

March 26, 2013

**Non-binding Cost Estimate**

Dear Ms. Crawford and the Auditor Selection Committee:

We are pleased to submit our nonbinding cost estimate to the City of Suffolk, Virginia (City) related to services requested for the fiscal years ending June 30, 2013 through June, 30, 2015 with two options years thereafter, as detailed in Request For Proposal #2013-00077-IC. We are excited about this opportunity to form a valued relationship with the City and confirm that Cherry Bekaert possesses the resources, personnel, and commitment to the Virginia public sector to provide the high quality audit services you deserve, both today and in the future.

We understand and appreciate the City's desire for professional service providers who are not only highly qualified, but who are also cost-conscious and cost-effective about the work they perform. We are mindful that cost is always a consideration in selecting a professional services firm and have structured our fee based on our strong desire to develop a mutually rewarding, long-term relationship with the City. In developing our non-binding cost estimate, we made the following presumptions:

- In working with the City to prepare the related financial statements, the City has electronic templates of the 2012 financial statements such that they can be rolled forward to create a shell for the 2013 statements.
- Our estimate is based on no material changes in the City's operational, regulatory or reporting environments. If at any time such material changes do occur, we would like the opportunity to discuss the impact, if any, on the scope of our audit and any corresponding cost considerations.
- Our estimate is based on the City's Single Audit requiring five (5) major programs to be compliant with OMB Circular A-133 reporting requirements. If the City's major program coverage is insufficient in any year, we agree with the City that an extra cost of \$8,000 per additional Federal program over five would be incurred.

**Basic Audit and Single Audit Services**

Level	City	Schools	A-133	EDA	Total
Partners	87	18	20	6	131
Managers	220	34	26	12	292
Seniors	270	80	110	40	500
Staff	164	70	110	40	384
<b>TOTAL</b>	741	202	266	98	1,307
Fees	\$71,100	\$20,200	\$26,600	\$9,800	\$127,700

Audit	Hours	Fee
School Activity Funds	210	\$21,000
Pruden Center	98	\$9,800
Western Tidewater Water Authority	98	\$9,800

We understand the budget constraints that the City faces as they are the same stresses faced by all of our Virginia clients. Mindful of those cost concerns, we would like to negotiate keeping our audit fee the same for both fiscal year 2013 and 2014. For 2015 and beyond, as future costs will undoubtedly rise due to various factors (e.g., new required audit procedures, new accounting principles), we would like to negotiate a fee increase limit not to exceed 3% or the Consumer Price Index for all Urban Consumers average, whichever is lesser. Also as noted in our proposal, we are committed to providing eight (8) hours of CPE annually, designed specifically to meet the needs of the City and its employees, at no cost to the City.

This cost estimate is being submitted in accordance with the Virginia Procurement Act. We understand that, if we are ranked first among proposers, we will then enter into final negotiations with the City and we are confident we will arrive at a fee that is mutually acceptable.

Thank you for the opportunity to present our qualifications to the City of Suffolk, Virginia. Please contact me directly, as an authorized representative of the Firm, at my office (804.673.5733), my cell (804.647.8836) or electronically at [rchurchman@cbh.com](mailto:rchurchman@cbh.com).

Sincerely,



Robert H. Churchman, CPA, CGFM  
Partner