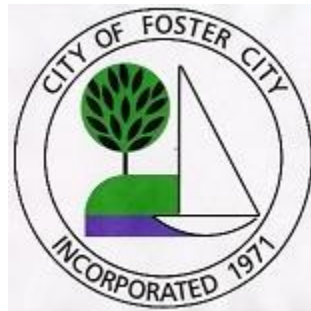


**CITY OF FOSTER CITY
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
RESPONSES TO RFP QUESTIONS**



February 17, 2017

**CITY OF FOSTER CITY
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
RESPONSES TO RFP QUESTIONS**

1. What is the reason that the City is considering changing auditor?
The contract has expired.
2. How long has the current auditors been performing the audit for the City/District?
5 years
3. Will your prior auditors be invited to bid?
Yes.
4. How many auditors and how many weeks were the auditors on site for both interim and year end field work?
Interim fieldwork - 3 auditors for one week
Year-end fieldwork - 3 auditors for two weeks

5. What were the prior audit fee(s)?

City/District Audit/Management Letter	\$39,625
Measure A Compliance Report	\$ 900
Appropriation Limit	\$ 900
Directed Study	<u>\$ 4,575</u>
Total	\$46,000
Community Development Audit/Mgmt Letter	\$ 6,000
Single Audit-Federal Assistance	<u>\$ 5,650</u>
Total	<u>\$57,650</u>

The same fees for each year

6. Are there any new services requested in this RFP that were not included in the prior year audit fee?
Yes.

In the prior audit, Finance staff prepared the Comprehensive Annual Financial Report (CAFR) and auditor assembled, formatted, printed and bound the CAFR report.

City/District staff provided the auditor the following:

- a. Basic Financial statements, Required Supplementary Information, Non-major funds and Internal Service Funds financial statements, and Statistical section in excel format
- b. Transmittal letter, Management’s Discussion and Analysis, footnotes in word format
- c. Cover pages and Divider tabs

In this RFP, the City/District would like the auditor to prepare the CAFR. The auditor will roll up the financial numbers from the trial balance reports provided by the City/District.

**CITY OF FOSTER CITY
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
RESPONSES TO RFP QUESTIONS**

City/District staff will provide:

- a. Trial balance reports from Sunguard Naviline system
- b. Transmittal letter, Management's Discussion and Analysis in word format
- c. Statistical sections in excel format
- d. Cover pages and divider tabs

In addition, we will be considering optional services for the following:

- a. Preparing State Controller's Reports
- b. GASB 68 Cost Sharing report for Safety Plan

7. Will there be a Single Audit? (If so, please include the most recent copy of the report with your response)

Over the past 9 years, we had one single audit in FY12/13. It was for one major program.

The City/District doesn't expect to have a single audit this fiscal year unless circumstances change in the upcoming four months.

8. How many journal entries were proposed by the auditors? Were there any findings?

There were no journal entries proposed by the auditors and no findings.

9. Were there any material adjustments made by the auditors in connection with the examination of the prior year Financial Statements?

There were no material adjustments made by the auditors.

10. How many significant deficiencies and/or material weaknesses were in the internal control letter for the most recent issued financial statements. What, if any, did those findings relate to?

None.

11. Has the City/District entered into any Major Contracts, Studies and/or Started any Projects in the Current Fiscal Year that would not be reflected in the Prior Year Financial Statements?

Yes.

- a. The City/District is conducting a cost allocation plan and user fees study.
- b. JPA with City of San Mateo for wastewater treatment plant.

12. Any New Debt Issuances in the Current Fiscal Year?

No. However, the City/District may have new debt issuance in next fiscal year for levee and wastewater treatment plant projects.

13. Is the City/District involved in any litigation not included in the Prior Year Financial Statements?

No

14. Have there been any changes in your accounting system or software since last year? What is the accounting system that the City use?

No. The City/District is still using Sunguard Naviline accounting system.

**CITY OF FOSTER CITY
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
RESPONSES TO RFP QUESTIONS**

15. Do you expect or plan to have any retirement or replacement of key employees?

No

16. Any other Major Changes in the Current Fiscal Year that would affect the operations of the City/District?

The City/District is in the process of implementing new permitting/business license software. The general ledger, payroll, utilities, accounts receivable and accounts payable module are still using the same accounting system.

17. How did you measure the quality of the audit performed?

Very Good.

- 1) Minimum errors on reports.
- 2) Able to deliver all reports timely.
- 3) Minimum number of comments from GFOA

18. What audit areas, in your opinion, were cumbersome?

Audit on the GASB68 but we understand that auditor has responsibility to make sure that the census data is correct.

19. Is there anything specific that you are looking for with the successor auditors?

- a. Ability to prepare Comprehensive Annual Financial Report (CAFR)
- b. Meet agreed upon timelines/schedule and responsiveness to City staff inquiries
- c. Ability to prepare GASB68 cost sharing plan calculation
- d. Ability to provide advice/guidance and assist with implementing new GASBs pronouncements
- e. Provide training opportunities for City/District's Finance staff

20. What efficiencies would you like to see in the audit of the City/District's financials?

The City/District would like to see:

- a. The audit is substantially completed and reviewed by audit Manager and Partner before leaving the fieldwork.
- b. An exit meeting with the audit manager for the interim and final fieldwork to communicate if there is any finding or outstanding/open item.
- c. Avoidance of duplicate requests of paperworks/documentation.
- d. Provide the same staff (continuity) if it is possible.

21. Can you share the following reports for FYE 6/30/2016?

- a. Measure A Compliance Report
See attached
- b. Appropriation Limits
See attached

**CITY OF FOSTER CITY
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
RESPONSES TO RFP QUESTIONS**

- c. Directed Study
[See attached](#)

**CITY OF FOSTER CITY
AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT**

**Report on Compliance with the
*Agreement for Distribution of San Mateo County
Measure A Funds for Local Transportation Purposes***

Fiscal Year Ended June 30, 2016



INDEPENDENT AUDITORS' REPORT ON MEASURE A COMPLIANCE

To the Honorable Mayor and Members of the City Council
of the City of Foster City and the
Board of Directors of the Estero Municipal Improvement District
Foster City, California

We have examined management's assertion, included in the accompanying Management's Report on Compliance with the *Agreement for Distribution of San Mateo County Measure A Funds for Local Transportation Purposes (the Agreement)* between the City of Foster City and Estero Municipal District (City/District) and the San Mateo County Transportation Authority dated August 22, 1989 and extended on January 1, 2009, that the City/District complied with the requirements of the Agreement during the year ended June 30, 2016. Management is responsible for the City/District's compliance with the assertions. Our responsibility is to express an opinion on management's assertion about the City/District's compliance based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and accordingly, included examining, on a test basis, evidence about the City/District's compliance with those requirements and performing such other procedures as considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our opinion does not provide a legal determination of the City/District's compliance with the specified requirements.

In our opinion, management's assertion referred to above is fairly stated, in all material respects, with the aforementioned requirements for the year ended June 30, 2016.

This report is intended solely for the information and use of the City Council, Board of Directors of the Estero Municipal Improvement District, and the San Mateo County Transportation Authority Board and Management, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co., LLP.

Pleasanton, California
November 30, 2016

CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT

**MEASURE A TRANSPORTATION FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>2016</u>
Receipts:	
Sales and use taxes	\$ 670,576
Investment income	<u>30,989</u>
Total revenues	<u>701,565</u>
Disbursements:	
Residential street resurfacing and repair project:	
Contractual services, professional services, and other supplies	<u>736,514</u>
Total Expenditures	<u>736,514</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (34,949)</u>



City of Foster City

ESTERO MUNICIPAL IMPROVEMENT DISTRICT

610 FOSTER CITY BOULEVARD
FOSTER CITY, CA 94404-2222
(650) 286-3200
FAX (650) 574-3483

November 30, 2016

San Mateo County Transportation Authority
1250 San Carlos Avenue
San Carlos, CA 94070

Management's Report on Compliance with the *Agreement for Distribution of San Mateo County Measure A Funds for Local Transportation Purposes.*

The City of Foster City and the Estero Municipal Improvement District (City/District) are responsible for complying with the *Agreement for District Distribution of San Mateo County Measure A Funds for Local Transportation Purposes* (Agreement) between the City/District and the San Mateo County Transportation Authority entered into on August 18, 1989, and extended on January 1, 2009. The Agreement states that in return for receiving an annual allocation of a specified portion of the retail transaction and use tax approved by *Measure A – San Mateo County Transportation Expenditure Plan* (the “Measure”) the City/District, in use of these funds, shall “refrain from substituting funds provided to it pursuant to this Agreement for property tax funds which are currently being used to fund existing local transportation programs and limit the use of said funds to the improvement of local transportation, including streets and road improvements”.

With respect to compliance with the Agreement, management attests to the following for the year ended June 30, 2016:

- Management is responsible for establishing and maintaining effective internal controls with respect to compliance with the Agreement.
- Management is responsible for complying with the Agreement
- Management has evaluated the City/District compliance with requirements of the Agreement; and
- All transactions, as summarized in the attached Schedule of Receipts and Disbursements for the fiscal ended June 30, 2016, are in compliance with the Agreement.

Name: Edmund Suen
Title: Finance Director

**CITY OF FOSTER CITY
AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT**

Foster City, California

**Independent Accountants' Report
on Agreed-Upon Procedures Applied to
Appropriations Limit Schedule**

**For The Year Ending
June 30, 2017**



**INDEPENDENT ACCOUNTANTS' REPORT ON AGREED-UPON PROCEDURES
APPLIED TO APPROPRIATIONS LIMIT CALCULATION**

To the Honorable Mayor and Members of the City Council
of the City of Foster City and the
Board of Directors of the Estero Municipal Improvement District
Foster City, California

We have performed the procedures enumerated below to the accompanying Appropriations Limit Schedule of the City of Foster City and Estero Municipal Improvement District (City/District) for the year ending June 30, 2017. These procedures, which were agreed to by the City/District and the League of California Cities (as presented in the League publication entitled Agreed Upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitution) were performed solely to assist the City/District in meeting the requirements of Section 1.5 of Article XIII-B of the California Constitution. The City/District management is responsible for the Appropriations Limit Calculation. This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained completed worksheets used by the City/District to calculate its appropriation limit for the fiscal year ending June 30, 2017, and determined that the limit and annual adjustment factors were adopted by resolution of City Council and the District Board of Directors. We also determined that the population and inflation options were selected by a recorded vote of the City Council and the District Board of Directors.

Findings: No exceptions were noted as a result of our procedures.

2. For the accompanying Appropriations Limit Schedule, we added the prior year's limit to the total adjustments and agreed the resulting amount to the current year's limit.

Findings: No exceptions were noted as a result of our procedures.

3. We agreed the current year information presented in the accompanying Appropriation Limit Schedule to corresponding information in worksheets used by the City/District.

Finding: No exceptions were noted as result of our procedures.

4. We agreed the prior year appropriations limit in the accompanying Appropriation Limit Schedule to the prior year appropriations limit adopted by the City Council and the District Board of Directors during the prior year.

Finding: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit Schedule. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by Article XIII-B of the California Constitution.

This report is intended solely for the information and use of the City Council, the District Board of Directors, and management of the City/District and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Vavrinek, Trine, Day & Co., LLP.

Pleasanton, California
November 30, 2016

CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT

**NOTES TO THE APPROPRIATIONS LIMIT SCHEDULE
FOR THE YEAR ENDING JUNE 30, 2017**

	<u>City</u>	<u>District</u>	<u>Total</u>	<u>Source</u>
A. Appropriations limit for the year ended June 30, 2016	\$ 56,380,653	52,808,239	\$ 109,188,892	Prior Year Schedule
B. Calculation Factors:				
1. Population increase %	1.0091	1.0091	1.0091	State Department of Finance
2. Inflation increase %	<u>1.0537</u>	<u>1.0537</u>	<u>1.0537</u>	State Department of Finance
3. Total adjustment factor %	1.0633	1.0633	1.0633	B1 x B2
C. Annual adjustment Increase	3,568,895	3,342,762	6,911,657	[(B3-1)x(A)]
D. Other Adjustments:				
Loss responsibility (-)	-	-	-	N/A
Transfers to private (-)	-	-	-	N/A
Transfers to fees (-)	-	-	-	N/A
Assumed responsibility (+)	-	-	-	N/A
E. Total Adjustments	<u>3,568,895</u>	<u>3,342,762</u>	<u>6,911,657</u>	(C+D)
F. Appropriations limit for the year ending June 30, 2017	<u>\$ 59,949,548</u>	<u>\$ 56,151,001</u>	<u>\$ 116,100,549</u>	(A+E)

CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT

NOTES TO THE APPROPRIATIONS LIMIT SCHEDULE FOR THE YEAR ENDING JUNE 30, 2017

1. PURPOSE OF LIMITED PROCEDURES REVIEW

Under Article XIII B of the California Constitution (the Gann Spending Limitations Initiative), California governmental agencies are restricted as to the amount of annual appropriations from proceeds of taxes. Effective for years beginning on or after July 1, 1990, under Section 1.5 of Article XIII B, the annual calculation of the appropriation limit is subject to a limited procedures review in connection with the annual audit.

2. METHOD OF CALCULATION

Under Section 10.5 of Article XIII B, for fiscal years beginning on or after July, 1990, the appropriations limit is required to be calculated based on the limit for the fiscal year 1986-87, adjusted for the inflation and population factors discussed in Notes 3 and 4 below.

3. INFLATION FACTORS

A California governmental agency may adjust its appropriations limit by either the annual percentage change in the 4th quarter per capita personal income (which percentage is supplied by the State Department of Finance) or the percentage change in the local assessment roll from the preceding year due to the change of local nonresidential construction. The factor adopted by the City/District for the fiscal year 2016-17 represents the annual percentage change for per capita personal income.

4. POPULATION FACTORS

A California governmental agency may adjust its appropriations limit by either the annual percentage change of the jurisdiction's own population or the annual percentage change in population of the county where the jurisdiction is located. The factor adopted by the City/District for the fiscal year 2016-17 represents the annual percentage change in population for San Mateo County.

5. OTHER ADJUSTMENTS

A California government agency may be required to adjust its appropriations limit when certain events occur, such as the transfer of responsibility for municipal services to, or from, another government agency or private entity. The City/District had no such adjustment for the year ending June 30, 2017.

**CITY OF FOSTER CITY
AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT**

**Independent Accountants' Report
On
Agreed-Upon Procedures**

**For the Year Ended
June 30, 2016**



INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

City of Foster City and the Estero Municipal Improvement District
610 Foster City Blvd.
Foster City, CA 94404

We have performed the procedures enumerated below, which were agreed to by the City of Foster City and the Estero Municipal Improvement District (the City/District), solely to assist the City/District in their ability to monitor the accuracy of the Secured Property Tax Revenue accounts for the period of July 1, 2015 through June 30, 2016. The City/District's management is responsible for the information derived from the agreed-upon procedures performed. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and results are as follows:

1. Inspect the County of San Mateo Secured property tax rolls for the City/District and identify false inclusion (i.e. extraneous data that should not be included) or exclusions (i.e. appropriate data that should be included) in tax rolls.

Finding: We obtained the Secured Property Tax Rolls from the County and City of Foster City Master Plan Zoning Map from the City Community Development Department. We compared the schedules and found no false inclusions in the County Tax Rolls and what appeared to be 1,553 false exclusions as items appearing on the City Zoning Map, but not on the County Rolls. We tested 15 of the false exclusions and found that these items were either water meters or homeowner association structures, and therefore were not and should not have been included on the County rolls so were not actually false exclusions. In our testing of 15 exclusions no exceptions were noted.

2. Inspect the Land Use attributes per the City /District's general permit applications and compare them to the classifications on the County Tax Rolls. Randomly select 15 parcels from the City's master Zoning Map and compare the classifications.

Finding: No exceptions were noted.

3. Inspect the Type use attribute per the City /District's building permit applications and compare them to the classifications on the County Tax Rolls. Use the same sample as #2 above.

Finding: No exceptions were noted.

4. Inspect the monthly Census Data Report transmission of building permit data to the County and determine that it is submitted timely by selecting 4 monthly reports to review during the 2014-2015 calendar years and determine that all reports were submitted within 15 days of the end of the month.

Finding: No exceptions were noted.

5. Recalculate the appraisal value of properties in the City that did not have an ownership change during the year and compare amounts to the 2015 Secured Property tax Rolls. Select a sample of 30 parcels drawn from the City Master Plan Zoning Map to include 15 parcels selected haphazardly and the 15 highest value parcels. Recalculate the appraised value by obtaining the 2014 Secured Property Tax Roll and applying the 2015 inflation and growth factors. Research any differences over 1%.

Finding: No exceptions were noted.

6. Agree the assessed value of properties that had an ownership change during 2013 from supporting documents to the 2015 Secured Property Tax Roll. Select a sample of 15 parcels, haphazardly drawn from a Multiple Listing Service report, to include residential and commercial use parcels. Obtain the sales price and increase the values by the 2014 2% valuation increase. Compare the amounts to the 2015 County Tax Roll and investigate any variance over 1%.

Finding: No exceptions were noted.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the City/District's ability to monitor the accuracy of the Secured Property Tax Revenue accounts for the period of July 1, 2015 through June 30, 2016. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City/District and is not intended to be and should not be used by anyone other than those specified parties.

Varrinek, Trine, Day & Co., LLP.
Pleasanton, California
November 30, 2016