

WEST BASIN MUNICIPAL WATER DISTRICT

AUGUST 14, 2003 - Finance

Little, Kwan

AUGUST 25, 2003 – Board Meeting

Prepared by: Mary-Ann Rexroad

Submitted by: Margaret Moggia

Approved by: Darryl G. Miller

ACTION CALENDAR

AMENDMENT TO FY 2002-03 AUDIT SERVICES CONTRACT

SUMMARY:

In December 2000, the Board of Directors authorized the General Manager to enter into a three-year agreement with Leaf & Cole, LLP to perform the annual audit and accounting services for the fiscal years ending June 30, 2001-03. The services outlined in the agreement included three quarterly compilations, a single audit, the annual year end audit, annual parity calculations and any preliminary work to restate the District's financial statements to fulfill the GASB 34 reporting requirements.

In October 2001, the District entered into an interest swap agreement. The value of the interest rate swap in June 30, 2002 was required to be disclosed in the annual audited financial statements for the District. Two independent valuations were obtained by Leaf & Cole from financial analysts specializing in swap transactions. Their role was to assist the auditors in determining the fair market value of the October 2001 \$141,780,000 interest rate swap transaction in June 30, 2002. In January 2003, the Board of Directors authorized the General Manager to amend the accounting services contract to cover the extraordinary costs incurred by Leaf & Cole for the fiscal year 2001-02 independent audit. However, the District is required to re-value the October 2001 interest rate swap annually.

In February 2003, the District entered into a second interest rate swap agreement for \$89,045,000. A separate independent valuation is required to determine the fair market value in June 30, 2003, and annually thereafter, of this swap transaction.

Staff is recommending the Board authorize amending the original audit services contract to include an additional \$20,000 for the audit time and expenses incurred by Leaf & Cole to obtain valuations for both interest rate swap transactions. Additional funds have been included in the District's fiscal year 2003-04 operating budget in anticipation of the need for additional costs incurred as they relate to the proper disclosure of the interest rate swap transaction.

FISCAL IMPACTS:

Additional funds have been included in the fiscal year 2003-04 operating budget.

ENVIRONMENTAL COMPLIANCE:

None.

COMMITTEE STATUS:

This item was reviewed by the Finance Committee on August 14, 2003 and was recommended for approval at the August 25, 2003 Board meeting.

RECOMMENDED MOTION:

That the Board authorizes the General Manager to amend Leaf & Cole's original accounting services contract for an additional \$20,000 to cover the extraordinary audit costs for the fiscal 2002-03 independent audit.

LIST OF EXHIBITS:

None.

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