

WEST BASIN MUNICIPAL WATER DISTRICT**AUGUST 10, 2005 - Finance**

Fernandez, Dear

AUGUST 22, 2005 - Board Meeting

Prepared by: Margaret Moggia

Submitted by: Margaret Moggia

Approved by: Art Aguilar/Richard Nagel

ACTION CALENDAR

AMENDMENT TO AUDIT SERVICES CONTRACTSUMMARY:

A valuation of the interest rate swaps is required annually to determine the termination value that must be disclosed within the audited financial statements. Disclosure of the fair market value (FMBV) at year end is required under the Governmental Accounting Standards Board (GASB) Technical Bulletin #2003-1. As part of their year-end audit procedures, Leaf & Cole obtained an independent analysis of the interest rate swaps that indicated the fair value of the swaps as follows:

- In October 2001, the District entered into a \$141,780,000 interest swap agreement. The FMV at June 30, 2005 is a negative \$10,694,060. Previous fiscal years FMV determinations were a negative \$11,163,689 at June 30, 2004 and a negative \$12,679,010 at June 30, 2003.
- In February 2003, the District entered into a second interest rate swap agreement for \$89,045,000. The FMV at June 30, 2005 is a negative \$749,230. Previous fiscal years FMV determinations were a negative \$905,043 at June 30, 2004 and a negative \$1,370,756 at June 2003.

In November 2003, the Board authorized the General Manager to enter into a three-year agreement with Leaf & Cole, LLP to perform the annual audit and accounting services. In addition, staff also identified that additional costs would be passed-through by Leaf & Cole for the "Use of a Specialist" to determine the estimated termination value for both the interest rate swap agreements entered into by West Basin. Since the cost for this service was unknown at the time of entering into this agreement, staff informed the Board that these services would be brought back for approval.

Staff is requesting the Board to once again authorize amending this agreement to include an additional \$17,500 for the "Use of a Specialist" to obtain valuations for the interest rate swap transactions for the fiscal year ending June 30, 2005. Funds have been included in the District's fiscal year operating budget for costs incurred as they relate to the proper disclosure of the interest rate swap transaction.

FISCAL IMPACTS:

Funds have been included in the Operating Budget for fiscal year 2005-06.

ENVIRONMENTAL COMPLIANCE:

None.

COMMITTEE STATUS:

This item was reviewed by the Finance Committee on August 10, 2005 and was recommended for approval at the August 22, 2005 Board meeting.

RECOMMENDED MOTION:

That the Board authorizes the Co-Acting General Managers to amend the accounting services contract with Leaf & Cole, LLP for an additional \$17,500 to cover the extraordinary audit costs for the fiscal 2004-05 independent audit.

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