAL AUDITING SERVICES
CITY OF MANHATTAN BEACH, CALIFORNIA
RFP #974-14, AUDITING SERVICES**

FOR THE THREE YEARS ENDING JUNE 30, 2016

**(WITH OPTIONS TO EXTEND FOR THE TWO
YEARS ENDING JUNE 30, 2017 AND 2018)**

Submitted by:

WHITE NELSON DIEHL EVANS LLP



February 5, 2014

Mr. Bruce Moe, Finance Director
City of Manhattan Beach
1400 Highland Avenue
Manhattan Beach, CA 90266

Dear Mr. Moe

At your request, we have submitted our statement of qualifications under a separate cover.

The following information is included herein:

1. Audit Work Cost Proposal Form.
2. Estimate of Cost and Hourly Billing Rates for Engagement.

Please contact us if there are any questions regarding the fees or hourly rates quoted herein.

Very truly yours,

WHITE NELSON DIEHL EVANS LLP



Robert J. Callanan, CPA
Engagement Partner

CITY OF MANHATTAN BEACH

AUDIT WORK COST PROPOSAL

	<u>Fiscal Year 2013-14</u>	<u>Fiscal Year 2014-15</u>	<u>Fiscal Year 2015-16</u>
City of Manhattan Beach Audit and Related Reports	\$ 34,690	\$ 34,690	\$ 34,690
Preparation of Financial Statements	4,000	4,000	4,000
Single Audit and Related Reports (1)	<u>3,310</u>	<u>3,310</u>	<u>3,310</u>
Not-to-Exceed Fee (2)	<u>\$ 42,000</u>	<u>\$ 42,000</u>	<u>\$ 42,000</u>

(1) This fee contemplates auditing one major program. Additional major programs will be audited for an additional cost of \$1,500 each.

(2) For option years 2016-17 and 2017-18, the fees will be increased 3% annually.

Name of Firm: White Nelson Diehl Evans LLP

Authorized Signature: 

Name of Authorized Person: Robert J. Callanan, CPA

Title: Engagement Partner

Address: 2875 Michelle Drive, Suite 300, Irvine, CA 92606

Contact Phone: 714-978-1300

Fax Number: 714-978-7893

Contact Email: rcallanan@wndecpa.com

CITY OF MANHATTAN BEACH

ESTIMATE OF COST

HOURLY BILLING RATES FOR ENGAGEMENT

<u>Position</u>	<u>Fiscal Year 2013-14</u>	<u>Fiscal Year 2014-15</u>	<u>Fiscal Year 2015-16</u>
Partners	\$ 220	\$ 220	\$ 220
Managers	145	145	145
Supervisory Staff	105	105	105
Staff	70	70	70
Clerical	50	50	50

Name of Firm: White Nelson Diehl Evans LLP

Authorized Signature: 

Name of Authorized Person: Robert J. Callanan, CPA

Title: Engagement Partner

Address: 2875 Michelle Drive, Suite 300, Irvine, CA 92606

Contact Phone: 714-978-1300

Fax Number: 714-978-7893

Contact Email: rcallanan@wndecpa.com