

# REQUEST FOR PROPOSALS



## REQUEST FOR PROPOSALS FOR AUDIT SERVICES

Date of Issue: April 29, 2021

Due Date: May 28, 2021

The District requests that firms interested in responding to this RFP submit an interest statement via email, including the name of the firm, contact person and email address.

Submit information and questions by May 24, 2021 electronically to:

John O'Brien, Finance Manager

[jobrien@lakearrowheadcsd.com](mailto:jobrien@lakearrowheadcsd.com)

Submit a copy of your Proposal electronically to:

John O'Brien, Finance Manager

[jobrien@lakearrowheadcsd.com](mailto:jobrien@lakearrowheadcsd.com)

### Lake Arrowhead Community Services District

27307 State Hwy 189, Suite 101

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# **LAKE ARROWHEAD COMMUNITY SERVICES DISTRICT**

## **Audit Services**

### **Request for Proposal**

Lake Arrowhead Community Services District (“LACS D” or “District”) is seeking proposals from a select group of experienced and qualified Certified Public Accounting firms, to provide auditing services to the District for a three-year period, beginning with the June 30, 2021 audit with two optional one-year extensions.

### **Background of the District**

The District was incorporated on March 16, 1978, under the authority of §61000 et. seq. of the California Government Code. The District supplies and distributes water, treats and disposes of wastewater, and provides recycled water for irrigation.

The District encompasses about 15 square miles and is in an unincorporated area of San Bernardino County in the San Bernardino Mountains, about 75 miles east of the city of Los Angeles and 23 miles north of the City of San Bernardino. The District’s service territory is primarily a resort community. The District estimates that the permanent population in the Lake Arrowhead area is about 12,000, with holiday and weekend populations exceeding 30,000. The major source of water for the Lake Arrowhead community is Lake Arrowhead. The lake contains approximately 47,000 acre-feet of high-quality water and has a surface area of approximately 780 acres. Some water is provided by groundwater wells and imported water is also purchased from the State Water Project through an agreement with the San Bernardino Valley Municipal Water District and the Crestline-Lake Arrowhead Water Agency (“CLAWA”). This imported water is treated by CLAWA to meet drinking water standards before delivery to the District. The water service area covers approximately 4,900 acres and includes the geographic area known as Arrowhead Woods. The District’s water system includes 18 water storage reservoirs, 9 pressure tanks, and 22 water pumping stations, as well as approximately 150 miles of water mains.

In 2006, the State Water Resources Control Board issued Order No. WR 2006-0001, limiting the community’s withdrawal from Lake Arrowhead to 1,566 acre-feet per year beginning in 2008. In addition, the District entered into a Memorandum of Understanding with the Arrowhead Lake Association with a goal to maintain the elevation of Lake Arrowhead at or above 5,100 feet elevation. In compliance with the order, the District has developed permanent and temporary supplemental water supply sources and a temporary Supplemental Water Supply Fee was imposed until 2019.

The District owns and operates an extensive wastewater collection, treatment and effluent disposal system. The District has approximately 200 miles of sewer lines. Portions of the system date back to the 1920s. As a result of the unique topography of the District, the collection system uses 21 lift stations to transport sewage through the system to the treatment facilities. The largest of the District's stations may pump up to 4.0 million gallons per day while the smallest may only move 500 gallons per day. The two wastewater facilities are the Willow Creek Wastewater Treatment Plant and the Grass Valley Wastewater Treatment Plant. Treated wastewater is conveyed from the Willow Creek Wastewater Treatment Plant to the Grass Valley Wastewater Treatment Plant for eventual disposal through a 10-mile outfall pipeline to a disposal site in southeastern Hesperia where the water percolates into the Mojave River groundwater basin. This facility also produces recycled water for irrigation purposes at the local golf course.

The District also owns and operates the water system in the community of Deer Lodge Park ("DLP") consisting of just over 200 water meters immediately north of the larger Arrowhead Woods water system. The DLP system is independently supplied and operated from its own wells and imported water from CLAWA.

In 2014, the District acquired the water system in Rimforest ("RF") from the City of Big Bear Lake to better serve this community which is directly south of Arrowhead Woods. The RF water system consists of approximately 300 water meters and is supplied by imported water from CLAWA.

The Sanitation District ("Wastewater Enterprise"), Arrowhead Woods water system ("Water Enterprise"), DLP water system ("Deer Lodge Park Enterprise") and Rimforest water system ("Rimforest Enterprise") are currently operated as independent enterprise funds. The audit will include 4 enterprises which contain 12 unrestricted funds and 10 restricted funds.

No debt issuances are planned at this time.

The District uses Caselle for its accounting and bookkeeping.

The District did not require a single audit in fiscal year 2019/2020 and is not anticipating one for fiscal year 2020/2021.

There were no audit adjustments in fiscal year 2019/2020. There were no deficiencies of internal control identified. Auditors typically spend four days onsite the third week of August.

## **Services to be Provided by the Audit Firm**

The District is seeking proposals to perform the audit examinations of the financial statements of the Lake Arrowhead Community Services District, including the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows for the years ended June 30, 2021, 2022 and 2023. The District expects the various systems and components of the accounting records for the fiscal year ended June 30, 2021 will be closed and

ready for review no later than August 1, 2021; however, supporting schedules will be prepared and available for review beginning August 15, 2021.

The proposal shall also include preparation and transmission of the Special Districts Financial Transactions Report to the State of California with a copy to the District's Finance Manager. The auditor will prepare the financial statements, the notes to the financial statements and the required supplementary information. The District will provide information for Management's Discussion and Analysis ("MD&A"). The auditor will assemble these four components. The District will generate the introduction and the statistical section and will assemble the final Comprehensive Annual Financial Report ("Annual Report").

The audit firm selected should plan to have the audited financial statements of the District available for delivery to the Board of Directors two weeks prior to the second regular meeting in October each year. Additionally, each year the audit firm shall provide the District with a letter of reportable conditions, if any, with constructive comments relating to the system of internal controls of the District.

Planning and interim audit testing may be performed prior to year-end; however, advance notice is desired so that District staff may make time available for the audit staff. District staff will provide the audit firm with a trial balance and a reasonable number of schedules, and will prepare audit confirmation letters as necessary, as well as provide supporting documents for the auditors. Both the draft and final documents of the audited financial statements shall be completed by the auditors.

The term shall be for three (3) years beginning June 30, 2021 and ending upon completion of the June 30, 2023 audit. Upon mutual agreement, the term may be extended for an additional two one-year terms.

## **Standards to be Followed in the Audit Examinations**

1. The audit examination shall meet the minimum audit requirements as set forth by the Office of the State Controller, Division of Local Government Fiscal Affairs for California Special Districts and Section 26909 of the California Government Code which requires the District's Board to contract for the annual audit.
2. The audit examinations of the District shall be made in accordance with generally accepted auditing standards, as set forth in the Statements on Auditing Standards of the American Institute of Certified Public Accountants (AICPA).
3. The audit examinations of the District shall be made in accordance with the guidelines of the AICPA's Audit and Accounting Guide, Audit of State and Local Government Units.
4. Auditors shall be required to make an immediate written report of all irregularities and illegal acts, or indications of illegal acts, of which they become aware to the following parties:  
President, Board of Directors  
Vice President, Board of Directors  
General Manager  
Finance Manager

## Personnel Information and Content

The following information should be included in your proposal to the District:

### 1. Profile of the Proposer:

A brief description of your firm and the number of personnel within the office(s) that will serve Lake Arrowhead Community Services District.

### 2. Qualifications:

- a) A description of your audit team organization, partner, manager and senior accountant who would be participating in the audit of LACSD. Please provide resumes of the partner, manager and senior accountant.
- b) Outline your qualifications in auditing Special Districts, Cities, Counties and other Local Government Agencies.
- c) Provide information as to the type of training in governmental auditing that is provided to your personnel.
- d) Provide at least three (3) references of local government clients for whom the personnel who will serve Lake Arrowhead Community Services District have served.
- e) Provide any other qualifications that you believe are relevant.

### 3. Audit Approach:

Briefly outline your firm's approach to the examination of the District.

### 4. Objectives, Scope and Timing:

Set forth your understanding of the objectives, scope and timing of the audit examination and the reports prepared.

### 5. Fees, Hourly Rates and Assistance Required of District Staff:

Proposals shall set forth the number of hours estimated to complete the engagement, including the hourly rate and estimated hours for each staff classification. The District requests a firm fixed price quotation for the fees and a maximum amount of reimbursement expenses. Your fee quotation should be indicated for each of the three years ending June 30, 2021, 2022 and 2023 and be itemized as follows:

#### AUDIT FEE

LACSD audit, including the preparation of the combining Divisional Schedule of Net Position, the combining Divisional Schedule of Revenues, Expenses and Changes in Net Position and the combining Divisional Statement of Cash Flows and preparation and filing of the Special Districts Financial Transactions Annual Report to the State Controller's Office.

Indicate your hourly rates by classification, should the District desire additional services not covered by this request for proposal.

Indicate what assistance your firm expects from the District to meet the outlined proposal.

## **6. Special Considerations:**

It is expected that the firm selected shall keep the District informed of new state and national developments affecting municipal finance and reporting standards and trends. This shall include at least one formal updating session per fiscal year with selected members of the District's financial and accounting staff.

## **7. Working Paper Retention and Access:**

All working papers and reports must be retained, at the audit firm's expense, for a minimum of three (3) years following the respective audited fiscal year, unless the proposer is notified in writing by the District of the need to extend the retention period. The auditor will be required to make working papers available upon request by the District.

In addition, at the District's discretion, the proposer shall respond to reasonable inquiries of successor auditors to review working papers relating to matters of continuing accounting significance.

## **8. Subcontracting:**

No subcontracting of auditing services will be allowed without the express prior written consent of the District.

## **Evaluation of Proposals**

Proposals received by the submittal deadline shall be evaluated by the District's reviewing committee. Evaluation of proposals will be based upon the following criteria:

1. Qualifications of the Partner, Manager and Senior Accountant in performing examinations of local government agencies.
2. Qualifications of the firm in serving government clients from its local office, which will serve Lake Arrowhead Community Services District.
3. Demonstration of the understanding of the scope of the District examination.
4. Acceptability of the audit approach and timing of both the actual audit period and the submission of final audited financial statements.
5. Fee schedule.

The evaluation process will be directed primarily at those capabilities and advantages clearly shown in the written proposal; however, the District may request any or all firms to make oral presentations during the evaluation process. All firms selected for interviews will be notified by the week of May 31, 2021. Interviews may take place the week of May 31, 2021 at times designated by LACSD. It is anticipated that the Board of Directors will approve an audit firm at its June 22, 2021 meeting.

The District reserves the right to reject any and all proposals submitted and to request additional information as deemed necessary from Proposers. The District shall be the sole judge of the proposal and, particularly, which one best qualifies for acceptance. The District reserves the right to accept other than the lowest-price proposal and to negotiate with an auditor if it is in the District's best interest to do so. The District may request statements regarding perceived conflicts of interest.

The District also reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of the proposal indicates acceptance by the proposer of the conditions contained in this request for proposal, unless it is otherwise clearly and specifically noted in the proposal submitted, and confirmed in the engagement contract between the District and the proposer selected.

There is no expressed or implied obligation for the District to reimburse responding firms for any expenses incurred in the preparation, submission or presentation of proposals in response to this request.

## **Proposal Submission Requirements**

Proposals must be submitted electronically by May 28, 2021. The subject line should be ***"Proposal for Audit Services"*** and directed to:

**John O'Brien, Finance Manager**  
**Lake Arrowhead Community Services District**  
**PO Box 700**  
**Lake Arrowhead, CA 92352**  
**[jobrien@lakearrowheadcsd.com](mailto:jobrien@lakearrowheadcsd.com)**

Please submit all questions by May 24, 2021. Answers will be provided to all firms that have indicated interest. If you require additional information regarding this Request for Proposal, please contact John O'Brien at (909) 336-7108.