



PROPOSAL

FOR

PROVIDING AUDIT SERVICES

June 30, 2017, 2018, and 2019

Submitted by:



Alexander | Van Loon | Sloan | Levens | Favre, PLLC

Certified Public Accountants and Business Consultants

9490 Three Rivers Road, Gulfport, MS 39503 (228) 863-0411

Contact: Kim Marmalich, CPA, Cr.FA
kmarmalich@avlcpa.com

April 28, 2017



ALEXANDER | VAN LOON | SLOAN | LEVENS | FAVRE, PLLC
Certified Public Accountants & Business Consultants

AVL WEALTHCARE, LLC
Wealth Management

April 28, 2017

Mr. Jonathan Daniels, Executive Director/CEO
Mississippi State Port Authority
2510 14th Street, Suite 1450
Gulfport, Mississippi 39501

Dear Mr. Daniels:

The partners and staff of Alexander, Van Loon, Sloan, Levens & Favre, PLLC, wish to thank you for the opportunity to present our proposal for providing professional auditing services for the Mississippi State Port Authority (the Authority) for the years ending June 30, 2017, 2018, and 2019.

We are proud to have been the Authority's independent auditors for many years. As you have grown and changed, we have responded. We have provided local resources to deliver responsive service. We have worked with you to enhance audit quality and efficiency through improved management and better coordination.

Service continuity is important, but so is keeping your audit fresh and forward-looking. If we are chosen as your auditors, Kim Marmalich, CPA, Cr.FA, will take over as engagement partner for the fiscal year 2017 audit. However, Jerry Levens, CPA, CFE, CGMA, will still be available to provide historical perspective. Kim served as audit senior on the engagement in past years but has more recently increased her depth of knowledge serving other governmental clients. She will bring renewed vision and energy to your audit.

To further enhance our professional skepticism and objectivity, we always require an engagement quality control review of the Authority's annual audit engagement before issuance of the final report. The reviewer is an audit manager with thirty years of experience who has not participated on the engagement. In addition, the engagement is required to be selected by our external peer reviewers every three years and in our internal inspections in the intervening years. Thus, you can be assured that your audit engagement is conducted with the highest degree of quality, independence, objectivity, and professional skepticism.

We are beginning our 50th year serving the governmental, nonprofit, and business communities of the Gulf Coast. We hope you will join us in "celebrating our past, inspiring your future."

We would be happy to meet with the selection committee, to answer any questions you may have or to provide you with any additional information required. We look forward to continue serving the Authority as your independent auditors!

Sincerely,

Alexander, Van Loon, Sloan, Levens, & Favre, PLLC

ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC
Certified Public Accountants



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MISSISSIPPI STATE PORT AUTHORITY

**REQUEST FOR PROPOSALS FOR
AUDIT SERVICES**

**SUBMISSION FORM
RFP #18-FD-XX**

Company Alexander, Van Loon, Sloan, Levens & Favre, PLLC

Address 9490 Three Rivers Road, Gulfport, Mississippi 39503

Contact Person Kim Marmalich, CPA, Cr.FA

Telephone Number (228) 863-0411

Email kmarmalich@avlcpa.com

NOTE: It is the Proposer's responsibility to provide adequate information in their proposal package to enable MSPA to ensure the proposal meets the required criteria. Items listed in the package shall be in the same order as listed in the specifications. Failure to do so could result in the rejection of the proposal.

EMPLOYEES NOT TO BENEFIT

I (we) hereby certify that if the contract is awarded to our firm, partnership, or corporation, no employee of MSPA, or members of his/her family, including spouse, parents or children has received or been promised, directly or indirectly, any financial benefit, by way of fee, commission, finder's fee, political contribution or any similar form of remuneration on account of the act of awarding and/or executing this contract.

CONFLICTS OF INTEREST

The Proposer [] is [X] is not aware (mark one box) of any information bearing on the existence of any potential organizational conflict of interest.

CONTINGENT FEES

The prospective auditor represents as a part of such auditor's bid or proposal that such auditor has has not (please circle the appropriate answer) retained any person or agency on a percentage, commission, or other contingent arrangement to secure this contract.

COLLUSION

I certify that this offer is made without prior understanding, agreement, or connection with any corporation, firm, or person submitting an offer for the same services, materials, supplies, or equipment and is in all respects fair and without collusion or fraud. I understand collusive bidding is a violation of State and Federal laws and can result in fines, prison sentences, and civil damage awards. I hereby certify that the responses to the above representations, certifications, and other statements are accurate and complete. I agree to abide by all conditions of the proposal and certify that I am authorized to sign for my company.

Signature: Kim Marmalich

Name (Printed): Kim Marmalich, CPA, Cr.FA

Title: Audit and Assurance Services Partner

Signature Date: April 28, 2017



MANAGEMENT SUMMARY

Alexander, Van Loon, Sloan, Levens & Favre, PLLC ("AVL") is one of South Mississippi's largest full-service public accounting and consulting firm. In 1967, Wynn Alexander opened his accounting practice in Wiggins, Mississippi, and, with a commitment to delivering the highest quality service to his clients, the firm has grown to 50 personnel, including seven partners, with offices in Gulfport and Wiggins. AVL is proud to be an equal opportunity employer.

AVL is a proactive firm of accountants and consultants providing services to individuals, business, government, and nonprofit organizations. We are committed to providing the close, personal attention that our clients have come to expect. We take pride in giving our clients the assurance that our professional assistance comes from years of advanced training, technical experience, and financial acumen. Our continual investment of time and resources in professional continuing education, state-of-the-art computer technology and extensive business relationships is indicative of our standard of excellence.

Although the firm has a number of clients outside the South Mississippi area, the majority of our clients are primarily concentrated in the counties of Harrison, Hancock, Jackson, Pearl River, and Stone which we service from both the Gulfport and Wiggins offices. This concentration allows us to provide quality and timely service to our clients, as well as to be actively involved in the communities where we live and work. All audit engagements are conducted from the Gulfport office.

Our firm's current partners are as follows:

	<u>Years of Experience</u>	<u>Years with AVL</u>
Cindy Sloan, CPA	32 years	32 years
Jerry L. Levens, CPA, CFE, CGMA	39 years	27 years
Jerry W. Favre, Jr., CPA, CITP	27 years	27 years
Jimmy M. Stokes, CPA, CVA	34 years	21 years
R. Ben Young, CPA	35 years	14 years
Kim Marmalich, CPA, Cr.FA	21 years	20 years
Debbie Vignes, CPA	16 years	15 years

Staff members are designated as follows:

	<u>Number of Personnel</u>
Partners	7
Quality Control Director	1
Director	1
Audit and Assurance Managers	2
Audit and Assurance Seniors	2
Audit and Assurance Staff Members	3
Tax Manager	1
Senior Tax Professionals	4
Tax Staff Members	9
Other Professional Staff	3
Client Accounting Services Staff	8
Administrative	9
Total employees	<u>50</u>

We know that our growth and success is a testimony to our team approach of providing value-added services to our clients. We continue to put this philosophy into practice with each engagement.



PROPOSAL - *Scope of Services*

You have requested proposals for the audits of the financial statements of the Authority for the years ending June 30, 2017, 2018, 2019.

Our audits will be conducted in accordance with the following:

- U.S. generally accepted auditing standards established by the American Institute of Certified Public Accountants (AICPA).
- AICPA industry audit guide, *Government Auditing Standards and Single Audits*.
- AICPA industry audit and accounting guide, *State and Local Governments*.
- Financial Accounting Standards Board (FASB) Accounting Standards Codification (as applicable) and the Governmental Accounting Standards Board (GASB) Codification.
- *Government Auditing Standards*, as required by the U.S. General Accounting Office (the Yellow Book).
- OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) effective for audits of fiscal years beginning on or after December 26, 2014 and other related OMB Circulars, as applicable.
- OMB Circular A-133 for federal awards issued prior to December 26, 2014.
- *The Single Audit Act*, as amended, as applicable.
- Mississippi Code Annotated (1972) for compliance with applicable state laws.

The primary purpose of our audit will be to express an opinion on the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. We will also assist the Authority in preparing those financial statements in accordance with GASB. In addition, we will report on all other schedules included in Supplementary Information and the Schedule of Federal Financial Assistance in relation to the audited financial statements taken as a whole, as applicable.

Our audit will also be designed to issue the required reports on internal control over financial reporting and on compliance and other matters related to financial reporting, compliance and internal control on compliance applicable to each major federal program (as applicable) as identified by the Office of the State Auditor. Any conditions noted that are not required to be reported in accordance with any of the preceding reports, will be communicated in a separate management letter.

Any fraud or illegal acts identified will be immediately reported in writing to the Authority's Executive Director or the Commissioners.



PROPOSAL – Audit Approach

AVL will tailor the audit approach to the unique aspects of the Authority's structure and activities for each year. We use a risk-based approach, which focuses our attention on those areas that present the greatest risk that may present a material misstatement in the financial statements. We believe that this approach provides value to our clients by focusing on what is most likely to go wrong that could affect the financial statements and thereby enhancing the effectiveness and efficiency of the audit. The result is a targeted effort designed to address the Authority's circumstances and activities. Because AVL is the Authority's current auditor, we will be able to use the knowledge and experience that we have gained to focus on the changes from the prior year and thereby performing our audit in a manner that will save you time that is generally required with a change of auditors.

Since the Authority expects to expend more than \$750,000 (current requirement) of federal awards during the fiscal year, a Single Audit will be required. The Single Audit has two components: 1) financial audit of the basic financial statements and 2) compliance audit of the federal award programs.

Financial Statement Audit

Planning

Our approach requires a greater understanding of the Authority and deeper knowledge of the Authority's governmental environment. This understanding and knowledge is gained in the formalized planning process as follows:

- Meet with Authority's management to gain an understanding of your operations and internal controls over financial reporting.
- Update information gained from the previous year's engagement.
- Assess the risks that the Authority faces.
- Coordinate with the State regarding federal programs required to be audited and provide required representations to group auditor.
- Prepare a listing of every schedule and reconciliation we require the Authority to complete to help facilitate the audit procedures and provide a listing of confirmations for you to prepare.

- Create a tailored audit plan that directs our efforts toward procedures that respond to the most significant financial statement risks.
- Review of audit plan by the audit manager and partner.

Evaluating Internal Controls

The internal control evaluation is accomplished as follows:

- Obtain an understanding of the Authority's internal controls (including IT environment) through review of your documentation and discussions with management.
- Test and document selected transactions to gain additional understanding of the Authority's processes.
- Determine audit risk and analyze the effectiveness and adequacy of the Authority's controls.

Testing of internal controls over financial reporting is generally only required if reliance on internal control is planned in order to reduce the extent of substantive testing. However, auditing standards do require certain audit procedures aimed at detecting material misstatements caused by fraud.

Substantive Testing

Once planning is completed and all requested client-prepared schedules and confirmations have been received, we begin the fieldwork phase of the audit as follows:

- Perform substantive analytical procedures, tests of details, and fraud procedures.
- Perform required compliance testing.
- Obtain third party confirmations, as applicable.
- Review of workpapers by audit senior or manager, as applicable.

Most testing is generally performed at the Authority's offices. We will discuss with management any proposed adjustments and findings that we discover.



PROPOSAL – Audit Approach (Continued)

Compliance Audit of the Major Federal Award Programs

Planning

As noted above, as part of the planning for the financial statement audit, we will coordinate with the Office of the State Auditor regarding federal programs required to be audited. In addition we will perform the following:

- Identify applicable compliance requirements by reviewing grant documents and consulting most recent OMB A-133 *Compliance Supplement* or Uniform Guidance, as applicable.
- Create a tailored compliance audit program.
- Review Single Audit plan by audit manager.

Evaluating Internal Controls

In addition to obtaining an understanding of internal controls performed in the Financial Statement Audit, we will perform the following:

- Obtain an understanding of internal controls over federal award programs through review of the Authority's documentation and discussions with management.
- Test the operating effectiveness of internal controls over federal awards.
- Review by audit manager.

Compliance testing

AVL will consider the suggested audit procedures contained in the latest version of the Compliance Supplement, and grant agreements, to design appropriate procedures to test the Authority's compliance with applicable requirements for each major program. Workpapers are reviewed by audit manager.

Financial Statement Preparation

Although the State encourages governments to prepare their own financial statements, we recognize that most governmental units are not equipped to handle this function. Therefore, our

proposed fees will assume that the auditors will be preparing the financial statements for all years within the contract. However, management is responsible for the financial statements and you are required to designate an individual, preferably within senior management, with suitable skill, knowledge, or experience to oversee our assistance. The Management's Discussion and Analysis (MD&A) section of the report is the Authority's responsibility regardless of who prepares the financial report. Under *Government Auditing Standards*, it is a violation of our independence rules to prepare the MD&A for the client. We are permitted to provide technical advice relative to such but we cannot write it for you. Therefore, this report requirement would not be included in our estimated fees.

Completion and Reporting

The final phase of the audit will proceed as follows:

- Prepare drafts of the financial statements, reports on internal control and compliance, and recommendations to management.
- Engagement quality control review – an objective evaluation of the significant judgments made and the conclusions reached in formulating the auditors' report.
- Discuss the drafts with management and any designated audit committee, as applicable.
- Obtain required representations from management.
- Prepare final reports including required communications to the audit committee and/or governing board.
- Assist in providing federal award information to the State for the State's Data Collection Form.
- Present the final reports to the audit committee and/or governing board, as requested.
- Provide requested representations, subsequent events, and other information to group auditor as of the report date of the State's financial statements.



PROPOSAL - *Engagement Time-Line*

The following schedule reflects our performance dates to meet the Authority's delivery date of September 15 each year:

Pre-fieldwork Audit Planning	July 10
Fieldwork Commencement	August 14
Fieldwork Completion	August 25
Draft Annual Financial Report to Authority	September 6
Deliver Final Annual Financial Report to Authority	September 15

We expect the Authority to provide trial balances, significant agreements in effect, minutes of Commission meetings from the prior year end to current date, original and final amended budgets, and required schedules by July 23 each year in order for our firm to adhere to the proposed time frame. Delays in receiving such information could affect the delivery date of the draft and final annual financial report.



GOVERNMENTAL EXPERIENCE AND CAPACITY

Governmental Experience

Our firm and its audit staff (nine staff members) have significant experience in governmental accounting, auditing, and consulting. The following is a listing of governmental clients that our staff has served in the last five years:

Special Governmental Entities

- Mississippi State Port Authority at Gulfport (audit and agreed-upon procedures engagements)* – years ended 1994 through 2016
- Hancock County Port and Harbor Commission (audit and agreed-upon procedures engagements)* – years ended 2000 through current
- Harrison County Development Commission (audit engagements)* – years ended 2011 through 2014
- Harrison County Utility Authority (audit and agreed-upon procedures engagements)* – year ended 2012 through current
- East Central Harrison County Public Utility District (audit engagements) – years ended 2011 through current
- Mississippi Gulf Coast Regional Convention and Visitors Bureau (audit engagement) – year ended 2016
- Southern Rail Commission (audit engagement) – year ended 2015 through current

Municipal Governments

- City of Diamondhead, Mississippi (audit engagement) – years ended 2014 through current
- City of Moss Point, Mississippi (audit engagement)* – year ended 2016
- City of Poplarville, Mississippi (audit engagements)* – years ended 1999 through 2015

* Including Single Audit services based on Federal Programs

Single Audit Experience

AVL has extensive experience performing Single Audits in accordance with OMB Circular A-133 and the Uniform Guidance. Most of the governmental audits that we perform have met the Single Audit threshold for at least the last eight years. Consequently, we have performed compliance testing of a large variety of major programs including grants from the federal departments of Transportation, Housing and Urban Development, Homeland Security, Commerce, Federal Aviation Administration, Interior, and Justice. Because of the complexities involved in such audits, we use mainly senior staff members to plan and perform internal control and compliance procedures. Our membership in the AICPA's Governmental Audit Quality Center provides us with regular updates and frequent opportunities to participate in webcasts covering needed guidance as described on the next page.

Capacity

Most of the firm's audit and other attest function engagements are handled out of the Gulfport Office. All of our audit staff members work year-round on attest engagements. We do not stop performing attestation engagements during tax season. Therefore, AVL currently has the capacity to perform the Authority's audits.

Additional information regarding the experience and qualifications of the proposed engagement team has been provided in the Resumes section of this proposal.



GOVERNMENTAL EXPERIENCE AND CAPACITY (Continued)

Qualifications and Peer Review

AVL is a registered and licensed CPA firm with the Mississippi State Board of Public Accountancy and all of its partners and other certified professionals are members of the American Institute of Certified Public Accountants (AICPA) and the Mississippi Society of Certified Public Accountants (MSCPA). In addition, many are also members of the Gulf Coast Chapter of the MSCPA, as well as other professional and civic organizations. The firm was admitted as a member of the Private Companies Practice Section (PCPS) of the AICPA in August 1999 and is a participant of the G-400 firm network of the AICPA.

AVL has been a member of the AICPA's Governmental Audit Quality Center (Center) for CPA firms since 2005. Our firm is one of five member firms on the Mississippi Gulf Coast. The Center is a national community of CPA firms that demonstrates a commitment to governmental audit quality. The Center provides members with best practices, guidelines, and tools CPAs need to perform quality governmental audits and better serve their clients.

Members of the Center demonstrate their commitment by voluntarily agreeing to adhere to Center membership requirements, including designating a partner responsible for its governmental audit practice, establishing quality control programs, performing annual internal inspection procedures, and making the firm's Peer Review report findings publicly available. In addition, AVL participates in many members-only conference calls that provide updates to professional literature and guidance for implementation. For more information, please see the Center's website at <http://gaqc.aicpa.org>.

In October 2014, our firm received a rating of *pass*, the highest level of assurance, on our system of quality control for the accounting and auditing practice, which was designed to meet the requirements established by the American Institute of Certified Public Accountants. A copy of our October 8, 2014 Peer Review report issued by the firm of Warren Averett, LLC, of Montgomery, Alabama has been enclosed with this proposal package. Our next peer review is scheduled for later this year. The Authority's 2014 audit engagement was included in the engagements examined by the peer reviewers.

As part of AVL's system of quality control, we have established a monitoring process to provide reasonable assurance of the relevance, adequacy, and operational effectiveness of the system. We achieve this by performing internal inspections for the years a peer review is not scheduled. As part of this internal inspection and as stated in our contract with the Authority, we include the audit of the Authority's financial statements each year. An audit manager who has not been responsible for the Authority's audit engagement reviews relevant workpapers for compliance with standards and AVL's policies.

AVL has been recognized by the state and local community with the following awards:

- 2012 Breakthrough Award – awarded by the United Way of South Mississippi
- 2006 Finalist – Best Places to Work in Mississippi – awarded by the Mississippi Business Journal
- 2005 Governor's Cup – South District and Statewide – the Mississippi Development Authority, in partnership with the Office of the Governor and the Mississippi Economic Development Council recognizes private sector businesses that have had a significant impact within their local communities.
- 2005 Tapestry Award for Outstanding Small Business – awarded by the Mississippi Gulf Coast Chamber of Commerce

With 50 years of experience in the financial services industry, thousands of successful projects and satisfied clients, Alexander, Van Loon, Sloan, Levens & Favre, PLLC, has earned a reputation for quality and integrity that is second to none. That reputation is one that must be re-earned every day.



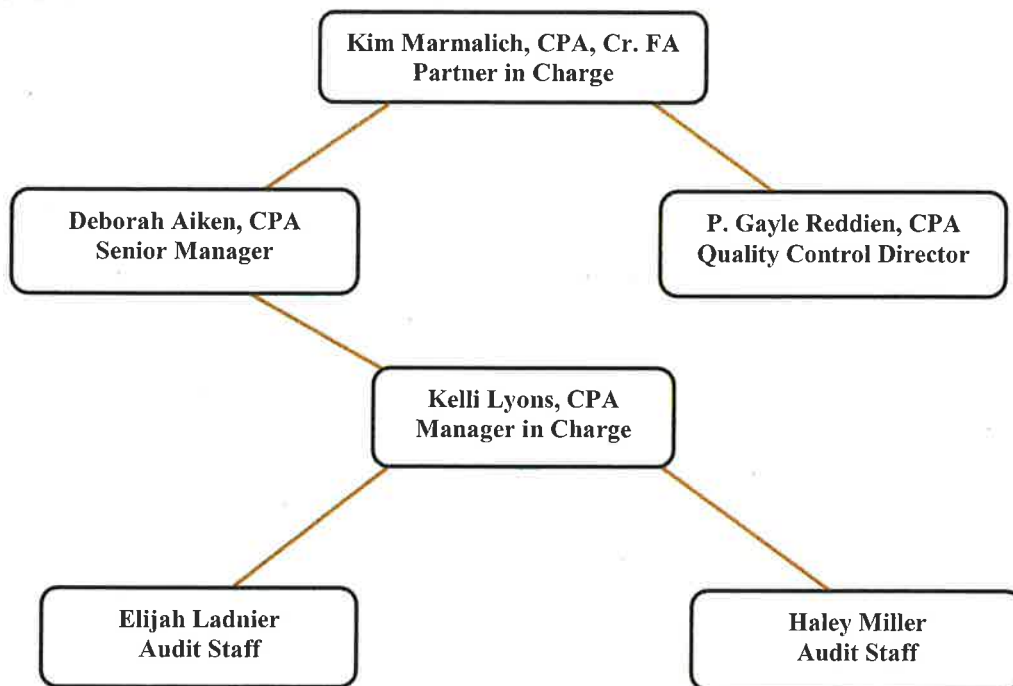
ENGAGEMENT TEAM

Staffing

We will staff the engagement utilizing a team approach. All members of the team are qualified under the Federal Government's Yellow Book to perform governmental audits and have also been trained relative to government accounting standards. As a result of the nature of the Authority, we will assign individual auditors who have previous experience with the Authority and/or similar governmental entities. Each member of our team has demonstrated the ability to provide governmental clients with high-quality audits, as well as value-added ideas.

Since we have performed this audit for many years, we have rotated the audit partner (from Jerry Levens, CPA, CFE, CGMA, to Kim Marmalich, CPA, Cr.FA), which is noted as a best practice in the profession.

The staff for the Authority's audit will consist of the following (resumes for management are included on subsequent pages):



Education

Our firm requires the professional staff to attend Continuing Professional Education classes (CPE) which target new, emerging accounting and auditing issues. In fact, members of our professional audit staff generally receive between 40 and 60 hours of continuing education every year and are all qualified to perform governmental audits under the *Yellow Book* standards. The audit staff members have attended the Governmental Accounting, Auditing and Non-Profit Seminar. This is a three-day seminar designed to keep the governmental auditors abreast of current technical changes while providing practical assistance related to the efficient application of governmental auditing requirements, including those requirements related to the auditing of federal programs. Further, we have also attended the annual Governmental Accounting and Auditing Conference held in Jackson that is sponsored by the Mississippi Society of CPAs. In addition, our firm sponsors an annual accounting and auditing update seminar. This seminar is open to the community and is attended by over 80 CPAs and accountants from a multi-state area. We are happy to provide complementary attendance to the CPAs on our clients' staff.



Kim Marmalich, CPA, Cr.FA

Partner of Audit and Assurance Services

Kim has firm wide responsibility for the firm's assurance services. Formerly the director of the Audit and Assurance Department since 2012, she was named a partner in January 2017. She has over 20 years experience providing audit, tax, and advisory services to numerous governmental, nonprofit, and for-profit clients in Southern Mississippi. She is responsible for reviewing all audit, review, agreed-upon procedures and other attest reports prior to issuance by the firm. Additional areas of expertise include planning and completion of operational reviews, agreed-upon procedures engagements, other attest and forensic accounting functions and projects, and litigation support.

Education:

B.S. Business
Administration,
Accounting
University of Southern
Mississippi

MS CPA License #4845

Certified Forensic
Accountant (Cr.FA)

PROFESSIONAL & COMMUNITY AFFILIATIONS

AICPA - Member

MSCPA - Member

American Board of Forensic Accounting - Member

AICPA Forensic and Valuation Services - Member

Leadership Gulf Coast – Class of 2012

Emerging Leaders Academy – Class of 2017

Mississippi Gulf Coast Chamber – Former Board Member

Goodwill Industries of South Mississippi, Inc. – Former Treasurer

RECENT GOVERNMENTAL PROJECTS

City of Diamondhead, Mississippi. Audit and special project.

City of Poplarville, Mississippi. Audits (Single Audits when required).

East Central Harrison County Public Utility District. Audits.

Gulfport Redevelopment Commission. Audits.

Hancock County Port and Harbor Commission. Single Audits, agreed-upon procedures engagements, and special projects.

Harrison County Utility Authority. Single Audits and special projects.

Mississippi State Port Authority at Gulfport. Single Audits, agreed-upon procedures engagements, and special projects.

Southern Rail Commission. Audits.



P. Gayle Reddien, CPA
Quality Control Director

Education:

Accounting Emphasis
University of Colorado

B.S. Psychology
Newcomb College

MS CPA License
#R2618

Gayle joined the firm in October 2001 after completing three years of service with Moore & Powell, CPAs, where she was the manager of audit services. Gayle came to the Gulf Coast in 1996 from Denver, Colorado, where she worked in public accounting for 13 years, including one year with KPMG Peat Marwick. She has been involved in providing audit-training programs for the firms with which she has worked and currently serves as the Quality Control Director for our firm. As such, she performs pre-issuance and post-issuance reviews of all audit, review, year-end compilation, and agreed-upon procedures engagements issued by our firm.

PROFESSIONAL AFFILIATIONS

AICPA
MSCPA

RECENT GOVERNMENTAL PROJECTS

City of Diamondhead, Mississippi. Audit and special project.

City of Moss Point, Mississippi. Single Audit.

City of Poplarville, Mississippi. Audits (Single Audits when required).

East Central Harrison County Public Utility District. Audits.

Gulfport Redevelopment Commission. Audits.

Hancock County Port and Harbor Commission. Single Audits, agreed-upon procedures engagements, and special projects.

Harrison County Development Commission. Single Audits.

Harrison County Utility Authority. Single Audits and special projects.

Mississippi Gulf Coast Regional Convention and Visitors Bureau. Audits.

Mississippi State Port Authority at Gulfport. Single Audits, agreed-upon procedures engagements, and special projects.

Southern Rail Commission. Audits.



Deborah Aiken, CPA
Senior Manager of Audit
and Assurance Services

Deborah joined the firm in November 2003. Her responsibilities include preliminary audit planning, supervision of staff, completion and review of all applicable workpaper sections, preparation of general purpose financial statements, performance of planning and internal control testing, and performance of compilation and review engagements. Prior to attaining her degrees from the University of Southern Mississippi, Deborah worked for a large national retail organization for 26 years. Her positions included Store Operations Manager, Merchandise Support Manager, Assistant Manager of Operations, and Assistant to Store General Manager. Deborah's experience gives her a unique perspective in conducting audit engagements.

Education:

Master of Business
Administration
B.S. Business
Administration
Accounting Emphasis

University of Southern
Mississippi

MS CPA License #5744

PROFESSIONAL & COMMUNITY AFFILIATIONS

AICPA
MSCPA
NABA

South Mississippi AIDS Task Force – Board Member

RECENT GOVERNMENTAL PROJECTS

City of Diamondhead, Mississippi. Audit and special project.

City of Moss Point, Mississippi. Single Audit.

City of Poplarville, Mississippi. Audits (Single Audits when required).

East Central Harrison County Public Utility District. Audits.

Gulfport Redevelopment Commission. Audits.

Hancock County Port and Harbor Commission. Single Audits, agreed-upon procedures engagements, and special projects.

Harrison County Development Commission. Single Audits.

Harrison County Utility Authority. Single Audits and special projects.

Mississippi State Port Authority at Gulfport. Single Audits, agreed-upon procedures engagements, and special projects.

Southern Rail Commission. Audits.



Kelli Lyons, CPA
Manager, Audit
and Assurance Services

Kelli joined the firm in July 2005. Her responsibilities on various governmental, not-for-profit, and for-profit entities include preliminary audit planning and supervision of staff on engagements, completion and review of all applicable workpaper sections, preparation of general purpose financial statements, performance of planning and internal control testing, and performance of compilation and review engagements.

Education:

B.S. Accounting
 Nicholls State
 University

MS CPA License
 #6138

PROFESSIONAL & COMMUNITY AFFILIATIONS

AICPA
 MSCPA

Leadership Gulf Coast – Class of 2016 – Board of Trustees
 Gulf Coast Running Club

RECENT GOVERNMENTAL PROJECTS

East Central Harrison County Public Utility District. Audits.

Hancock County Port and Harbor Commission. Single Audits and agreed-upon procedures engagements related to the expenditures for the Publicly Owned Treatment Works I (POTW I).

Harrison County Utility Authority. Single Audits.

Mississippi Gulf Coast Regional Convention and Visitors Bureau. Audits.

Mississippi State Port Authority at Gulfport. Single Audits and agreed-upon procedures engagements.



REFERENCES

We are pleased to provide the following client references. We encourage you to inquire about the quality of our work and our service philosophy.

Client Name and Address	Contact and Phone Number	Contract Information
Hancock County Port and Harbor Commission Post Office Box 2267 Bay St. Louis, Mississippi 39521	Ms. Janet Sacks Chief Financial Officer (228) 467-9231	Contract for audit and agreed-upon procedures engagements – year-to-year contract for fiscal years ended 2001 through current year
Harrison County Utility Authority P.O. Box 2409 Gulfport, MS 39505	Ms. Julie Christian Chief Financial Officer (228) 868-8752	Contract for audit and agreed-upon procedures engagements – year-to-year contract for fiscal years ended 2012 through current year
City of Diamondhead 5000 Diamondhead Circle Diamondhead, Mississippi 39525	Mr. Clovis Reed City Manager (228) 222-4626	Contract for audit engagement - fiscal years ended 2014 through current year



ACCEPTANCE OF CONDITIONS

AVL accepts the General Terms and Conditions as stated in the Request for Proposal. Should we be selected as the Authority's auditors, we also agree to provide a schedule or endorsement naming the State of Mississippi and the Mississippi State Port Authority at Gulfport, its Board of Commissioners, its officers, agents and employees as additional insureds on all policies except Worker's Compensation and Errors and Omissions Liability, and shall provide that the insureds thereon waive subrogation against the State of Mississippi and the said political subdivisions thereof. The State of Mississippi and the Mississippi State Port Authority at Gulfport shall be named as certificate holders. The schedule or endorsement shall certify that AVL carries the following insurance and at the specified limits:

- Workers Compensation Insurance in full compliance with all applicable State and Federal laws and regulations, including a specific endorsement covering liability under the Federal Longshoremen's and Harbor Workers Compensation Insurance, if required by the Act. Prior to commencing work AVL shall provide the Authority a written statement or certificate indicating our compliance with this provision.
- Employer's Liability Insurance in the minimum amount of \$1,000,000 for bodily injury by accident, disease, or in the aggregate, covering injury or death to any employee which may be outside the scope of or in addition to liability under any Workers Compensation statute or the Federal Longshoremen's and Harbor Workers Compensation Act.
- Commercial General Liability Insurance covering AVL's operations pursuant to the agreement, and anywhere in the Port area, with a minimum limit of \$1,000,000 combined single limit or at least \$2,000,000 in the aggregate.
- Automobile liability insurance on all vehicles owned or operated by AVL on Port property, including those which are hired or non-owned and used in the course of AVL's business, with limits for bodily injury or death of \$500,000 per person and \$1,000,000 per occurrence and for property damage of \$500,000 per occurrence, or a combined single limit of \$1,000,000.
- Errors and omissions liability insurance in the minimum amount of \$1,000,000.

Each policy shall be endorsed to reflect a 30-day Notice of Cancellation in favor of the Authority.



ADDITIONAL DATA – *Technology*

AVL is always looking for ways to provide value to our clients and maintain the highest quality standards. In addition, Hurricane Katrina taught us that disaster recovery plans are easier to execute when files are electronic. To that end, in 2006 we made a significant investment in technology and began to move from a paper-based system to a digital office. Currently, our audits are conducted in an electronic environment. All audit workpapers and reports are prepared and reviewed online in our secure engagement software. All AVL network computer files are backed up multiple times a day and the network data is replicated offsite nightly to geographically disperse locations. Additional archive data backups are kept offsite.

We believe that this technology benefits our clients as follows:

- Faster turnaround time for financial statements and other deliverables (after initial setup).
- Instant access to all of your workpapers even while away from the office.
- Less time by client staff and firm staff devoted to filing, copying, sorting, and finding documents.
- Accessible workpapers and documents via email and the Internet.
- Elimination of the need for you to print your Word and Excel documents for us.
- Decreased paper consumption positively impacts the environment while saving cost.



ADDITIONAL DATA – *Other Services*

Availability

The benefit of being a large local firm means the ability to provide not only specialized services, but also the ability to provide year-round availability. Our firm has a full-time audit staff. We do not stop doing audits as a result of Tax Season like many firms are forced to do. Accordingly, we are always available to assist you by answering questions related to internal control issues, legal compliance issues, or in assisting your staff in developing new ideas and/or procedures. We believe that it is this type of commitment and personalized service, along with our access to other useful resources through our affiliations with such associations as the Private Companies Practice Section and the Governmental Audit Quality Center of the AICPA that uniquely qualifies our firm to provide the professional services that you require.

Additional Services

The following is a listing of services that we have provided to our governmental clients:

- Financial Statement Audits
- Single Audits in Accordance with OMB Circular A-133
- Agreed-upon Procedures Engagements
 - Compliance with Contract Provisions
 - Revenue Verification
- Attestation Engagements
 - Related to Bond Issuance
 - Related to Operational Review
- Internal Control Evaluation and Documentation
- Write-up Services in Preparation for Audit
- Budgeting and Forecasting
- Grant Management Training
- Valuation Analysis
- Expert Witness Testimony – Annexation Issues
- Human Resource Assistance

AVL WealthCare, LLC

Our affiliate, AVL WealthCare, LLC, serves as a fee-based SEC registered investment advisor to individuals, families, corporations, professional businesses and nonprofit organizations. AVL WealthCare's services include financial planning, investment advice and management and retirement plan design and implementation.

October 8, 2014

To the Partners of Alexander, Van Loon, Sloan, Levens & Favre, PLLC
and the Peer Review Committee of the MSCPA Peer Review Program

We have reviewed the system of quality control for the accounting and auditing practice of Alexander, Van Loon, Sloan, Levens & Favre, PLLC (the firm) in effect for the year ended June 30, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

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

In our opinion, the system of quality control for the accounting and auditing practice of Alexander, Van Loon, Sloan, Levens & Favre, PLLC in effect for the year ended June 30, 2014, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Alexander, Van Loon, Sloan, Levens & Favre, PLLC has received a peer review rating of *pass*.

Warren Averett, LLC
Montgomery, Alabama



PROFESSIONAL FEES - *Summary*

Audit Services

Our proposed maximum fees for the audit of the June 30, 2017, 2018, and 2019 annual financial statements of the Authority are as follows:

	June 30,			
	2017	2018	2019	Total
Basic Audit Engagement Fee	\$ 41,990	\$ 43,250	\$ 44,547	\$ 129,787
Single Audit Fee, if required	7,240	7,457	7,680	22,377
Implementation of New Tax Abatement Standard (only if applicable)	2,240	1,170	605	4,015
Implementation of Proposed Lease Standard	-	-	4,840	4,840
Total Audit Engagement Fee	<u>\$ 51,470</u>	<u>\$ 51,877</u>	<u>\$ 57,672</u>	<u>\$ 161,019</u>
Total Hours	<u>458</u>	<u>448</u>	<u>483</u>	
Average Rate/Hour	<u>\$112</u>	<u>\$116</u>	<u>\$119</u>	

- We expect your staff to provide needed account reconciliations, schedules, documents, etc., to facilitate the completion of the audit in a timely and efficient manner. Accordingly, our proposed time requirement and fees are based on maximum cooperation from your staff. Government Auditing Standards prohibit auditors from performing bookkeeping services for clients. Bookkeeping services include reconciling accounts and posting adjusting entries. Some services, such as technical services, are permitted but would be treated as a separate engagement if performed by the auditors.
- The above fees are based on the assumption that there will be no issues of noncompliance with laws and regulations identified by our audit procedures or other unexpected circumstances that would significantly increase the scope of our work.
- The Single Audit fee has been estimated assuming that there will be **one major program** required to be audited. If there are additional programs required to be audited, we will bill separately for those procedures based on actual time spent at 90% of our standard hourly rates then in effect.
- We have estimated the number of hours for testing for construction in progress at 30 hours based on anticipated activity for 2017. However, in subsequent years, if such activity increases significantly, requiring expansion of the testing in this area, we will bill separately for those hours at 90% of our standard hourly rates then in effect.
- In the event that new professional literature is issued over the contract period (i.e., three years) that affects the accounting requirements and/or audit procedures relative to the Authority's audit, we will bill separately for those procedures based on actual time spent at 90% of our standard hourly rates then in effect.

Additional Accounting Services

General accounting services, other specific procedures, and/or internal control compliance may be provided and will be billed on a per hour basis at our standard hourly rates then in effect. Our current rates are as follows:

<u>Staff Level</u>	<u>Standard Hourly Rate</u>
Partner	\$220
Director	\$180
Manager	\$120 - \$160
Senior	\$ 80 - \$115
Staff	\$ 75 - \$100
Clerical	\$ 35 - \$ 60



PROFESSIONAL FEES – Detail by Staff Position

BUDGETED HOURS BY STAFF POSITION

For the Year Ending June 30, 2017

<u>Category</u>	<u>Budgeted Hours</u>	<u>Partner</u>	<u>Manager</u>	<u>Senior</u>	<u>Staff</u>	<u>Clerical</u>
Planning:						
Preliminary & Risk Assessments	52	4	12	23	8	5
Research	6	-	2	4	-	-
Internal Control Documentation & Analysis	24	-	6	18	-	-
Trial Balances & Adjustments	4	-	-	2	2	-
Minutes, Contracts, Ordinances, & Laws	6	-	-	4	2	-
Substantive Testing:						
Cash & Investments	30	-	-	-	30	-
Receivables	10	-	-	-	10	-
Prepays, Deposits, & Deferred assets	6	-	-	-	6	-
Property & Equipment	10	-	-	10	-	-
Construction in Progress	30	-	-	30	-	-
Long-term Debt	8	-	-	-	8	-
Net Assets	6	-	-	6	-	-
Revenues	30	-	-	-	30	-
Expenses & Accounts Payable	16	-	-	-	16	-
Payroll & Related Liabilities	8	-	-	-	8	-
Grant Compliance	6	-	-	6	-	-
State Compliance	6	-	-	6	-	-
Subsequent Events, Commitments & Contingencies, Risks & Uncertainties, etc.	8	-	-	-	8	-
Reporting:						
Financial Statements & Reports (Including Power Point Presentation)	50	-	-	10	37	3
Management Letter	8	-	4	4	-	-
Report Delivery & Other Conferences	6	2	4	-	-	-
Supervision & Review	48	8	30	10	-	-
Total - Basic Audit	378	14	58	133	165	8
Standard Hourly Rates		\$220	\$155	\$110	\$90	\$55
Total Standard Fee-Basic Audit	\$ 41,990	\$3,080	\$8,990	\$14,630	\$14,850	\$ 440
Average Hourly Rate based on Standard Fee	\$111					
As Required (Assuming One Major Program):						
Single Audit-Proposed Hours	60	2	12	40	6	-
Standard Hourly Rates		\$220	\$155	\$110	\$90	\$55
Standard Fee-Single Audit	\$ 7,240	\$440	\$1,860	\$4,400	\$ 540	\$ -