



REQUEST FOR PROPOSAL
for
PROFESSIONAL AUDITING SERVICES
for
McKINLEYVILLE COMMUNITY SERVICES DISTRICT

INTRODUCTION

The McKinleyville Community Services District (MCSD or the District) invites qualified independent Certified Public Accountants licensed to practice in the State of California to submit proposals to perform auditing services in accordance with the requirements outlined in this Request for Proposal.

The District also desires the auditor to prepare annual general purpose audited financial statements that express an opinion on the fair presentation of its basic financial statements in conformity with generally accepted accounting principles and State of California and Federal requirements.

Proposals should be for each of the three fiscal years ending on June 30, 2025, 2026, and 2027. Proposals for up to five years will also be considered. Proposals submitted must remain in effect for 90 days after the proposal due date. All proposals will be evaluated by the MCSD Board Audit & Finance Committee.

Once awarded, if either party does not wish to continue with the agreement for the following years audit, the agreement may be terminated upon notice in writing 90 days prior to June 1. Cancellations of services will require a transition period. This transition period will be a minimum of 3 months under full-service terms.

NATURE AND SCOPE OF SERVICES REQUIRED

The audits will include all funds of the McKinleyville Community Services District. Funds are to be audited in accordance with generally accepted auditing standards set forth by the American Institute of Certified Public Accountants; Government Auditing Standards issued by the Comptroller General of the United States; the standards for financial audits as set forth by the U.S. General Accounting Office's Government Auditing Standards; and the State Controller's minimum audit requirements for California Special Districts.

In addition, the District is currently subject to the reporting requirements under the Single Audit Act. Therefore, it is expected that the audit fee would reflect the cost of the additional testing and reporting associated with such reporting requirements.



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MCKINLEYVILLE, CA 95519



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mckinleyvillecsd.ca.gov



PO BOX 2037
MCKINLEYVILLE, CA 95519

The District also desires the auditor to prepare the basic financial statements, required supplementary information, and management discussion and analysis in accordance with GASB 34. Additionally, the auditor will be responsible for communication and interpretation of any significant changes made in governmental reporting standards. We request the calculation of pension and OPEB liabilities from the actuarial reports provided to the District by CalPERS and GovInvest respectively, and to be informed of the standard of materiality used by the auditor so that can be communicated to the Board Audit & Finance Committee. The auditor shall respond to reasonable inquiries by District staff and Board during the contract years.

In compliance with the above-mentioned scope, a management letter regarding internal control findings and recommendations is requested. Auditors shall be required to make an immediate, written report of any illegal acts or indications of illegal acts of which they become aware to the following parties: The District Board Audit Committee, the General Manager, and the Finance Director.

A minimum of two meetings per year with the Board Audit & Finance committee are required; one at the commencement of each year's audit, and one at completion. A presentation of the audit to the District's Board of Directors at a regularly scheduled Board meeting each year will also be required.

District staff will be available during the audit to assist the firm by providing information and explanations, and for retrieving documents at the Auditor's request. The District uses DocStar for document retention of Board documents, Accounts Payable and Payroll.

DESCRIPTION OF THE DISTRICT

General Information:

McKinleyville Community Services District is located in the unincorporated coastal area of Humboldt County, California, bordered on the south by the Mad River and to the north by Patrick's Creek. The District encompasses approximately 12,140 acres and a population of approximately 16,900. The District currently serves over 7,500 water customers and 6,700 sewer customers. The District also has authority over parks, open spaces, public recreation facilities, and street lighting, with a current year operating budget of \$12.15 million.

The District was established in 1970 and operates under a Governing Body of five elected members on a Board of Directors. The Fiscal Year begins on July 1 and ends on June 30. The operating budget is pre-approved by the Board and authorizes 30 full-time employees as well as an additional 47 part-time (mostly recreation) and temporary employees.

Fund Structure, Accounting Staff and Financial System:

The District has five separate Funds: Water, Wastewater, Streetlights, Parks & Recreation (General Fund), and Measure B. Water and Wastewater are proprietary funds. Streetlights, Parks, and Measure B are governmental funds. The Operations Department oversees Water, Wastewater, Streetlights, and Parks Maintenance. The Recreation Department oversees Recreation and Measure B. The Support

Services Department handles accounting, Human Resources, utility billing, budget, and other financial functions.

The financial staff, under the direction of the Finance Director, consists of a Finance and Administration Supervisor, one Accounting Technician, one Senior Finance Specialist, one Finance Specialist, one part-time Office Assistant, and one Highschool Intern, who are responsible for cash receipts, daily deposits and utility billing. The General Ledger and supporting schedules are maintained by the Finance Director. Payroll processing and the maintenance of personnel records are maintained by the Human Resources Director.

The District's accounting software is Corbin Willits System's Multiple Operations Manager (MOM). The MOM system does utility billing, accounts receivable, payroll and general ledger functions. The Parks and Recreation Department uses DaySmart software to track transactions. This information is imported into MOMs via journal entry at month-end close.

The District maintains its proprietary fund accounts on an accrual basis and its governmental fund accounts on a modified accrual basis. All adjusting journal entries are done by the Finance Director. The Districts prior audited financial statements and current operating budgets are posted on the District website at: www.mckinleyvillecsd.com/document-library.

It is expected that the audit fieldwork will be staffed to minimize interference with normal daily operations and that the audit will be completed in a timely manner. The auditor should be available for phone conversations or emails with the General Manager and Finance Director throughout the year, as needed, to provide consultation on various matters of a financial nature at no additional cost. Time-consuming requests, by prior mutual agreement, will be billed at the hourly rates contained in the audit proposal. Fees in excess of the proposal estimate or additional fees not included within the scope of services must be authorized in advance by the General Manager.

All invoices for audit work performed must contain time/effort detail showing the person or position, the task performed, the hours spent, and the rate per hour for that position/person.

An exit conference will be held with the Audit & Finance Committee prior to the conclusion of the audit fieldwork to discuss observations and findings.

PROPOSAL REQUIREMENTS

Technical Requirements:

- Title Page showing the firm's name, address, phone number of the contact person, and date of the proposal.
- Description of the firm, including affirmative statements verifying (1) that the firm and all assigned key professional staff are properly licensed to practice in California and (2) that the firm is independent of McKinleyville Community Services District as defined by auditing standards generally accepted in the United States of America and the General Accounting Office's *Government Auditing Standards*.
- Experience performing audits of other governmental units, specifically California Special Districts, and experience with the preparation of general-purpose financial statements in GASB 34 format.
- Reference contact information and any additional information as to the firm's qualifications relevant to the engagement.
- Description of the qualifications of key personnel who will be assigned to the engagement including both principal and auditor in charge. Staff consistency is an important consideration in the evaluation of the proposal.
- Information on the results of any Federal or State desk reviews or field reviews of its audits during the past three (3) years. In addition, the Proposer shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with State regulatory bodies or professional organizations.
- Evidence of professional liability insurance (no less than \$1 million liability coverage limit) and workers' compensation insurance (except in the case of a sole proprietor performing all fieldwork him/herself). The successful firm shall provide certificates of insurance naming the District as additional insured.
- Detailed description of the scope of work and anticipated audit approach, including:
 - an explanation of the audit methodology to be followed,
 - expected sample size and the extent to which statistical sampling is to be used in this engagement,
 - type and extent of analytical procedures to be used in this engagement,
 - anticipated approach to gain and document an understanding of the District's internal control structure,
 - approach to be taken in determining laws and regulations that will be subject to audit test work
- Audit fees (shall be on a fixed fee basis per year) and hourly rates for additional work. All material Assumptions and Exclusions used in the development of the fees shall be listed in the Proposal.
- It is anticipated that the selected firm will sign the District's Standard Contract for Professional Services, which is included as an attachment to the RFP. Any exceptions to this Contract shall be listed in the Proposal for consideration and discussion. If no exceptions are included in the Proposal, they will not be considered.
- Three bound hard copies of the Proposal shall be submitted.

- Proposals shall be contained within a sealed envelope with the title “Professional Auditing Proposal” and contained within a separate sealed and address envelop for delivery.

Evaluation of Proposals:

Although price will be an important factor in the evaluation of proposals, the District is not required to choose the lowest bidder. The firm’s experience with municipal audit engagements, including public utilities, also matters. Evaluation and acceptance of a proposal will be based on the most qualified proposal and total package of services offered.

The District reserves the right to award this contract to the accounting firm that best meets the requirements of the RFP. Further the District reserves the right to reject any or all proposals prior to the execution of the contract, with no penalty to the District. It is anticipated that the contract will be awarded at the regular Board meeting on May 7, 2025. The District will not be liable for costs associated with responding to this request for proposals.

Proposals must be received by 3:00 pm, April 18, 2025, at the address listed below. The Consultant shall bear sole responsibility for timely delivery of the Proposal:

c/o Audit & Finance Committee
McKinleyville Community Services District
1656 Sutter Road or Post Office Box 2037
McKinleyville, California 95519-2037

Questions may be directed to Samantha Howard, Finance Director, (707) 839-3251, showard@mckinleyvillecsd.com. The last day for submittal of questions is 3:00 pm on Friday, April 11, 2025. Response to questions shall be submitted to all recipients of the RFP by Tuesday, April 15, 2025, 3:00 pm.

McKinleyville Community Services District
PO Box 2037, McKinleyville California 95519
Telephone (707) 839-3251 - FAX (707) 839-8456

Professional Services Agreement

This Professional Services Agreement (this "Agreement") is made and entered between the parties listed below as of the date(s) set forth below. For your protection, make sure that you read and understand all provisions before signing. The terms recited as sections a through u on Pages 3 through 7 are incorporated in this document and, along with this page, constitute material terms and conditions of the Agreement between the parties.

TO: _____ DATE: _____

_____ Agreement No. _____

The undersigned Consultant offers to furnish the following services (the "Services"):

As described in the proposal submitted by Consultant dated: _____, which is attached hereto as **Exhibit A** and incorporated herein by reference. The Services shall be provided on a time and materials basis not to exceed the amounts described in **Exhibit B**, which is attached hereto and incorporated herein by reference. The scope of work for this project includes the following:

Contract Price: Not To Exceed \$ _____
Payment Intervals Monthly
Completion Date

Instructions: Sign and return original. Upon acceptance by McKinleyville Community Services District, a copy will be signed by its authorized representative and promptly returned to you. Insert below, the names of your authorized representative(s).

Accepted: McKinleyville CSD

Consultant:

(Business Name)

By Patrick Kaspari

By _____

Title General Manager

Title _____

Other authorized representative(s):

Other authorized representative(s):

Consultant agrees with McKinleyville Community Services District that:

- a. **Indemnification.** To the fullest extent permitted by law and consistent with California Civil Code §2782.8(a), Consultant will, indemnify, defend, and hold harmless McKinleyville Community Services District, its directors, officers, employees, and authorized volunteers (collectively "District") from and against all claims, demands and damages of all persons and entities that arise out of the Consultant's negligent acts or omissions, recklessness, or willful misconduct in the performance (or non-performance) of the Services under this Agreement. Consultant shall not be obligated to defend or indemnify the District from and against all claims, demands and damages that arise out of, pertain to, or relate to the District's own negligent acts or omissions, recklessness, or willful misconduct or the negligent acts or omissions, recklessness, or willful misconduct of others.
- b. **Standard of Care.** In providing the Services under this Agreement, Consultant shall exercise that degree of skill and care ordinarily used by other reputable members of Consultant's profession, practicing in the same or similar locality and under similar circumstances.
- c. **Workers Compensation Insurance.** By his/her signature hereunder, Consultant certifies that he/she is aware of the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that Code, and that Consultant will comply with such provisions before commencing the performance of the professional services and work under this Agreement. Consultant and sub-consultants will keep workers' compensation insurance for their employees in effect during all Services covered by this Agreement.
- d. **Professional Liability Insurance.** Consultant will file with McKinleyville Community Services District, before beginning professional services, a certificate of insurance satisfactory to the McKinleyville Community Services District evidencing professional liability coverage of not less than \$1,000,000 per claim and annual aggregate, requiring 30 days notice of cancellation (10 days for non-payment of premium) to McKinleyville Community Services District. Coverage is to be placed with a carrier with an A.M. Best rating of no less than A-:VII, or equivalent, or as otherwise approved by McKinleyville Community Services District. The retroactive date (if any) is to be no later than the effective date of this Agreement. Consultant shall maintain such coverage continuously for a period of at least three years after the completion of the contract Services. Consultant shall purchase a one-year extended reporting period i) if the retroactive date is advanced past the effective date of this Agreement; ii) if the policy is canceled or not renewed; or iii) if the policy is replaced by another claims-made policy with a retroactive date subsequent to the effective date of this Agreement. In the event that the Consultant employs other consultants (sub-consultants) as part of the Services covered by this Agreement, it shall be the Consultant's responsibility to require and confirm that each sub-consultant provides insurance coverage deemed appropriate by Consultant for the role of the subconsultant under this contract.
- e. **Insurance Certificates.** Consultant will file with McKinleyville Community Services District, before beginning professional services, certificates of insurance satisfactory to McKinleyville Community Services District evidencing general liability coverage of not less than \$1,000,000 per occurrence (\$2,000,000 general and products-completed

operations aggregate (if used)) for bodily injury, personal injury and property damage; auto liability of at least \$1,000,000 for bodily injury and property damage each accident limit; workers' compensation (statutory limits) and employer's liability requiring 30 days (10 days for non-payment of premium) notice of cancellation to McKinleyville Community Services District. The general liability coverage is to state or be endorsed to state "such insurance shall be primary and any insurance, self-insurance or other coverage maintained by McKinleyville Community Services District, its directors, officers, employees, or authorized volunteers shall not contribute to it". The general liability coverage shall give McKinleyville Community Services District, its directors, officers, employees, and authorized volunteers insured status using ISO endorsement CG2010, CG2033, or equivalent. Coverage is to be placed with a carrier with an A.M. Best rating of no less than A- :VII, or equivalent, or as otherwise approved by McKinleyville Community Services District. In the event that the Consultant employs other consultants (sub-consultants) as part of the Services covered by this Agreement, it shall be the Consultant's responsibility to require and confirm that each sub-consultant has in place levels of insurance deemed appropriate by the Consultant for the risk associated with the role of each subconsultant under this contract.

- f. **Renewal Certificates.** If any of the required coverages expire during the term of this Agreement, the Consultant shall deliver the renewal certificate(s) including the general liability additional insured endorsement to McKinleyville Community Services District at least ten (10) days prior to the expiration date.
- g. **General Manager Authority.** Consultant shall not accept direction or orders from any person other than the General Manager or the person(s) whose name(s) is (are) inserted on Page 1 as "other authorized representative(s)" on behalf of McKinleyville Community Services District.
- h. **Payment Intervals.** Payment, unless otherwise specified on Page 1, is to be 30 days after acceptance of a written invoice by McKinleyville Community Services District.
- i. **Permits and Licenses.** Permits and licenses required by governmental authorities in connection with Consultant's services will be obtained at Consultant's sole cost and expense, and Consultant will comply with applicable local, state, and federal regulations and statutes including Cal/OSHA requirements.
- j. **Amendments and Modifications.** Any change in the scope of the professional Services to be done, method of performance, nature of materials, work provided or price thereof, or to any other matter materially affecting the performance or nature of the Services will not be paid for or accepted unless such change, addition or deletion is approved in advance, in writing by a supplemental Agreement executed by McKinleyville Community Services District. Consultant's "authorized representative(s)" has (have) the authority to execute such written change for Consultant.
- k. **Representations.** Consultant represents that it is now, and will remain for the duration of its Services, properly licensed, qualified, experienced, and equipped to perform the Services. Consultant also represents that the Services shall be completed in accordance with this Agreement. Consultant further represents that the Services and the sale or use of the Services shall not infringe, directly or indirectly, on any valid patent, copyright or trademark, and Consultant shall, at Consultant's sole cost and expense, indemnify, and hold harmless McKinleyville Community Services District from and against any and all

claims and causes of action based on infringements thereof. These representations shall survive the expiration or termination of this Agreement, and are in addition to any warranties provided by law. No payment to Consultant for any Services performed hereunder (including, without limitation, final payment) shall constitute a waiver of any Claims by McKinleyville Community Services District against Consultant relating to the Services.

- l. **Ownership of Drawings and Samples.** Consultant shall submit promptly for all drawings, details, samples and other data required or specifically requested by McKinleyville Community Services District in connection with provision of the Services, and such drawings, details, samples and other data created in connection with performance of the Services and provision of the work shall constitute the property of the McKinleyville Community Services District.
- m. **Compliance with Law/Safety.** In performance of the Services, Consultant shall, at its expense, exercise due professional care, comply strictly with, and cause all sub-consultants to comply strictly with, all laws, orders, rules and regulations of governmental authorities, including those relating to the storage, use or disposal of hazardous wastes, substances or materials, and including the procurement and payment for all necessary permits, certificates and licenses required in connection with the Services. If either Consultant or McKinleyville Community Services District receives notice of any violation by Consultant of any laws relating to Consultant or McKinleyville Community Services District receives notice of any violation by Consultant of any laws relating to Consultant's (or sub-consultants) services or work provided hereunder, such party shall promptly inform the other party in writing of the existence thereof. Consultant shall comply with all applicable laws relating to safety, including without limitation the Occupational Safety and Health Act of 1970 as it may be amended from time to time, and all regulations and standards issued pursuant thereto. Consultant shall conform to the current prevailing standards of safety practice.
- n. **Equal Opportunity.** In the performance of the Services there shall be no discrimination on account of race, religion, sex, sexual orientation, age or national origin and Consultant shall comply with applicable federal, state and local laws and regulations pertaining to fair employment practices, including without limitation the provisions of Executive Order 11246 as amended by the President of the United States and the rules and regulations issued pursuant thereto, unless exempted.
- o. **Termination.** McKinleyville Community Services District may, at its option, terminate this Agreement without cause at any time. If at the time of any such termination, any Services have already been provided by Consultant but are unpaid for, McKinleyville Community Services District's only obligation, if Consultant is not in default, shall be to pay for such Services actually provided by Consultant prior to the date of termination. Upon receipt of notice of termination, Consultant shall immediately stop all performance hereunder except as otherwise directed by McKinleyville Community Services District, and if Consultant is not in default, McKinleyville Community Services District shall pay to Consultant (a) the prorata portion of the agreed price based on the percentage completion of the Services which was satisfactorily completed at the time of termination, and (b) the actual net costs incurred by Consultant directly connected with the Services that was not completed prior to the date of termination; provided, however, that under no circumstances shall the total under (a) and (b) exceed the contract price stated on page one (1) of this Agreement, above. Upon such payment, title to any such items or uncompleted Services shall, at McKinleyville Community Services District's option, pass to McKinleyville Community Services District.

- p. **Default.** Upon any default by Consultant hereunder, or in the event of proceedings by or against Consultant in bankruptcy or for the appointment of a receiver or trustee or an assignment for the benefit of creditors, McKinleyville Community Services District may, at its option, terminate this Agreement without penalty or liability (except for payment for any Services completed and accepted by McKinleyville Community Services District). Consultant shall be liable to McKinleyville Community Services District for all expenses incurred by McKinleyville Community Services District in finishing the Services and any damage incurred through any default, which at the option of McKinleyville Community Services District, may be charged against any amounts due from McKinleyville Community Services District to Consultant hereunder, but Consultant's liability hereunder shall not be limited thereby and such liability shall survive the expiration or termination of this Agreement. Any remedies provided for in this Agreement are cumulative and shall be in addition to, and not in limitation of, any other rights and remedies that may be available at law or in equity. Neither party shall be in default of this Agreement until such party has received three (3) days written notification (except in the instance of a health or safety concern, in which case failure to immediately remediate the health or safety violation shall be grounds to declare a default of this Agreement), and an opportunity to cure, or in the case of an alleged default which requires more than three (3) days to cure, a reasonable time so long as the alleged defaulting party commences the remediation of the default immediately, and thereafter diligently prosecutes the same to completion.
- q. **Notices.** Notices, requests, demands, and other communications hereunder shall be in writing and delivered personally, sent by reputable overnight courier or mailed by first class, United States mail, with postage prepaid, to McKinleyville Community Services District, **PO Box 2037, McKinleyville California 95519, Attention: Patrick Kaspari**, and to Consultant at the address set forth below its signature, or at any other address that may be given by either party to the other in the manner provided above. Notices delivered personally or sent by overnight courier shall be deemed delivered upon receipt. Notices delivered by mail shall be deemed delivered upon the earlier of (i) receipt or (ii) the date five (5) U.S. mail delivery days after the notice was placed in the United States mail as provided above.
- r. **Headings.** All section headings are provided for convenience only, and shall not be deemed to constitute material terms and conditions of this Agreement.
- s. **Interpretation.** Both Consultant and McKinleyville Community Services District are deemed to have jointly participated in the negotiation and preparation of this Agreement. Consequently, both Consultant and McKinleyville Community Services District are considered to have drafted this Agreement in equal parts and, if any ambiguity is found to exist, all rules of law and evidence requiring ambiguities to be interpreted to the detriment of the drafting party shall not apply.
- t. **Attorneys Fees and Venue for Disputes.** If litigation becomes necessary to enforce the terms and provisions of this Agreement or as a result of any breach by Consultant or District of this Agreement, the prevailing party in any such litigation shall be entitled to recover reasonable attorney's fees and costs. The Humboldt County Superior Court for the State of California shall have exclusive jurisdiction over any dispute arising out of this Agreement or Consultant's provision of Services hereunder, and shall serve as the venue for any such dispute. All parties expressly consent to this designation of jurisdiction and venue.

- u. MUTUAL UNDERSTANDING OF SERVICES. McKinleyville Community Services District and Consultant agree that the purpose of value engineering is the identification and presentation of recommendations for improvement of project or process value, for consideration by the McKinleyville Community Services District and their other professional advisors. Both parties understand that as a part of these services, Consultant does no design work and makes no project decisions. McKinleyville Community Services District and Consultant agree that Consultant will be liable to the McKinleyville Community Services District only for damages arising from Consultant's negligence in the performance of the Value Analysis or Value Engineering work itself, and only to the extent that such negligence directly damages the McKinleyville Community Services District.