Proposal for:

City of Waukesha Prairie Home Cemetery

MKS&H
CPAs and Business Consultants

MKS&H Contact:
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Executive Summary

MKS&H accountants are specially trained for the death care industry. We have expertise in internal controls, process improvement and fraud detection and avoidance. We will analyze your cemetery operations by considering your people, accounting systems, operating practices and the processes that either support or impede them. Our accountants will discuss and document their findings so you can identify the areas that may require improvement and those that have been well-maintained. While we won't be performing any assurance services related to your financial statements, our expertise and insights will help you assess the overall operations for Prairie Home Cemetery. In the following pages, we have summarized our background, qualifications, and proposed service plan. It is our commitment to ensure that you receive value-added services and remarkable client service from day one in working together. We look forward to working with the City of Waukesha and Prairie Home Cemetery.

About MKS&H

MKS&H is a CPA and business consulting firm with office in Baltimore and Frederick, Maryland. Established in 1943, we have provided accounting, audit, tax and advisory services to our clients. Our firm has been involved in the death care industry for 30 years, starting with a local cemetery in Frederick, Maryland. We have built our expertise by working with large providers such as SCI and StoneMor as well as numerous independently owned and not-for-profit cemeteries. These relationships have allowed us to build a knowledgeable advisory team with experience in various states.

Organization, Size, and Structure

MKS&H is a growing and profitable firm, yet we have committed to controlled growth to ensure the continuance of close relationships with our clients and our personnel. We're proud of our reputation as a progressive firm that provides quality services and treats its clients and employees well. Currently, we employ 50 plus people including 5 partners and a principal in our Frederick and Hunt Valley, Maryland offices.

Overall Client Snapshot

Our professionals have an in-depth understanding of business accounting and tax practices. Currently, we serve clients who meet a fast-pace growth designation in government, manufacturing & distribution, death care, and construction industries. Client revenues range from $2 million to more than $100 million for our privately held business clients. From normal operating and compliance issues to assisting in keeping the doors open during a tough stretch to developing senior leadership as part of a succession plan, we work with our clients in pursuit of their long-term goals.

Industry Participation

- **CPAmerica Alliance:** MKS&H belongs to CPAmerica, one of the largest networks of independent CPA and consulting firms in the world. To be a member of CPAmerica, a firm must be one of the best in its market. Potential members are carefully screened to ensure that they are not only technically proficient, but also are forward thinking and progressive in their outlook and business practices. Through this membership, we support various professional firms with their engagements. In return, our clients have access to the industry specific knowledge of over 10,000 CPAs in 85 countries around the world. While we don't see a need to bring our CPAmerica contacts into the engagement at this time, it's nice to have these resources at our disposal.
- **International Cemetery, Cremation and Funeral Association (ICCFA):** Composed of more than 8,900 cemeteries, funeral homes, crematories, memorial designers and related businesses worldwide. It serves and supports these members through a host of benefits designed to increase their management proficiency and improve their businesses--from regular updates on government and legal issues, to educational meetings, to a variety of services and products tailored to meet their needs. As a member, MKS&H participates at their annual conferences and has provided articles for the ICCFA magazine that is distributed to nearly 30,000 readers.

- **Maryland Cemetery, Funeral, & Cremation Association:** As members of this local trade association MKS&H connects with other professionals around the region to discuss industry challenges, advance shared interests, and take advantage of the support, representation and many other benefits our state-based association provides.

- **The Maryland State Funeral Directors Suppliers Association:** It is comprised of premier companies servicing the funeral service industry and business owners. The Maryland State Funeral Directors Association (MSFDA) has enjoyed a long-standing relationship with the Suppliers Association, and both MSFSA and their individual members support MSFDA through sponsorships, contributions and participation in the many programs, events and various social activities.

- **GAQC Membership**: We are members of the AICPA's Governmental Audit Quality Center which helps us ensure the quality of our governmental and nonprofit audits. Our partners and staff understand municipal accounting (GASB) standards and financial reporting issues and requirements.

Engagement Team

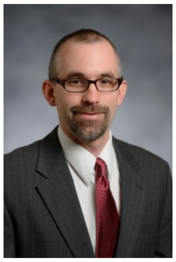
At MKS&H, we strive for continuity in staffing. This is reflected in the general stability of service teams working with our clients year after year. As a result, should any occasional attrition occur, the other knowledgeable members on your service team ensure a continuous, smooth working relationship. Your MKS&H professionals are individuals that possess varied and valuable knowledge and, as such, will ensure accurate and efficient assistance and use of your time as well. Below, we've provided the names of your proposed service team members, their backgrounds and qualifications, and the role that they will play in serving you:

Barbara Walker, CPA, MBA, CVA is a partner with MKS&H and the leader of the firm's accounting and auditing practice. She is the designated partner for the firm's GAQC membership. In her 20 years at MKS&H, Barbara has assisted a variety of private and public companies and nonprofit organizations with their compliance and operational issues. In the government sector, Barbara is experienced in the preparation of financial statements and related analysis, supervising and training of staff, preparation of management reports, tax returns, and presentations to management and board members.

As you are aware, MKS&H specializes in the Death Care Industry. Barb and her team work with publicly traded companies on their trust audits, independent funeral homes, independent cemeteries, combination operations, and more than 100 related trust funds. She works with cemeteries and funeral homes throughout the country and has performed trust audits, excess income audit and due diligence on cemetery acquisitions. She has created various forecasts and projections related to the operation of independent cemeteries and funeral homes.

She is a member of the Maryland Association of Certified Public Accountants, the American Institute of Certified Public Accountants, the Greater Washington Society of Accountants and the National Association of Certified Valuation Analysts. For her community, Barb is a board trustee for the Community Foundation of Frederick. She is a board member of the National Lutheran Communities and Services Village at Rockville. She also serves as a member and was the past Treasurer of the Rotary Club of Frederick. In regards to the business community, Barb is an active member and past Treasurer of the Frederick County Chamber of Commerce and a graduate of their Leadership Frederick program. She was the past vice-president of the local National Contract Management Association (NCMA) chapter.

Barb will be responsible for the overall results of the financial analysis and will present the final findings of the study to your team.



Jamie Iseminger, CPA is an audit manager in our accounting and auditing area. He is a member of the firm's Death Care Industry Team, which currently serves approximately 100 cemeteries, funeral homes, combination operations, related trust funds and affiliated entities throughout the United States. Jamie's experience managing multiple locations and supervising location staff, along with his practical experience working with entrepreneurial businesses and nonprofit organizations make him a very productive operational consultant to both large and small volume single and multiple location firms.

In addition to serving his clients, Jaime is also in-charge of training and management of staff accountants within our office. He is a member of the Maryland Association of Certified Public Accountants, graduated from Leadership Frederick and serves on the board of The Banner School in Frederick. In his spare time, Jaime has volunteered as event coordinator locally for The Patty Pollatos Fund, Inc. (PPF), helping to raise over 18K for this organization whose mission is to educate and assist local families and individuals in Maryland during the temporary financial strain due to health or emergency situations.

Jamie will be responsible for performing the onsite and offsite financial analysis and for presenting the final findings of the study to your team.

Megan Baker, CPA is an audit manager at MKS&H. Megan provides a full range of accounting and business consulting services for clients. Her experience includes working with personal services firms, manufacturers, death care, construction, local governments, government contract companies, distribution, and international companies. Throughout her career, Megan has gained extensive knowledge and diverse experience with all aspects of the death care industry.

In addition, her career has equipped her with strong technical skills including preparation of financial statements, management reports and tax returns, implementation of business plans, and cash flow models. She is a member of the Maryland Association of Certified Public Accountants and the American Institute of Certified Public Accountants. In addition she is the Treasurer and board member of St. John Regional Catholic School in Frederick, Maryland. She is also a graduate of Leadership Frederick County.

Megan will be a member of the consulting team for offsite data analysis and report preparation.

Other - We will utilize various staff accountants and or administrative staff employed by MKSH for data manipulation, report preparation, research and typing/copying.

Scope of the Engagement

Three Phases of the Financial Analysis

Our financial analysis will be conducted under the AICPA Consulting Standards in three phases consisting of an **1) Onsite Visit**, **2) Data Analysis in Our Offices** and the **3) Delivery of Final Recommendations**.

1) Onsite Visit

In order to understand the dynamics at work both within and outside the cemetery, we would first visit the Cemetery and the Finance Department of The City of Waukesha to gain an understanding of your policies and procedures in both the Finance Department and at the Cemetery. We would conduct interviews with personnel in both areas and document the existing operational procedures and policies in a manner suitable for us to provide recommendations to you.

We will gain an understanding of how you are tracking sales since you mentioned that you are using Microsoft Excel to do so. We will also gain an understanding of how you are currently recording sales, costs of sales, deferred revenue, receivables, investment income, sales commissions, inventory and property. We will request various resources to be used in our analysis including but not limited to the following:

- Statement of Financial Position of Cemetery
- Copy of your operational financial statements for the past five years
- Copy of CAFR for the City including Cemetery Enterprise Fund and Accounting policies and related note disclosures
- Property and equipment schedule
- Trust agreements,
- Trust and investment statements,
- Five year historical account of spaces sold by type (mausoleum, ground, etc.),
- Preneed sales volumes by type,
- At-need sales volume by type,
- Remaining spaces by type,
- Investment returns,
- Investment policies,
- Accounting of investment income distributed from trusts,
- Inventory cost information,
- Deferred revenue detail
- Pre-need receivable detail.

We will attempt to describe our planned approach to the specific items noted in your RFP as recounted underneath the following subheadings: 1) accounting operations, 2) financial analyses and 3) cemetery operations.

Accounting Operations

- Review the method by which the Finance Department calculates Cost of Goods sold and make a recommendation as to whether or not this is the best method of recording inventory as assets of the Cemetery.

- Review current accounting practices now being used by the Finance Department for the cemetery business and see if they are appropriate. Make recommendations as necessary.

MKSH Planned Approach:

Through discussions with the appropriate finance personnel, we will determine how cost of goods sold is currently calculated for the various items sold by the cemetery. We will compare this to methods of recording inventory that we have observed in the cemetery industry and provide any observations or recommendations as considered necessary for the cemetery enterprise fund to be in compliance with GAAP.

In regards to the current accounting practices, we will review the historical financial statement information and disclosures provided by your finance personnel and ask questions regarding accounting policies, Wisconsin cemetery laws (Section 157.50) specific to municipalities and preneed/perpetual care trusts, revenue recognition and deferral policies, treatment of pre-need and at-need revenue recognition. We will coordinate this review with questions to be asked of cemetery operational personnel to gain an understanding of source data currently provided to the Finance Department. If necessary, we will provide recommendations for any potential improvements.

Financial Analyses

- Analyze the various investment and long term trust accounts for appropriateness of both amounts, given the cemetery's age and anticipated sales longevity, and the level of contributions that are now being made. Upon completion, make a recommendation on what the level of fund balance should be to these various investment funds to serve the cemetery well into the future, and if the current total account balances are presently adequate.

MKSH Planned Approach:

We noted online that the City has 4 Cemetery related trusts which include a perpetual care fund, a flower endowment fund, a Kind Trust and a Reserve Fund. First, we will inquire as to the nature of each of these and read the corresponding trust agreements. We need to gain an understanding of Wisconsin Cemetery Law as it relates to cemeteries owned by municipalities. Based on historical sales data, we would develop financial analyses of future results based on certain selected assumptions. Results would include assumptions of expected revenue to be earned over the life of the cemetery based on continuation at the current, and at increased or decreased rates of growth depending on what management predicts. Any necessary policy changes in recognition of revenue and costs would be taken into consideration within these projections. We may additionally *incorporate other scenarios that take into consideration recommendations made regarding pricing changes, any new revenue sources or operational changes.*

We would need to understand the City's current funding level for the cemetery along with the funding provided by the Trusts. Based on trusting levels used in other states, expected funding needs and the results of the financial analyses, we will present recommendations regarding your necessary fund balance levels for the trusts.

Cemetery Operations

- Analyze the current staffing operations and service levels of the Cemetery and compare it to at least three other comparable municipal cemeteries of like size and service structure. Make recommendations on operational efficiencies that may be available, including state-of-the art equipment, tools and technology (software).

- Review current revenue sources and pricing practices of the cemetery. Compare current charges for services and products with existing markets for such items. Make recommendations on potential opportunities to enhance revenues.

- Determine potential revenue sources not now being utilized (if any), and make recommendations on potential opportunities to enhance revenues.

- Analyze the sales function currently in place. Should this cemetery, given its history and nature, aggressively be seeking to continue its current sales plan and effort? Make recommendations on a long term sales and growth strategy.

MKSH Planned Approach:

We would gain an understanding of the job functions of Cemetery personnel and compare it to other comparable cemeteries. We do not currently work with any municipal cemeteries, so we will find some cemeteries of similar structure and may utilize anonymous data from profit-based cemeteries that we work with in order to provide recommendations on operational procedures, equipment, tools and software.

We will obtain information from you regarding revenue sources and pricing practices to compare with similar services and products offered within the industry. Where possible, we will look for potential revenue sources that exist that may not be utilized to their fullest. We will utilize First Research database information to provide comparables and ratios.

We will gain an understanding of the sales function currently in place and provide recommendations. With your permission, we may consult industry personnel who are in charge of running professional sales forces for multi-location as well as single location facilities within the cemetery industry. This information should equip you with the tools to grow your cemetery

2) Data Analysis in Our Offices

Once the initial onsite work and data gathering as described in section 1 is complete, we will conduct much of the financial and data analyses back in our offices.

3) Delivery of Final Recommendations

We will provide a copy of our findings and final recommendations. We are available to present this to you by teleconference or videoconference at your request. If you desire, we can return to present our recommendations in person. In the interest of controlling costs, we did not include this second visit to The City of Waukesha within our fee proposals.

We hope that with our final recommendations, you will be able to change accounting, operational and sales policies and plans to improve the financial stability of Prairie Home Cemetery.

Projected Timeline

Assuming there is no delay in gathering information up front or unforeseen scheduling conflicts; we feel the following is an appropriate timeline to complete the project:

- Phase 1: Onsite Visit (2-3 days during Week of November 10th or November 17th)
- Phase 2: Financial Analysis – (Mid November through Early December)
- Phase 3: Delivery of Final Recommendations (Mid-December through Late December)

Engagement Fees

At MKS&H, we treat all of our client relationships with care. When we enter into a relationship with you, we do so believing that we will be serving you well into the future. Given our expertise in your industry, the current knowledge we have about the City of Waukesha and the operations at Prairie Home Cemetery, and the services you require, we can offer the following pricing to you with a guaranteed not to exceed cost:

Financial Analysis Engagement Pricing	2014
Onsite Visits – 1 person, 2 - 8 hour days	$3,650
Travel costs and related expenses (airfare, hotel, rental car, meals)	$1,400 - $1,600
Financial Data Analysis and Development of Recommendations	$7,100
Presentation of Report (by Teleconference) –	$580
Total	$12,730 - $12,930

The above fees are based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement process. This fee is also based on the assumption that your staff will provide the information we request in an accurate and timely manner to assist us in the process.

Client References

Surprisingly we have not been asked to complete a study like this before. However, we have completed similar projects for various death care clients and for those outside of the industry. As such, we urge you to contact our respected death care clients to hear more about the services we offer and the quality we bring to each engagement. Below are three clients who are very familiar with the MKS&H and the members of your service team.

Memorial Services, LLC
David Shipper, President
c/o Futura Group
262 Upper Ferry Road
Ewing, NJ 08628
P: 609-771-8590
E: dshipper@futuragroup.com

Miami Memorial, LLC
Frank Bango, CEO
10755 SW 83rd Avenue
Miami, FL 33156
P: 305-965-2932
E: Frank.Bango@Dignitymemorial.com

Stonemor
Derrick Smiley, Trust Manager
Stonemor Partners, L.P.
311 Veterans Hwy, #B
Levitttown, PA 19056-1422
P:215-826-2914
E:dasmi@stonemor.com

Thank You and Contact Information

Thank you again for giving MKS&H the opportunity to submit our proposal to meet your service needs. We are confident that we are well qualified and would be a good fit with the Prairie Home Cemetery culture. Below are some of the key elements we are committed to bring to our relationship with you:

- **Passionate People:** MKS&H teammates are excited to come to work every day because they are personally engaged in the success of their clients, themselves and the firm. Why? Because they are: Inspired by their leaders; have variety in their work; and are able to leverage their ambitions.
- **Reliability & Consistency:** We strive for continuity in staffing. This is reflected in the general stability of service teams working with our clients year after year. In addition, our staff is fully integrated, so if your organization decides to use more than one MKS&H service, you can be confident each service team is working together for a comprehensive and targeted approach to your organization.
- **Client Communication:** We provide multiple opportunities to receive feedback from our clients, such as: Annual face-to-face meetings and simple engagement feedback surveys.

If you have any questions or need further information we will be happy to meet with you in person, or please do not hesitate to contact me. My contact information is as follows:

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