

**KENAI PENINSULA BOROUGH
PUBLIC WORKS/MAJOR PROJECT DIVISION**

47140 East Poppy Lane, Soldotna, AK 99669
(907) 262-9657 FAX (907) 262-6090

MEMORANDUM

TO: John J. Williams, Borough Mayor

THRU: Mark Fowler, Purchasing and Contracting Officer *MF*
Collette Thompson, Borough Attorney *CT*
W.L. Robson, PW/Major Projects Director *WR*

FROM: Kevin Lyon, Project Manager *KL*

DATE: July 5, 2006

SUBJECT: Request for waiver of bonding requirement for the Arsenic Removal System pursuant to KPB 5.28.310.C

Routed From
Mayor's Office to:

Clerk	_____
Assembly	_____
Legal	_____
Finance	_____
Assessing	_____
Planning	_____
Roads	_____
SBB	_____
Purchasing	_____
Other	_____
Date:	7-17-06

Kevin Lyon

The Purchasing and Contracting Department solicited and opened proposals for this capital project on February 27, 2006. The Request for Proposals was published in the Peninsula Clarion on November 22 & 29, 2005 and in the Homer News and the Seward Phoenix Log on December 1, 2005. One proposal was received and reviewed. The proposal was found to be responsive, fair and reasonable.

This project is final phase of the School Arsenic Compliance and consists of the arsenic treatment systems at Sterling Elementary, Tustumena Elementary and Nikiski High/Middle School. This work is required to meet the EPA arsenic regulations. Work is anticipated to be complete prior to the 2006 -2007 school year.

Resolution 2006-28 passed the Borough Assembly on April 4, 2006, awarding the contract to TecPRO Ltd. TechPRO Ltd. has unsuccessfully attempted to acquire bonding for this project, even at a reduced bonding amount of 50%. This is due to the use of the word "arsenic", not the financial condition of the company.

The current contracts are for three sites: Sterling Elementary, \$221,708.80; Tustumena, \$214,976.70; and Nikiski Middle/High, \$306,433.50. The assembly used two actions to award the contracts. Resolution 2006-28 allowed two separate awards: Sterling and Tustumena at \$436,685.50; and the second award for Nikiski Middle/High School for \$306,433.50, contingent on Ordinance 2005-19-48. Two contracts were generated, one after each assembly action.

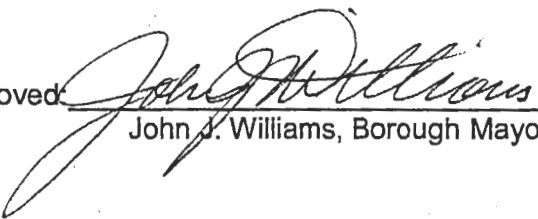
KPB 5.28.310.C states that the Mayor may waive the bonding as required by AS 36.25.010 under the conditions of AS 36.25.025. The bottom line is that these conditions cannot be waived for contracts exceeding \$400,000.

These are contracts resulting from one RFP and no bid bond was required. The RFP stated that one, two or three sites would be awarded and that additional sites could be awarded at later date. This was our only responsive proposal.

We need this equipment installed as soon as possible to meet the EPA's requirements. The installation at Nikiski has to start while school is out.

This memo is to approve the waiver the bonding requirements pursuant to KPB 5.28.310.C under the conditions of AS 36.25.010 and AS 36.25.025 for Nikiski and upon the successful installation at Nikiski the Contracts for Tustumena and Sterling will be issued.

Please call me if you have any questions regarding this request.

Approved:  Date: 7-17-06
John J. Williams, Borough Mayor

tecPRO Ltd

~ InTec-Alaska
Alaskan Woman Owned

Alaskans Serving Alaska Since 1985

cyndi@tecproltd.com ~ 907-346-8240

July 12, 2006

Mr. Kevin Lyon
Project Manager
Capital Projects Division
Kenai Peninsula Borough
47140 E. Poppy Lane
Soldotna, Alaska 99669

Re: Nikiski High School Arsenic Removal Project Contract

Dear Mr. Lyon:

This letter is to provide additional information supporting the request by Tec Pro Ltd. that the Kenai Peninsula Borough waive the bonding requirement for the above project.

First, as required in AS 36.25.025 (2), we hereby certify that Tec PRO, Ltd. has not defaulted on any contract awarded to it during the period of three years preceding the award of the above-described contract.

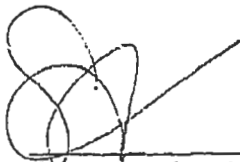
Second, as required in AS 36.25.025 (4), we hereby certify that the total amount of all contracts that Tec Pro anticipates performing during the term of performance of the above-described contract for which a bid is submitted does not exceed the net worth of Tec PRO Ltd. reported in the certified financial statement for the period ending December 31, 2005, by more than seven times.

We further certify that we are duly authorized to make the above certifications on behalf of TecPRO Ltd.

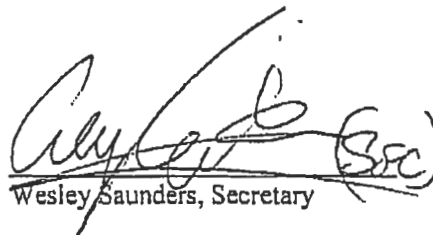
Thank you for your consideration.

Sincerely,

TecPRO Ltd.



Cyndi Saunders, President



Wesley Saunders, Secretary

**TEC PRO, LTD
(an S Corporation)**

**Reviewed Financial Statements and
Supplementary Information.**

**For the year ended
December 31, 2005**

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Shareholders
Tec Pro, Ltd
Anchorage, Alaska

We have reviewed the accompanying balance sheet of Tec Pro, Ltd (an S Corporation) as of December 31, 2005, and the related statements of operations, changes in shareholders' equity and retained earnings and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Tec Pro, Ltd.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Our review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The information included in the accompanying schedules of Completed and Uncompleted Contracts, Costs of Revenues and General and Administrative Expenses is presented only for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

Alban & Company

Alban & Company, P.C.
Certified Public Accountants
March 23, 2006

TEC PRO, LTD.
(an S Corporation)
Balance Sheet
December 31, 2005

2005

ASSETS

Current Assets:

Cash	\$	4,545
Contract receivables		381,957
Prepaid Insurance		6,775
Costs and estimated profits in excess of billings		<u>22,358</u>
Total Current Assets		395,635

Construction equipment net of accumulated depreciation of \$98,901		<u>23,681</u>
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TOTAL ASSETS		\$ <u>419,316</u>
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LIABILITIES AND SHAREHOLDER'S EQUITY

Current Liabilities:

Lines of Credit	\$	40,378
Current portion of long-term debt		6,952
Accounts payable		80,123
Billings in excess of costs and estimated profits		79,921
Accrued payroll taxes		<u>(2,395)</u>
Total Current Liabilities		214,979

Long-term debt, net of current portion		-
Due to shareholders		35,235

Shareholder's Equity:

Common stock, no par value, 10,000 shares authorized, 100 shares issued and outstanding		100
Retained earnings (deficit)		<u>169,002</u>
Total Shareholder's Equity		<u>169,102</u>

TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		\$ <u>419,316</u>
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See Independent accountants' review report and the accompanying notes to the financial statements.

TEC PRO, LTD.
(an S Corporation)
Statement of Operations
for the year ended December 31, 2005

	<u>2005</u>
Contract Revenues	\$ 1,000,906
Cost of Revenues	<u>644,406</u>
Gross Profit	356,500
General and Administrative Expenses	<u>161,399</u>
Income From Operations	195,101
Other Income (Expense)	
Other income	11,587
Interest expense	<u>(7,824)</u>
Total Other Income (Expense)	<u>3,763</u>
Net Income	\$ <u>198,864</u>

See independent accountants' review report and the accompanying notes to the financial statements.

TEC PRO, LTD.
(an S Corporation)
Statement of Changes in Shareholders' Equity and Retained Earnings
for the year ended December 31, 2005

	<u>Total</u>	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>
Balance December 31, 2004	\$ (29,752)	\$ 100	\$ -	\$ (29,852)
Shareholder distributions	-	-	-	-
Net income	<u>198,864</u>	<u>-</u>	<u>-</u>	<u>198,864</u>
Balance December 31, 2004	<u>\$ 169,102</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 169,002</u>

See independent accountants' review report and the accompanying notes to the financial statements.

TEC PRO, LTD.
(an S Corporation)
Statement of Cash Flows
for the year ended December 31, 2005

	<u>2005</u>
Cash Flows From Operating Activities:	
Net (loss) income	\$ 198,864
Adjustments to reconcile net income to cash provided by operating activities:	
Depreciation	8,055
Decrease (Increase) in:	
Accounts receivable	(337,048)
Costs & estimated profits in excess of billings	(22,358)
Prepaid insurance	2,842
Increase (Decrease) in:	
Accounts payable	59,347
Billings in excess of costs & estimated profits	79,921
Accrued payroll taxes payable	<u>(2,931)</u>
 Net Cash Provided (Used) By Operating Activities	 <u>(13,308)</u>
Cash Flows From Investing Activities:	
Purchase of equipment	<u>-</u>
 Net Cash Provided (Used) By Investing Activities	 <u>-</u>
Cash Flows from Financing Activities:	
Net draws (repayments) of line of credit	30,128
Repayment of shareholder loan	(3,416)
Shareholder distributions	-
Principal payments on long-term debt	<u>(6,519)</u>
 Net Cash Provided (Used) By Financing Activities	 <u>20,193</u>
 Net Increase (Decrease) In Cash	 6,885
 Cash Balances-Beginning	 <u>(2,341)</u>
 Cash Balances-Ending	 <u>\$ 4,545</u>
 Supplemental Disclosure of Cash Flow Information:	
Cash paid during the period for:	
Interest expense	<u>\$ 7,825</u>

See independent accountants' review report and the accompanying notes to the financial statements.

TEC PRO, LTD.
(an S Corporation)
Notes to the Financial Statements
for the year ended December 31, 2005
(See independent accountants' review report)

Note 1 - Organization and Significant Accounting Policies

Tec Pro, Ltd. (an S Corporation) is an Alaskan corporation specializing in industrial control systems, UL Listed control panels, and industrial electrical construction services. The Company operated as a sole proprietor from 1997 until January 1, 2002, when it incorporated and elected to be taxed as an S Corporation.

Basis of Accounting. Assets and liabilities, and income and expenses are recognized on the accrual basis of accounting for financial statement purposes and on the cash basis for income tax reporting.

Revenue and cost recognition. Revenue from fixed-price construction contracts is recognized on the percentage of completion method and measured by the percentage of costs incurred to date to total estimated costs (the cost-to-cost method). This method is used because management considers it to be the best available measure of progress on these contracts.

Revenues on miscellaneous jobs are recognized when the Company has the right to bill for services provided.

Contract costs include all direct material, labor and subcontract costs, and those indirect costs related to contract performance such as indirect labor, supplies, tools, repairs, and depreciation costs. General and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determinable. An amount equal to contract costs attributable to claims is included in revenues when realization is probable and the amount can be reliably estimated. No claims are pending as of the date of these financial statements.

The asset, "Costs and estimated earnings in excess of billings on uncompleted contracts," represents revenues recognized in excess of the amounts billed. The liability, "Billings in excess of costs and estimated earnings on uncompleted contracts," represents billings in excess of revenues recognized. Contracts are considered complete upon acceptance by the owner.

Cash and Equivalents. Cash and equivalents consist of deposits in federally insured banks. The funds are immediately available.

Accounts Receivable. Accounts receivable represent billings on completed and uncompleted contracts. The Company does not believe an allowance for doubtful accounts is necessary because of their lien rights, loss experience and the financial strength of the customers.

Property and Equipment. Property and equipment acquired by the Company is carried at cost. Maintenance and repairs, including the replacement of minor items, are expensed as incurred. Depreciation of property and equipment is provided using straight line and accelerated methods over their estimated useful lives of the assets; usually five to seven years.

TEC PRO, LTD.
(an S Corporation)
Notes to the Financial Statements
for the year ended December 31, 2005
(See Independent accountants' review report)

Note 1 - Significant Accounting Policies, continued

Income taxes. The Company, with the consent of its shareholders, has elected to be an "S" Corporation under the Internal Revenue Code. Instead of paying corporate income taxes, the stockholders of an "S" Corporation are taxed individually on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal or state income taxes has been included in these financial statements.

Advertising. The Company expenses advertising costs as incurred. There were advertising expenses of \$900 for the year ended December 31, 2005.

Estimates. The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Geographical dependence. The Company has operations only in Alaska. Accordingly, they are subject to cyclical fluctuations in the Alaskan economy.

Note 2 - Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and accounts receivable. The Company's cash balances may exceed the FDIC insured amount for short periods throughout the year. Concentrations of credit risk, with respect to receivables, are limited due to the Company's practice of filing statutory liens on all construction projects where collection problems are anticipated. The liens serve as collateral for contract receivables.

Note 3 - Property and Equipment

Property and equipment consists of the following components at December 31:

	<u>2005</u>
Vehicles	\$ 50,497
Tools and equipment	62,309
Office equipment	<u>9,783</u>
Total property and equipment	122,589
Accumulated depreciation	<u>98,908</u>
	<u>\$ 23,681</u>

Depreciation expense charged against operations at December 31, 2005 was \$8,055.

TEC PRO, LTD.
(an S Corporation)
Notes to the Financial Statements
for the year ended December 31, 2005
(See independent accountants' review report)

Note 4 – Cost and estimated earnings in excess of billings on uncompleted contracts and billings in excess of costs and estimated earnings on uncompleted contracts

	<u>2005</u>
Costs incurred on uncompleted contracts	\$ 341,196
Estimated earnings on uncompleted contracts	<u>273,789</u>
	614,985
Less billings to date	<u>672,368</u>
	<u>\$ (57,383)</u>
Included in balance sheet captions as:	
Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 22,538
Billings in excess of costs and estimated earnings on uncompleted contracts	<u>(79,921)</u>
	<u>\$ (57,383)</u>

Note 5 - Line of Credit

The Company has a borrowing agreement with First National Bank Alaska that permits borrowings to \$ 100,000. The borrowings bear interest at 2.0% over the prime rate. There was no amount borrowed on the line of credit at December 31, 2005.

Note 6 – Long Term Debt

Long term debt consists of the following at December 31:

	<u>2005</u>
Note payable to First National Bank Alaska, secured by equipment, in monthly installments of \$517 including interest at 2% over prime, due February, 2007.	\$ <u>6,952</u>
	6,952
Less current portion of long-term debt	<u>6,952</u>
Long-term debt, net of current portion	<u>\$ _____</u>

TEC PRO, LTD.
(an S Corporation)
Notes to the Financial Statements
for the year ended December 31, 2005
(See independent accountants' review report)

Note 7 - Related Party Transactions

The Company is leasing shop space from the shareholders. The Company paid \$24,450 total rent to shareholders for the year ended December 31, 2005.

Note 8 - Fair Value of Financial Instruments

The estimated fair values of the Company's financial instruments at December 31, 2005 are as follows:

	<u>Carrying Amounts</u>	<u>Fair Value</u>
Cash	\$ 4,545	\$ 4,545
Accounts receivable	361,957	361,957
Line of Credit	40,378	40,378
Long-term debt	6,952	6,952

The following methods and assumptions were used by the Company in estimating its fair value disclosures for the financial statements:

Cash and cash equivalents. The carrying amount reported in the balance sheet approximates fair value because of its immediate availability at face value.

Accounts receivable. The fair value of accounts receivable approximates the carrying value because of their short-term availability at face value.

Line of Credit and long-term debt. The carrying amount reported in the balance sheet approximates fair value because it presents the notes at face value.

Note 9 - Common stock

The Company has only one class of common stock. All shares of common stock share equally in dividend, liquidation and voting rights and have preemptive rights to acquire additional shares of the Company. There are 1,000 shares authorized, of which 100 are issued and outstanding at December 31, 2005.

Note 10 - Backlog

The Company has the following backlog consisting of signed contracts as of December 31, 2005 of \$ 320,144.

TEC PRO, LTD.
(an S Corporation)
Schedule of Cost of Revenues
for the year ended December 31, 2005

	<u>2005</u>
Labor and burden	\$ 66,076
Materials and supplies	492,158
Subcontractors	34,844
Travel & Subsistence	12,804
Fuel	5,272
Bonding	714
Freight	9,368
Other job expenses	<u>23,172</u>
Total Cost of Revenues	\$ <u>644,408</u>

See independent accountants' review report and the accompanying notes to the financial statements.

TEC PRO, LTD.
(an S Corporation)
Schedule of General and Administrative Expenses
for the year ended December 31, 2005

	<u>2005</u>
Advertising	\$ 900
Contributions	34
Depreciation	8,055
Dues and subscriptions	682
Employee benefits	22,555
Insurance	37,143
Bonding	500
Meals and entertainment	72
Miscellaneous	3,049
Office supplies	2,590
Professional fees	2,269
Rent	24,450
Repairs	1,898
Salaries and burden	45,229
Taxes and licenses	900
Training	150
Utilities and telephone	10,913
Vehicle expense	<u>10</u>
Total General and Administrative Expenses	<u>\$ 161,399</u>

See independent accountants' review report and the accompanying notes to the financial statements.

TEC PRO, LTD
SCHEDULE OF COMPLETED AND UNCOMPLETED CONTRACTS
 December 31, 2005

JOB TYPE	JOB NO	JOB NAME	ESTIMATED FINAL			PCT COMP	PROGRESS BILLINGS TO DATE	COSTS TO DATE	ESTIMATED COSTS TO COMPLETE
			CONTRACT PRICE	COSTS	GROSS MARGIN				
Completed Contracts									
TM	244	MWH AWWU SCADA / Design	147,583	103,956	43,827	100%	147,583	103,956	-
TM	480	Bristol Bay Camera Sales	45,284	37,488	7,778	100%	45,284	37,488	-
FP	489	Richmond Hills Booster	29,972	5,526	24,448	100%	29,972	6,628	-
FP	503	Central Region CBA2	11,544	9,482	2,062	100%	11,544	9,482	-
FP	504	Wash Re-Claim Controls	15,230	9,702	5,528	100%	15,230	9,702	-
TM	506	Nulgait	14,043	17,195	(3,152)	100%	14,043	17,195	-
FP	510	West Park Estates	170,078	158,187	13,891	100%	170,078	158,187	-
FP	520	Nepaskiak WTP Panels	48,908	15,784	33,125	100%	48,908	15,784	-
		Misc Jobs Under \$8,000	153,071	114,224	38,847	100%	153,071	114,224	-
Total Completed Contracts			635,684	469,544	166,150	-	635,684	469,544	-
Uncompleted Contracts									
FP	507	Palmer Hospital	44,391	20,791	23,600	78%	44,391	16,267	4,624
FP	518	BP Bout WW Mine Pt	115,746	52,865	63,081	79%	100,702	41,542	11,123
FP	518	Pressure Zone 411 Water Interfa	143,908	99,758	44,150	60%	77,276	50,125	49,633
FP	519	City of Dillingham	328,116	213,101	115,015	92%	283,904	195,224	17,877
FP	521	Palmer SW Util Extension	112,053	71,519	40,534	5%	-	3,735	67,784
FP	525	Wake Island Bldg 1553	84,277	28,845	57,832	49%	73,321	13,145	13,500
FP	528	Wake Island Bulk Receipt	108,637	32,878	73,759	64%	82,774	21,168	11,720
Total Uncompleted Contracts			835,126	517,357	417,771	-	672,368	341,188	176,181
TOTALS			1,670,822	986,901	583,921	-	1,308,062	810,740	176,181

TM = Time & Materials

FP = Fixed Price

See independent Accountants' Review Report and notes to Financial Statements.

ESTIMATED TOTAL COSTS	COSTS & ESTIMATED EARNINGS IN EXCESS OF BILLINGS	BILLINGS IN EXCESS OF COSTS & ESTIMATED EARNINGS	GROSS MARGIN RECOGNIZED		RECEIVABLES		GROSS MARGIN REMAINING	% G/M TO COSTS	
			TO DATE	PRIOR PERIODS	CURRENT PERIOD	RETENTION			PAYMENT ESTIMATES
103,856	-	-	43,827	31,525	12,002	-	-	42.0%	
37,488	-	-	7,778	13,297	(5,521)	-	-	20.7%	
6,526	-	-	24,446	13,555	10,891	-	-	442.4%	
8,482	-	-	2,062	-	2,062	-	-	21.7%	
8,702	-	-	5,528	-	5,528	-	-	87.0%	
17,185	-	-	(3,152)	-	(3,152)	-	-	-18.3%	
156,187	-	-	13,891	-	13,891	-	-	8.9%	
15,784	-	-	33,125	13,376	19,749	-	15,014	209.8%	
114,224	-	-	38,847	11,588	27,261	-	1,609	34.0%	
468,544	-	-	188,150	83,439	82,711	-	18,823	35.4%	
20,791	-	9,859	18,485	-	18,465	-	11,090	5,135	113.5%
52,665	-	9,401	49,759	-	49,769	-	29,673	13,323	119.8%
99,768	-	4,967	22,184	-	22,184	-	77,278	21,968	44.3%
213,101	16,886	-	105,368	-	105,368	-	81,200	9,549	64.0%
71,519	5,852	-	2,117	-	2,117	-	-	38,417	66.7%
26,646	-	31,744	28,432	-	28,432	-	73,321	28,200	216.3%
32,878	-	24,150	47,465	-	47,466	-	82,774	26,293	224.3%
617,357	22,538	78,921	273,789	-	273,789	-	345,334	143,883	80.8%
988,901	22,538	79,921	488,939	83,439	368,500	-	361,957	143,983	58.2%

See Independent Accountants' Review Report and Notes to Financial Statements.