

M E M O

TO: Board of Directors

FROM: District Manager

DATE: June 9, 2006

SUBJECT: REQUEST FOR PROPOSALS AUDIT SERVICES

RECOMMENDATION:

It is recommended that the Board of Directors review this memo and receive and consider the updated presentation from Staff at the June 15, 2006 Board Meeting regarding the subject matter. Following presentation by Staff, it is recommended that the Board approve a resolution accepting a proposal for Audit Services.

BACKGROUND:

The District solicited proposals to provide audit services for the next three (3) fiscal years (FY 2006/08 – 2008/09). See Attachment 1. The closing date for the submission of proposals was 5:00 p.m., Thursday, June 8, 2006. In response to the Request for Proposals, the District received responses from two (2) accounting firms. The response was as follows:

<u>Firm</u>	<u>FY 2006/007</u>	<u>FY 2007/08</u>	<u>FY 2008/09</u>
Berger/Lewis Santa Cruz, CA	\$13,500.00	\$13,500.00	\$13,500.00
Charles Z. Fedak & Co. Cypress, CA	\$12,000.00	\$12,650.00	\$13,300.00

It appears that Charles Z. Fedak & Company may be deemed most highly qualified. However, at the time of drafting this memo Staff had not completed a comprehensible review of both proposals and submitted references. Therefore, Staff will orally present an update regarding this matter with a final recommendation to your Board at the June 15, 2006 Board meeting.

It is recommended that the Board of Directors review this memo and receive and consider the updated presentation from Staff at the June 15, 2006 Board Meeting regarding the subject matter. Following presentation by Staff, it is recommended that the Board approve a resolution accepting a proposal for Audit Services.

James Mueller
District Manager

JAM/bsb

SAN LORENZO VALLEY WATER DISTRICT

RESOLUTION NO. XX (05-06)

SUBJECT: REQUEST FOR PROPOSALS AUDIT SERVICES

WHEREAS, the District undertook a full-scale competitive process for the selection of an independent auditor pursuant to the Recommended Practices for State and Local Government as prescribed by the Governmental Finance Officers Association to provide audit services for the next three (3) fiscal years; and

WHEREAS, in response to said competitive process the District received responses from two (2) accounting firms; and

WHEREAS, Charles Z. Fedak & Company has been deemed the most highly qualified and was the lowest overall proposal;

NOW THEREFORE BE IT RESOLVED that the Board of Directors of the San Lorenzo Valley Water District hereby desires to accept the proposal of Charles Z. Fedak & Company to provide audit services for the San Lorenzo Valley Water District for the next three (3) fiscal years.

* * * * *

PASSED AND ADOPTED by the Board of Directors of the San Lorenzo Valley Water District, County of Santa Cruz, State of California, on the 18th day of April, 2002, by the following vote of the members thereof:

AYES:
NOES:
ABSENT:

District Secretary
San Lorenzo Valley Water District

SAN LORENZO VALLEY WATER DISTRICT

REQUEST FOR PROPOSALS

FOR PROFESSIONAL AUDITING SERVICES

MAY 2006

The San Lorenzo Valley Water District, hereinafter referred to as “District”, is soliciting proposals from qualified firms of certified public accountants to audit the District’s financial statements for the fiscal year ending June 30, 2006, with the option of auditing the District’s financial statements for two (2) subsequent fiscal years, those years ending June 30, 2007 and June 30, 2008. Audits are to be performed in accordance with the California State Controller’s minimum audit requirements for Special Districts generally accepted Governmental Auditing Principals and Standards and Governmental Accounting Standards Board (GASB) guidelines. There is no expressed or implied obligation from the District to reimburse responding firms for any expense incurred in preparing proposals in response to this request.

INTRODUCTION

The District was established April 3, 1941, pursuant to Chapter 592, Statutes of 1913 and the California Water Code. The District contains approximately 58 square miles. The District was created to develop a water supply for domestic requirements as well as fire protection and recreation facilities in the San Lorenzo Valley (except the Felton area). Since 1969 the District has owned and operated a small wastewater facility located in Bear Creek Estates. At June 30, 2005, the District owned approximately 2,000 acres of land and provide service to approximately 5,800 customers. The District has approximately 21 full time positions.

SCOPE OF WORK

The District desires the auditor to express an opinion on the fair presentation of its general purpose financial statements in conformity with generally accepted governmental accounting principles. The scope of work relative to this request for proposals shall include the following tasks.

1. Pre-audit conference A pre-audit conference is required to provide a clear understanding of any conditions to be met by District staff and the responsibilities of the auditor, so that the audit can be conducted on a timely basis and concluded in accordance with predetermined schedules.
2. Financial Statements The primary financial statements shall be a Comprehensive Annual Financial Report (CAFR) which includes comparative balance sheets on the combined and individual funds at the end of the current and preceding year, with supporting notes and schedules that provide details of or explain changes in account balances; comparative statements of income and expense for the current and preceding year with supporting notes and schedules that provide details of income statement accounts; statement of retained earnings explaining changes in the unappropriated retained earnings account from the beginning to the end of the current year; and reconciliation of net income.
3. Annual Report of Financial Transactions of Special District Auditor shall prepare the annual report to the State Controller pursuant to Government Code Section 26909. This report shall be completed and on file with the State Controller within ninety (90) calendar days of year-end (June 30). Auditor shall submit to the District a copy of the annual report prior to transmittal to the State Controller.
4. Opinion Letter An opinion letter is required attesting to the fair presentation of the financial statements in conformity with generally accepted governmental accounting principles.
5. Management Letter The audit examination shall evaluate the District's accounting system, internal control structure, methods of processing data and maintaining financial records. This evaluation shall be comprehensive enough in scope to provide for an appropriate report thereon to the District. The auditor shall prepare a separate management letter on the internal control structure based upon the auditor's understanding of the control structure and assessment of control risk. This report shall be submitted to District and shall outline the auditor observations and recommendations for enhancement, and include any reportable conditions found during the audit.
6. Single Audit Auditing procedures employed shall be structured to meet the requirements of a "Single Audit" pursuant to OMB Circular A-128, "Audits of State and Local Governments". The auditor shall prepare any supplemental schedules and/or reports as may be required for "Single Audit" purposes and supply additional certification required by the cognizant Federal agency.

7. Exit Conference An "exit" conference is required with District Staff. The "exit" conference shall disclose any facts or situations that the auditor feels have, or have had, a bearing on their work or report.
8. Final Audit Report Fifteen (15) copies of the opinion letter and final comprehensive financial report shall be submitted to the District. Fifteen (15) copies of the final management letter shall be submitted to the District.

AUDIT TIMING

Examination of the June 30, 2006, financial statement is to commence at the convenience of the auditor, however, with respect to preliminary fieldwork this shall be done no later than August 31, 2006. The auditor will be required to complete and submit the Annual Report of Financial Transactions of Special District prior to the September 30, 2006 deadline date. The auditor will be expected to complete their work with respect to the comprehensive Annual Financial Report in time to furnish the District with their letter of opinion no later than October 31, 2006. All other certifications required of the auditors are to be submitted no later than November 30, 2006. Should the District exercise the option for the selected auditor to perform subsequent work, the aforementioned time schedule shall be applicable.

PROPOSAL CONTENT

Proposals submitted pursuant to this request must contain the following information:

1. Proposals shall include a signed letter of transmittal briefly stating the proposer's understanding of the work to be done, the commitment to perform the work within the specified time period, a statement why the firm believes itself to be the best qualified to perform the engagement and a statement that the proposal is a final and irrevocable offer for a period of sixty (60) calendar days from the submitted date.
2. Proposals shall provide information on the size of the firm, the size of the firm's governmental audit staff, the location of the office from which the work on this engagement is to be performed and the number and nature of the professional staff to be employed in this engagement.
3. Proposals shall provide a list of similar engagements with other governmental entities performed in the last five (5) years, as well as any other related experience.

4. Proposals shall provide a minimum of five (5) references that may be contacted regarding the firm's capabilities. References shall include the audited firm's name, contact individual name, current telephone number, and type and dates of services rendered.
5. Proposals shall identify the principal supervisory and management staff. Identification of staff capacity shall include the resumes of key personnel who will actually be assigned to the engagement.
6. Proposals shall include a specific time frame to complete the various phases of the audit.
7. Proposals shall include a listing of services, data, schedules, and information to be furnished by the District.
8. Proposals shall include projected man hours required to complete the audit along with hourly billing rates of the various levels of staff who will be assigned to the audit.
9. Proposals shall include a total all-inclusive maximum fee to be charged for audit services for fiscal year ending June 30, 2006. The maximum fee shall include all direct and indirect costs, including such items as travel and out-of-pocket expenses.
10. Proposals shall include a separate total all-inclusive maximum fee to be charged each year based upon the exercise of an option to extend the agreement for two (2) additional fiscal years those years ending June 30, 2007 and June 30, 2008. The maximum fee for these two (2) additional option years shall include all direct and indirect cost, including such items as travel and out-of-pocket expenses.

EVALUATION OF PROPOSALS

Proposals submitted which conform to the requirements of this Request for Proposal will be evaluated based upon the following criteria:

1. The firm's past experience and performance on comparable government engagements
2. The quality of the firm's professional personnel to be assigned to the engagement

3. Planning of the examination
4. Availability of qualified staff
5. Fee for the engagement
6. Adherence to instructions in this request for proposals

It is anticipated that a contract for service will be offered to the firm deemed most highly qualified by the District as a result of this process by June 30, 2006.

SUBMISSION OF PROPOSALS

Three (3) copies of the proposal must be submitted before 5:00 p.m. (PDT), Thursday, June 8, 2006. Proposals shall be sealed and submitted to the following address:

Auditor Proposal
James A. Mueller, District Manager
San Lorenzo Valley Water District
13060 Highway 9
Boulder Creek, CA 95006

The District reserves the right to reject any or all proposals if they are deemed by the District to be unacceptable for any reason. If you have any questions regarding this matter, please do not hesitate to contact me at (408) 430-4625.

Very truly yours,

James A. Mueller
District Manager

JAM/bsb

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