



Santa Clara Valley Water District

File No.: 17-0847

Agenda Date: 12/12/2017

Item No.: 2.9.

BOARD AGENDA MEMORANDUM

SUBJECT:

Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017, Independent Auditor's Reports, and Auditing Services Contract One-Year Extension.

RECOMMENDATION:

Accept the Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017 and other Independent Auditor's Reports, and approve one-year extension of current audit services contract.

SUMMARY:

The Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017 was audited by the District's external auditor, Vavrinek, Trine, Day & Co., LLP. During the audit, no material financial findings or internal control weaknesses were reported. The auditor has issued an unmodified ("clean") opinion dated November 27, 2017 stating that the District's financial statements are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP), as established by the Governmental Accounting Standards Board (GASB). The other Independent Auditor's assurance letters and reports are also included.

The CAFR complies with the following requirements:

1. Board Policy BL-5.2 which requires the monitoring and reporting of financial conditions and activities to be performed annually by an external method.
2. State Law (Government Code Section 26909) which requires an annual examination and audit of the District's financial records.

Each year since 1997, the District has been awarded the prestigious Certificate of Achievement for Excellence in Reporting by the Government Finance Officers Association of the United States and Canada (GFOA).

The current auditing services contract is at the fifth and final year with the close of FY17 and per Executive Limitation 5.1.2, the term of an auditing services contract shall not exceed five fiscal years. With a new financial system implementation scheduled to commence in the fall of 2018, existing accounting workflows will be reviewed, redesigned, and tested. Parallel systems testing and data validation will need to be conducted to ensure a smooth conversion from PeopleSoft to the new

financial system, and procedures will need to be updated to reflect new work flows and improvements. It is anticipated that the accounting staff will incur a significant amount of overtime from implementation to deployment to have a successful systems upgrade.

To better manage the demands on staff during a new system implementation, staff is requesting a one year extension of the current auditing services contract with Vavrinek, Trine, Day & Co., LLP in order to avoid additional staff time required to introduce new auditors to the District.

FINANCIAL IMPACT:

The one-year extension of auditing services will be \$75,500, which will be included in the FY 2018-19 budget.

CEQA:

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS:

- Attachment 1: Independent Auditor's Opinion Letter
- Attachment 2: Comprehensive Annual Financial Report
- Attachment 3: CEO Compliance with Compensation and Benefits
- Attachment 4: Appropriations Limit Calculation
- Attachment 5: GAS Opinion Letter
- Attachment 6: Treasurers' Report
- Attachment 7: Revenue Bond Covenants

UNCLASSIFIED MANAGER:

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