AGENDA
MESA WATER DISTRICT
BOARD OF DIRECTORS
Monday, June 20, 2016
1965 Placentia Avenue, Costa Mesa, CA 92627
3:30 p.m. Special Board Meeting

Dedicated to
Satisfying our Community’s
Water Needs

FINANCE COMMITTEE MEETING
Monday, June 20, 2016 at 3:30 p.m.

CALL TO ORDER

PLEDGE OF ALLEGIANCE

PUBLIC COMMENTS

Non-Agendized Matters: Members of the public are invited to address the Board on matters which are not on the Agenda. Each speaker is limited to three (3) minutes. The Board will set aside thirty (30) minutes for public comments.

Agendized Matters: Members of the public may comment on Agenda items before action is taken, or after the Board has discussed the item. Each speaker is limited to five (5) minutes.

PRESENTATION AND DISCUSSION ITEMS:
Items recommended for approval at this meeting may be agendized for approval at a future Board meeting.

None.

ACTION ITEMS:
1. Claims Act Policy
2. Financial Auditor Selection
3. FY 2017 District Memberships/Public Outreach Events

REPORTS:
4. Accounts Paid Listing
5. Monthly Financial Reports
6. Major Staff Projects
7. Report of the General Manager
8. Directors’ Reports and Comments

INFORMATION ITEMS:
9. South Coast Plaza Update
10. Financial Forecast
In compliance with California law and the Americans with Disabilities Act, if you need disability-related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, or if you need the agenda provided in an alternative format, please contact the District Secretary at (949) 631-1206. Notification 48 hours prior to the meeting will enable Mesa Water District (Mesa Water) to make reasonable arrangements to accommodate your requests.

Agenda materials that are public records, which have been distributed to a majority of the Mesa Water Board of Directors (Board), will be available for public inspection at the District Boardroom, 1965 Placentia Avenue, Costa Mesa, CA and on Mesa Water’s website at www.MesaWater.org. If materials are distributed to the Board less than 72 hours prior or during the meeting, the materials will be available at the time of the meeting.

ADJOURNMENT
MEMORANDUM

TO: Finance Committee
FROM: Andrew Hamilton, Chief Financial Officer
DATE: June 20, 2016
SUBJECT: Claims Act Policy

RECOMMENDATION

Recommend that the Board of Directors adopt Resolution No. XXXX, Adopting a Policy Concerning Claims Against Mesa Water District Pursuant to the Government Claims Act and Superseding Resolution No. 1278 and adopt Ordinance No. XX, Adopting Government Claims Act Provisions.

STRATEGIC PLAN

Goal #3: Be financially responsible and transparent.

PRIOR BOARD ACTION

The Board of Directors (Board) previously adopted Resolution No. 1278 on March 11, 2003. This resolution adopted a standard claim form to be used for the purpose of presenting claims, for liability or damages, to Mesa Water District (Mesa Water®) pursuant to the Government Claims Act (Act).

DISCUSSION

The Government Claims Act (California Government Section Code 900 §§ et seq.) governs the filing of such claims and various related matters. The Act implemented specific requirements and time limits that must be complied with in order to pursue a claim against public agencies in the State of California. The public may file a claim against public agencies for damages or injury resulting from the operations, personnel, vehicles, equipment or other causes.

Resolution No. 1278 does not include a policy/procedure for the receipt and handling of claims made against, and submitted to Mesa Water®; nor does it address the issue of claims submitted to Mesa Water by other public entities.

Mesa Water staff, with the assistance of legal counsel Bowie, Arneson, Wiles & Giannone, has drafted the following:

1) Resolution for Adoption of Claims Act Policy – Claims for liability or damages submitted to a local public agency (such as Mesa Water) are governed by the provisions of the Government Claims Act (California Government Code Section 900, et seq).

   It is recommended that the Board adopt a resolution that documents policies and procedures that will govern the receipt and handling of claims and updates a standard claim form that is in conformity with the provisions of the Act.
2) **Ordinance for Adopting Government Claims Act Provisions** – California Government Code Section 935 allows a public agency to establish certain requirements, by enacting an ordinance, concerning submission of claims pursuant to the Act by other public agencies.

It is recommended by legal counsel that Mesa Water’s Board of Directors adopt an ordinance to implement claim procedures (as permitted by the Government Claims Act) so that other public agencies are equally treated and follow the provisions of the proposed Claims Act Policy so that all potential future claims submitted against Mesa Water are treated uniformly.

**FINANCIAL IMPACT**

None.

**ATTACHMENTS**

Attachment A: Resolution No. XXXX Adopting a Policy Concerning Claims Against Mesa Water District Pursuant to the Government Claims Act
Attachment B: Resolution No. 1278 Approving a Claim Form Pursuant to the Government Claims Act, Redline
Attachment C: Ordinance No. XX Adopting Government Claims Act Provisions
RESOLUTION NO. XXXX

RESOLUTION OF THE
MESA WATER DISTRICT BOARD OF DIRECTORS
ADOPTING A POLICY CONCERNING CLAIMS AGAINST MESA
WATER DISTRICT PURSUANT TO THE GOVERNMENT CLAIMS ACT
AND SUPERSEDING RESOLUTION NO. 1278

WHEREAS, the Mesa Water District (Mesa Water®) is a county water district organized and operating according to California law; and

WHEREAS, California Government Code Section 900 et seq. (Government Claims Act) (Act) governs certain claims made to public agencies, including, but not limited to, county water districts; and

WHEREAS, the Board of Directors of Mesa Water® desires to adopt those certain policies and procedures concerning claims presented to Mesa Water® under and pursuant to the Government Claims Act, which policies and procedures have been presented to the Board of Directors and are attached hereto as Attachment A; and

WHEREAS, the Board of Directors previously adopted Resolution No. 1278 with respect to claim forms submitted to Mesa Water® pursuant to the provisions of the Act, and desires to supersede Resolution No. 1278 by the adoption of this Resolution; and

WHEREAS, Mesa Water® has authority to adopt set policies and to adopt rules and regulations pursuant to Sections 31000, 31001 and 31024 of the California Water Code; and

WHEREAS, Government Code Section 910.4 (Statutes 2002, Chapter 1124, Section 6; Assembly Bill 3000) requires that all claims under and pursuant to the Act be made on a form approved and adopted by the governing body of a local public agency, such requirement being operative as of; and

WHEREAS, the Board of Directors desires to approve a claim form in conformity with the provisions of the Act, which is included within the policies and procedures adopted hereby.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE MESA WATER DISTRICT DOES HEREBY RESOLVE, DETERMINE, AND ORDER AS FOLLOWS:

Section 1. The foregoing recitals are true and correct and are incorporated herein by this reference.

Section 2. The Board of Directors hereby approves and adopts the Policy Concerning Claims Against Mesa Water® (Policy), including, but not
limited to, the Claim Form set out therein, attached hereto as Attachment A and incorporated herein by this reference.

Section 3. The Board of Directors previously adopted Resolution No. 1278 which adopted a standard Claim Form for the purpose of presenting claims pursuant to the provisions of the Act. Resolution No. 1278 is hereby superseded by the adoption of this Resolution.

Section 4. In accordance with Government Code Section 900 et seq., all claims shall be presented as provided in the Policy and addressed by Mesa Water® as provided in the Policy. No claim may be maintained by a person or entity who has not complied with the requirements set out within this Resolution.

Section 5. The General Manager or the General Manager’s authorized representatives and legal counsel to Mesa Water® are authorized to take any further actions necessary to carry out the approvals and directives set forth in this Resolution.

Section 6. This Resolution is adopted pursuant to Sections 31000, 31001 and 31024 of the California Water Code.

Section 7. This Resolution shall take effect upon adoption.

ADOPTED, SIGNED, and APPROVED this __________ day of __________ 2016, by a roll call vote.

AYES: DIRECTORS: COLEEN L. MONTELEONE
NOES: DIRECTORS: PRESIDENT, BOARD OF DIRECTORS
ABSENT: DIRECTORS: ________________________________
ABSTAIN: DIRECTORS: ________________________________

Shawn Dewane
President, Board of Directors

Coleen L. Monteleone
District Secretary
RESOLUTION NO. XXXX

ATTACHMENT A

RESOLUTION OF THE MESA WATER DISTRICT BOARD OF DIRECTORS ADOPTING A POLICY CONCERNING CLAIMS AGAINST MESA WATER DISTRICT PURSUANT TO THE GOVERNMENT CLAIMS ACT AND SUPERSEDING RESOLUTION NO. 1278

Policy Concerning Claims Against Mesa Water District

XX-XX-16
POLICY CONCERNING CLAIMS AGAINST MESA WATER DISTRICT

XX-XX-16
I. PURPOSE

The purpose of this policy/procedure is to establish procedures for all claims for money or damages made against, and submitted to, Mesa Water District (Mesa Water® or District).

II. OVERVIEW

The public may file a claim against public agencies for damages or injury resulting from operations, personnel, vehicles, equipment or other causes. The California Government Claims Act (California Government Code §§ 810 et seq.) (Act) governs the filing of such claims and various related matters. The Act implemented specific requirements and time limits that must be complied with in order to pursue a claim against public agencies in the State of California (State) (including Mesa Water®). Typically, claimants must first give written notice within six (6) months of filing an actual civil action, giving the public agency time to settle the claim.

This policy/procedure describes the procedures for receiving and handling claims made against, and submitted to, Mesa Water®.

All accidents and close calls or incidents that result in personal injury or illness, and/or damage to property shall be properly reported and investigated. See Mesa Water® policy HSE-023, Accident and Close Call Reporting and Investigation Policy, for initial reporting and investigation procedures.

III. RESPONSIBILITIES

A. Primary responsibility for developing, implementing, and updating this policy rests with Mesa Water’s Chief Financial Officer.

Chief Financial Officer – Responsibilities include:

- Assist the public by providing Mesa Water® Claim Form (Attachment A) for completion upon request.
- Receive all claims (date stamp).
- Notify Mesa Water’s General Manager, District Secretary and Risk Management.
- Notify legal counsel.
- Establish and maintain a file for each claim presented to Mesa Water®.
- Gather all information regarding the incident and investigate claim.
- Determine which claim files will be forwarded to the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA).
- Coordinate/prepare all correspondence between the claimant, ACWA/JPIA and/or legal counsel.
- Prepare staff reports for Committee and/or Board of Directors (Board) meetings.
• Coordinate/prepare any release forms and process settlement payments.

B. Managers and Supervisors – Responsibilities include:

• Advise the Chief Financial Officer immediately of any potential or received claims.
• Cooperate with the Chief Financial Officer or his/her designee with the investigation of each claim.
• Follow up on request to collect information regarding each claim.

C. Employee’s responsibilities are to refer any potential claimant regarding claims against Mesa Water® to the Chief Financial Officer or his/her designee.

Mesa Water® employees should not attempt to provide any form of advice or guidance to any person or party concerning claims against, or concerning, Mesa Water®.

IV. PROCEDURE

The following procedures apply to injury or damage claims against Mesa Water®:

A. Claim Prerequisite

1. The Board of Mesa Water® has adopted an ordinance pursuant to Government Code Section 935.

2. This policy/procedure shall govern all claims against Mesa Water® for money or damages which are set forth within Government Code Section 905, and which are not governed by any other statues or regulations expressly relating to such claims. All persons or entities which have any claim for money or damages against Mesa Water® shall first file a claim in accordance with the procedures set forth herein as a prerequisite to the filing of any civil action against Mesa Water®.

B. Claim

1. Written Claim – Any person making a claim against Mesa Water® must, with few exceptions, present a written claim to Mesa Water® and allow Mesa Water® to act upon the submitted claim.

Oral threats or demands will not be responded to by Mesa Water®. Oral threats or demands do not constitute a claim under State law. Mesa Water® assumes no liability by adoption of this Policy, or otherwise, for the failure of any person or party to submit a claim in writing.
2. Sufficiency-Content of Claim – Claimant must complete the Board adopted Claim Form (Attachment A) or any other writing that adequately describes the claim and includes all of the following:

- The name and address of the claimant;
- The Post Office address to which the person presenting the claimant desires notices to be sent;
- The date, place, and circumstances of the occurrence or transaction which gave rise to the claim asserted;
- A general description of indebtedness, obligation, injury, damages, or losses so far as known at the time of presentation of the claim;
- The name(s) of public employee(s) causing injury, loss, or damages, if known;
- Amount claimed and the basis for computation if under $10,000 or, if over $10,000, whether the claim would be a limited civil case; and
- Signature of the claimant or representative.

C. Timeliness

1. A claim for death, personal injury or damage to personal property must be presented within six (6) months of the accrual of the cause of action. For the purpose of computing the time limits prescribed herein, the date of the accrual of a cause of action to which a claim relates is the date upon which the cause of action would be deemed to have accrued within the meaning of the statute of limitations that would be applicable to a cause of action based upon such claim.

2. A claim for any other cause of action including, but limited to, damage to real property, the interest of minors, and several other causes of action must be presented within one (1) year after accrual of the cause of action. For the purpose of computing the time limits prescribed herein, the date of the accrual of a cause of action to which a claim relates is the date upon which the cause of action would be deemed to have accrued within the meaning of the statute of limitations that would be applicable to a cause of action based upon such claim. If uncertain as to what action to take on a claim, it is recommended that Mesa Water® staff refer it to the ACWA/JPIA, or consult with legal counsel, before taking any action.

D. Insufficient Claims

1. If a presented claim does not comply with the sufficiency requirements as outlined in Section IV.B. 2. Sufficiency - Content of Claim, Mesa Water® must notify the claimant in writing within twenty (20) days of the presentation that the claim is insufficient, stating the particulars of the deficiency. If Mesa Water® fails to respond, Mesa
Water® will be deemed to have waived its right to claim insufficiency. Generally legal counsel should be consulted as part of the determination as to whether a submission to Mesa Water® is sufficient as a claim or not. See Attachment C, Claim Insufficiency Letter.

E. Late Claims

1. Claims which are not filed with Mesa Water® within the requisite time period are considered to be late. Claims presented to Mesa Water® which are late, if not accompanied by an application for leave to file a late claim, should be rejected in writing specifically because they are late. They should not be considered or rejected on its’ merits. See Attachment D, Late Filing Letter.

2. If the claim is not presented in a timely fashion, then the claimant must present an Application to Present a Late Claim. The application must:
   - be presented within one (1) year of the accrual of the cause of action;
   - have a written claim form attached; and
   - set forth the reason for delay.

F. Delivery or Mailing of Claim, Amendment, or Application

1. A claim, amendment, or application to Mesa Water® for leave to present a late claim shall be presented to Mesa Water® by either of the following means:
   a. Delivering it to the District Secretary; or
   b. Mailing it to the District Secretary or to Mesa Water® at its principle office.

2. Any notice of an action by Mesa Water® with respect to a claim or Application for Leave to Present a Late Claim shall be given by either of the following methods:
   a. Personally delivering the notice to the person presenting the claim or making the application; or
   b. Mailing notice to the address, if any, stated in the claim or application as the address to which the person presenting the claim or making the application desires notices to be sent or, if no such address is stated in the claim or application, by mailing the notice to the address, if any, of the claimant as stated in the claim or application.
3. No notice need be given where the claim or application fails to state either an address of the person presenting the claim or making the application desires notices to be sent or an address of the claimant.

4. Where a claim, amendment, application, or notice from Mesa Water® is given by mail, the notice shall be mailed in the manner prescribed herein, and deposited in the United States Post Office, or a mailbox, sub-post office, substation, or mail chute, or other likely facility regularly maintained by the government of the United States, in a sealed envelope, properly addressed, with postage paid. The claim, amendment, application, or notice shall be deemed to have been presented and received at the time of the deposit. Proof of the mailing may be made in the manner prescribed by Section 1013(a) of the California Code of Civil Procedure. Mesa Water® may include in any written agreement to which it is a party, provisions governing the presentation of any claims arising out of or related to that agreement and the consideration and payment of such claim. Such agreement may incorporate by reference the procedures in this policy and may include a requirement that a claim be presented and acted upon as payment to suit thereon.

G. Denial/Rejection of Application to Present a Late Claim

1. Mesa Water® may deny/reject the Application to Present a Late Claim if it is not excused. This action must generally be taken by the Board and must be taken within forty-five (45) days after such an application is presented to Mesa Water®. The denial must be in writing (See Attachment E, Rejection of Application for Leave to Present a Late Claim) and must advise the claimant that he has only six (6) months to take the matter to court. Such notice must be provided within forty-five (45) days after such claim is presented to Mesa Water®. If, for any reason, Mesa Water® believes the Application to Present a Late Claim should be accepted, it is important is that it contact the ACWA/JPIA before taking action.

2. It is important to remember that the denial of the application has nothing to do with the merits of the presented claim. It means only that the claim has not been presented in a timely fashion.

H. Rejection of Late Claim Over One (1) Year

1. If the claim is not presented within the time required by law, it is returned to the claimant without any action being taken by the Board. See Attachment F, Over One (1) Year Late Claim Response Letter.

I. Rejection of Sufficient and Timely Claims

1. Only those claims that are timely presented and legally sufficient can legally be rejected by Mesa Water®.
2. If it is determined by Mesa Water® to reject a submitted claim then such claim should be rejected within forty-five (45) days of presentation or the claim will be deemed rejected by operation of law following the 45th day.

- If the claim is rejected in writing, the claimant has **only six (6) months** in which to file suit.
- If, however, the claim is allowed to be rejected as a matter of law, and the claimant receives notice of such rejection from Mesa Water®, the claimant will have **six (6) months** in which to file suit. If the claim is rejected as a matter of law, and Mesa Water® fails to provide notice to the claimant of such rejection, the claimant will have **two (2) years** in which to file suit.

3. It shall be the policy of Mesa Water® that claims determined to be rejected shall be rejected in writing. See Attachment B, Merit Rejection Letter.

J. Mesa Water® Action on Claim

1. Mesa Water® shall act, if at all, on a validly presented and timely claim (this generally requires Board action) within 45 days after such claim has been presented. Mesa Water® staff is to keep track of the date that a claim is received. If a claim is amended, Mesa Water® shall act, if at all, on the amended claim within 45 days after the amended claim is presented.

2. The claimant and Mesa Water® may extend the period within Mesa Water® is required to act on the claim by written agreement made (i) before the expiration of such period; or (ii) after the expiration of such period if an action based on the claim has not been commenced and is not yet barred by the limitation period specified in California Government Code Section 945.6.

3. If Mesa Water® fails or refuses to act on a claim within the time prescribed, the claim shall be deemed to have been rejected by Mesa Water® on the last day of the period within which Mesa Water® was required to act upon the claim.

4. Mesa Water® may act on a claim in one of the following ways:

   a. If Mesa Water® finds the claim was not a proper charge against Mesa Water®, it shall reject the claim.

   b. If Mesa Water® finds the claim is a proper charge against Mesa Water® and is for an amount justly due, it shall allow the claim.
c. If Mesa Water® finds the claim is a proper charge against Mesa Water® but is for an amount greater than that which is justly due, it shall either reject the claim in its entirety, or allow it in the amount justly due and reject it as to the balance.

d. If Mesa Water’s liability or the amount justly due is disputed, Mesa Water® may reject the claim or may settle the claim.

K. Prohibition Against Suit in Absence of Presentation of Claim

1. No suit for money or damages may be brought against Mesa Water® on a cause of action for which a claim is required to be presented in accordance with these procedures or with the California Government Claims Act (Government Code Sections 900 et seq.) until a written claim therefore has been presented to Mesa Water® and has been acted upon by Mesa Water®, or has been deemed to have been rejected by Mesa Water®, in accordance with these procedures and the Act.

L. Prohibition Against Suit Where Full Payment or Compromise Effected

1. Where a claim that is required to be presented to Mesa Water® in accordance with these procedures is so presented and action thereon is taken by Mesa Water®:

   a. If the claim is allowed in full and the claimant accepts the amount allowed, no suit may be maintained on any part of the cause of action to which the claim relates.

   b. If the claim is allowed in part and the claimant accepts the amount allowed, no suit may be maintained on any portion of the cause of action where, pursuant to a requirement of Mesa Water® to such effect, the claimant has accepted the amount allowed in settlement of the entire claim.

M. Small Claims Settlements – ACWA/JPIA Insurance Coverage

This section applies only to civil actions brought against Mesa Water® which have proceeded through the claims procedures listed above, the claims have been rejected, and have resulted in a small claims civil filing against Mesa Water®.

1. Mesa Water® has the option of settling or denying claims arising out of any occurrence covered by ACWA/JPIA’s Liability Program (Program), and retaining coverage, that meet all of the following criteria:

   a. All claims arising out of the occurrence are for “property damage” only.
b. No claim arising out of the occurrence has any apparent potential for related “bodily injury”.

c. Settlement Authority: the estimated settlement value for all claims arising out of the occurrence does not exceed Mesa Water’s Retrospective Allocation Point per occurrence.

   i. The General Manager, or his/her designee, is hereby authorized to settle or deny any liability claim against Mesa Water® which meets the small claims settlement criteria and is for $2,499 or less; and that any such claim which is for more than $2,500 shall be considered for settlement or denial by the Board of Mesa Water®.

d. The claim settlement or denial arising out of the occurrence can be concluded within sixty (60) days.

e. A settlement under this option should be made only when the claim being considered is determined to be based upon liability covered by the Program.

2. All small claims will be reported to the Board of Mesa Water® and to ACWA/JPIA.

3. When Mesa Water® becomes aware of, or is presented with; a claim that meets all of the conditions listed above it shall have the option of settling or denying the claim directly. If Mesa Water® wishes to exercise this option, it should adhere to the following guidelines.

   a. Investigate the claim for evidence of liability on the part of Mesa Water®.

   b. Determine whether the claim is to be handled informally or whether formal claim presentation is required. Under the California Government Code a public agency need not take any action until a claim is presented that meets the Code requirements. In general terms, Mesa Water® understands that ACWA/JIPA recommends that this procedure be followed. Mesa Water® may waive this presentation requirement and simply elect to pay based on its own judgment.

   c. If no liability on the part of Mesa Water® is found, the claim should be formally rejected in writing using the Merit Rejection Letter.

   d. If Mesa Water® accepts liability; it should attempt to settle the claim as rapidly as possible.
e. If at any time during the process Mesa Water® wishes the assistance of the ACWA/JPIA, please contact them by phone or refer the claim in progress to them to conclude.

f. Any claim that cannot be settled within sixty (60) days should be referred to ACWA/JPIA for handling.

g. A Monthly Small Claims Report (see Attachment G) should be submitted promptly to the ACWA/JPIA as this will insure that Mesa Water® is reimbursed for the expenses incurred.

h. Within thirty (30) days of the receipt of Mesa Water’s report, ACWA/JPIA will issue a check to Mesa Water® for reimbursement of the settled claims plus a $100 administrative fee for each claim settled or denied.

N. Severability

1. This policy/procedure is adopted to assist Mesa Water® in complying with and implementing the provisions of the Act. In the event that subsequent changes to the Act occur, and such are inconsistent with this policy/procedure, the mandatory provisions of the Act shall govern over anything contained herein.

2. If any section, subsection, paragraph, sentence, clause, phrase, or portion of these procedures is for any reason held to be invalid, unconstitutional, void or unenforceable, these decisions shall not affect the validity of the remaining portions of these procedures.

O. Release Forms

1. Release forms (See Attachment H, Sample Release Form) should not be required as a condition for settlement of claims involving minor dollar amounts. If there is a reason to believe that a claimant is inclined to later change his/her mind about a settlement, then release documents should be used (particularly if the settlement involves bodily injury allegations). Claim settlements involving substantial dollar amounts should, in most cases, be contingent upon the execution of satisfactory release forms.
V. ATTACHMENTS

A. Claim Form
B. Merit Rejection Letter
C. Claim Insufficiency Letter
D. Late Filing Letter
E. Rejection of Application for Leave to Present a Late Claim
F. Over One (1) Year Late Claim Response Letter
G. Monthly Small Claims Report
H. Sample Release Form
# Claim Form

(A claim shall be presented by the claimant or by a person acting on his behalf.)

**NAME OF DISTRICT:** MESA WATER DISTRICT

<table>
<thead>
<tr>
<th>1</th>
<th>Claimant name, address (mailing address if different), phone number, social security number, e-mail address, and date of birth. Effective January 1, 2010, the Medicare Secondary Payer Act (Federal Law) requires the District/Agency to report all claims involving payments for bodily injury and/or medical treatments to Medicare. As such, if you are seeking medical damages we must have both your Social Security Number and your date of birth.</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Name:</td>
</tr>
<tr>
<td></td>
<td>Phone Number: (   )</td>
</tr>
<tr>
<td></td>
<td>Address(es):</td>
</tr>
<tr>
<td></td>
<td>Social Security No.:</td>
</tr>
<tr>
<td></td>
<td>Date of Birth:</td>
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<td></td>
<td>E-mail:</td>
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</table>

| 2 | The Post Office address to which the Claimant desires notices to be sent. |

<table>
<thead>
<tr>
<th>3</th>
<th>List the name, address, and phone number of any witnesses.</th>
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<tbody>
<tr>
<td></td>
<td>Name:</td>
</tr>
<tr>
<td></td>
<td>Address:</td>
</tr>
<tr>
<td></td>
<td>Phone Number: (   )</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4</th>
<th>List the date, time, place, and other circumstances of the occurrence or transaction, which gave rise to the claim asserted.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Date:</td>
</tr>
<tr>
<td></td>
<td>Time:</td>
</tr>
<tr>
<td></td>
<td>Place:</td>
</tr>
<tr>
<td></td>
<td>Tell What Happened (give complete information):</td>
</tr>
</tbody>
</table>

**NOTE:** Attach any photographs you may have regarding this claim.

| 5 | Give a general description of the indebtedness, obligation, injury, damage, or loss incurred so far as it may be known at the time of presentation of the claim. |

| 6 | Give the name or names of the public employee or employees causing the injury, damage, or loss, if known. |

| 7 | The amount claimed if it totals less than ten thousand dollars ($10,000) as of the date of presentation of the claim, including the estimated amount of any prospective injury, damage or loss, insofar as it may be known at the time of the presentation of the claim, together with the basis of computation of the amount claimed. If the amount claimed exceeds ten thousand dollars ($10,000), no dollar amount shall be included in the claim. However, it shall indicate whether the claim would be a limited civil case. |

<table>
<thead>
<tr>
<th>Date:</th>
<th>Time:</th>
<th>Signature:</th>
</tr>
</thead>
</table>

ANSWER ALL QUESTIONS. OMITTING INFORMATION COULD MAKE YOUR CLAIM LEGALLY INSUFFICIENT!
MERIT REJECTION LETTER

IMPORTANT NOTE: This letter should be typed on Mesa Water® letterhead.

[Certified Mail – Return Receipt Requested]

Date

Dear ___________________________

Notice is hereby given that the claim which you presented to the (Mesa Water® Board of Directors or Officer) on (Date) was rejected on (Date).

WARNING
Subject to certain exceptions, you have only six (6) months from the date this notice was personally delivered or deposited in the mail to file a State Court Action on this claim. See California Government Code §945.6. Your time for filing an action in federal court may be less than this six (6) months.

You may seek the advice of an attorney of your choice in connection with this matter. If you desire to consult an attorney, you should do so immediately.

In providing this notice, or by any other action it has taken on this claim, Mesa Water District (Mesa Water®) does not intend to relinquish or waive any of its legal claims requirements or any rights or defenses potentially available to Mesa Water® or its officers, directors, employees or agents.

Should you file a lawsuit in this matter which is determined to be in bad faith and without reasonable cause, please be advised that Mesa Water® will attempt to recover all of its defense costs from you as allowed by California Code of Civil Procedure §128.7 and §1038.

If you have any questions about your claim, or this letter, please call the undersigned or our claims administrator at (phone number).

Sincerely,
CLAIM INSUFFICIENCY LETTER

IMPORTANT NOTE: This letter should be typed on Mesa Water® letterhead.

[Certified Mail – Return Receipt Requested]

Date

Dear ___________________________

Re: Notice of Insufficiency of Claim Filed with Mesa Water District

Your claim received by (Mesa Water® Board of Directors) on (date) failed to substantially comply with the California Government Code §910, §910.2, §910.4 and/or §910.8. It was insufficient for failing to provide the following information:

(Indicate reasons for insufficiency from the choices below.)

[The name and post office address of the claimant or the post office address to which the person presenting the claim desires notices to be sent.]

[The [date], [place], [facts describing the circumstances] of the event, occurrence or transaction which you claim caused the injury to the claimant.]

[A description of the injury, damage or loss to the claimant so far as is known at the time the claim was presented.]

[The name or names of the public employee or employees causing the injury, damage or loss, if known.]

[The amount claimed is less than $10,000 and a basis for the damages has not been presented]

[If the amount claimed is over $10,000, no dollar amount shall be included in the claim, however you must indicate whether jurisdiction over the claim rests in municipal or superior court.]

Tort claims presented to Mesa Water® should be presented on the Claim Form. The Claim Form is available on the Mesa Water District’s internet website at www.MesaWater.org.

You may correct the insufficiency by filing an amended claim supplying the missing information listed above. You have 15 days after the date of this letter or six (6) months from the date of the alleged accident, whichever is later, in which to file this amended claim. If you fail to provide the missing information, your claim MAY be rejected and you may also lose the right to initiate a lawsuit.

Sincerely,
LATE FILING LETTER

IMPORTANT NOTE: This letter should be typed on Mesa Water® letterhead.

[Certified Mail – Return Receipt Requested]

Date

Dear ___________________________

RE: Response to Your Late Claim Filed with Mesa Water District

The claim (or material) which you presented to the (Mesa Water® Board of Directors) on (date) is being returned to you without any action having been taken by the (Mesa Water® Board of Directors).

The claim (or material) is being returned because it was not presented within the time required by law. See California Government Code §901, §911.2 to §912.2 and §946.6. Your only recourse at this time is to file a written Application for Leave to Present a Late Claim as required by the Government Code. After this Application has been received by the (Mesa Water® Board of Directors), it will be reviewed and considered.

Due to legal time requirements, this should be done without delay. To determine if you have a further remedy, or whether further procedures are open to you, you may wish to consult with an attorney of your choice. If you desire to consult with an attorney, you should do so immediately.

Sincerely,
REJECTION OF APPLICATION FOR LEAVE TO PRESENT A LATE CLAIM

IMPORTANT NOTE: This letter should be typed on Agency letterhead.

[Certified Mail – Return Receipt Requested]

Date

Dear ___________________________

RE: Rejection of Application to Present a Late Claim to Mesa Water District

Your Application to Present a Late Claim was presented to the (Mesa Water® Board of Directors) on (date) and was denied on (date).

WARNING

If you wish to file a court action on this matter, you must first petition the appropriate court for an order relieving you from the provisions of California Government Code §945.4. Also see Government Code §946.6. Such petition must be filed with the state court within six (6) months from the date your Application for Leave to Present a Late Claim was denied. Your time for filing in federal court may be less than this six (6) months.

You may seek the advice of an attorney of your choice in connection with this matter. If you desire to consult an attorney, you should do so immediately.

Sincerely,
OVER ONE (1) YEAR LATE CLAIM RESPONSE LETTER

IMPORTANT NOTE: This letter should be typed on Mesa Water® letterhead.

[Certified Mail – Return Receipt Requested]

Date

Dear ___________________________

RE: Notice of Late Claim presented to Mesa Water District

The claim you presented to the (Mesa Water® Board of Directors) on (date) is being returned to you, without any action having been taken on it by the (Mesa Water® Board of Directors).

The claim is being returned because it was not presented within the time required by law.

To determine whether you have any further remedy or whether further procedures are open to you, you may wish to consult with an attorney. If you do decide to consult with an attorney, you should do so immediately.

Sincerely,
# MONTHLY SMALL CLAIMS REPORT

<table>
<thead>
<tr>
<th>Claim No.</th>
<th>Date/Time of Incident</th>
<th>Date Claim Received</th>
<th>Claimant’s Name (and driver/if auto claim)</th>
<th>Brief Description of What Happened</th>
<th>Amount of Settlement</th>
<th>Date Settled</th>
<th>Release Attached?</th>
</tr>
</thead>
</table>

Approved by: __________________________

Liability - Section 4 - Claims (MOLC-100114)
SAMPLE RELEASE FORM

I, (Name of Claimant), was involved in an accident on (Month, Day, and Year of Incident), at or near (Location of Incident), at which the following events occurred: (Description of Incident).

I claim that Mesa Water District is liable for the bodily injury and property damage resulting from that incident and acknowledge that Mesa Water District denies any liability.

Even though I may not know the full extent of my injuries, and understand that I may discover that the injuries are more extensive than I now anticipate, I intend to settle my claim against Mesa Water District in full.

Therefore, in consideration of the payment of (Spell Dollar Amount) ($), the receipt of which I acknowledge by signing this agreement, I release and forever discharge Mesa Water District from any and all claims for damages, demands, costs, expenses, causes of action and liability for losses to which I am entitled on account of, or arising from any and all known and unknown bodily injury or property damage resulting from the above described accident.

I agree that:

1. This release or payment made pursuant to it are not an admission of liability by any party;
2. This release includes all bodily injury, death, or property damage, past, present, and future, known and unknown; and
3. I hereby expressly waive all rights under Section 1542 of the Civil Code of California. (A general release does not extend to claims which the claimant does not know or suspect to exist in his/her favor at the time of executing the release, which if known by him/her would have materially affected his/her settlement with the debtor.) Nonetheless, I clearly understand that by signing this release I am waiving my right to any such unknown claims, because this provision waiving my rights under Section 1542 allows me to give up such rights which I am hereby voluntarily doing in order to get the type and/or amount of settlement that I desire.

READ CAREFULLY

By signing this agreement, I acknowledge that I have read its contents, understand its meaning, and agree to each of its terms.

(Signature of Claimant) (Date)

(Signature of Witness) (Date)
RESOLUTION NO. 1278XXXX

RESOLUTION OF THE
MESA WATER DISTRICT BOARD OF DIRECTORS OF THE MESA
CONSOLIDATED WATER DISTRICT
ADOPTING A POLICY CONCERNING CLAIMS AGAINST MESA
WATER DISTRICT
APPROVING A CLAIM FORM PURSUANT
TO THE GOVERNMENT CLAIMS ACT AND
SUPERSEADING RESOLUTION NO. 1278

WHEREAS, the Mesa Water District is a county water district organized and operating according to California law; and

WHEREAS, California Government Code Section 900 et seq. (Government Claims Act) governs certain claims made to public agencies, including, but not limited to, County Water Districts (Government Claims Act); and

WHEREAS, the Board of Directors of Mesa Water desires to adopt those certain policies and procedures concerning claims presented to Mesa Water under and pursuant to the Government Claims Act, which policies and procedures have been presented to the Board of Directors and are attached hereto as Exhibit A; and

WHEREAS, the Board of Directors previously adopted Resolution No. 1278 with respect to claim forms submitted to Mesa Water pursuant to the provisions of the Act, and desires to supersede Resolution No. 1278 by the adoption of this Resolution; and

WHEREAS, Mesa Water has authority to adopt set policies and to adopt rules and regulations pursuant to Sections 31000, 31001 and 31024 of the California Water Code; and

WHEREAS, Government Code Section 910.4 (Statutes 2002, Chapter 1124, Section 6; Assembly Bill 3000) requires that all claims under and pursuant to the Government Claims Act be made on a form approved and adopted by the governing body of a local public agency, such requirement being operative as of; and

WHEREAS, the Board of Directors desires to approve a claim form in conformity with the provisions of the Government Claims Act, which is included within the policies and procedures adopted hereby; and

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE MESA WATER DISTRICT DOES HEREBY RESOLVE, DETERMINE, AND ORDER AS FOLLOWS:
Section 1. The foregoing recitals are true and correct and are incorporated herein by this reference.

Section 21. The Board of Directors hereby approves and adopts the Policy Concerning Claims Against Mesa Water® (Policy), including, but not limited to, the Claim Form set out therein, attached hereto as Exhibit Attachment A and incorporated herein by this reference.

Section 3. The Board of Directors previously adopted Resolution No. 1278 which adopted a standard Claim Form for the purpose of presenting claims pursuant to the Government Claims provisions of the Act. Resolution No. 1278 is hereby superseded by the adoption of this Resolution.

Section 42. In accordance with Government Code Sections 900 et seq., all claims shall be presented as provided in the Policy and acted upon addressed by Mesa Water® as provided in the Policy. No such claim action may be maintained by a person who has not complied with the requirements set out within this Resolution.

Section 3. The Board of Directors hereby approves and adopts the claim form attached hereto as Exhibit "A," subject to incorporating comments or changes recommended, from time to time, by the Association of California Water Agencies/Joint Powers Insurance Authority ("ACWA/JPIA"), of which Mesa Water® is a member, or by legal counsel.

Section 4. The Claim Form attached as Exhibit "A" to this Resolution shall be provided by Mesa Water® staff to potential claimants upon receipt of request therefore, commencing no later than, in accordance with the Government Claims Act.

Section 55. The General Manager or the General Manager's authorized representatives and legal counsel to Mesa Water® are authorized to take any further actions necessary to carry out the approvals and directives set forth in this Resolution.

Section 6. This Resolution is adopted pursuant to Sections 31000, 31001 and 31024 of the California Water Code.

Section 76. This Resolution shall take effect upon adoption.
ADOPTED, SIGNED, and APPROVED this <DATE>-_______ day of <MONTH> _________ 2016, by a roll call vote.

AYES: DIRECTORS:
NOES: DIRECTORS:
ABSENT: DIRECTORS:
ABSTAIN: DIRECTORS:

________________________________________
Shawn Dewane
President, Board of Directors

________________________________________
Coleen L. Monteleone
District Secretary
RESOLUTION NO. XXXX

ATTACHMENT A

RESOLUTION OF THE
MESA WATER DISTRICT BOARD OF DIRECTORS
ADOPTING A POLICY CONCERNING CLAIMS AGAINST MESA
WATER DISTRICT OF THE MESA CONSOLIDATED WATER
DISTRICT
APPROVING A CLAIM FORM PURSUANT
TO THE GOVERNMENT CLAIMS ACT AND SUPERSEDING
RESOLUTION NO. 1278

Policy Concerning Claims
Against Mesa Water District

XX-XX-16
**Claim Form**

(A claim shall be presented by the claimant or by a person acting on his behalf.)

<table>
<thead>
<tr>
<th>NAME OF DISTRICT:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong> Name, address, mailing address if different, and phone number.</td>
</tr>
<tr>
<td><strong>Name:</strong></td>
</tr>
<tr>
<td><strong>Address(es):</strong></td>
</tr>
<tr>
<td><strong>Phone Number:</strong></td>
</tr>
<tr>
<td><strong>2</strong> List name, address and phone number of any witnesses.</td>
</tr>
<tr>
<td><strong>Name:</strong></td>
</tr>
<tr>
<td><strong>Address:</strong></td>
</tr>
<tr>
<td><strong>Phone Number:</strong></td>
</tr>
<tr>
<td><strong>3</strong> List the date, time, place and other circumstances of the occurrence or transaction which gave rise to the claim asserted.</td>
</tr>
<tr>
<td><strong>Date:</strong></td>
</tr>
<tr>
<td><strong>Tell What Happened (give complete information):</strong></td>
</tr>
</tbody>
</table>

**NOTE:** Attach any photographs you may have regarding this claim.

| **4** Give a general description of the indebtedness, obligation, injury, damage or loss incurred so far as it may be known at the time of presentation of the claim. |
| **5** Give the name or names of the public employee or employees causing the injury, damage, or loss, if known. |
| **6** If the actual amount of your claim is less than $10,000 indicate the exact amount of your claim, and if possible show specific itemization and/or include copies of any documents in support thereof. If the amount of the claim exceeds $10,000, no dollar amount should be included in this claim form. However, it is necessary to indicate whether jurisdiction will rest in Municipal or Superior Court. (Jurisdiction for any claim under $25,000 would rest in Municipal Court, and any claim over $25,000 would rest in Superior Court.) |

**Date:** | **Time:** | **Signature:**

**ANSWER ALL QUESTIONS. OMITTING INFORMATION COULD MAKE YOUR CLAIM LEGALLY INSUFFICIENT!**
ORDINANCE NO. XX

ORDINANCE OF THE
MESA WATER DISTRICT BOARD OF DIRECTORS
ADOPTING GOVERNMENT CLAIMS ACT PROVISIONS

WHEREAS, Mesa Water District (Mesa Water®) is a county water district organized and operating according to California law; and

WHEREAS, Section 935 of the California Government Code (which is a portion of that statute referred to as the “Government Claims Act”, being California Government Code Sections 900 et seq.) provides that claims against a local public entity for money or damages which are excepted by Section 905 of the Government Claims Act shall be governed by any procedures adopted by a local public entity, and Mesa Water® has so determined to adopt such procedures; and

WHEREAS, the Board of Directors of Mesa Water® (Board) desires to adopt this Ordinance in order to implement claims procedures as so permitted by the Government Claims Act; and

NOW, THEREFORE, BE IT ORDAINED BY THE MESA WATER DISTRICT BOARD OF DIRECTORS AS FOLLOWS:

Section 1: This Ordinance is enacted pursuant to Section 935 of the California Government Code.

Section 2: All claims against Mesa Water® for money or damages not otherwise governed by the Government Claims Act, California Government Code Sections 900 et seq., or other state law (hereinafter in this Ordinance, Claims) shall be presented within the time, and in the manner, prescribed by Part 3 of Division 3.6 of the Title 1 of the California Government Code (commencing with Section 900 thereof) for the Claims to which that Part applies by its own terms, as those provisions now exist or shall hereafter be amended, and as further provided by this Ordinance.

Section 3: All Claims shall be made in writing and verified by the claimant or by his or her guardian, conservator, executor or administrator. No Claim may be filed on behalf of a class of persons unless verified by every member of that class as required by this Section 3. In addition, all Claims shall contain the information required by California Government Code Section 910.

Section 4: In accordance with California Government Code Sections 935(b), 945.6, and 946, all Claims shall be presented as provided in this Ordinance and
acted upon by Mesa Water® prior to the filing of any action on such Claims, and no such action may be maintained by a person who has not complied with the requirements of this Ordinance.

Section 5: Any action brought against Mesa Water® upon any Claim or demand shall conform to the requirements of Section 940 through and including Section 949 of the California Government Code. Any action brought against any employee of Mesa Water® shall conform with the requirements of Section 950 through and including Section 951 of the California Government Code.

Section 6: Should any provision of this Ordinance, or its application to any person or circumstance, be determined by a court of competent jurisdiction to be unlawful, unenforceable or otherwise void, that determination shall have no effect on any other provision of this Ordinance or the application of this Ordinance to any other person or circumstance and, to that end, the provisions hereof are severable.

Section 7: This Ordinance shall take effect upon adoption (Effective Date). This Ordinance shall apply to all Claims, including without limitation, Claims relating to a cause of action that accrued prior to the Effective Date. Any Claims relating to a cause of action that accrued prior to the Effective Date shall be presented within the time determined pursuant to the requirements of this Ordinance from such date of accrual; provided, however, that the enactment of this Ordinance shall not act to, or be construed to, revive any Claim which would have been untimely on such Effective Date but for the adoption of this Ordinance.

[Remainder of this page intentionally left blank]
Section 8: Mesa Water’s® District Secretary shall certify to the passage and adoption of this Ordinance. The District Secretary shall cause notice of adoption of this Ordinance to be posted on the internet website of Mesa Water® in the form set out in Attachment “A,” together with a copy of this Ordinance, within fifteen (15) days of the adoption hereof by the Board.

ADOPTED, PASSED AND APPROVED at the regular meeting of the Board of Directors held on the ______ day of _____________ 2016, and adopted by the following roll call vote:

AYES: DIRECTORS:
NOES: DIRECTORS:
ABSENT: DIRECTORS:
ABSTAIN: DIRECTORS:

ATTEST: Shawn Dewane
President, Board of Directors

Coleen L. Monteleone
District Secretary
ORDINANCE NO. XX

ATTACHMENT A

ORDINANCE OF THE
MESA WATER DISTRICT BOARD OF DIRECTORS
ADOPTING GOVERNMENT CLAIMS ACT PROVISIONS

NOTICE OF ADOPTION OF
MESA WATER DISTRICT ORDINANCE

NOTICE IS HEREBY GIVEN, pursuant to Government Code Section 36933, that the Board of Directors of the Mesa Water District has adopted Ordinance No. XX Adopting Government Claims Act Provisions. Ordinance No. XX, as adopted, is set forth below:

Date: _____________________, 2016

By: __________________________________________

District Secretary,
Mesa Water District

[Attach copy of Ordinance as adopted]
TO: Board of Directors  
FROM: Andrew Hamilton, Chief Financial Officer  
DATE: June 20, 2016  
SUBJECT: Financial Auditor Selection

RECOMMENDATION

Recommend the following:

1. Scope of Work – Option #2: Approve the Scope of Work within the existing Professional Auditing Services Request for Proposal and develop a scope of work and budget to conduct a Fraud Audit.


STRATEGIC PLAN

Goal #3: Be financially responsible and transparent.

PRIOR BOARD ACTION/DISCUSSION

In April 2011, Mesa Water District (Mesa Water®) issued a financial audit RFP and received proposals from three firms: Diehl Evans & Company, Mayer Hoffman McCann, and Lance, Soll & Lunghard. The Board of Directors (Board) selected Mayer Hoffman McCann (now Davis Farr) to perform annual financial audits from FY 2011 to FY 2013 with options to renew for FY 2014 and FY 2015, which were exercised. Davis Farr has completed the last five financial audits, and the cost of the final year’s financial audit was $25,700.

Resolution No. 1307, adopted in 2004, requires mandatory audit rotation when the present financial audit firm has completed five consecutive financial audits.

At the March 21, 2016 Finance Committee meeting, the Committee requested to review all proposals and select a financial auditor at the April 14, 2016 Board meeting.

At the April 14, 2016 Board meeting, the Board approved staff’s recommendation above to engage White Nelson Diehl Evans LLP (WNDE, LLP). However, at the April 18, 2016 Board Workshop, the Board approved a motion to reconsider this item at the May 19, 2016 Board meeting.

At the May 19, 2016 Board meeting, the Board referred this item back to the Finance Committee.
DISCUSSION

Scope of Work

On January 15, 2016, Mesa Water issued a Request for Proposal (RFP), with a scope of work consistent with those issued by other public agencies related to conducting a financial statement audit. The RFP contained provisions to conduct the next three three years of audits with one-year renewal options for two subsequent fiscal years.

The scope of work contained the requisite audit activities including auditing the basic financial statements, expressing an opinion on the fair presentation of the basic financial statements in conformity with generally accepted accounting principles, following generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, issuance of standard reports, etc.

Due to the process of assessing the effectiveness of internal controls, the proposed auditor is planning to evaluate the following processes as part of the annual audit: payroll, wire payments/transfers, check disbursements, customer billing, investment compliance, etc. If the Board desires to add additional areas for the auditors to test, the Audit Committee could propose additional procedures for the selected auditor to perform at an agreed not-to-exceed amount.

Options: Scope of Work

1. Option #1 – Approve the Scope of Work within the existing Professional Auditing Services Request for Proposal
2. Option #2 – Approve the Scope of Work within the existing Professional Auditing Services Request for Proposal, and develop a scope of work and budget to conduct a Fraud Audit
3. Option #3 – The Board would propose a separate scope of work

Staff recommends that the Board approve Option #2.

Auditor Selection

In January 2016, Mesa Water solicited proposals from twelve qualified firms to perform financial audit services from FY 2016 to FY 2018 with one-year renewal options for each of the two following years. Of the twelve firms solicited, four proposals were received prior to the deadline date from the following firms:

- White Nelson Diehl Evans, LLP
- Lance, Soll & Lunghard
- Vavrinek, Trine, Day & Co., LLP
- The Pun Group

The four proposals were reviewed and evaluated by a selection panel comprised of three individuals: Mesa Water’s Chief Financial Officer, City of Stanton’s Administrative Services Director, and a CPA consultant. All proposals from these firms indicated extensive backgrounds
and experience in government audits, accounting and consulting; therefore, the selection panel
decided to conduct interviews with all four firms.

The table below shows the interview ranking based on the scoring from the selection panel:

<table>
<thead>
<tr>
<th>Audit Firm</th>
<th>Interview Score</th>
<th>Overall Cost (3 years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>White Nelson Diehl Evans</td>
<td>92</td>
<td>$81,289</td>
</tr>
<tr>
<td>Lance, Soll &amp; Lunghard</td>
<td>91</td>
<td>$82,019</td>
</tr>
<tr>
<td>Vavrinek, Trine, Day &amp; Co.</td>
<td>86</td>
<td>$80,295</td>
</tr>
<tr>
<td>The Pun Group</td>
<td>82</td>
<td>$73,500</td>
</tr>
</tbody>
</table>

The selection panel determined that WNDE, LLP demonstrated a track record of experience in
performing quality services, particularly their commitment to cities and special districts of Orange
County. During the interview, WNDE, LLP described their understanding of the District and scope
of work, committing to provide Mesa Water with an effective and efficient audit that will meet the
timing of proposed audit completion. Their overall fee is competitive and consistent with proposed
fees by other firms.

Options: Auditor Selection

1. Option #1 – Award the contract for auditing services to White Nelson Diehl Evans
2. Option #2 – Reject all proposals and reissue a new RFP with full Board involvement in the
   RFP review, auditor interview and auditor selection processes

Staff recommends that the Board approve Option #1.

FINANCIAL IMPACT

Fiscal year 2016 audit $26,430
Fiscal year 2017 audit $27,091
Fiscal year 2018 audit $27,768
Total $81,289

ATTACHMENTS

Attachment A: Professional Auditing Services Proposal - White Nelson Diehl Evans, LLP
Attachment B: Professional Auditing Services Proposal - Lance, Soll & Lunghard
Attachment C: Professional Auditing Services Proposal - Vavrinek, Trine, Day & Co., LLP
Attachment D: Professional Auditing Services Proposal - The Pun Group
Attachment E: Professional Auditing Services Request for Proposal
MESA WATER DISTRICT

PROFESSIONAL AUDITING SERVICES PROPOSAL

FOR THE THREE YEARS ENDING JUNE 30, 2018

(WITH AN OPTION FOR EACH OF THE TWO YEARS ENDING JUNE 30, 2019 AND JUNE 30, 2020)

Submitted By:

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants
| **RFP Subject:** | Certified Audit on Mesa Water District  
For the Three Years Ending June 30, 2018  
(With an Option for Each of the Two Years  
Ending June 30, 2019 and June 30, 2020) |
|------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| **Name of Proposer:** | White Nelson Diehl Evans LLP  
Certified Public Accountants and Consultants |
| **Local Address:** | 2875 Michelle Drive, Suite 300  
Irvine, CA 92606-5165 |
| **Telephone:** | (714) 978-1300 |
| **Fax:** | (714) 978-7893 |
| **Federal Identification Number:** | 33-0686301 |
| **California CPA License Number:** | PAR 6123 |
| **Website:** | [www.wndecpa.com](http://www.wndecpa.com) |
| **Email:** | npatel@wndecpa.com |
| **Contact Persons:** | Nitin P. Patel, CPA  
Engagement Partner  
Robert J. Callanan, CPA  
Technical Review Partner |
| **Date:** | February 10, 2016 |
# MESA WATER DISTRICT

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- **Attachment I:**
  - Current Special District References
  - List of Special District Engagements - Performed in the Last 5 Years

- **Attachment II** - Results of Outside Quality Review

- **Attachment III** – Signed Appendix C, RFP and Professional Services Agreement Acceptance Form
February 10, 2016

Mesa Water District
Attention: Purchasing
1965 Placentia Avenue
Costa Mesa, CA 92627

To Mr. Andrew Hamilton:

We are pleased to present our proposal to serve as independent auditors for the Mesa Water District. We have prepared this information in accordance with the guidelines set forth in your request for proposal.

White Nelson Diehl Evans LLP is a California certified public accounting and consulting firm with offices in Irvine, Carlsbad and Escondido. Our firm has specialized in providing services to the governmental industry for over 80 years and has no intentions of discontinuing these services.

The scope of our services for the five years ending June 30, 2020 would be as follows:

- A financial audit of the basic financial statements of the Mesa Water District in accordance with auditing standards generally accepted in the United States of America, Government Auditing Standards and the minimum audit requirements as set forth by the Office of the State Controller.
- A management letter containing any comments or recommendations resulting from our review of the systems of internal controls in connection with the financial audits.
- A report communicating information related to the audit to those in charge of governance at the conclusion of the audits.

We make a commitment to deliver all necessary reports based on the timetable presented herein on page 13. Also, a more detailed discussion of our understanding of the work to be performed is set forth on pages 13 through 25.

Our goal is to provide the District with the highest quality of service, including basic financial statements which meet all required reporting standards. We are confident that our service and experience will be of benefit to the District and will provide added value over and above the performance of the audit itself. Throughout the year, you should feel comfortable in calling us for advice regarding accounting and auditing matters, as we are never too busy to meet the needs of our clients.

We thank the District for the opportunity to present our proposal. Please feel free to contact me, or Mr. Robert J. Callanan, at (714) 978-1300 if you have any questions. This proposal constitutes a firm and irrevocable offer for 60 days from the date of this letter. Mr. Callanan and I are authorized to represent our firm, and bind the firm to a contract.

Very truly yours,

WHITE NELSON DIEHL EVANS LLP

[Signature]
Nitin P. Patel, CPA
Engagement Partner
1. AUDITING FIRM INFORMATION

White Nelson Diehl Evans LLP has over 80 years of experience in providing auditing, accounting and consulting services in the governmental sector. Information about the firm and the partners that will be serving this engagement are as follows:

**Address:**

2875 Michelle Drive, Suite 300

**Federal Tax ID Number:**

33-0686301

**Type of Business:**

Limited Liability Partnership

**Website:**

[http://www.wndecpa.com](http://www.wndecpa.com)

**Telephone:**

(714) 978-1300

**Fax:**

(714) 978-7893

Nitin P. Patel will serve as the engagement partner and Robert J. Callanan will serve as the technical review partner who are authorized to represent the firm and sign contracts. Their contact information is as follows:

Nitin P. Patel’s Email

npatel@wndecpa.com

Robert J. Callanan’s Email

rcallanan@wndecpa.com

2. STATEMENT OF EXPERIENCE

**SIZE AND LOCATION OF THE FIRM**

White Nelson Diehl Evans LLP is a California accounting firm with offices in Irvine, Carlsbad and Escondido.

Our firm has approximately 140 employees, which includes 22 partners with separate assurance and tax departments. Your District would be served by the assurance department from our Irvine office, which has approximately 48 professional staff members, including 11 partners, and 14 managers and supervisors. The Irvine Office assurance department staff with governmental experience consists of four partners, four managers, seven supervisors, six seniors and twelve staff accountants.

This engagement would be served by the following full-time positions: one engagement partner, one technical review partner, one senior manager, one supervisor, and one staff accountant.

White Nelson Diehl Evans LLP has extensive experience in providing auditing, accounting and consulting services in the governmental sector. Over twenty thousand hours per year are devoted to this area of our practice for over 100 governmental units including special districts, cities, successor agencies, nonprofit corporations and joint power authorities.
WHITE NELSON DIEHL EVANS LLP

INTERNATIONAL ACCOUNTING FIRM

SPECIALIZING IN GOVERNMENTAL SERVICES

STRENGTH AND STABILITY OF THE FIRM

White Nelson Diehl Evans LLP has been serving the governmental industry since the 1950’s, which continues to be a specialization that is growing each year. Our current client listing contains over 100 governmental organizations, which is appropriate given the size of our firm and displays our consistent dedication to the governmental industry. In addition, the firm has all the insurance coverage, as listed in the sample Professional Services Contract.

WHY WE ARE THE BEST QUALIFIED FIRM

White Nelson Diehl Evans LLP takes pride in serving the governmental industry and has demonstrated a track record to perform the services required by Mesa Water District. Our commitment to the cities and special districts of Orange County is one of the reasons why the District should choose White Nelson Diehl Evans LLP as their auditors.

Our firm has devoted a substantial amount of time and resources in order to provide governmental agencies with quality audits. Our knowledge of the industry is best demonstrated by the fact that our clients who apply for the “Certificate of Achievement in Financial Reporting” issued by the Government Finance Officers Association (GFOA) consistently receive that award.

We are in a professional alliance with BDO Seidman, a National Accounting Firm, and a network of accounting firms allowing us the ability to provide quality attestation services. The BDO Alliance provides us access to BDO’s personnel and technical resources which allows White Nelson Diehl Evans LLP to deliver the range of services and capabilities of a large national firm, including the use of specialists to support the needs of our clients.

We are a full service CPA firm. Our Consulting Services Department can provide the District with a variety of services, including investment policy compliance reviews, litigation support, dispute resolution services, and consulting on a wide array of governmental issues.

Our audits include extensive use of information technology as described in detail on page 18 of this proposal.

We understand that we provide a service to the District. We are committed to providing an effective and efficient audit that will meet the proposed timing of the project deliverables by assigning experienced governmental auditors. Understanding the size of the Mesa Water District and the scope of work requested in the proposal, we are proposing an engagement team with extensive governmental audit experience. The staffing plan includes Nitin P. Patel, CPA, the engagement partner with 30 years of experience, Kassie Radermacher, CPA with 11 years of experience who will manage the audit, and Tiffany Fung, CPA a supervisor with 6 years of experience who will be on-site supervising the audit fieldwork. We are confident that the proposed staffing plan with an engagement team experienced in governmental audits and who are familiar with municipal procedures will result in an effective and efficient audit that meets the project timing and deliverables requirements with minimum disruption to your staff.
RANGE OF ACTIVITIES

White Nelson Diehl Evans LLP is a full service CPA firm. We offer a broad range of services, including:

Certified Audits  Tax Planning and Consulting
Compilations and Reviews  Income Tax Preparation and Representation
Agreed-Upon Procedure Reviews  Consulting Services
Financial Services  Litigation Support Services

Our specific services available to governmental agencies are more fully set forth in this proposal.

LICENSING AND INDEPENDENCE

Our firm, and all of our certified personnel, are properly licensed to practice public accounting in California.

Also, we meet the independence requirements of “Government Auditing Standards”, as defined by generally accepted auditing standards and published by the U.S. General Accountability Office. We have no conflict of interest with the District and will provide written notice to the District of any professional relationships contemplated with the District during our term as auditors. We have not provided auditing services to the District during the past five years. However, we have provided tax consulting services to the District in 2013 and 2014. Providing the tax consulting services does not impair our independence under generally accepted auditing standards and generally accepted governmental auditing standards to provide audit services requested in the request for proposals.

PARTICIPATION IN “QUALITY REVIEW” PROGRAMS

In July 2015, our firm underwent a quality review, by an independent CPA firm, under provisions of the AICPA Quality Review Program. This review is required every three years and covered our audits of governmental agencies. A final report dated July 22, 2015 with a pass rating on our systems and procedures was received. A copy of the independent CPA firm’s report is included herein at Attachment II. Accordingly, we are confident that our current auditing standards and techniques meet all existing requirements.

No regulatory action has ever been taken against any office of our firm due to substandard work. We had no significant deficiencies noted in any federal or state desk reviews over the past three years.

EDUCATION PROGRAMS

White Nelson Diehl Evans LLP has a formal continuing education program. All firm auditors are required to obtain 80 hours of continuing education every two years in the accounting and auditing area as required by Government Auditing Standards, and at least 24 hours of government related continuing education courses. Our staff is continually expanding their knowledge of the governmental industry through our in-house training programs, programs offered by the AICPA, GFOA, the California Society of Certified Public Accountants and other professional organizations, and through on-the-job training.

Noted below is a description of certain in-house education courses taken by our partners and staff to meet the governmental continuing education requirements. All personnel involved with governmental auditing are required to attend these courses.
EDUCATION PROGRAMS (CONTINUED)

- Understanding the Risk Assessment Standards
- Understanding of GASB Statement No. 34, Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments
- Understanding, and Auditing, Deposits and Investments of California Governmental Units
- Reviews of Internal Controls in Accordance With Statements on Auditing Standards
- Assessing Audit Risk and Materiality in Conducting An Audit
- Consideration of Fraud in a Financial Statement Audit
- Computer Auditing in the Governmental Environment
- Laws and Regulations in the Government Sector
- Understanding GASB Statement 54 related to Fund Balance Reporting and Governmental Fund Type Definitions
- Understanding GASB Statement 65 related to reporting of Deferred Outflows and Deferred Inflows of Resources
- Understanding the new GASB Pension Standards

SPECIAL DISTRICT EXPERIENCE

Noted below is a listing of special districts audited by our firm in recent years:

Borrego Water District
Calleguas Municipal Water District
Chino Basin Desalter Authority
Chino Basin Regional Financing Authority
Costa Mesa Sanitary District
Cypress Recreation and Park District
Downey Cemetery District
El Toro Water District
Grossmont Healthcare District
Heber Public Utilities District
Inland Empire Regional Composting Authority
Inland Empire Utilities Agency
La Habra Heights County Water District
La Puente Valley County Water District
Laguna Beach County Water District
Lake Elsinore and San Jacinto Joint Powers Authority
Las Virgenes Municipal Water District
Leucadia Wastewater District
Midway City Sanitary District
Monterey Peninsula Regional Park District
Olivenhain Municipal Water District
Orange County Development Authority - Eco-Rapid Transit
Orange County Vector Control District
Orchard Dale Water District
Otay Water District
Padre Dam Municipal Water District
Pico Water District
Placentia Library District
Rancho California Water District
Rincon del Diablo Municipal Water District
Rowland Water District
Santa Ana Watershed Project Authority
South Coast Water District
South County Regional Wastewater Authority
Sunset Beach Sanitary District
Surfside Colony Stormwater
Drainage District
Surfside Community Services District
Vallecitos Water District
Valley Wide Recreation and Park District
Ventura Port District
Yorba Linda Water District
ENTERPRISE FUND EXPERIENCE

Most cities audited by our firm have a water utility enterprise fund. Noted below is a partial listing of other enterprise funds audited by our firm in recent years:

<table>
<thead>
<tr>
<th>City</th>
<th>Enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alhambra</td>
<td>Water, Sewer, Storm Drain, Sanitation, Golf Course</td>
</tr>
<tr>
<td>Artesia</td>
<td>Residential Refuse Service</td>
</tr>
<tr>
<td>Bellflower</td>
<td>Water</td>
</tr>
<tr>
<td>Beverly Hills</td>
<td>Water, Solidwaste, Wastewater, Stormwater</td>
</tr>
<tr>
<td>Burbank</td>
<td>Water Reclamation, Sewer, Golf, Electric Utility</td>
</tr>
<tr>
<td></td>
<td>Water Utility, Refuse Collection and Disposal</td>
</tr>
<tr>
<td>Camarillo</td>
<td>Water, Sanitary, Solidwaste, Transit</td>
</tr>
<tr>
<td>Colton</td>
<td>Electric Utility, Water Utility, Wastewater Utility</td>
</tr>
<tr>
<td>Cypress</td>
<td>Sewer</td>
</tr>
<tr>
<td>Del Mar</td>
<td>Water, Wastewater, Cleanwater</td>
</tr>
<tr>
<td>Downey</td>
<td>Water, Sewer, Golf Course, Transit System</td>
</tr>
<tr>
<td>Fountain Valley</td>
<td>Water, Solidwaste</td>
</tr>
<tr>
<td>Gilroy</td>
<td>Water, Sewer</td>
</tr>
<tr>
<td>Hesperia</td>
<td>Water, Sewer</td>
</tr>
<tr>
<td>Laguna Hills</td>
<td>Property Leasing</td>
</tr>
<tr>
<td>Lakewood</td>
<td>Water</td>
</tr>
<tr>
<td>Lancaster</td>
<td>Power Authority</td>
</tr>
<tr>
<td>Newport Beach</td>
<td>Water, Sewer</td>
</tr>
<tr>
<td>Norco</td>
<td>Water, Sewer</td>
</tr>
<tr>
<td>Norwalk</td>
<td>Transit System, Water, Sewer, Golf Course</td>
</tr>
<tr>
<td>Palm Desert</td>
<td>Golf Course</td>
</tr>
<tr>
<td>Pico Rivera</td>
<td>Water, Sports Arena, Golf</td>
</tr>
<tr>
<td>Port Hueneme</td>
<td>Water, Wastewater, Solidwaste, Housing</td>
</tr>
<tr>
<td>Rialto</td>
<td>Airport, Cemetery, Recreation, Wastewater, Water</td>
</tr>
<tr>
<td>San Buenaventura</td>
<td>Water, Sewer</td>
</tr>
<tr>
<td>Sanger</td>
<td>Water, Sewer, Disposal, Ambulance</td>
</tr>
<tr>
<td>Signal Hill</td>
<td>Water</td>
</tr>
<tr>
<td>Stanton</td>
<td>Sewer</td>
</tr>
<tr>
<td>Tustin</td>
<td>Water</td>
</tr>
<tr>
<td>West Covina</td>
<td>Simulator, Computer</td>
</tr>
<tr>
<td>West Hollywood</td>
<td>Sewer District, Sewer Charge, Solid Waste, Landscape District and Street Maintenance</td>
</tr>
<tr>
<td>Westminster</td>
<td>Water</td>
</tr>
</tbody>
</table>
3. EXCEPTIONS TO MESA WATER’S CONTRACT TERMS

We will accept the terms of the contract as provided in the sample Professional Services Contract that was enclosed with your RFP. We have signed the Appendix C, RFP and Professional Services Agreement Acceptance Form, and have included it as Attachment III.

4. REFERENCES

Your request for proposal called for a maximum of five references from similar auditing projects that were completed in the last 36 months:

<table>
<thead>
<tr>
<th>Inland Empire Utilities Agency (1)</th>
<th>Rancho California Water District (3)</th>
<th>Yorba Linda Water District (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6075 Kimball Avenue, Chino, CA 91708</td>
<td>42135 Winchester Road, Temecula, CA 92590</td>
<td>1717 E. Miraloma Avenue, Placentia, CA 92870</td>
</tr>
<tr>
<td>Mr. Suresh Malkani, Accounting Manager</td>
<td>Ms. Kathleen Naylor, Accounting Manager</td>
<td>Ms. Delia Lugo, Finance Manager</td>
</tr>
<tr>
<td>909-993-1899</td>
<td>951-296-6918</td>
<td>714-701-3040</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Calleguas Municipal Water District (4)</th>
<th>South Coast Water District (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2100 Olsen Road, Thousand Oaks, CA 91360</td>
<td>31592 West Street, Laguna Beach, CA 92651</td>
</tr>
<tr>
<td>Mr. Dan Smith, Manager of Finance &amp; Human Resources</td>
<td>Ms. Carolyn Rathbone, Director of Finance</td>
</tr>
<tr>
<td>805-579-7132</td>
<td>949-342-1147</td>
</tr>
</tbody>
</table>

(1) Scope of work performed includes the following: audit of the financial statements and preparation of the CAFR.

(2) Scope of work performed includes the following: audit of the financial statements and preparation of the financial statements.

(3) Scope of work performed includes the following: audit of the financial statements, preparation of the CAFR, and preparation of the state controller’s report.

(4) Scope of work performed includes the following: audit of the financial statements, preparation of the financial statements, and preparation of the state controller’s report.
5. PROPOSED STAFFING AND PROJECT ORGANIZATION

*All assigned key professional staff as licensed to practice as certified public accountants in the State of California.

**COMMITMENT RELATED TO PERSONNEL**

We make a commitment to retain the same personnel on the District from year to year, except where such personnel leave the firm, or where the change is approved by the District. If a staff member is replaced, we make a commitment to replace that person with staff of at least equal experience.
Position
Engagement/Technical Review Partner

Education
University of California at Irvine
  Bachelor of Arts in Economics
California State University at Long Beach
  Masters of Accounting Program

Licensing
Certified Public Accountant in California since 1988

Professional Organizations
American Institute of Certified Public Accountants
California Society of Certified Public Accountants
California Society of Municipal Finance Officers (CSMFO) - Associate Member
Governmental Accounting and Auditing Committee of Orange County - Committee Chairman (2001-2002)
California Governmental Accounting and Auditing Committee Member

Range of Experience
Has been with the firm since 1986 with emphasis in governmental accounting and financial reporting and is responsible for firm’s in-house governmental accounting and auditing training programs.

Experience includes supervision of over one hundred audits of governmental agencies including cities, successor agencies/redevelopment agencies, non-profit corporations, joint powers authorities and special districts.

CSMFO Report Reviewer for Award Program.

Other experience includes providing consulting services for governmental agencies including special internal control reviews, cost allocation plans, cable television rate reviews, reviews of City Treasurer operations and transient occupancy tax reviews of city hotels/motels.

Mr. Patel was the engagement partner on the following local government audits in 2015:

Cities:
  - Alhambra
  - Artesia
  - Bellflower
  - Burbank
  - Colton
  - Costa Mesa
  - Cypress
  - Gilroy
  - Lake Forest
  - Laguna Hills
  - Laguna Woods
  - Newport Beach
  - Norwalk
  - Palm Desert
  - Rialto
  - San Gabriel

Cities (Continued):
  - Stanton
  - West Hollywood
  - Westminster

Special Districts:
  - Chino Basin Desalter Authority
  - Costa Mesa Sanitary District
  - Cypress Recreation and Park District
  - Inland Empire Regional Composting Authority
  - Inland Empire Utilities Agency
  - La Habra Heights County Water District
  - La Puente Valley County Water District
  - Monterey Peninsula Regional Park District
  - Orchard Dale Water District
  - Rancho California Water District
  - Yorba Linda Water District

Continuing Professional Education
Total hours were 186 in the last three years, of which 144 hours were for meeting the requirements of the Government Audit Standards.
ROBERT J. CALLANAN, CPA

Position
Engagement/Technical Review Partner

Education
Aquinas College, Grand Rapids, Michigan
Bachelor of Arts, Business Administration, 1988
Bachelor of Science, Accounting, 1988

Licensing
Certified Public Accountant in California since 1993

Professional Organizations
American Institute of Certified Public Accountants - Member
California Society of Certified Public Accountants - Member
California Society of Municipal Finance Officers (CSMFO) - Associate Member
California Governmental Accounting and Auditing Committee Member

Range of Experience
Twenty-six years with the firm specializing in governmental audit, accounting and consulting services.

Two years of experience as Chief Financial Officer of a mortgage lending corporation.

Responsible for the firm's in-house governmental accounting and auditing training programs.


Mr. Callanan was the engagement partner on the following local government audits in 2015:

Cities:
- Camarillo
- Campbell
- Del Mar
- Hawaiian Gardens
- Pico Rivera
- Rancho Santa Margarita
- San Buenaventura

Special Districts:
- Laguna Beach County Water District
- Pico Rivera Water Authority
- Pomona-Walnut-Rowland Joint Water Line Commission
- Rowland Water District
- Sunset Beach Sanitary District
- Surfside Colony Stormwater Protection District
- Surfside Community Services District
- Ventura Port District

Continuing Professional Education
Total hours were 209 in the last three years, of which 157 hours were for meeting the requirements of the Government Audit Standards.
KASSIE RADERMACHER, CPA

Position
Senior Audit Manager

Education
West Virginia University
   Masters of Professional Accountancy, 2005
   Bachelor of Science, 2003

 Licensing
Certified Public Accountant in California since 2010
Certified Public Accountant in Virginia since 2006

Professional Organizations
California Society of Certified Public Accountants (CSCPA)

Range of Experience
Ms. Radermacher has been with the firm since June 2009. Ms. Radermacher has performed all phases of local governmental audits including cities, successor agencies/redevelopment agencies, single audit of federal grants, special districts, compliance audits and agreed-upon procedures engagements. As an audit manager, she is involved with planning the audit, performing fieldwork for all aspects of the audit, supervising staff accountants and preparation of financial statements. Ms. Radermacher served as the Audit Manager on the following local government audits in 2015:

- City of Artesia
- City of Bellflower
- City of Cypress
- City of Fountain Valley
- City of Laguna Hills
- City of Lake Forest
- City of Newport Beach
- City of Norwalk
- City of Rancho Santa Margarita
- City of Rialto
- City of San Gabriel
- City of Stanton
- La Puente Valley County Water District
- Lake Elsinore & San Jacinto
- Watersheds Authority
- Local Agency Formation Commission (LAFCO) - Orange County
- Midway City Sanitary District
- Orchard Dale Water District
- Orange County Mosquito & Vector Control District
- Pico Water District
- Rancho California Water District
- Santa Ana Watershed Project Authority
- Yorba Linda Water District

Prior to joining the firm, Ms. Radermacher was senior in-charge of compilations, reviews, single audits, and financial audits for non-profit and business clients with Rager, Lehman & Houck, P.C. in Frederick, MD. She was also responsible for educating and monitoring the staff.

Continuing Professional Education
Total hours were 209 in the last three years, of which 189 hours were for meeting the requirements of the Government Audit Standards.
TIFFANY FUNG, CPA

Position
Audit Supervisor

Education
University of California, Irvine
Bachelor of Economics with a minor in Accounting, 2010

Licensing
Certified Public Accountant in California since July 2013

Range of Experience
Ms. Fung has been with the firm since March 2011. Ms. Fung has performed all phases of local governmental audits including cities, successor agencies/redevelopment agencies, single audit of federal grants, special districts, and agreed-upon procedures engagements. As an audit supervisor, she is involved with planning the audit, performing fieldwork for all aspects of the audit, supervising staff accountants and preparation of financial statements. Ms. Fung worked on the following local government audits in 2015:

Cities:
- City of Colton
- City of Newport Beach
- City of Palm Desert
- City of San Gabriel
- City of Westminster

Special Districts:
- Inland Empire Regional Composting Authority
- Inland Empire Utilities Agency
- Lake Elsinore & San Jacinto Watersheds Authority
- Santa Ana Watershed Project Authority
- South Coast Water District

In recent years, Ms. Fung has also been involved with the following governmental clients:

Cities:
- City of Avalon
- City of Costa Mesa
- City of Downey
- City of Tustin
- City of West Covina

Special Districts:
- Chino Basin Desalter Authority
- Costa Mesa Sanitary District
- El Toro Water District
- Laguna Beach County Water District
- Rancho California Water District
- Walnut Valley Water District

Continuing Professional Education
Total hours were 159 in the last three years, of which 143 hours were for meeting the requirements of the Government Audit Standards.
6. PROJECT UNDERSTANDING

ENTITIES TO BE INCLUDED IN AUDIT

Mesa Water District
Mesa Water District Improvement Corporation

REPORTS TO BE ISSUED AND DUE DATES

<table>
<thead>
<tr>
<th>Drafts (Provided by Client)</th>
<th>Final Due Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mesa Water District</td>
<td>October 17 *</td>
</tr>
<tr>
<td>Government Auditing Standards Letter</td>
<td>October 17</td>
</tr>
<tr>
<td>Management Letter (SAS No. 115)</td>
<td>October 17</td>
</tr>
<tr>
<td>Audit Committee Letter (SAS No. 122)</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>November 30</td>
</tr>
<tr>
<td></td>
<td>November 30</td>
</tr>
<tr>
<td></td>
<td>November 30</td>
</tr>
</tbody>
</table>

* - The review of the financial statements will be completed within 2 weeks after the financial statements are submitted to us.

AUDIT TIMING

Assuming that the District’s books are closed and ready for examination and that all necessary schedules and documents are available for our use by August 15th each year, the suggested time schedule for the various phases of the audit would be approximately as follows:

- Entrance conference with key District staff. Discussion of any prior audit concerns and the performance of interim work. Completed By Week of April 18
- Interim audit fieldwork
  - Exit conference interim
  - Detailed Audit Plan
  - Entrance conference for final fieldwork
  - Final audit fieldwork
  - Exit conference year-end
  - Draft Reports (to be prepared by District)
  - Deliver Final Reports

COMMITMENT TO DELIVER REPORTS ON A TIMELY BASIS

If all books and records, schedules and documents are made available to us by August 15th, we make a commitment to have audit team members available and to provide all reports by the due dates specified above.
7. SCOPE OF WORK - TECHNICAL PORTION

AUDITS TO BE IN ACCORDANCE WITH GAAS AND OTHER REQUIREMENTS

We will audit the financial statements of the District and the component units noted on the preceding page. The financial statements of all entities where the District exercises oversight will be combined with the District’s financial statements, in accordance with GASB requirements. Our audit will be in accordance with auditing standards generally accepted in the United States of America as set forth by the AICPA, and will include such auditing procedures as we consider necessary under the circumstances. We will apply certain limited procedures, which consist principally of inquiries of management regarding methods of measurement and presentation of required supplementary information. However, we do not audit such information and do not express an opinion on it. Any supplemental financial statements will be subjected to auditing procedures as we consider necessary in relation to the financial statements taken as a whole. The scope of our audit will not include any statistical information, and we will not express an opinion concerning it.

Our audits will conform with the guidelines set forth in the AICPA’s Industry Audit Guide, Audits of State and Local Governmental Units. Also, each examination will comply with the standards for financial and compliance audits contained in the Government Auditing Standards, issued by the U.S. General Accounting Office, and the State Controller’s Minimum Audit Requirements for California Special Districts.

AUDIT APPROACH

- Our audit approach is tailored to meet the technical requirements while maintaining professional skepticism without forgetting that we provide a service. The following aspects of our audit approach will add additional value to the audit services and minimize the amount of time spent by the District’s staff in dealing with the audit.

- We will assign experienced staff auditors including the in-charge field auditor having at least 3 years of experience. For first year engagements, all other staff will have at least 1 year of experience. You will not spend time training our auditors.

- Whenever possible, we will use the same format for audit supporting schedules used in prior years for the current year audit. This will reduce time spent by the District staff in dealing with the audit when a different audit firm is chosen.

- Throughout the year we are available as a resource to our clients in researching technical questions, dealing with new pronouncements, reviewing complex financial entries and helping with any other issues as they arise.

- The work papers will be reviewed by the senior manager or partner as field work is being completed to minimize additional questions after the fieldwork is completed.

Our firm uses a governmental audit program which will be modified to the Mesa Water District’s operations to accommodate specific client circumstances. Our audit programs are organized by the financial statement approach and general procedures. The requirements by the Standards for assessing risk are utilized to modify the audit programs to focus on the higher risk areas of the financial statements.
AUDIT APPROACH (CONTINUED)

1. Audit Planning Procedures:
   - Pre-audit conference with the District to establish process of communication between the audit team and District staff.
   - Discuss any new accounting pronouncements to be implemented in the current year.
   - Establish scope of work and timing of fieldwork.

2. Interim Fieldwork:
   Gather information about the District and its environment, including internal control:
   - Evaluate the design of internal controls that are relevant to the audit and determine whether the control, either individually or in combination is capable of effecting, preventing or detecting and correcting material misstatements.
   - Determine that the controls have been implemented, that is, that the controls exist and that the District is using it.
   - Specific areas to review include:
     - Accounts payable/cash disbursements
     - Accounts receivable/cash receipts
     - Payroll disbursements
     - Utility billing process
     - Investment compliance
     - Property and equipment
   - Review of minutes of Mesa Water District.
   - Review of the budget, organizational charts, manuals and programs, and financial and other management information systems of Mesa Water District.
   - Review of important contracts and debt agreements.
   - Interim exit conference with the District to review results of interim fieldwork, including any findings.

3. Final Audit Work:
   During the final audit work, we will assess “risk” of material misstatement based on understanding of the District’s audit environment, including its internal control, to identify account balances to audit that appear in the District’s financial statements. Our audit programs will be specifically tailored to address any significant risks identified. The Prepared by Client (PBC) list will be provided at least one month in advance of fieldwork. Our work may include:
   - Confirmation of cash and investments balances and testing of bank reconciliations.
   - Confirm significant receivable balances or review subsequent cash receipts to verify receivable balance.
   - Search for unrecorded liabilities.
   - Testing of interfund balances and transfers.
   - Test capital asset additions and depreciation expense.
   - Confirm long-term debt balances and review the accounting treatment of debt issued or refunded.
AUDIT APPROACH (CONTINUED)

3. Final Audit Work (Continued):

Our work may include (Continued):

- Test support for other significant assets or liabilities.
- Analytical procedures on balance sheet and revenue and expenditure accounts, to evaluate and explain unusual fluctuations from prior year balances or current year budgeted amounts.
- Review of attorney letters for significant legal matters affecting the District’s financial position.
- An exit conference will be held to review any significant adjustments or findings.

The audit workpapers will be reviewed by our management team as the work is being performed in the field so that at the conclusion of the fieldwork we are able to report any adjustments or findings.

APPROACH TO INTERNAL CONTROL

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Our understanding of the internal controls will be completed by completing narratives and checklists for various processes related to internal control. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to Government Auditing Standards.

PROPOSED AUDIT SCHEDULE

For the proposed audit schedule for the fiscal year 2015-2016 audit, please see page 13.

DETERMINING LAWS AND REGULATIONS SUBJECT TO AUDIT

Under provisions of AICPA Auditing Standards, management of the District is responsible for identifying to its outside auditors any laws and regulations which would have a significant effect on the audit. This would include federal laws (such as federal grant regulations), State laws (such as permitted investments under the California Government Code) and local laws (such as restrictions on special revenues levied by the District). After our selection as auditors, we will consult with District officials regarding these matters, to determine what laws and regulations need to be evaluated in connection with our audit. If the District is not able to identify specific laws and regulations that effect it, we have references (California Government Code and Health and Safety Code) to the more common laws, rules and regulations in our standard audit programs for the usual activities of a Special District which will assist us in identifying laws and regulations to review in the audit.
METHOD OF SAMPLING

Our approach is to utilize random sampling based in our testing of the internal control systems related to cash receipts, cash disbursements, payroll and utility billings. Based on a statistical conclusion used by the firm our sample sizes can range from 25 to 60 transactions for each system. A random sample selection allows each item in the population of an equal chance of being selected. In addition, for disbursements, we may select a stratified sample of all transactions over a specified dollar amount for review.

ANALYTICAL PROCEDURES

Analytical procedures are used in the planning and final stages of the audit. In the planning phase, we use analytical procedures to identify unusual financial transactions and comparing relationships to expected results. We compare current year information to the prior years for balance sheet items, revenues and expenses. In the final stages of the audit, the financial statements are reviewed to identify expected relationships such as comparing debt paid to the decrease in long-term liability accounts and comparing depreciation expense to capital asset balances, etc. For all significant relationships identified, explanations are obtained as to why the situation occurred and additional audit procedures are applied to resolve any concerns.

MANAGEMENT LETTERS

In connection with each audit, a complete review of internal controls will be made of all significant accounting procedures. Our firm uses an internal control questionnaire, computer systems questionnaire and narration to gain an understanding of the internal control process as part of our audit. We will identify weaknesses and after discussion with the appropriate District staff, we will submit a management letter which will identify weaknesses observed during these reviews and throughout the audit. The management letter will also assess the effect of the management letter comments on the financial reporting process and recommend steps towards eliminating the weaknesses.

POTENTIAL AUDIT PROBLEMS

We do not anticipate any significant potential audit problems. If any potential audit problems are identified, we will immediately discuss them with the District’s management. Our approach is to coordinate the resolution of any problems with the District’s management. Considering our experience with auditing governmental entities and resources, we expect minimal disruption to the District’s management in resolving any identified audit problems.

RETENTION OF AND ACCESS TO AUDIT WORKPAPERS

In accordance with provisions of the Uniform Guidance, GAO requirements, and the California Board of Accountancy, our audit workpapers will be maintained for at least seven years after the date of the report. These workpapers will be made available as necessary to your cognizant audit agency (or its designee), to GAO representatives, or to any other federal or state agency needing access to the workpapers. Also, our firm will respond to any reasonable inquiries of successor auditors and we will allow any successor auditors to review our workpapers.
OTHER PROFESSIONAL SERVICES

We will be available for any other professional assistance you require to research and answer accounting and reporting problems raised by the District, regardless of the time of year. Such assistance may include, but is not limited to, tax questions, the review of bond documents, cost allocation programs and employee benefit programs. We also will keep the District informed of new developments affecting municipal finance and reporting, changes in grant rules and regulations, etc. We will be available for training sessions on any accounting matters, and we will be available to attend District Board of Directors meetings as needed.

IRREGULARITIES AND ILLEGAL ACTS

We will make an immediate, written report of all irregularities, illegal acts or indications of illegal acts of which we become aware, to the following parties: Finance Committee, General Manager and/or the Chief Financial Officer.

COMPUTER AUDITING CAPABILITIES

White Nelson Diehl Evans LLP uses technology to make the audit process more effective. We utilize a paperless audit software, ProSystem fx Engagement, which allows us to manage our audit documentation electronically. Some of the benefits of paperless audit are:

- Receive the District’s schedules in either hard copy or electronic format.
- Import and integrate trial balance data from virtually any accounting system. We avoid the time and expense of keying in account numbers, descriptions and account balances. We simply take your electronic trial balance and import it directly into our audit software.
- Create our own lead sheets, which can include prior year balances. This helps us to easily identify significant fluctuations between fiscal years.
- CAFR schedules are linked to trial balances. CAFR is updated automatically for any last minute journal entries, if any.

Our approach includes using IDEA (Interactive Data Extraction and Analysis) which is a data analysis software that can be used to analyze large amounts of information. It allows the firm to extract data from the District’s accounting records to tailor specific audit tests based on risk assessments. Some audit procedures that IDEA can be utilized for are:

- Mechanical accuracy of worksheets or general ledgers.
- Exception and gap/completeness testing for missing check numbers.
- Cross checking different data bases for common information such as employee names.
- Duplicate checking of invoice numbers.
- Completeness testing of general ledger balances.

The firm also has document management software which allows our clients to access our web portal. We utilize the web portal to transfer data files that are confidential or too large to be sent by e-mail.
LICENSING AND INDEPENDENCE

Our firm, and all of our certified personnel, are properly licensed to practice public accounting in California.

Also, we meet the independence requirements of “Government Auditing Standards”, as defined by generally accepted auditing standards and published by the U.S. General Accountability Office. We have no conflict of interest with the District and will provide written notice to the District of any professional relationships contemplated with the District during our term as auditors. We have not provided auditing services to the District during the past five years. However, we have provided tax consulting services to the District in 2013 and 2014. Providing the tax consulting services does not impair our independence under generally accepted auditing standards and generally accepted governmental auditing standards to provide audit services requested in the request for proposals.

WORK REQUIRED BY DISTRICT STAFF

Our fixed annual fees contemplate that conditions satisfactory to the normal progress and completion of the examination will be encountered and that District accounting personnel will furnish the agreed-upon assistance in connection with the audit. However, if unusual circumstances are encountered which make it necessary for us to do additional work, we shall report such conditions to the responsible District officials and provide the District with an estimate of the additional accounting fees involved.

Noted below is a listing of work required by District staff to assist in the audit.

1. Technical assistance in familiarizing our staff with (primarily occurs during interim fieldwork with some assistance also required during final fieldwork):
   - The flow of information through the various departments and accounting systems.
   - Reports generated by your accounting system.
   - The system of internal controls.
   - Controls established to monitor compliance with federal grants.

2. Preparation of trial balances for all funds, after posting of all year end journal entries. Final trial balances should be provided one week before final fieldwork begins.

3. Preparation of schedules supporting all major balance sheet accounts, and selected revenue and expenditure accounts to be provided on the first day of final fieldwork, including:
   - Bank Reconciliations
   - Investment Report
   - Schedule of Unbilled Utility Receivable
   - Customer Accounts Receivable
   - Schedule of Other Receivables
   - Listing of Inventory
   - Schedule of Prepaid Expenses
   - Schedule of Uncollectible Accounts
   - Capital Asset Schedule with beginning balances, additions, deletions and ending balances
   - Construction in Progress Detail Listing
   - Accounts Payable Listing
   - Accrued Payroll Calculation
WORK REQUIRED BY DISTRICT STAFF (CONTINUED)

3. Preparation of schedules supporting all major balance sheet accounts, and selected revenue and expenditure accounts to be provided on the first day of final fieldwork, including (continued):
   • List of Customer Deposits Payable
   • Schedule of Unearned Revenue
   • Calculation of Interest Payable
   • Details for Compensated Absences
   • Long-Term Debt Schedule with beginning balances, additions, deletions and ending balances
   • Computation of Net Revenue Coverage for Debt
   • Details on Contributed Capital
   • Payroll Expense Reconciliation to Form 941

4. Typing of all confirmation requests to be provided during interim fieldwork.

5. Pulling and refiling of all supporting documents required for audit verification, which will occur throughout the audit.

6. Preparation of the financial statements and notes to the financial statements to be provided by October 17.

7. Preparation of the management’s discussion and analysis, transmittal letter and all statistical tables for the financial statements to be provided by October 17.

PARTICIPATION IN PROFESSIONAL ORGANIZATIONS

Our partners and staff are actively involved in professional organizations in the governmental accounting field. Noted below is a summary of our participation in various national and California governmental organizations.

AICPA

Our firm is a member of the AICPA Governmental Audit Quality Center. The Center is a firm-based voluntary membership Center whose primary purpose is to promote the importance of quality governmental audits to purchasers of governmental audit services. The Center provides members with an online forum tool for sharing best practices, as well as discussions on audit, accounting, and regulatory issues. As a member of the Center, the firm receives updates on changes in auditing and accounting standards that effect governmental audits. The quality control partner is required to attend an annual web cast to discuss auditing and reporting issues effecting governmental audits. Our firm uses the resources of the Center to maintain the quality of our governmental audits.
PARTICIPATION IN PROFESSIONAL ORGANIZATIONS (CONTINUED)

GFOA, GASB and FASB

Our firm is an associate member of the Government Finance Officers Association of the United States and Canada (GFOA).

Also, we have web based access to the latest pronouncements issued by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standard Board (FASB), including Interpretations, Technical Pronouncements and Newsletters. We regularly analyze these pronouncements and advise our governmental clients of changes in accounting rules.

CSMFO

Our Irvine office partners and our Director of Consulting Services are associate members of the California Society of Municipal Finance Officers (CSMFO). Our personnel regularly attend local CSMFO chapter meetings throughout Southern California, and the annual statewide conference. We often provide public speakers for these meetings.

CSCPA

Several partners and principals of the firm have been members of the Governmental Accounting and Auditing (GAA) Committee of the Orange County Chapter of the California Society of Certified Public Accountants (CSCPA). Mr. Patel, Mr. Ludin and Mr. Morgan have each served as chairman of this committee. Firm personnel have been involved over the years in preparing position papers issued for professional organizations on governmental accounting matters. Currently, Mr. Patel and Mr. Callanan are members of the State Governmental Accounting and Auditing Committee.
**SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENTAL ENTITIES**

Your request for proposal called for a listing of similar engagements, with total staff hours. These are set forth below:

<table>
<thead>
<tr>
<th>District</th>
<th>Engagement</th>
<th>Total Staff Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calleguas Municipal Water District</td>
<td>Patel</td>
<td>300</td>
</tr>
<tr>
<td>Chino Basin Desalter Authority</td>
<td>Patel</td>
<td>80</td>
</tr>
<tr>
<td>Chino Basin Regional Financing Authority</td>
<td>Patel</td>
<td>55</td>
</tr>
<tr>
<td>Cypress Recreation and Park District</td>
<td>Patel</td>
<td>30</td>
</tr>
<tr>
<td>Grossmont Healthcare District</td>
<td>Schroeder</td>
<td>460</td>
</tr>
<tr>
<td>Heber Public Utilities District</td>
<td>Schroeder</td>
<td>290</td>
</tr>
<tr>
<td>Inland Empire Regional Composting Authority</td>
<td>Patel</td>
<td>30</td>
</tr>
<tr>
<td>Inland Empire Utilities Agency</td>
<td>Patel</td>
<td>325</td>
</tr>
<tr>
<td>La Habra Heights County Water District</td>
<td>Patel</td>
<td>90</td>
</tr>
<tr>
<td>La Puente Valley County Water District</td>
<td>Patel</td>
<td>120</td>
</tr>
<tr>
<td>Laguna Beach County Water District</td>
<td>Callanan</td>
<td>155</td>
</tr>
<tr>
<td>Lake Elsinore &amp; San Jacinto Joint Powers Authority</td>
<td>Patel</td>
<td>40</td>
</tr>
<tr>
<td>Leucadia Wastewater District</td>
<td>Schroeder</td>
<td>255</td>
</tr>
<tr>
<td>Midway City Sanitary District</td>
<td>Patel</td>
<td>120</td>
</tr>
<tr>
<td>Monterey Peninsula Regional Park District</td>
<td>Patel</td>
<td>150</td>
</tr>
<tr>
<td>Olivenhain Municipal Water District</td>
<td>Schroeder</td>
<td>330</td>
</tr>
<tr>
<td>Orange County Development Authority - Eco-Rapid Transit</td>
<td>Patel</td>
<td>25</td>
</tr>
<tr>
<td>Orange County Vector Control District</td>
<td>Callanan</td>
<td>115</td>
</tr>
<tr>
<td>Orchard Dale Water District</td>
<td>Patel</td>
<td>85</td>
</tr>
<tr>
<td>Padre Dam Municipal Water District</td>
<td>Schroeder</td>
<td>360</td>
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<tr>
<td>Pico Water District</td>
<td>Callanan</td>
<td>130</td>
</tr>
<tr>
<td>Placentia Library District</td>
<td>Munoz</td>
<td>70</td>
</tr>
<tr>
<td>Rancho California Water District</td>
<td>Patel</td>
<td>425</td>
</tr>
<tr>
<td>Rincon del Diablo Municipal Water District</td>
<td>Forman</td>
<td>515</td>
</tr>
<tr>
<td>Rowland Water District</td>
<td>Callanan</td>
<td>305</td>
</tr>
<tr>
<td>Santa Ana Watershed Project Authority</td>
<td>Patel</td>
<td>195</td>
</tr>
<tr>
<td>South County Regional Wastewater Authority</td>
<td>Patel</td>
<td>25</td>
</tr>
<tr>
<td>Sunset Beach Sanitary District</td>
<td>Callanan</td>
<td>70</td>
</tr>
<tr>
<td>Surfside Colony Stormwater Drainage District</td>
<td>Callanan</td>
<td>30</td>
</tr>
<tr>
<td>Surfside Community Services District</td>
<td>Callanan</td>
<td>30</td>
</tr>
<tr>
<td>Valley Wide Recreation and Park District</td>
<td>Schroeder</td>
<td>340</td>
</tr>
<tr>
<td>Ventura Port District</td>
<td>Callanan</td>
<td>170</td>
</tr>
<tr>
<td>Yorba Linda Water District</td>
<td>Patel</td>
<td>200</td>
</tr>
</tbody>
</table>

Certified audits were performed on the financial statements of all of these special districts and their component units over the past year.

A complete list of similar engagements for the past five years is included in Attachment I of this proposal.
**DISCUSSION OF RELEVANT ACCOUNTING ISSUES**

**GASB STATEMENT NO. 72**

GASB Statement No. 72, “Fair Value Measurement and Application”, is effective for periods beginning after June 15, 2015. This Statement addresses accounting and financial reporting issues related to fair value measurement. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

**GASB STATEMENT NO. 73**

GASB Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68”, is effective for periods beginning after June 15, 2015 - except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for periods beginning after June 15, 2016. The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers.

**GASB STATEMENT NO. 74**

GASB Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”, is effective for periods beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

**GASB STATEMENT NO. 75**

GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”, is effective for periods beginning after June 15, 2017. The scope of this Statement addresses accounting and financial reporting for postemployment benefits other than pension (other postemployment benefits or OPEB) that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for defined benefit and defined contribution plans.
DISCUSSION OF RELEVANT ACCOUNTING ISSUES (CONTINUED)

GASB STATEMENT NO. 76

GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”, is effective for periods beginning after June 15, 2015. The requirements of this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature.

GASB STATEMENT NO. 77

GASB Statement No. 77, “Tax Abatement Disclosures”, is effective for periods beginning after December 15, 2015. This Statement requires governments that enter into tax abatement agreements to disclose the following information:

• Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.

• The gross dollar amount of taxes abated during the period.

• Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

GASB STATEMENT NO. 78

GASB Statement No. 78, “Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans”, is effective for periods beginning after December 15, 2015. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.
DISCUSSION OF RELEVANT ACCOUNTING ISSUES (CONTINUED)

GASB STATEMENT NO. 79

GASB Statement No. 79, “Certain External Investment Pools and Pool Participants”, is effective for periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing, those provisions are effective for reporting periods beginning after December 15, 2015. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets certain applicable criteria established in this Statement. It establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investment at amortized cost for financial reporting purposes and for government that participate in those pools.
ATTACHMENT I

CURRENT SPECIAL DISTRICT REFERENCES
AND
LIST OF SPECIAL DISTRICT ENGAGEMENTS
PERFORMED IN THE LAST 5 YEARS
CURRENT SPECIAL DISTRICT REFERENCES

One means of judging the high quality of our auditing and accounting services would be contact with some of our existing clients. We are including the names, addresses and phone numbers of our special district clients over the past year. We encourage you to contact any of these individuals.

Calleguas Municipal Water District
Mr. Dan Smith
Manager of Finance & Human Resources
805-579-7132

Lake Elsinore & San Jacinto
Joint Powers Authority
Santa Ana Watershed Project
Authority
Ms. Karen Williams
CFO
951-354-4231

Placentia Library District
Ms. Yesenia Baltierra
Business Manager
714-528-1906

Chino Basin Desalter Authority
Mr. Michael Chung
CFO/Treasurer
909-218-3230

Leucadia Wastewater District
Mr. Paul Bushee
General Manager
760-753-0155

Rancho California Water District
Ms. Kathleen Naylor
Accounting Manager
951-296-6918

Chino Basin Regional Financing Authority
Mr. Javier Chagoyen-Lazara
Manager - Accounting & Fiscal Management
909-993-1675

Midway City Sanitary District
Mr. Robert Housley
Director of Finance
714-893-3553

Rincon del Diablo
Municipal Water District
Ms. Trish Berge
Director of Finance and Administration
760-745-5522

Cypress Recreation and Park District
Mr. Matt Burton
Assistant Finance Director
714-229-6718

Monterey Peninsula Regional Park District
Ms. Kelly McCullough
Finance Manager
831-372-3196

Rowland Water District
Mr. Sean Henry
Finance Officer
562-697-1726

Grossmont Healthcare District
Mr. Tom Saiz
CFO
619-825-5050

Olivenhain Municipal Water District
Ms. Rainy Selamat
Finance Manager
760-753-6466

South County Regional Wastewater Authority
Ms. Christina Turner
Finance Director
408-846-0750

Heber Public Utilities District
Ms. Graciela Lopez
Finance Manager
760-353-9040

Orange County Development Authority - Eco-Rapid Transit
Mr. Michael R. Kodama
Executive Director
562-663-6850

Sunset Beach Sanitary District
Surfside Colony Stormwater Drainage District
Surfside Community Services District
Ms. Chris Montana
District Clerk
562-493-9932

Inland Empire Regional Composting Authority
Inland Empire Utilities Agency
Mr. Suresh Malkani
Accounting Manager
909-993-1899

Orange County Mosquito and Vector Control District
Ms. Sea Shelton
Director of Administrative Services
714-740-4141

Valley Wide Recreation and Park District
Mr. Sam Goeppl
Acting General Manager
951-654-1505

Inland Empire Regional Water District
Mr. Greg Galindo
General Manager
626-330-2126

Orchard Dale Water District
Mr. Ronald S. Richard
Finance Manager/Treasurer
562-641-0114

Ventura Port District
Ms. Gloria Adkins
Accounting Manager
805-654-8538

La Habra Heights County Water District
Ms. Tammy Wagstaff
Finance Director
562-697-6769

Padre Dam Municipal Water District
Ms. Karen Jassoy
CFO/Director of Finance
619-448-3111

Yorba Linda Water District
Ms. Delia Lugo
Finance Manager
714-701-3040

La Puente Valley County Water District
Mr. Greg Galindo
General Manager
626-330-2126

Pico Water District
Mr. Mark Grejeda
General Manager
562-692-3756

Laguna Beach County Water District
Mr. Robert Westphal
Manager of Finance
949-494-1041

Of course, you can contact us to get more information or to discuss specific needs. We are here to provide the best possible service for you.
**LIST OF SPECIAL DISTRICT ENGAGEMENTS**

We have listed below the special districts which were under contract with us during the past five fiscal years.

<table>
<thead>
<tr>
<th>Client Name</th>
<th>Period of Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrego Water District</td>
<td>2006 2013</td>
</tr>
<tr>
<td>Calleguas Municipal Water District</td>
<td>2015 Present</td>
</tr>
<tr>
<td>Chino Basin Desalter Authority</td>
<td>2011 Present</td>
</tr>
<tr>
<td>Chino Basin Regional Financing Authority</td>
<td>2015 Present</td>
</tr>
<tr>
<td>Costa Mesa Sanitary District</td>
<td>2005 2014</td>
</tr>
<tr>
<td>Cypress Recreation and Park District</td>
<td>2012 Present</td>
</tr>
<tr>
<td>Downey Cemetery District</td>
<td>1987 2013</td>
</tr>
<tr>
<td>El Toro Water District</td>
<td>2008 2013</td>
</tr>
<tr>
<td>Grossmont Healthcare District</td>
<td>2011 Present</td>
</tr>
<tr>
<td>Heber Public Utilities District</td>
<td>2014 Present</td>
</tr>
<tr>
<td>Inland Empire Regional Composting Authority</td>
<td>2011 Present</td>
</tr>
<tr>
<td>Inland Empire Utilities Agency</td>
<td>2011 Present</td>
</tr>
<tr>
<td>La Habra Heights County Water District</td>
<td>2002 Present</td>
</tr>
<tr>
<td>La Puente Valley County Water District</td>
<td>1986 Present</td>
</tr>
<tr>
<td>Laguna Beach County Water District</td>
<td>2002 Present</td>
</tr>
<tr>
<td>Lake Elsinore and San Jacinto Joint Powers Authority</td>
<td>2013 Present</td>
</tr>
<tr>
<td>Las Virgenes Municipal Water District</td>
<td>2007 2013</td>
</tr>
<tr>
<td>Leucadia Wastewater District</td>
<td>2010 Present</td>
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<tr>
<td>Midway City Sanitary District</td>
<td>2012 Present</td>
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<tr>
<td>Monterey Peninsula Regional Park District</td>
<td>2015 Present</td>
</tr>
<tr>
<td>Municipal Water District of Orange County</td>
<td>2007 2011</td>
</tr>
<tr>
<td>Olivenhai Municipal Water District</td>
<td>2009 Present</td>
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<tr>
<td>Orange County Development Authority - Eco-Rapid Transit</td>
<td>2015 Present</td>
</tr>
<tr>
<td>Orange County Vector Control District</td>
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Substantially all of the above engagements were performed through the firm's Irvine office.
ATTACHMENT II

RESULTS OF OUTSIDE QUALITY REVIEW
System Review Report

July 22, 2015

To the Owners of
White Nelson Diehl Evans LLP
and the Peer Review Committee of the CA Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of White Nelson Diehl Evans LLP (the firm) in effect for the year ended March 31, 2015. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm’s compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under the Government Auditing Standards and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of White Nelson Diehl Evans LLP in effect for the year ended March 31, 2015, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. White Nelson Diehl Evans LLP has received a peer review rating of pass.

Heidenreich & Heidenreich, CPAs PLLC
ATTACHMENT III

APPENDIX C: RFP AND PROFESSIONAL SERVICES AGREEMENT ACCEPTANCE FORM
APPENDIX C
RFP AND PROFESSIONAL SERVICES AGREEMENT ACCEPTANCE FORM

Firm Name: White Nelson Diehl Evans LLP

Address: 2875 Michelle Drive, Suite 300

City Irvine State CA Zip Code 92606

Telephone: 714-978-1300 Fax: 714-795-5382

I have reviewed the RFP and Professional Services agreement in their entirety. Our firm will execute the Professional Services Agreement with no exceptions.

Name of Authorized Representative: Nitin P. Patel

Signature of Authorized Representative: [Signature]

Date: 2/4/2016
MESA WATER DISTRICT

PROPOSAL TO PROVIDE
PROFESSIONAL AUDITING SERVICES

Focused
on YOU

WWW.LSLCPAS.COM    714-672-0022
PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Prepared by:

Lance, Soll & Lunghard, LLP
Certified Public Accountants
203 N. Brea Blvd., Suite 203
Brea, CA 92821
(714) 672-0022

Contact Person:

Bryan S. Gruber, CPA, Partner
Bryan.gruber@lslcpas.com

February 10, 2016
MESA WATER DISTRICT
PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

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PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

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February 10, 2016

Mesa Water District
Attn: Purchasing
1965 Placentia Avenue
Costa Mesa, CA 92627

Lance, Soll & Lunghard, LLP (LSL) is pleased to respond to your Request for Proposals for Professional Auditing Services. As a leader in the field of governmental accounting and auditing, we appreciate this opportunity given to us to present our professional qualifications. Because of our extensive public sector experience, our dedication to excellence and determination to retain the brightest and most talented professionals, we are certain that LSL is the most qualified accounting firm to provide professional auditing services to the Mesa Water District.

Lance, Soll & Lunghard, LLP (LSL) agrees to audit the Mesa Water District's financial statements for fiscal years ending June 30, 2016 through June 30, 2018 with the option of auditing the District's financial statements for each of the two subsequent fiscal years.

The following services will be performed:

- Financial audit of the District's Comprehensive Annual Financial Report (CAFR) in accordance with auditing standards generally accepted in the United States of America, standards for financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and minimum audit requirements and reporting guidelines for special districts issued by the State Controller. The CAFR shall comply with all applicable Government Accounting Standards Board (GASB) Statements. Our opinion shall cover the basic financial statements and an "in-relation-to" opinion on the schedules based on the auditing procedures applied during the audit of the basic financial statements. We will also issue the required communication with those charged with governance and an immediate report will be prepared for the General Manager if we become aware of any irregularities and illegal acts during our audit.

- A report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements performed in Accordance with Government Auditing Standards.

All working papers and reports will be retained (at our expense) for a minimum of seven (7) years, unless we are notified in writing by the Mesa Water District of the need to extend that retention period. Upon request, we will make working papers available to parties as required by applicable laws or through professional guidelines. We will also make our working papers available, upon request to the District’s Chief Financial Officer, except in cases where providing the working papers may compromise the integrity and quality of the audit process. In addition, we will respond to reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.
Mesa Water District

The sections that follow describe the benefits your organization would receive from LSL. We are committed to provide the services discussed above in accordance with the timetable specified in your request for proposal. For purposes of this proposal, Bryan S. Gruber, Partner, is authorized to contractually obligate LSL, negotiate the contract on behalf of LSL and can be contacted by the Mesa Water District for all clarifications regarding this proposal. I can be reached at the address below, by phone at (714) 672-0022, by Fax at (714) 672-0331 and through email at bryan.gruber@lslcpas.com.

Very truly yours,

[Signature]

Bryan S. Gruber, Partner
LANCE, SOLL & LUNGHARD, LLP
203 North Brea Blvd., Suite 203
Brea, CA 92821
1. Auditing Firm Information

Lance, Soll & Lunghard, LLP
Certified Public Accountants
203 N. Brea Blvd., Suite 203
Brea, CA 92821
Phone: (714) 672-0022
Fax: (714) 672-0331
Website: www.lsicpas.com

TIN #: 95-2700123
Business Type: Partnership
Years in Business: 87

2. Statement of Experience

Years of Service and Office Locations

Lance, Soll & Lunghard, LLP is a regional public accounting firm that has met the auditing needs of governmental entities throughout California for 80 years. This experience has led to the development of efficient procedures that provide numerous client benefits. Our clients have grown to understand that an audit by Lance, Soll & Lunghard, LLP provides them with a wealth of knowledge, confidence and value added services. For this and many other reasons, Lance, the Orange County Business Journal consistently names Soll & Lunghard, LLP as one of the “Top Accounting Firms” in Orange County.

We have three offices in California, which provide services to the western region of the United States. Our headquarters are located in Orange County in the City of Brea, California. We also have two other offices in Temecula Valley and Silicon Valley. The audit of the Mesa Water District will be performed from our Orange County office.
2. Statement of Experience (Continued)

Size of Firm and Size of the Firm Governmental Audit Staff

Our firm has approximately 65 employees including ten partners and professional staff of approximately fifty-five. Governmental staff consists of four partners, one senior manager, three managers, three supervisors, five seniors and twelve staff auditors. All personnel assigned to this engagement work on a full-time basis.

Local government expertise is led by the following partners:

Richard K. Kikuchi, CPA, Partner
Deborah A. Harper, CPA, Partner
Bryan S. Gruber, CPA, Partner
J’on R. Dennis, CPA, Partner

Range of Activities

Our activities overall cover auditing, compilation and review services, management services and income tax services. Approximately 50% of our practice deals with the public sector and related services. Generally, our public sector services break down into the following major classifications:

**Financial Auditing:**
- Governmental Entities
- Federal Single Audits

**Management and/or Consulting Services:**
- Agreed Upon Procedures
- Internal audits including internal control assessment
- Compliance Reviews
- Education workshops and best practices
- Professional Staffing

**Tax and related services:**
- Reviews and Compilations
- IRS audit specialist (i.e. payroll audits)
- Tax returns (individual, corporation, non-profit/exempt, partnership, estate, etc.)
2. Statement of Experience (Continued)

GFOA Award Programs

We prepare the financial statements and footnote disclosures for most of our public sector clients that have received the GFOA award. All of our governmental partners, managers and seniors have been closely involved in the preparation of these reports. See Appendix A for a sample of our public sector clients presently receiving the GFOA award.

Federal Single Audits

We perform single audit services for all of our clients that have federal grants and meet the requirements as stipulated under OMB Circular A-133. These engagements fully comply with OMB Circular A-133 and the New Uniform Guidelines and include preparing the Schedule of Federal Expenditures along with all required opinions. Our procedures in this area were reviewed by the State Controller’s Office acting in their capacity as cognizant agency and we were given high marks for our approach and documentation. See Appendix A for a complete list of our public sector clients we currently or have recently performed a single audit.

New GASB Pronouncements

We continually are developing our team throughout the year, which also includes focus on new government accounting pronouncements. Our Firm Learning Director is an elite executive member of the AICPA’s Government Audit Quality Center that focuses on government standards implementation and training nationwide. Involvement in the AICPA Government Audit Quality Center provides additional training to implement new GASB pronouncements.

Our firm presents an annual GASB update seminar, which provides an update of upcoming pronouncements and discusses how local governments can properly prepare. In addition, we provide detailed training for the implementation of these accounting pronouncements. This year our current topics will cover training on GASB Statement No. 74 through GASB Statement No. 79. In addition to the seminar we provide, we plan to discuss these items with you in preparation of the audit engagement.

Demonstrated Track Record

LSL has conducted audits of local government agencies for many years including providing the services required by Mesa Water District. Our governmental audit staff specialize in these services and work with similar agencies on a year-round basis. Our firm has an excellent reputation in California for providing these services to local governments including Water Districts similar to Mesa Water District.
2. Statement of Experience (Continued)

Why LSL is the Best Choice

LSL is the best choice for providing audit services because of our team, technology, and timeliness.

Team/Experience – LSL has a great team of professionals. Our team members are specialist in local government auditing and work year-round providing these services. We are active in government and auditing educational circles and hold a variety of positions on various committees. Our training, network, tools, resources, and involvement focus on local government accounting and auditing. Our team has an outstanding reputation and experience to make LSL the best choice.

Technology – LSL values technology and embraces a continual improvement model to leverage technology to provide a better quality service that is more efficient and effective. We participate in technology circles, work closely with vendors, and develop in-house tools, to drive continual improvement.

Timeliness – Talent and technical ability that is not timely is not as valuable. Our firm embraces a model that focuses on accountability and teamwork to meet deadlines.

Peer Review

We are member of the American Institute of Certified Public Accountant’s Private Companies Practice Section, which has the requirement for peer review along with Generally Accepted Government Auditing Standards. We have participated in the peer review program since its inception and have undergone numerous peer reviews. The first review was conducted by Arthur Young & Company (now Ernst & Young) and the most recent by R.H. Johnston Accountancy Inc. Overall, they confirmed what we already knew, that our approach and procedures are in compliance with technical and professional pronouncements. All of the peer reviews covered governmental engagements. Our most recent peer review, conducted by R.H. Johnston Accountancy Inc., is included in Appendix B to this proposal.

Disciplinary Action

There have been no disciplinary actions against our organization since its inception. All of our Single Audit reports are desk reviewed either by the Federal cognizant agency or the State Controller’s Office acting as the Oversight Agency. We have never had a report rejected by any of these agencies. In fact, we are highly regarded and recognized by the staff of the State Controller’s Office as a firm that always submits top quality reports.

Independence

We meet the independence requirements as defined by Auditing Standards Generally Accepted in the United States of America and the U.S. General Accounting Office’s Government Auditing Standards (December 2011 revision). We are a partnership consisting of ten partners who do not own any other business organization that has in the past, or will in the future, be providing services, supplies, materials or equipment to the Mesa Water District. Lance, Soll & Lunghard, LLP will provide written notice of any professional relationship entered into during the period of the proposed agreement.
3. Exceptions to Mesa Water's Contract Terms

Section 2.5 "data". Please add sentence to indicate that this does not include auditor workpapers. Professional standards indicate that auditor workpapers are the ownership of the auditor.

Section 8.3 "Effect Upon Records" Please add sentence to indicate that this does not include auditor workpapers.

Section 12.8 "Ownership of Work" Please add sentence to indicate that this does not include auditor workpapers.

4. References

Orange County Water District – Contact Person: Randy Rick, CFO/Treasurer, 18700 Ward Street, Fountain Valley, CA 92708, rfick@ocwd.com, (714) 378-3271. Audit of a Comprehensive Annual Financial Report (CAFR), which receives the national award.

Three Valleys Municipal Water District – Contact Person: James Linthicum, CPA, CFO, 1021 E. Miramar Avenue, Claremont, CA 91711, jlinthicum@tvmwd.com, (909) 621-5568. Audit of a Comprehensive Annual Financial Report (CAFR), which receives the national award.

Monterey Regional Water Pollution Control Agency – Contact Person: Tori Hannah, Chief Financial Officer, 5 Harris Ct # D, Monterey, CA 93940, tori@mrrpca.com, (831) 645-4623. Audit of a Comprehensive Annual Financial Report (CAFR), which receives the national award.

Cucamonga Valley Water District – Contact Person: Chad Brantley, Finance Officer, 10440 Ashford Street, Rancho Cucamonga, CA 91730, chadb@cvwdwater.com, (909) 987-2591. Audit of a Comprehensive Annual Financial Report (CAFR), which receives the national award.

San Diego County Water Authority – Contact Person: Rod Greek, Controller, 4677 Overland Ave. San Diego, CA 92123, rgreek@sdewa.org, (858) 522-6679. We perform annual internal audit services under an internal audit contract, which include contract compliance, internal control audits, and other special audits directed by staff and audit committee.

A complete client listing is provided in Appendix A and LSL welcomes the Mesa Water District to contact any of our clients at any time.
5. Proposed Staffing and Project Organization

Assigned Personnel

- **Bryan S. Gruber, CPA**  Engagement Partner (field partner)
- **Deborah A. Harper, CPA**  Concurring Partner (quality control)
- **Brandon T. Young, CPA**  Audit Manager
- **Ryan C. Domino**  Audit Senior

1 to 2 additional staff

All key staff to be assigned to this engagement is or will be licensed by the State of California to practice as Certified Public Accountants. Continuity of assigned personnel on the engagement plays an important role in the quality of the engagement.

Education and Training Program Provided

As the firm’s quality control policy, and in compliance with the continuing education requirements promulgated by the AICPA, General Accounting Office and the California Society of CPAs, all our staff auditors (certified and non-certified) meet the requirement of 40 hours of continuing education every year, with at least 24 hours in governmental accounting and auditing in a two year period. For our educational programs, we utilize in-house seminars, California Society of CPAs courses, AICPA Government Audit Quality Center courses, and Government Finance Officers Association courses. Independent firms review our formal education program during the peer review process with no exceptions.

Resumes of Personnel

As noted previously, the firm’s policy of assigning audit in-charge to an engagement requires that the in-charge have at least two years of government auditing experience. He or she must have demonstrated a high degree of understanding of government accounting and auditing, as well as of the firm’s overall client philosophy. The Mesa Water District will approve any changes in personnel at the in-charge level or above. LSL’s philosophy is to provide quality audit services with minimal disruption to District staff. Our focused efforts to obtain and retain quality staff have further enabled us to provide this to our clients.

Resumes of personnel are as follows:
RESUMES OF PERSONNEL

BRYAN S. GRUBER, CPA
PARTNER

Education: Bachelor of Arts Degree in Business Administration with an emphasis in Accounting – California State University, Fullerton 2004

License: Certified Public Accountant – California 2008

Continuing Education: Total hours were 132 in last three years of which 74 were in governmental accounting and auditing subjects. Mr. Gruber has met the Governmental Auditing Standards requirement for governmental CPE.

Memberships: California Society of Certified Public Accountants
American Institute of Certified Public Accountants
Government Finance Officers Association
California Society of Municipal Finance Officers
Association of Local Government Auditors

Experience: Over twelve years of experience in governmental audits including CAFR audits and Single Audits. He has also made numerous presentations to City Councils, Boards of Directors and Audit Committees. He has been involved in the following governmental engagements:

Mr. Gruber has also been involved in the following engagements:

- Orange County Water District
- Monterey Water Pollution Control
- City of Palm Springs
- Six Basins Watermaster
- Three Valleys Municipal Water
- City of Burbank

- San Diego County Water
- City of Oceanside
- City of Solana Beach
- City of Santa Cruz
- City of Vista
- City of San Carlos

- This work entailed the preparation of the Comprehensive Annual Financial Report for those entities involved in the award program for the Government Finance Officers Association of the United States and Canada.
Proposal for Professional Auditing Services

Bryan S. Gruber, CPA, Partner (Continued)

- Review the audit of these entities and provide technical assistance throughout the year to provide the most up to date information with current GASB pronouncement.
- Present the overall audit results to audit committees or other Board Members.

Achievements: Mr. Gruber has been involved with teaching current audit and accounting related material at Lance, Soll & Lunghard, LLP’s in house training seminars.

He has made numerous presentations at local chapter meetings for CSMFO on current accounting and auditing material.

He also currently serves as a technical reviewer for the Government Finance Officers Association (GFOA).

Serves as firm IT Specialist for his involvement in IT related controls, data mining and analysis, and auditing software.
RESUMES OF PERSONNEL (Continued)

DEBORAH A. HARPER, CPA
CONCURRING PARTNER

Education: Bachelor of Arts Degree in Business Administration with an emphasis in Accounting - California State University, Fullerton 2000

License: Certified Public Accountant – California 2005

Continuing Education: Total hours were 264 in last three years of which 206 were in governmental accounting and auditing subjects. Ms. Harper has met the Governmental Auditing Standards requirement for governmental CPE.

Memberships: California Society of Certified Public Accountants – Member since 2000
American Institute of Certified Public Accountants - Member Since 2005
California Society of Municipal Finance Officers – Associate Member since 2005
Government Finance Officers Association – Associate Member since 2005
Governmental Accounting and Auditing Committee – Member since 2011
AICPA Government Audit Quality Center – Member since 2011

Experience: Fifteen years of experience in governmental audits. During her time with the firm, Ms. Harper has performed all phases of our government audits and made numerous presentations to Boards of Directors and Audit Committees. She has been involved on the following similar engagements:

City of Orange
City of Brea
City of Chino Hills
City of Irvine
City of Corona
City of Laguna Niguel
City of Monrovia
City of Aliso Viejo
City of Seal Beach
Cucamonga Valley Water District

City of Claremont
City of Placentia
City of Pasadena
City of Glendora
City of Fullerton
City of Diamond Bar
City of Banning
City of Thousand Oaks
Coachella Valley Water District
San Diego County Water Authority
Deborah A. Harper, CPA, Partner (Continued)

- This work entailed the preparation of the Comprehensive Annual Financial Report for those entities involved in the award programs of the California Society of Municipal Finance Officers and the Government Finance Officers Association of the United States and Canada.

- Review the audit of these entities and provide technical assistance throughout the year to provide the most up to date information with current GASB pronouncement.

- Present the overall audit results to audit committees or other Board Members.

- Provide training, resources, and support to financial officers.

Achievements: Ms. Harper has developed and conducts various Lance, Soll & Lunghard, LLP governmental training courses for new associates and members of the firm.

Ms. Harper was accepted as a 2015 and 2016 executive committee member of the AICPA Government Audit Quality Center, which is a national division for governments. As an executive board member, Ms. Harper will participate in the development, review, and first hand discussion for updates of new standards and guidance published in the AICPA Audit Guides provided to audit firms all across the country.
Brandon T. Young, CPA
Audit Manager

Education: Bachelor of Arts Degree in Accounting, Magna Cum Laude, Vanguard University, 2012

License: Certified Public Accountant – California 2014

Continuing Education: Total hours were 125 in last three years of which 74 were in governmental accounting and Yellow Book auditing subjects. Mr. Young has met the Governmental Auditing Standards requirement for governmental CPE.

Memberships: California Society of Certified Public Accountants
American Institute of Certified Public Accountants

Experience: Mr. Young has established himself as an outstanding asset and resource at LSL. He has demonstrated his talent in the area of government accounting and auditing. During his time with the firm, Mr. Young has performed all phases of our government audits, including CAFR audits and Single Audits. He has been involved in the following governmental engagements:

City of Pasadena
Mr. Young served as the audit lead for the City of Pasadena. As the audit lead, it has been Mr. Young’s responsibility to supervise all areas of the financial audit, which includes both the basic financial statements (CAFR) and Single Audit. The audit covered Pasadena Water and Power.

City of Chula Vista
Mr. Young serves as the Audit Manager for the City of Chula Vista in the past year. It has been Mr. Young’s responsibility to oversee the fieldwork for all areas of the Financial Audit and the Single Audit in accordance with A-133 and New Uniform Guidelines. The City of Chula Vista receives the GFOA Award for Excellence in Financial Reporting each year.
Brandon T. Young, CPA, Audit Manager (Continued)

Mr. Young has also served the following engagements:

City of Burbank  City of Cathedral City
City of Coronado  City of Indian Wells
City of Vista  City of Brea
City of San Carlos  City of Manhattan Beach
City of Walnut  City of Emeryville
City of Irvine  Three Valleys Municipal Water District
City of La Quinta  Orange County Fire Authority
City of Laguna Niguel
RESUMES OF PERSONNEL (Continued)

RYAN C. DOMINO
AUDIT SENIOR

Education: Bachelor of Arts Degree in Business Administration with
an emphasis in Accounting - California State University,
Fullerton 2012

License: Certified Public Accountant – In Process
Continuing Total hours were 170 in last three years of which
Education: 123 were in governmental accounting and
auditing subjects. Mr. Domino has met the
Governmental Auditing Standards requirement for
governmental CPE.

Experience: Mr. Domino has over three years of experience in all phases of audits. He has
performed all phases of the audit process, including financials statements. He has
been involved in the following engagements:

City of Bell Gardens  City of Duarte
City of Chula Vista  City of Oceanside
City of Santa Fe Springs  City of San Carlos
City of Laguna Niguel  Orange County Water District
San Diego County Water  City of Big Bear Lake
City of Imperial Beach  City of San Marino
City of Palos Verdes Estate  City of Ontario
City of Chino Hills  City of Claremont

Achievements: Mr. Domino has been involved with teaching current audit and accounting related
material at Lance, Soll & Lunghard, LLP’s in house training seminars. He is also
serves as a mentor to auditors in the firm.
6. Project Understanding

The following services will be performed including anticipated deliverables:

- Financial audit of the District’s Comprehensive Annual Financial Report (CAFR) in accordance with auditing standards generally accepted in the United States of America, standards for financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and minimum audit requirements and reporting guidelines for special districts issued by the State Controller. The CAFR shall comply with all applicable Government Accounting Standards Board (GASB) Statements. Our opinion shall cover the basic financial statements and an “in-relation-to” opinion on the schedules based on the auditing procedures applied during the audit of the basic financial statements. We will also issue the required communication with those charged with governance and an immediate report will be prepared for the General Manager if we become aware of any irregularities and illegal acts during our audit.

- A report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements performed in Accordance with Government Auditing Standards.

Mesa Water District should select LSL for the project because of our team, technology, and timeliness.

Team/Experience – LSL has a great team of professionals. Our team members are specialist in local government auditing and work year-round providing these services. We are active in government and auditing educational circles and hold a variety of positions on various committees. Our training, network, tools, resources, and involvement focus on local government accounting and auditing. Our team has an outstanding reputation and experience to make LSL the best choice.

Technology – LSL values technology and embraces a continual improvement model to leverage technology to provide a better quality service that is more efficient and effective. We participate in technology circles, work closely with vendors, and develop in-house tools, to drive continual improvement.

Timeliness – Talent and technical ability that is not timely is not as valuable. Our firm embraces a model that focuses on accountability and teamwork to meet deadlines.
7. Scope of Work – Technical Portion

We adhere to Governmental Auditing Standards, governed by the United States Governmental Accountability Office by the Comptroller General of the United States, also known as the “Yellow Book” 2011 Revision. These standards provide guidance, known as the generally accepted government auditing standards (GAGAS), on providing a framework for conducting high quality audits with competence, integrity, objectivity, and independence. In addition, guidance from the AICPA on financial and compliance reporting, which includes Single Audits, provide and support our approach and methodology of risk based auditing guiding by Statement of Auditing Standards 122-125 (“clarifying standards”) implemented in 2012.

Independence

We meet the independence requirements as defined by Auditing Standards Generally Accepted in the United States of America and the U.S. General Accounting Office’s Government Auditing Standards (December 2011 revision). We are a partnership consisting of ten partners who do not own any other business organization that has in the past, or will in the future, be providing services, supplies, materials or equipment to the Mesa Water District. Lance, Soll & Lunghard, LLP will provide written notice of any professional relationship entered into during the period of the proposed agreement.

License to Practice in California

Lance, Soll & Lunghard, LLP is a public accounting firm licensed by the State of California, Department of Consumer Affairs, as a Public Accounting Partnership. All of our partners and managers are Certified Public Accountants licensed by the State of California. As a firm, we are members of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants. All key staff to be assigned to this engagement is or will be licensed by the State of California to practice as Certified Public Accountants.

Engagements Similar to Mesa Water District


Monterey Regional Water Pollution Control Agency - Audit of a Comprehensive Annual Financial Report (CAFR), which receives the national award. Audit performed from Orange County Office. Last audit performed June 30, 2015. Engagement Partner Bryan S. Gruber. Total hours approx. 250. Contact Person: Tori Hannah, Chief Financial Officer, (831) 645-4623.

7. Scope of Work – Technical Portion (Continued)

**Orange County Water District** - Audit of a Comprehensive Annual Financial Report (CAFR), which receives the national award. Audit performed from Orange County Office. Last audit performed June 30, 2015. Engagement Partner Bryan S. Gruber. Total hours approx. 400. Contact Person: Randy Rick, CFO/Treasurer, (714) 378-3271

**San Diego County Water Authority** – We perform annual internal audit services under an internal audit contract, which include contract compliance, internal control audits, and other special audits directed by staff and audit committee. Audit performed from Orange County Office. Last audit performed June 30, 2015. Engagement Partner Bryan S. Gruber and Richard K. Kikuchi. Total hours approx. 600. Contact Person: Rod Greek, Controller, (858) 522-6679.

**Specific Audit Approach**

The services will be divided into three segments.

**Segment 1 – Planning and Obtaining an Understanding:**

**Planning**

LSL will provide an annual audit communication letter, engagement letter, and Government Audit Quality Center Information letter. The audit communication letter is to be provided to the Governing Board. In addition, this can be communicated orally to the Governing Board or sub-committee, if requested. This communication will discuss the planning stages, the responsibilities of the Governing Board, Auditors, and Management, and provide an opportunity for communication with us as the auditors.

LSL’s audit team will meet prior to our initial on-site visit to brainstorm and discuss economic conditions, industry elements, and new standards that will affect Mesa Water District. A trial balance is requested for our planning meeting, which provides current activity analysis of Mesa Water District and assists the LSL team in obtaining knowledge and preparing expectations for the audit year. We will compile a list “Prepared by Client” (“PBC”) items based on our review of prior year financial statements and information gathered. This will be provided to Mesa Water District one month prior to visit or earlier if requested. We operate on a paperless software system and provide a secured cloud based Share File portal for all clients. Mesa Water District will have their own file which can be customized by Mesa Water District to organize and upload requested schedules, support documents, etc. An example of the PBC list is in Appendix C.

**Understanding the internal control structure over the financial statements**

To gain an understanding of the internal control structure over the financial statements, we will perform procedures as required by SAS 122-125. This will include review internal controls in the area of cash; revenues and receivables; expenditures and accounts payable, and payroll when applicable.
7. Scope of Work – Technical Portion (Continued)

Based on the result of our review, we will issue a management letter (SAS 115 Letter) that will identify any significant deficiencies and/or material weaknesses noted. This report is required by the Government Auditing Standards issued by the Comptroller General of the United States. Auditing Standards require auditors to obtain an understanding of the Entity and its Environment along with Assessing the Risks of Material Misstatements. LSL obtains an understanding through a variety of ways all throughout the year, but the most pertinent time each year is during our interim on-site visit. We will conduct interviews with management of finance along with each audit section responsible party (ie, cashier, accounts payable clerk, payroll clerk, etc.) to review the processes and controls through observation and discussions. Based on our observations, we will sample as we observe a “walk-through” to verify the system of control is working in accordance with policies and procedures.

We will provide a list each year of randomly selected employees of Mesa Water District to interview for fraud interviews (SAS 99), which will consist of all levels of the District across all departments.

At the conclusion of our interim on-site visit we will have an exit meeting to discuss potential weaknesses, if any, and provide any feedback for improvements or valuable information we have gathered from our outside clientele that would benefit Mesa Water District.

Segment 2 – Financial Audit Testing:

Based on the information gathered each year thus far, we will utilize a customized audit program based on the risk assessment developed during our assessment of the District’s internal controls and government auditing standards. The primary benefit is that the audit is customized to Mesa Water District and the procedures are specifically linked to our risk assessment. We believe that this approach will be the most effective and efficient by linking financial statement assertions, audit objectives, and procedures that are basic to most governmental audit engagements and critical to the compliance with other material laws and regulations. We will annually compile another customized Prepared by Client (PBC) list for the year-end on-site visit provide to Mesa Water District at least one month prior or earlier if requested. See example PBC list in Appendix C.

We will request a trial balance for our analytical review one week prior to our arrival.

Analytical Procedures

For the audits of the financial statements, we will use analytical procedures as an overall review of the financial information in the preliminary and final stages of the audits. These procedures are designed to assist us in planning our audits and in assessing the propriety of the conclusions reached, and in the evaluation of the overall financial statement presentation. The procedures to be utilized consist of determining expectations for percentage increases and decreases between significant revenue, expenditure and balance sheet accounts, reading the financial statements and related notes, reviewing the budget and related material, and focusing on overall relationships within the financial statements. Once determined, these are reviewed to evaluate if the changes appear reasonable or require further analysis. For all significant differences, explanations are obtained as to why the situation occurred and additional substantive procedures may be applied and related evidence gathered to resolve concerns and questions.
7. Scope of Work – Technical Portion (Continued)

If the Mesa Water District is able to provide a check register electronically for July 1st forward (period after the audit year) then we can pre-select our sample for accounts payable cut-off test work and provide that information ahead of time. Our PBC list will detail on schedules we would like provided, which is directed straight from the audit report. Support requested and sampling for these schedules will be assessed each year based on the strengths and weaknesses of Mesa Water District and the materiality level of the account. We will discuss our analytical variances with Mesa Water District and obtain documentation that provides support for the accounts.

Drawing Audit Samples

For the purpose of tests of controls, we use audit sampling. Tests of controls are procedures directed towards determining the effectiveness of the design or operation of an internal structure policy or procedures. Normally, audit sampling is used for tests of controls and tests of compliances that involve inspection of documents and reports indicating performance of the applicable policy or procedures and compliance with the applicable laws and regulations. These sampling procedures test the operating effectiveness of an internal control structure policy or procedures by determining how the policy or procedure was applied, the consistency with which it was applied during the audit period, and by whom it was applied. To achieve this goal, we will draw samples in the area of disbursements, receipts and payroll when applicable. Each document selected will be tested for various attributes that are designed to verify compliance with different aspects of internal controls and applicable laws and regulations. Additionally, each sample item will be tested for coding to the proper accounts and posting to the general ledger.

Exit Conference

We will conduct an exit conference meeting to discuss the results of the audit, verify goals for the draft and final report. Any deficiencies will be discussed throughout the fieldwork and summarized at the exit conference. Any pending items will be discussed at this time with schedule due dates in order for the final report deadlines.

Segment 3 – Conclusion:

Based on our year-end exit meeting we will be in contact for the final financial review and scheduling of due dates. Based on the timeline for the preparation of the CAFR, the Audit Senior and Audit Manager will review the audit report drafts. This process takes about five to seven days. Partner Review has two levels of review. The Engagement Partner will provide an initial review and provide any feedback, which takes approximately two to three days for the initial drafts of all the reports. At this time, review comments from the CAFR, draft Audit Communication Letter (SAS 114), draft Report on Internal Control (SAS 115) and the draft Audit Opinion will be provided to Mesa Water District for review.

Upon receiving the entire final draft CAFR in whole, which includes the introductory section, transmittal, MD&A, and statistical section, the Manager, then Engagement Partner will review and if no major changes it will be provided to the Concurring Partner for Quality Control. This process can take up to five days. At the conclusion of the review and receipt of the signed Management Representation Letter from Mesa Water District we will provide the final Reports.
7. Scope of Work – Technical Portion (Continued)

Estimated time line

For Segment 1, planning and internal control audit field work will be scheduled for one week in April through June at the convenience of the District. Internal control testing is flexible but should be performed within the audit fiscal year. An entrance conference will be scheduled upon starting interim fieldwork and an exit conference will be scheduled upon completion of the interim fieldwork.

For Segment 2, fieldwork scheduled for one to two weeks in August, at the convenience of the District. We will run the audit for Segment 2 with one to two staff performing fieldwork four (4) days per week, Monday through Thursday. Friday will be used to wrap up the audit files and initial work of the draft reports. If additional time is required, we will utilize Friday for additional field work. Prior to starting year-end fieldwork a detailed plan will be discussed and at the conclusion of fieldwork an exit conference will be conducted.

For Segment 3, review of the first draft CAFR will be performed within 10 days of receiving the District’s competed draft. All other reports will be drafted and provided to the District with the review comments on the first draft. Once the final completed CAFR is received, two Partners will review within one week of receiving. All dates will be discussed and agreed upon during our exit meeting each year. Final reports will be provided no later than November 30 each year.

Determining Laws and Regulations Subject to Audit Test Work

The laws and regulations that will be subject to audit test work are determined from the applicable laws, regulations, contracts, and grant agreements which we identify through the understanding we obtain of the Mesa Water District and our extensive experience with governmental entities.

Identification of Anticipated Potential Audit Problems

Single Audit Compliance changes

There are various changes to the single audit guidelines that will impact your single audit in fiscal year 2016. The threshold will be raised to $750,000 for fiscal year 2016. The Mesa Water District could have new federal awards and incremental funding actions on previously made federal awards are subject to the cost principles and administrative requirements contained in the Uniform Guidance for Federal Awards. These situations have been addressed in the 2016 Supplement.

Deborah A. Harper is also on the AICPA Government Audit Quality Center Executive Committee that is a national committee. This committee is currently reviewing the new single audit section, which will be released in March. LSL will be providing their clients with a webcast, email, and face to face discussions to educate their clients on these changes.

LSL also provides an annual GASB and Accounting update to all local governments in California, which will address these changes.
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<th>Client</th>
<th>Contact Person</th>
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<td>Agoura Hills</td>
<td>Ms. M. Brodsky, Finance Manager</td>
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<td>818-597-7300</td>
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<td>* Aliso Viejo</td>
<td>Ms. Gina M Thorani, Director of Financial Services/City Treasurer</td>
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<td>* Azusa</td>
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<td>Ms. Cindy L Girado, Financial Services Dir</td>
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<td>Canyon Lake</td>
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<td>Coachella Valley Association of Governments</td>
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<td>Mr. B. Samano, Finance Director</td>
<td>F,S</td>
<td>4</td>
<td>805-897-1978</td>
</tr>
<tr>
<td>* Santa Cruz</td>
<td>Mr. M. Pimentel, Director of Finance</td>
<td>F,S</td>
<td>3</td>
<td>831-420-5050</td>
</tr>
</tbody>
</table>
## LSL LISTING OF CURRENT GOVERNMENT AUDIT CLIENTS

<table>
<thead>
<tr>
<th>Client</th>
<th>Contact Person</th>
<th>Service Code</th>
<th>Year</th>
<th>Telephone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Santa Fe Springs</td>
<td>Mr. J. Gomez, Director of Finance and Administrative Services</td>
<td>F, S</td>
<td>2</td>
<td>562-888-0511</td>
</tr>
<tr>
<td>Seal Beach</td>
<td>Ms. V. Beatley, Finance Director</td>
<td>F, S</td>
<td>4</td>
<td>562-431-2527</td>
</tr>
<tr>
<td>Six Basins</td>
<td>Mr. L. Stahlhoefer, Controller</td>
<td>F</td>
<td>3</td>
<td>949-420-3030</td>
</tr>
<tr>
<td>Solona Beach</td>
<td>Ms. M. Berkut, Finance Manager</td>
<td>F</td>
<td>5</td>
<td>858-720-2463</td>
</tr>
<tr>
<td>South Gate</td>
<td>Ms. J. Acosta, Finance Director</td>
<td>FS</td>
<td>6</td>
<td>323-563-9524</td>
</tr>
<tr>
<td>South Pasadena</td>
<td>Mr. D. Batt, Acting Finance Director</td>
<td>F</td>
<td>12</td>
<td>626-403-7250</td>
</tr>
<tr>
<td>Thousand Oaks</td>
<td>Mr. J. Adams, Finance Director</td>
<td>F, S</td>
<td>7</td>
<td>805-449-2235</td>
</tr>
<tr>
<td>Three Valleys Water District</td>
<td>Mr. R. Hansert, General Manager</td>
<td>F</td>
<td>7</td>
<td>909-626-4631</td>
</tr>
<tr>
<td>Vista</td>
<td>Mr. D. Nielsen, Finance Manager</td>
<td>F</td>
<td>6</td>
<td>760-639-6170 x1023</td>
</tr>
<tr>
<td>Walnut</td>
<td>Ms. Marie Santos, Finance Manager</td>
<td>F</td>
<td>43</td>
<td>909-595-7543</td>
</tr>
<tr>
<td>Wildomar</td>
<td>Mr. G. Nordquist, Finance Director</td>
<td>F</td>
<td>6</td>
<td>951-677-7751</td>
</tr>
</tbody>
</table>

**Service Codes:**
- F - Financial Audit
- S - Single Audit
- I - Internal Audit

* - Participated in the GFOA Award Programs and has received or anticipates receiving outstanding awards
November 13, 2013

To the Partners of Lance, Soll & Lunghard, LLP
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Lance, Soll & Lunghard, LLP (the firm) in effect for the year ended May 31, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm’s compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under Government Auditing Standards, and an audit of employee benefit plan.

In our opinion, the system of quality control for the accounting and auditing practice of Lance, Soll & Lunghard, LLP in effect for the year ended May 31, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. Lance, Soll & Lunghard, LLP has received a peer review rating of pass.

R.H. Johnston Accountancy Inc.
Interim Contact Check List

Prior to our arrival

1. We will be performing four randomly selected interviews. Can you please e-mail an employee listing by department and title? (This is for the SAS 99 (fraud) requirement).

2. Have you had any Finance department personnel changes or accounting software system changes during the current year? If so, provide of brief description of the changes.

3. Excel export (or text if necessary) of the balance sheet and revenue and expenditure summaries which provides original budget amounts as of the last bank reconciliation date.

4. General ledger detail transaction journal

5. Review our confirmation log and make any updates?

6. We will be testing journal entries using data analysis software. Please provide a GL detail of the balance sheet, revenues and expenditures from July 1st through the most recent bank reconciliation date.

** If you could send these above items to me by Sharefile that would be great.

Please provide the following items in ELECTRONIC FORMAT at the time of our arrival:

1. Copy of your current year adopted budget (PDF if possible).

2. FY current year appropriation limit calculation, copies of resolutions where appropriation limits were approved

3. Copy of GFOA comments, if received.

4. Preliminary listing of Federal Grants received in the CY. (LSL can provide the SEFA if necessary)

5. Last three months of bank reconciliations for all bank accounts.

6. Copy of the most recent investment policy.

7. Current (updated) capital asset listing.

8. Copy of official statement/amortization schedule for any new bonds/leases/loans/notes.

9. A listing of your grants and expenditure/revenue accounts which they are tracked in.
   o A copy of the federal grant agreements.

10. Access to the following items:
    a. Journal Entries
    b. Daily cash receipts
    c. Check registers
    d. Payroll registers
    e. Utility billing registers
    f. Computer System (for inquiries only)
    g. Quarterly payroll tax returns
General
1. Final balance sheet, revenue summary and expenditure summary
2. General ledger detail from the interim trial balance date to June 30th

Cash
3. Copy of your latest investment policy, if one has been adopted since our interim fieldwork.
4. Bank, investment and fiscal agent account reconciliations and statements for June of the current audit year and July of the following fiscal year.
5. Copy of your GASB 31 adjustment (i.e., investments booked to fair value) and supporting schedules, if applicable.

Revenue, Receivables and Prepads
6. Supporting schedules for the various receivable and prepaid balances.
   - Accounts Receivable
   - Interest Receivable
   - Taxes Receivable
   - Grants Receivable
   - Loans Receivable
   - Notes Receivable
   - Due From Other Governments
   - Prepads
7. Property tax analysis/reconciliation that ties to the General Ledger.

Billing
8. Adjustment report for the current audit year.
10. Unbilled receivable analysis/reconciliation:
    - If done by the system automatically, provide a detail description of the methodology used to calculate this accrual.
    - If manually prepared, provide schedule with supporting documentation of accrual, such as billing registers and journal entry.
11. Customer Deposits reconciliation from the utility billing software
12. # of Total Utility Billing Customers
13. AR aging report as of June 30

Inventory
14. Provide us with access to an inventory listing as of fiscal year end showing quantity on hand, unit costs and total inventory valuation. If the listing does not agree to the general ledger, please provide us with an explanation of the variances.

Capital Assets & Land Held for Resale
15. Capital asset listing for year end. The listing should be sub-totaled by asset type and by governmental and proprietary funds.
16. Listing of capital asset additions and access to supporting documentation (e.g., invoices, calculations, etc.), subtotaled same as above.
17. Listing of capital asset deletions and any adjustments; and access to supporting documentation (e.g., listing of surplus equipment, board minutes, information regarding sales proceeds, costs, accumulated depreciation, any gain or loss, etc.), subtotaled same as above.
18. Depreciation reports showing depreciation expense for the year (by function) and the accumulated depreciation at year end (by asset type), subtotaled same as above.
19. Listing of construction in progress additions and deletions
20. Detail listing of land held for resale which reconciles to your general ledger.
   - Please include date purchased and fund recorded in.
Payroll and Related Liabilities

24 Payroll registers that support the payroll payable accrual.

25 Leave benefits registers that support your compensated absences accrual calculations.
   Provide short and long term allocation for compensated absences.
   Identify which functions (e.g., general government, public safety, etc.) the change in
   compensated absences should be recorded to the on the government-wide statements.

26 PERS - # of covered employees for PERS, by plan

27 OPEB - # of covered employees for Other Post Employment Benefits (OPEB), by plan (if have different plans).

28 Provide Actuarial for PERS Retirement Plan(s) AND OPEB (if applicable).

29 Total pension expense by employee portion AND employer portion paid as of June 30th.

30 List of terminated employees for the current audit year and date of termination.

31 941(Federal) and DE-6(State) quarterly reports, and any applicable reconciliation to the G/L.

Long Term Debt

32 Schedule that identifies all long-term debt items with the account numbers that are used for the principal and interest payments for each debt item.

33 Listing of new bond issuances, new leases, new loans and any bond defeasances.

34 Listing of any debt covenant and restriction requirements by debt instrument.
   Provide support of compliance (either third party report or certification).

35 Official statements and amortization schedules for any new bond issues.

36 Lease agreements and amortization schedules for any new capital leases.

37 Agreements and amortization schedules for any new notes payable.

38 A schedule that identifies any debt for which the District is not obligated (e.g., special assessment debt, mortgage revenue bonds, etc.). Also provide us with the outstanding principal balances as of year end (for footnote disclosure).

39 A schedule that identifies any defeased bond debt and the outstanding principal balances as of year end (for footnote disclosure).

40 For any new debt that is issued, provide us with a calculation that computes and amortizes issuance costs, premiums/discounts and gains/losses on defeasances during the current year.

41 Interest payable calculation.

Insurance

42 Access to supporting schedules used to calculate your claims and judgments payable (including incurred but not reported (IBNR) amounts). If we are computing the claims and judgments liability for you, then we will need access to the claims report, as of fiscal year end, for both general liability and workers' compensation claims.

43 Declaration pages for all insurance policies.

Net Position

44 Supporting documentation for any adjustments to opening fund balance

45 Detail of restricted net position

Grants

46 For all Federal grants received during the fiscal year, provide us with copies of the applicable sections of the grant agreement and/or award letter that identifies the grantor name, grant name, award amount and period covered.

47 Access to reimbursement requests, drawdowns and grant reconciliations.

48 Completed SEFA

49 Completed Schedule of Nonfederal expenditures

During Field

During Field

During Field

During Field

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During Field

During Field

10 days prior to

10 days prior to
Please provide information on related party transactions that may include:
- Sale, purchase, exchange, or leasing of property
- Receiving or furnishing of goods, services, or facilities
- Transfer or receipt of income or assets
- Maintenance of bank balances as compensating balances for the benefit of another
Have any related parties been indebted to the District or had receivables from the District (not including advances with component units)

52 Commitments
Please provide information on commitments that may include:
- Future purchases at specified prices or specified quantities
- Contracts for construction projects
  Please provide a list of construction contracts over $___________, including the contract amount and total expenditures as of June 30.
- Commitments under operating leases
- Contracts entered into with other governmental entities that require annual payments (e.g., Metropolitan water, sewer, similar projects)

53 Contingencies
Please provide information on contingencies that may include:
- Significant claims that the governmental entity is responsible for
- Pollution remediation obligations
- Termination benefits

54 Subsequent Events
Please provide information on subsequent events that may include:
- Long term debt issuance
- Land purchases and sales
- Settlement of litigation
- Loans given out
- DDA's and OPA's with material commitments
MESA WATER DISTRICT

Proposal to Provide Independent Auditing Services for the Years Ending June 30, 2016, 2017 and 2018

Submitted by:

VAVRINEK, TRINE, DAY & CO., LLP

25231 Paseo De Alicia, Suite 100
Laguna Hills, CA 92653
Tel: (949) 768-0833

Contact:

Roger E. Alfaro
ralfaro@vtcpa.com

February 9, 2016

VAVRINEK, TRINE, DAY & COMPANY, LLP
Certified Public Accountants
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<td>9. Assisting Local Governmental Units in Obtaining the Government</td>
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<td>26</td>
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</table>
February 9, 2016

Mesa Water District
Attention: Purchasing
1965 Placentia Avenue
Costa Mesa, CA 92627

Ladies and Gentlemen:

We are pleased to respond to the Request for Proposal to provide audit services for Mesa Water District (District). We have addressed each of the specifications, as included in your Request for Proposal. We feel that Vavrinek, Trine, Day & Co., LLP is the best selection for the District. This proposal demonstrates our capability and commitment to serve.

Vavrinek, Trine, Day & Co., LLP (VTD) was established in 1948. Our firm offers a full range of services for several different lines of businesses throughout California. Proudly, our governmental practice is a key to our firm’s success. VTD provides governmental auditing services to over 300 governmental agencies, including but not limited to water agencies similar to the District, counties, and cities throughout California. We understand the requirements, as described in the Request for Proposal and understand that the District desires a timely audit conducted in a professional manner. We are committed to perform our work within the District’s strict time-lines and to meet all of the requirements as specified in the request for proposal.

Vavrinek, Trine, Day & Co., LLP has devoted a substantial amount of time and resources developing our governmental audit practice. Our expertise in this industry has positioned us to be one of the leading firms in governmental auditing throughout California. This investment of time and resources includes:

- Providing in excess of 80 hours per year of governmental continuing professional education (CPE) to our staff working on governmental audits.
- Participating in national sessions lead by the AICPA, OMB, GAO, and OIG relating to all areas of governmental auditing.
- Investing a significant amount of time in developing our understanding of new audit requirements.
- Providing several training sessions to industry groups and clients regarding GASB pronouncements and single audit reporting requirements including GASB 68, Accounting and Financial Reporting for Pensions.
- We retain key staff; as a result, we are able to provide our clients with unmatched staffing consistency and well trained personnel.
- Researching new professional pronouncements so that we are at the leading edge in preparing our clients to respond to all new requirements.
- Devoting resources to a strict quality control program including a quality control department.

Vavrinek, Trine, Day & Co., LLP places within the top 100 public accounting firms in the United States. We employ over 200 professionals in our offices located in California. Our offices are located in Riverside, Rancho Cucamonga (firm’s headquarters), Laguna Hills (Orange County), Sacramento, Pleasanton, Palo Alto, San Diego and Fresno.
VTD has a local presence to ensure our clients are served with the highest level of service. Our focus on client service and commitment to quality has made VTD the firm of choice for local governments. Our staff in the Laguna Hills office will have the responsibility in servicing the District.

Quality service begins with professionals who anticipate issues, listen to your needs, and deliver what they promise. Our successful delivery of audit services to the District depends on the people chosen to execute our audit plan. The team we have organized has extensive experience working with local governments and public utilities and understands its methods of operations.

We believe that this client service team will provide the most efficient and cost-effective service to the District and are committed to providing effective audits, quality management letters, and proactive advice to deal with issues facing the District.

Partner involvement is also a key to the audit’s success. Your partner in charge of the engagement will spend time on-site during the audit and will meet with management and the Board as necessary to ensure communication lines remain open, that any outstanding issues are resolved timely, and that all needs are met. Roger Alfaro, CPA, will serve as your engagement partner for the audit.

We believe that our references will show that we are the best selection for the District. The choice of an audit firm should be primarily based upon several factors including but not limited to:

• Staff retention
• Proactively addressing industry changes at the Federal, State, and local levels
• Adherence to a strict quality control program

We experience a low percentage of employee turnover and we are confident that we will provide the District with consistent staff over the contract period. We are committed to the District and believe that our audit team is the best selection for the District.

Vavrinek, Trine, Day & Co. LLP is an Equal Opportunity Employer.

We hope that as you read through this proposal, you recognize the philosophy of our firm which is to provide each of our clients with exceptional service, experienced staff, and an audit approach that will fit your needs. Our dedication to quality, professional standards and service are unmatched in the industry.

Thank you for providing us the opportunity to present our proposal. Should you have any questions, please feel free to contact Roger Alfaro, Partner, who is authorized to make representations on behalf of the firm at (949) 768-0833, email at ralfaro@vtcpa.com or the mailing address detailed on the cover page.

Very truly yours,

[Signature]

Vavrinek, Trine, Day & Co., LLP
Roger E. Alfaro
Partner
Section 2 – Statement of Experience

1. Firm’s Qualifications

Vavrinek, Trine, Day & Co. LLP – VTD

VTD was established in 1948. Our firm offers a full range of services for several different lines of businesses throughout California. Proudly, our governmental practice is a key to our firm’s success. VTD has experienced a solid 66 years of growth and commitment to client service. With 33 partners and over 200 professional staff, VTD is one of California’s top CPA firms.

VTD is ranked within the “top 100” CPA firm in the United States with a significant percentage of our practice devoted to the governmental audit and consulting practice. VTD is a leader in providing audit, consulting and tax services to various industries including but not limited to large municipal and regional governments, banking institutions, manufacturing and retail enterprises, and not for profit corporations. As governmental auditing is our primary practice, we do not use governmental clients to fill our down time. Our governmental audit and governmental consulting practices provide a year-round client base for VTD.

VTD is organized into industry practice groups. In today’s regulatory environment, it is necessary to specialize in specific industry practice areas so that our clients are provided with the highest quality service. In order to accomplish this we have structured our firm with the following industry practice groups:

- State and local government
- Healthcare
- Non-Profit
- SEC/PCAOB
- Tax Compliance
- Manufacturing, Retail and Distribution
- Financial Services
- K-12 School Districts
- Higher Education

Our offices are located in Riverside, Rancho Cucamonga (Southern California), Sacramento, Pleasanton, Palo Alto, Fresno, San Diego, and Laguna Hills (Orange County).

Our staff in the Laguna Hills and Rancho Cucamonga offices will have the responsibility in servicing the District.
Section 2 – Statement of Experience

1. Firm’s Qualifications, (Continued)

   Professional Associations

   We are members of the American Institute of Certified Public Accountants, the California Society of Certified Public Accountants and we have registered with the Public Companies Accounting Oversight Board. In addition, our firm is a member of the AICPA’s Governmental Audit Quality Center. Several of the firm’s partners serve on several Audit and Accounting subcommittees for CalCPA.

   We are active members in the Governmental Finance Officers Association (GFOA) and attend training seminars provided by GFOA. Several of our partners serve on the GFOA CAFR Special Review Committee. We are also active members of the California Society of Municipal Finance Officers (CSMFO).

   Laguna Hills and Rancho Cucamonga Office

   Our Laguna Hills and Rancho Cucamonga Offices, with over 120 professionals, will have the responsibility of serving the District. This will enable us to meet all of the requirements within a timely and professional manner.

   All staff that will be assigned to serve the District’s audit will be full time VTD employees. We will not use part-time employees or sub contractors for your audit. The proposal is neither a joint venture nor a consortium.

   The ranges of activities performed by our firm include:

   - Governmental auditing and consulting - VTD currently provides services to more than 300 governmental agencies throughout California, including but not limited to Whittier Utility Authority, Yucaipa Valley Water District, Beaumont-Cherry Valley Water District, Municipal Water District of Orange County, Sacramento County Water Agency, Sacramento Area Sewer District, Sacramento Regional County Sanitation District, Montara Water and Sanitary District, and Glendale Water and Power.

   - Financial Institutions - VTD currently provides auditing services to more than 70 independent banks throughout California. Our financial institutional clients have assets ranging from $50 million to in excess of $3 billion dollars.

   - Manufacturing, Retail and Distribution - VTD currently provides auditing services to many commercial companies in California, Nevada and Arizona.

   - Tax Compliance - Our commitment to our clients includes offering professional tax preparation and planning services. Each of our offices have tax partners with a complete tax practice to meet the needs of our clients.

   - Not for Profit - VTD provides services to over one hundred not-for-profit entities.

   - Healthcare - VTD provides auditing services to large governmental and not-for-profit healthcare providers.
Section 2 – Statement of Experience

1. Firm’s Qualifications, (Continued)

Quality Control

Our firm has a program of quality control to ensure that our engagements meet the standards of the AICPA, Yellow Book, including qualifications, independence, due professional care, and quality control. VTD has a full-time Quality Control partner, delegated the responsibility of implementing and monitoring the firm’s quality control policies and procedures. VTD also has a quality control committee that meets regularly to discuss emerging issues and new professional pronouncements, which are then communicated to our professional staff to ensure the firm has a working knowledge of professional standards.

We have undergone voluntary, independent, external quality reviews (peer reviews). We received our most recent peer review in 2014 at which time we received an unqualified opinion regarding our audit and accounting practice.

A copy of the report is included in the Appendix of this proposal. As part of our peer review, governmental engagements including Single Audits were reviewed.

We also undergo period inspections by the PCAOB.

We also ensure that our professional staff obtains the required continuing professional education. As part of VTD’s quality control program, all members of the firm, including our governmental sector team must complete a minimum of 80 hours of continuing professional education every two years. Additionally, our professionals devoted to audits of governmental entities are required to obtain 24 hours directly related to government audits. We provide our staff in-house training, as well as provide access to external CPE conferences and updates. Additionally, our firm requires each professional staff to attend 8 hours of Single Audit training and 8 hours of fraud risk training.

2. VTD does not have a record of substandard audit work

Vavrinek, Trine, Day & Co., LLP does not have a record of substandard audit work and has not been the object of any disciplinary actions in the past.
Section 2 – Statement of Experience

3. Firm’s Experience - List of Municipal Clients Served by VTD

VTD has extensive experience in providing audits and other services to local governments. A summary of governmental clients that we have served include:

<table>
<thead>
<tr>
<th>CITIES</th>
<th>COUNTY GOVERNMENTS</th>
<th>WATER AGENCIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Alameda</td>
<td>County of Orange</td>
<td>Beaumont Cherry Valley Water District</td>
</tr>
<tr>
<td>City of Brentwood</td>
<td>County of Placer</td>
<td>Elsinore Valley Municipal Water District</td>
</tr>
<tr>
<td>City of Chico</td>
<td>County of Riverside</td>
<td>Helix Water District</td>
</tr>
<tr>
<td>City of Concord</td>
<td>County of Sacramento</td>
<td>Montara Water and Sanitary District</td>
</tr>
<tr>
<td>City of Dana Point</td>
<td>County of San Bernardino</td>
<td>Monterey Regional Water Pollution Control Agency</td>
</tr>
<tr>
<td>City of Davis</td>
<td>County of San Diego</td>
<td>Municipal Water District of Orange County</td>
</tr>
<tr>
<td>City of Fairfield</td>
<td>County of Sonoma</td>
<td>Reclamation District #2035</td>
</tr>
<tr>
<td>City of Folsom</td>
<td>County of Ventura</td>
<td>Sacramento County Water Agency</td>
</tr>
<tr>
<td>City of Foster City</td>
<td>County of Yolo</td>
<td>Sacramento Groundwater Authority</td>
</tr>
<tr>
<td>City of Glendale</td>
<td></td>
<td>Santa Clara Water District</td>
</tr>
<tr>
<td>City of Gonzales</td>
<td></td>
<td>Suisun-Solano Water Authority</td>
</tr>
<tr>
<td>City of Grand Terrace</td>
<td></td>
<td>Yolo-Davis Clean Water JPA</td>
</tr>
<tr>
<td>City of Greenfield</td>
<td></td>
<td>Yucaipa Valley Water District</td>
</tr>
<tr>
<td>City of Huntington Park</td>
<td>Contra Costa First 5 Commission</td>
<td><strong>FIRST 5 COMMISSIONS</strong></td>
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<tr>
<td>City of Huntington Beach</td>
<td>First 5 Sacramento</td>
<td></td>
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<td>City of La Palma</td>
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<td>High Desert Connector JPA</td>
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<td>City of Rancho Mirage</td>
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<td>City of Rancho Palos Verdes</td>
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<td>City of Rohrert Park</td>
<td>Santa Clara Valley Transportation Authority</td>
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<td>SR 91 Express Lanes</td>
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<td>City of Sacramento</td>
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<td>City of San Jacinto</td>
<td>Solano County Transportation Authority</td>
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<td>City of Walnut Creek</td>
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<td>City of Whittier</td>
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**POWER AGENCIES**

Alameda Municipal Power
Glendale Water and Power
Marin Energy Authority
Silicon Valley Power

**SEWER, SANITATION & FLOOD AGENCIES**

Alameda County Waste Management Authority
Bayside Sanitary District
Central Contra Costa Sanitary District
Central Marin Sanitation Agency
Cupertino Sanitary District
Delta Diablo Sanitation District
East Bay Discharge Authority
Fairfield-Suisun Sanitary District
Knights Landing Community Services District
Madison Community Services District
Orange County Waste & Recycling
Oro Loma Sanitary District
Riverside County Waste Management
Ross Valley Sanitation District
Sacramento Area Sewer District
Sacramento Regional County Sanitation District
Union Sanitary District
Vallejo Sanitation and Flood Control District
West Bay Sanitary District
West Valley Sanitation District

We have a demonstrated track record to perform the required services.
Section 2 – Statement of Experience

4. Our Experience

VTD's Government Practice Group has professionals that are fully devoted to audits similar to the District.

As we have noted VTD has significant experience auditing municipal and special purpose governments. The key components to our success include consistency of properly trained staff, assignment of staff with experience, timely communication in all aspects of the audit, planning, and understanding how to structure each audit to ensure efficiencies are achieved.

We understand the District desires an audit firm that provides consistency with staff. VTD's philosophy is to staff each of our audits with consistent staff in order to provide the most effective and efficient audit for our clients. This commitment will continue for the District's audit throughout the term of the audit contract.

Each of the key auditors chosen to participate with the District’s audit has worked with similar utilities. The District will not have to train our audit team.

VTD staff also attends State and national training sessions, such as the annual AICPA National Governmental Accounting and Auditing Update, so that all of the key staff assigned to the City's audit understands both local as well as national trends and issues.

VTD also has partners who are members of the California Society of Certified Public Accountants State Governmental Audit and Accounting Committee and the California Society of Certified Public Accountants State Accounting Principles and Auditing Standards Committee.

Our commitment to client service

VTD will not add clients that cannot be properly served. We have managed our growth to ensure that new clients receive experienced staff and quality audits and to ensure that existing clients do not experience a decline in service when new clients are added. To accomplish this VTD will only propose on clients when key staff have been trained, possess on the job experience to act as the in charge auditor, and when staffing levels allow for the addition of the new work. We are extremely confident that all of our references will note that their service level has not diminished over the life of the contract.

5. VTD meets the independence standards of the GAO

Vavrinek, Trine, Day & Co., LLP is independent of the District and its component units as defined by auditing standards generally accepted in the United States of America and the U.S. General Accounting Offices’ Government Auditing Standards.

VTD is independent of the District in that VTD has not provided any nonaudit services that would impair independence in accordance with Government Auditing Standards.
Section 3 – Exceptions to the District’s Contract Terms

Our policy is to review agreements/contracts once we are retained for professional services. In response to page 10 of the request for proposal regarding exceptions to the District’s contract terms we would propose modifying the terms of the agreement as follows:

- Sections 2.5, 8.3 and 12.8 – clarify the language to note that the auditor’s working papers (or audit documentation) is the property of the auditor, in accordance with professional auditing standards.
- Appendix 4, general condition 1 re: insurance – clarify the language to note that in the event that the insurance policies do not comply with the requirements, the agreement may be terminated in lieu of the District having the right to purchase the additional insurance and seek reimbursement from the consultant.
Section 4 – References

1. Referenced for work performed for other agencies with similar services

VTD has provided similar audit services for several other jurisdictions similar to that which is requested by the District. We have provided a listing of governmental entities with the various types of services performed for each, including contact information.

**Municipal Water District of Orange County**
**Yucaipa Valley Water District**
**Glendale Water and Power**
**City of Whittier**
**City of Huntington Beach**

**Municipal Water District of Orange County**
*Ms. Hilary Chumpitazi, Accounting Manager/Treasurer*
18700 Ward Street, Fountain Valley, CA 92708
(714) 593-5019 email: hchumpitazi@mwdoc.com

- Scope of Work
- Annual Financial Report
- OMB A-133 Single Audit

**Yucaipa Valley Water District**
*Ms. Vicky Elisalda, Controller*
12770 Second Street, Yucaipa, CA 92399
(909) 797-6416 email: velisalda@yywd.dst.ca.us

- Scope of Work
- Annual Financial Report

**City of Glendale and Glendale Water & Power**
*Mr. Bob Elliott, Director of Finance*
141 N. Glendale Avenue, Glendale, CA 91206
(818) 548-2085 email: BElliot@GlendaleCA.GOB

- Scope of Work
- Comprehensive Annual Financial Report – GFOA Award
- OMB A-133 Single Audit
- Glendale Water and Power
- GANN Limit Agreed Upon Procedures

**City of Whittier**
*Mr. Rod Hill, City Controller*
13230 Penn Street, Whittier CA 90602
(562) 567-9810 email: rhill@cityofwhittier.org

- Scope of Work
- Comprehensive Annual Financial Report – GFOA Award
- OMB A-133 Single Audit
- Air Quality Management District
- Whittier Utility Authority
- Successor Agency / Housing Authority
- GANN Limit Agreed Upon Procedures
Section 4 – References

1. Referenced for work performed for other agencies with similar services, (Continued)

City of Huntington Beach
Ms. Lori Ann Farrell, Director of Finance
2000 Main Street, Huntington Beach CA 92648
(714) 536-5225 email: LoriAnn.Farrell@surfcity-hb.org

Scope of Work
Comprehensive Annual Financial Report – GFOA Award
OMB A-133 Single Audit
Air Quality Management District
West Orange County Water Board
Successor Agency
GANN Limit Agreed Upon Procedures
Section 5 – Proposed Staffing & Project Organization

1. Engagement Team

The engagement team for the proposed audit services will include:

- **Roger Alfaro, CPA, Quality Assurance Partner** – Mr. Alfaro will serve as quality assurance partner for the District’s audit engagement. He will work with the team to review the progress of the audit, assist in resolving technical issues and review reports and deliverables for overall quality.

- **David Showalter, CPA, Technical Review Partner** – Mr. Showalter will serve as a technical resource for the engagement team and concurring review partner.

- **Phillip White CPA, Audit Partner** – Mr. White will participate in the audit and ensure that the District’s audit requirements are fulfilled.

- **Jessica Andersen, CPA, Audit Manager** – Ms. Andersen will serve as the audit project manager and will be responsible for the day-to-day management and delivery of services to the District. The audit project manager is responsible for planning the audit and assuring that the design of audit plan dictate the audit procedures we believe are necessary to accomplish the objectives of the audit. The audit project manager will work closely with the District to ensure issues are identified and addressed and that the delivery of services to the District is timely.

- **Renita Dukes, CPA, Audit Supervisor** – Ms. Dukes will assist with the responsibility of the daily audit work, supervision of staff, and execution of the audit plan for the District.

- **Seniors / Staff to be assigned**

2. Organizational Resumes

While VTD has a local team of over 25 auditors specializing in municipal audits, we have selected the audit team that we believe is best suited to provide timely, consistent and quality services to the District.

**Mr. Roger Alfaro, CPA**

**Audit Partner**

*Experience*

Mr. Alfaro has been conducting audits of governmental entities for over 17 years. His experience includes cities, redevelopment agencies/successor agencies, counties, financing authorities, public utilities, transit authorities and the single audit. Mr. Alfaro has conducted single audits and the audits of basic financial statements for several local governments whose assets exceed $1 billion. His single audit experience includes the major federal program audits of cities, transit agencies, and counties including: CDBG, HOME, and Highway Planning and Construction grants.

Mr. Alfaro has advised and assisted many clients with disclosure and financial reporting requirements pursuant to the GFOA certificate program. Many of Mr. Alfaro’s clients served have reports prepared in compliance with the requirements of this program, including the City of Rancho Mirage, City of Temecula, City of Whittier, Western Riverside Council of Governments, and Orange County Transportation Authority (OCTA).
Section 5 – Proposed Staffing & Project Organization

2. Organizational Resumes, (Continued)

Mr. Roger Alfaro, CPA
Audit Partner (Continued)

Mr. Alfaro has provided audit services for various governmental including:

<table>
<thead>
<tr>
<th>CITIES</th>
<th>COUNTIES</th>
<th>UTILITIES/JPA/SPECIAL DISTRICTS</th>
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<td>City of Agoura Hills</td>
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<td>Alameda County Transportation Improvement District</td>
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<td>County of Sacramento</td>
<td>Beaumont Cherry Valley Water District</td>
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<td>County of San Bernardino</td>
<td>Chino Valley Independent Fire District</td>
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<td>City of Gonzales</td>
<td>County of San Diego</td>
<td>Glendale Water and Power</td>
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<td>City of Huntington Beach</td>
<td>County of Sonoma</td>
<td>John Wayne Airport</td>
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<td>City of Laguna Beach</td>
<td>County of Ventura</td>
<td>Municipal Water District of Orange County</td>
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<td>City of Laguna Niguel</td>
<td>County of Yolo</td>
<td>Omnitrans</td>
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<td>City of Los Altos</td>
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<td>Orange County Transportation Authority</td>
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<td>City of Modesto</td>
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<td>Riverside County Waste Management</td>
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<tr>
<td>City of Palmdale</td>
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<td>Sacramento International Airport</td>
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<tr>
<td>City of Paramount</td>
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<td>San Bernardino Associated Governments</td>
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<td>City of Pleasanton</td>
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<td>San Mateo County Transit District</td>
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<td>City of Pleasant Hill</td>
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<td>Santa Clara Valley Transportation Authority</td>
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<td>City of Rancho Mirage</td>
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<td>Tri-City Mental Health</td>
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<tr>
<td>City of Rancho Palos Verdes</td>
<td>First 5 Sacramento</td>
<td>Ventura County Air Pollution Control District</td>
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<td>City of Riverside</td>
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<td>Ventura County Transportation Commission</td>
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<td>City of Sacramento</td>
<td>First 5 San Bernardino</td>
<td>Western Riverside Conservation Authority</td>
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<td>City of Santa Clara</td>
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<td>Western Riverside Council of Governments</td>
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<tr>
<td>City of Temecula</td>
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<td>Whittier Utility Authority</td>
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<td>City of Walnut Creek</td>
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<td>Yucaipa Valley Water District</td>
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<tr>
<td>City of Whittier</td>
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**FIRST 5 COMMISSIONS**
- First 5 Contra Costa
- First 5 Los Angeles
- First 5 Orange County
- First 5 Placer
- First 5 Riverside
- First 5 Sacramento
- First 5 San Bernardino

**Area of Specialization**
Governmental Audits of Cities, Counties, Redevelopment Agencies/Successor Agencies, Public Utilities, Transportation Agencies, Special Districts, Non-profits

**Professional Affiliations**
- American Institute of Certified Public Accountants
- California Society of Certified Public Accountants
- GFOA Certificate Program Special Review Committee

**Education**
- Bachelor of Science - Business Administration
- California State University, San Bernardino, California
Section 5 – Proposed Staffing & Project Organization

2. Organizational Resumes, (Continued)

Mr. David Showalter, CPA
Audit Partner

Experience
Mr. Showalter has been conducting audits of cities, transit agencies, and large regional and special purpose governmental entities for over 15 years and participates as a CAFR reviewer within the GFOA Certificate Program Special Reviewer Program. His experience includes cities, redevelopment agencies, housing authorities, counties, financing authorities, public utilities, and single audits. Mr. Showalter has provided audit services for various municipalities including:

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<tr>
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<th>FINANCING AUTHORITIES</th>
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<td>Sacramento County Public Financing Authority</td>
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<td>City of Palmdale</td>
<td>County of San Bernardino</td>
<td>Sacramento Area Sewer District</td>
<td>Sacramento Tobacco Securitization Authority/Corp</td>
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<td>City of Folsom</td>
<td>County of Sacramento</td>
<td>Sacramento County Solid Waste</td>
<td>Inland Empire Public Facilities Corporation</td>
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<td>City of Lake Forest</td>
<td>County of Riverside</td>
<td>Sacramento Regional County Sanitation District</td>
<td>Sacramento Sanitation Districts Financing Authority</td>
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<td>City of Covina</td>
<td>County of Orange</td>
<td>Alameda Municipal Power</td>
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<td>HEALTHCARE</td>
<td>Glendale Water and Power</td>
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<td>City of Davis</td>
<td>Arrowhead Regional Medical Center</td>
<td>Elsinore Valley Municipal Water District</td>
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<td>Ventura County Medical Center</td>
<td>Davis-Woodland Water Treatment JPA</td>
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<td>Verdugo Hills Hospital</td>
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<td>City of Fairfield</td>
<td>Gateways Hospital and Mental Health Center</td>
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<td>City of South Lake Tahoe</td>
<td>Riverside County Regional Medical Center</td>
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<td>City of La Palma</td>
<td>Modoc Medical Center</td>
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Area of Specialization
Governmental Audits of Counties, Cities, Redevelopment Agencies, Public Utilities, Transportation Agencies, Special Districts, Hospitals, Non-profits, OMB A-133 Single Audits

Professional Affiliations
American Institute of Certified Public Accountants
California Society of Certified Public Accountants
California Society of Municipal Finance Officers
Healthcare Financial Management Association
Chartered Global Management Accountant
Government Finance Officers Association Special Review Committee

Education
Bachelor of Science - Business Administration
California State University, San Bernardino, California
Section 5 – Proposed Staffing & Project Organization

2. Organizational Resumes, (Continued)

Ms. Jessica Andersen, CPA
Audit Manager

Education
Bachelor of Science in Accountancy and
Bachelor of Science in Business Administration - Finance
California State University, Northridge

Experience
Ms. Andersen has been with Vavrinek, Trine, Day & Co., LLP since 2010. Prior to VTD, Ms. Andersen worked for a “Big 4 Accounting Firm” providing professional services to municipalities, not-for-profit organizations, higher education and other local governments. Ms. Andersen has over ten years of experience working with governmental clients. Her experience includes acting as the audit lead for a variety of governments including large counties and cities to smaller entities within the counties and cities (utility districts, RDAs), and other special districts and agencies. Some of her clients served are:

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<td>City of Anaheim</td>
<td>Orange County Cemetery District</td>
<td>Orange County Transportation Authority</td>
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<td>City of Dana Point</td>
<td>Municipal Water District of Orange County</td>
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<td>City of Huntington Beach</td>
<td>California Insurance Pool Authority</td>
<td>San Bernardino Associated Governments</td>
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<td>City of Laguna Beach</td>
<td>First 5 Riverside</td>
<td>(TDA/Meaure I)</td>
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<td>City of Long Beach</td>
<td>Western Riverside County Regional Conservation Authority</td>
<td>Morongo Basin Transit Authority</td>
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<td>City of Whittier</td>
<td>Elsinore Valley Municipal Water District</td>
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<td>County of Orange Tobacco Settlement Fund</td>
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<td>COUNTIES</td>
<td>Orange County Development Agency/Successor Agency</td>
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<tr>
<td>County of Orange</td>
<td>Orange County Waste &amp; Recycling</td>
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<td>California State University System (System-wide and campus)</td>
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<td>Port of Long Beach</td>
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<td>Electric and Water Utilities - City of Anaheim</td>
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<td>Redevelopment Agency - City of Anaheim</td>
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Area of Specialization
Governmental Audits of Cities, Counties, RDA Successor Agencies, Enterprise Funds, Transportation Agencies, Special Districts, OMB A-133 Single Audits

Professional Affiliations
American Institute of Certified Public Accountants
California Society of Certified Public Accountants (CalCPA)

Continuing Education
Various governmental accounting courses offered by the American Institute of Certified Public Accountants, California Society of CPAs and In-House Courses:

- Audit Risk Assessment
- Fraud Risk Assessment
- OMB A-133/Super Circular Updates
- Yellow Book: Government Auditing Standards
- Internal control documentation and testing
- Accounting and Auditing Updates, including the clarity standards
- New GASB Pronouncements
Section 5 – Proposed Staffing & Project Organization

2. Organizational Resumes, (Continued)

Ms. Renita Dukes, CPA
Audit Supervisor

Education
Bachelor of Science - Accounting
California State University – San Bernardino

Experience in governmental accounting/auditing
Ms. Dukes has been conducting audits of governmental agencies for over four years. Her experience includes work on large counties, special districts and cities, including the following:

CITIES
City of Paramount*
City of Palmdale

OTHER AGENCIES
Millennium Housing Authority
Yucaipa Valley Water District
Western Riverside County Regional Conservation Authority

COUNTIES
County of Los Angeles

TRANSIT AGENCIES
Visit Huntington Beach
First 5 San Bernardino
San Bernardino Association of Governments (TDA/Measure L Audits)

* Include Water Enterprise funds

Area of Specialization
Governmental audits of Cities, Counties, Transportation Agencies, Special Districts, OMB A-133 Single Audits, and TDA Compliance Audits

Professional Affiliations
American Institute of Certified Public Accountants

Continuing Education – past 3 years
- Audit Risk Assessment
- Fraud Risk Assessment
- OMB A-133 Updates
- Yellow Book: Government Auditing Standards
- Internal control documentation and testing
- Clarified Auditing Standards
Section 6 – Project Understanding

As required by the request for proposal, our proposal objectives are as follows:

Overview of the Audits

- Audit of the District’s financial statements
- Report on Internal Control
- Management Letter, if applicable
- Communication with those charged with governance / audit committee
- General Consultation
- Presentation to those charged with governance

As identified in Section 2 – Section of Experience, VTD has the experience needed to service the District.

- VTD’s Government Practice Group has professionals that are fully devoted to audits similar to the District.
- As we have noted VTD has significant experience auditing municipal and special purpose governments. The key components to our success include consistency of properly trained staff, assignment of staff with experience, timely communication in all aspects of the audit, planning, and understanding how to structure each audit to ensure efficiencies are achieved.
- We understand the District desires an audit firm that provides consistency with staff. VTD’s philosophy is to staff each of our audits with consistent staff in order to provide the most effective and efficient audit for our clients. This commitment will continue for the District’s audit throughout the term of the audit contract.
- Each of the key auditors chosen to participate with the District’s audit has worked with similar utilities. The District will not have to train our audit team.
- VTD staff also attends State and national training sessions, such as the annual AICPA National Governmental Accounting and Auditing Update, so that all of the key staff assigned to the City’s audit understands both local as well as national trends and issues.
- VTD also has partners who are members of the California Society of Certified Public Accountants State Governmental Audit and Accounting Committee and the California Society of Certified Public Accountants State Accounting Principles and Auditing Standards Committee.
Section 7 – Scope of Work – Technical Portion

1. VTD meets the independence standards of the GAO

Vavrinek, Trine, Day & Co., LLP is independent of the District and its component units as defined by auditing standards generally accepted in the United States of America and the U.S. General Accounting Offices’ Government Auditing Standards.

VTD is independent of the District in that VTD has not provided any nonaudit services that would impair independence in accordance with Government Auditing Standards.

2. VTD is a properly licensed certified public accounting firm according to U.S. Government Accountability Office’s (GAO) Government Auditing Standards

Vavrinek, Trine, Day & Co., LLP is licensed to practice public accounting in the State of California and has complied with all applicable California State Board of Accountancy requirements. In addition, all of the key professional staff that will be assigned to the audit are also licensed to practice in the State of California and have complied with all applicable State Board of Accountancy standards.

A copy of our most recent peer review has been included in the Appendix section. This quality control review included a review of specific government engagements.

3. Engagements similar to Mesa Water District

Refer to pages 9 and 10, Section – “References” for a listing of similar engagements.

4. Project Management

VTD provides auditing services to a variety of governmental agencies throughout the State of California. The key to our success is to structure our audit teams with a designated project audit manager and project audit partner to maintain ultimate responsibility for timely completion of the audits. During the planning phase of the audit, VTD will work with the District to complete a matrix in order to map out all of the significant dates for the provision of service including key contacts, fieldwork entrance and exit dates, deliverable dates, report review dates, final due dates, and board presentation dates. By preparing a comprehensive matrix for each report, all the information regarding the timing of the audits and various projects is documented in one central location and is agreed upon between the auditor and the District. The timeline will then only be modified through communication between VTD and the District.
Section 7 – Scope of Work – Technical Portion

5. Complete Work Plan/Project Description

Overview of the Audits

As required by the request for proposal our audit plan covers the engagements for:

- Audit of the District’s financial statements
- Report on Internal Control
- Management Letter, if applicable
- Communication with audit committee
- General Consultation
- Presentation to those charged with governance

Proposed segmentation of the engagement by staff

<table>
<thead>
<tr>
<th></th>
<th>Pre-Audit Planning</th>
<th>Interim Audit</th>
<th>Final Audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partner</td>
<td>1</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>Manager</td>
<td>1</td>
<td>10</td>
<td>13</td>
</tr>
<tr>
<td>Supervisor</td>
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<tr>
<td>Senior</td>
<td>3</td>
<td>23</td>
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</tr>
<tr>
<td>Staff</td>
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</tr>
<tr>
<td>Paraprofessional</td>
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<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>11</td>
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</tr>
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</table>

Level of staff and number of hours assigned to each segment

<table>
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<th></th>
<th>Partner</th>
<th>Manager</th>
<th>Supervisor</th>
<th>Senior</th>
<th>Staff</th>
<th>Clerical</th>
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<tbody>
<tr>
<td>1. Annual Financial Statement Audit</td>
<td>18</td>
<td>24</td>
<td>38</td>
<td>58</td>
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<td>2</td>
<td>210</td>
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</tbody>
</table>

Audit Hours by Area

<table>
<thead>
<tr>
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<th>Final Audit</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td>1. Annual Financial Statement Audit</td>
<td>10</td>
<td>83</td>
<td>117</td>
<td>210</td>
</tr>
</tbody>
</table>
Section 7 – Scope of Work – Technical Portion

6. Our Proposed Audit Approach/Plan

Our engagement approach for the District audit has well-detailed goals by which the engagement partner can measure progress. Our audit plan includes frequent contacts between the partner and the engagement team to assure that objectives are attained according to the audit schedules, and that problems are communicated and dealt with on a timely basis. Our engagement approach benefits from our long accumulated experience during which our firm has identified key areas of financial and accounting concern in the audit process. More importantly, the approach provides for a complete reassessment of the management and control environment in each year’s audit and thus is capable of responding to changes and will ensure that deadlines are met in issuing the annual financial statements.

The key characteristics of our engagement approach are:

- **Knowledge of the District and similar entities.** We have extensive experience auditing governmental entities similar to the District. This experience enables us to perform a more efficient audit and identify key audit risks.
- **Cost-effectiveness.** Our experienced auditors low percentage of turnover reduce your cost.
- **Timeliness.** We take deadlines, both yours and ours, seriously.
- **Partner-manager involvement.** Deciding on audit strategies requires seasoned judgment. Our partners and managers have been heavily and continuously involved in governmental audits. Furthermore, you will be able to consult with senior team members whenever needed throughout the year. We are available during the year for any additional consultation that may arise and specified in the request for proposal.

**Project Management – Overall Audits**

As noted in the Proposed Staffing and Project Organization section of our proposal, the audit team consists of experienced professionals. Staff auditors will be assigned to various elements of the audit throughout the fieldwork stages. Our staff auditors work 100% on governmental audit. The management of the audits will be undertaken by these personnel who each have worked on similar audits.

Our audit plan for each of the fiscal years involves six (6) stages for each audit. These stages are:

Stage 1, Planning
Stage 2, Risk Assessment
Stage 3, Preparation of the overall audit plan
Stage 4, Conducting the Interim Audit
Stage 5, Conducting the Final Audit
Stage 6, Reporting
Section 7 – Scope of Work – Technical Portion

6. Our Proposed Audit Approach/Plan, (Continued)

Stage 1. Planning

VTD will meet with key staff to plan the audit services for the year. These meetings will discuss all audit issues and the proposed interim work plan. During this phase, we will accomplish:

- Identifying the key personnel and contacts in the Finance Department and other departments.
- Identify the District’s significant classes of transactions and business processes.
- Obtain an understanding of audit risk areas.
- Developing an understanding of unusual transactions or events that have occurred during the fiscal year.
- Formalizing logistics.
- Finalizing the timeframes for interim fieldwork.

Stage 2. Risk Assessment

Based upon the information obtained in the planning meetings VTD will perform a risk assessment as required by Statements on Auditing Standards (SAS) to be used in the preparation of the overall audit plan. As part of this risk assessment we will perform the following:

1. Obtain an understanding of the entity and its environment and its risks and material compliance requirements. VTD will refer to the District’s prior year financial statements, annual budget document, municipal code and other relevant documentation to assist with our understanding of the District’s business environment and risks. VTD will also conduct inquiry with key individuals within the District who are responsible for executing the District’s strategic plan.

2. Obtain an understanding of the entity’s internal controls. VTD will refer to the District’s organizational charts, budget, written policies and procedures financial accounting systems to assist with our understanding of internal controls. VTD will also perform inquiry, observation, inspection and walk-throughs of key internal controls to ensure these key controls are properly designed and implemented.

3. Preliminary analytical review, determination of preliminary materiality levels.

4. Analysis of known misstatements, if any.

5. Consideration of risk of material misstatement at the individual account balance, class of transactions and disclosure level.

6. Assessing the risks of material misstatement at both the financial statement and relevant assertion levels.

7. Assess the risk of material noncompliance with laws and regulations that have a direct and material effect on the financial statements.

Stage 3. Preparation of the overall audit plan

Once the planning and risk assessment process are complete an overall audit plan will be prepared. The plan will specify each audit task, staffing assignments, timelines, and due dates. The plan will also break down the work assignments between interim and final audit timelines. The audit plan will include the transaction cycles which have been selected for internal control testing and those for which only the detailed walk through will be performed.
Section 7 – Scope of Work – Technical Portion

6. Our Proposed Audit Approach/Plan, (Continued)

Stage 3, Preparation of the overall audit plan, (Continued)

Once the audit plan has been completed the prepared by client (PBC) requirements and the responsibilities of the auditor document will be prepared. The document listing will be detailed by specific task and will include the due dates and names of the persons responsible for each task.

We will also prepare:

The preliminary materiality guidelines, the audit programs, including consideration of:

- Identification of areas where special audit considerations are necessary.
- Design of further audit procedures to reduce risk if considered necessary.
- The development of expectations for analytical procedures, timelines, and assignment of all audit responsibilities.

Once these tasks have been completed we will meet with the District to ensure that all dates and requirements have been met and to schedule the interim and final work with the various departments.

Stage 4, the Interim Audit

Our interim fieldwork dates will normally occur during the April timeframe. The specific weeks will be determined during the planning meeting and preparation of the audit plan process. Our interim work will include the following:

We will obtain an understanding of the District’s internal control structure starting with:

1. Defining the District’s objectives and strategies and related business risks.
2. Obtaining an understanding of the District’s internal control environment (tone at the top):
   - Communication and enforcement of integrity
     and ethical values
   - Commitment to competence
   - Participation of those charged with governance
   - Management’s philosophy and operation style
   - Organizational structure
   - Assignment of authority and responsibility
   - Human resource policies and practices
   - Risk assessment process
   - Internal control monitoring process
   - Any industry, regulatory or other factors
Section 7 – Scope of Work – Technical Portion

6. Our Proposed Audit Approach/Plan, (Continued)

Stage 4, the Interim Audit, (Continued)

This understanding will be accomplished through the use of:

1. Inquiry of management and others within the District.
2. Observation and inspection.
3. Review of external information from rating agencies, and other external sources.

We will also obtain an understanding of the design and implementation of the financial reporting system to understand the follow of information for:

1. Each class of transactions that is significant to the financial statements.
2. The procedures within both automated and manual systems, by which those transactions are initiated, authorized, recorded, processed, and reported in the financial statements.
3. The related accounting records, whether in electronic or manual supporting information, and specific accounts in the financial statements involved in initiating, authorizing, recording, processing and reporting transactions.
4. How the information systems captures events and conditions other than classes of transactions that are significant to the financial statements.
5. The financial reporting process used to prepare the District’s financial statements, including significant accounting estimates and disclosures.

Our focus will also involve:

- Understanding and documenting the financial reporting process.
- Documenting information systems and related computerized data processing controls.
- Identifying the flow of information and internal control involved in various key processes including, investment management, procurement, disbursements, payroll, treasury operations, debt/capital management, cash receipts and utility billing. To accomplish these tasks we will use client accounting manuals, inquiry, observation, checklists and internal control questionnaires. During the interim timeframe each of the significant internal control systems will be evaluated to obtain sufficient knowledge of the design and implementation of key controls and to determine if a test of controls will result in audit efficiencies or reduce the risk of material misstatement.
- Identifying laws and regulations that are applicable to the District. To accomplish these tasks we will use client documents, inquiry, observation, checklists and internal control questionnaires.
- Formulating audit procedures and related audit programs that will be used during the final segment of the audit process.
- We will use statistical sampling to assist with our testing of the District’s internal controls over financial reporting and compliance.
Section 7 – Scope of Work – Technical Portion

6. Our Proposed Audit Approach/Plan, (Continued)

Stage 4, the Interim Audit, (Continued)

- Sample sizes can range between 25 and 60, contingent upon the risk of material misstatement for a particular audit area or objective. All sample sizes will be determined based on the AICPA Sampling Guide.

1. Testing the effectiveness of internal controls will be accomplished for the significant internal controls systems for which we plan to place reliance to reduce the risk of arterial misstatement. To gain efficiencies our control testing will be structured so that it can be used for each of the audits we will perform, with exception to the single audits.

2. Other areas to be completed at the interim audit include AU-C 316 interviews and documentation.

3. Discuss workable solutions for potential findings that have been identified and communicated to the District during the audit process

Stage 5, the Final Audit

We will commence our final fieldwork as soon as the District has sufficiently closed their accounting records. We expect final fieldwork to take place during August.

During this phase, we will perform substantive audit procedures on the year-end statement of net assets and fund balances, revenue and expenditure/expense accounts. We will use a variety of audit procedures which may include outside confirmations, statistical sampling, and detailed testing of schedules, analytical review, inquiry, and observation.

Stage 6, the Reporting Phase

We expect to issue our final reports at a mutually agreed upon time each year.

At the end of the audit process we will meet with key staff to cover the following:

- Discuss improvements for subsequent years audit plan,
- Meet with the Audit Committee to present the results of the audit,
- Communicate with those charged with Governance.

Communication

We do not believe in surprises. Although the reporting phase involves a recap of the process we will be in constant communication regarding the each aspect of the audit throughout the entire process. You will not have any surprises at the end of the audit.
Section 7 – Scope of Work – Technical Portion

6. Our Proposed Audit Plan, (Continued)

Management letters

The results of our understanding of internal control serve as a basis for our recommendations to management. We also consider any weaknesses noted during our substantive testing and other audit procedures. Upon completion of the audit, the findings and recommendations we consider to be of value to you are summarized and presented as management comments.

We will meet with management to discuss these comments prior to finalizing the letter to ensure that our management letter will contain no surprises. The purpose of our management comments is to direct your attention to:

- Significant deficiencies and material weaknesses (if any) identified during the course of the audit. Clarified Auditing Standard Section 325 requires written communication to management and those charged with governance, of significant deficiencies or material weaknesses, identified during the audit.
- Other matters that we believe to be of potential benefit to the management of the District, such as recommendations for operational or administrative efficiency, or for improving existing internal controls.

In our view, management letters can serve the District on two distinct levels. The first is when we, the auditors, determine that there are material deficiencies in internal controls. These should be communicated at once to the highest level of management so that corrective action can be taken. The other level is the more routine operational improvement and control enhancement comments which are communicated to management on a timely basis such that appropriate action can be taken.

7. Identification of Potential Audit Issues

We do not anticipate problems within the audit. However, if audit issues are encountered, our process would include meeting with the District’s management to develop the appropriate response, and identify any special assistance that will be requested from the District.

We have however identified the following areas that we believe that we can be of assistance:

- GASB Standard Implementation – GASB 72-79 will be required to be implemented during the contract term.
- Single Audits – Uniform Grant Guidance has been issued and is effective for the District for grants awarded after December 26, 2014.

8. Use of EDP Software in the engagement

VTD will use IDEA audit software during the engagement to assist with data analysis, testing of populations and reports and for the selection of audit samples. We will also use CCH Knowledge Coach to assist with audit risk assessment. VTD will request data populations including but not limited to disbursements and warrant registers, cash receipts, payroll, capital assets, utility accounts in order to perform data analysis as part of our overall audit risk assessment and testwork.
Section 7 – Scope of Work – Technical Portion

9. Assisting local governmental units in obtaining the Government Finance Officer's Association (GFOA) "Certificate of Achievement for Excellence in Financial Reporting."

Many our clients participate in the Government Finance Officer’s Association (GFOA) “Certificate of Achievement for Excellence in Financial Reporting” program. VTD has proven that we can not only meet our client’s expectations in regards to a quality product within GFOA requirements, but we have also proven that we can meet or exceed all timelines established by our clients.

10. Proposed Timeline

We have also prepared a time schedule for each stage of the audit that is structured to meet and/or exceed all time requirements.

<table>
<thead>
<tr>
<th>Audit Milestones</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning Meeting (Stage 1)</td>
<td>April</td>
</tr>
<tr>
<td>Audit Planning (Stage 2 and 3)</td>
<td>April</td>
</tr>
<tr>
<td>Interim Fieldwork (Stage 4)</td>
<td>April - June</td>
</tr>
<tr>
<td>Final Fieldwork (End) (Stage 5)</td>
<td>September</td>
</tr>
<tr>
<td>Deliver Draft Auditors' Report (Stage 6)</td>
<td>October</td>
</tr>
<tr>
<td>Deliver Final Reports</td>
<td>November</td>
</tr>
</tbody>
</table>
Appendix A – Peer Review Report

Peer Review Report

Offeror shall provide a copy of their most recent peer review report conducted.

YANARI WATSON MCGAUGHEY P.C.

DALE M. YANARI (1947/2004) • RANDY S. WATSON • G. LANCE MCGAUGHEY • DON W. GRUENLER
FINANCIAL CONSULTANTS/CERTIFIED PUBLIC ACCOUNTANTS

System Review Report

May 22, 2015

To the Partners of
Vavrinek, Trine, Day & Co., LLP
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Vavrinek, Trine, Day & Co., LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended December 31, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under Government Auditing Standards: audits of employee benefit plans and audits performed under FIDICIA.

In our opinion, the system of quality control for the accounting and auditing practice of Vavrinek, Trine, Day & Co., LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended December 31, 2014, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. Vavrinek, Trine, Day & Co., LLP has received a peer review rating of pass.

Yanari Watson McGaughey P.C.

9250 EAST CORTELLA AVENUE, SUITE 450
GREENWOOD VILLAGE, COLORADO 80112-3647
(303) 792-3020
FAX (303) 792-5155
web site: www.ywmcpa.com
TECHNICAL PROPOSAL

MESA WATER DISTRICT
COSTA MESA, CALIFORNIA

Proposal to Perform Professional Auditing Services

Fiscal years ending June 30, 2016, June 30 2017, and June 30, 2018 with the option to audit the financial statements for each of the two subsequent fiscal years

FEBRUARY 10, 2016

Paul J. Kaymark, CPA
Audit Partner
200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707
Phone: (949) 777-8821 | Fax: (949) 777-8850 | Email: paul.kaymark@pungroup.com
California CPA License Number: PAR 7601
Federal Identification Number: 46-4016990
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February 10, 2016

Mesa Water District
Attention: Purchasing
1965 Placentia Avenue
Costa Mesa, California 92627

Dear Sir/Madam:

Please allow us to introduce our firm and share our qualifications and proposed audit plan for the Mesa Water District (the "District") pursuant to your Request for Proposal for Professional Auditing Services for Fiscal years ending June 30, 2016, June 30 2017, and June 30, 2018 with the option to audit the financial statements for each of the two subsequent fiscal years. The Pun Group, LLP, formerly known as Pun & McGeady LLP (the "Firm"), due to consolidation, has the knowledge and experience necessary to be the District’s next public accounting firm, and the work plan to ensure a smooth audit process.

The Pun Group, LLP currently audits approximately 40 water and sewer related special agencies in the State of California along with 20 various other types of special agencies therefore, enabling our Firm to continuously be immersed throughout the year in the financial and operational issues of special agencies like the District.

This letter is an acknowledgement of the Firm’s understanding of the work to be performed. **We hereby offer our commitment to perform all of the required work, complete the audit, and issue the necessary auditor's report within the time periods outlined by the District.** We are secure in affirming our commitment because we have:

1. A lengthy legacy of serving California governmental agencies and municipalities;
2. Prodigious experience serving governmental and not-for-profit entities; and
3. An efficient, lower-cost approach to auditing that focuses on high-risk areas.

I will serve as your primary contact for contract negotiations. I am a partner of the Firm and have been authorized to legally bind the Firm. My contact information follows:

Name: Mr. Paul J. Kaymark, CPA
Position: Audit Partner
Address: 200 East Sandpointe Avenue, Suite 600
          Santa Ana, California 92707
Telephone: (949) 777-8821
Email: paul.kaymark@pungroup.com

You may also contact the following partner, who is authorized to represent the Firm:

Name: Mr. Gary M. Caporicci, CPA, CGFM, CFF
Position: Partner
Address: 200 East Sandpointe Avenue, Suite 600
          Santa Ana, California 92707
Telephone: (949) 777-8802
Email: gary.caporicci@pungroup.com
The Pun Group is the right choice for Mesa Water District because we are focused on your industry.

- We have audited and consulted many California special agencies and districts.
- We have assisted many clients in earning the GFOA Certificate of Achievement for Excellence in Financial Reporting.
- The depth of resources and specific government experience are substantial; we are committed to deploy these resources and experience to the District. Simply put, the District will become one of our most important clients, and receive the priority service you deserve.
- We have assigned Gary Caporicci, our GASB Implementation Specialist, who is appointed to the State Retirement Advisory Committee by the State Controller, in assisting the District in the implementation of GASB’s new Pension Standards.

Our goal for this audit is to complete the process in accordance with regulations while minimizing disruption to the District’s daily operations. The Firm will:

- Develop solid familiarity with the District’s operations.
- Create a detailed audit plan during initial stages of the audit.
- Maintain open communication lines between the Engagement Team and the District’s Management and Board.
- Assign duties to qualified staff members.

This method ensures that the audit process will be performed steadily, communicated clearly, and completed efficiently.

The Firm is an Equal Opportunity Employer and complies with all Federal and State hiring requirements.

This proposal meets the requirements of the District’s Request for Proposal. This letter and the accompanying proposal represent a firm and irrevocable offer valid for 120 days.

If you have any questions about the proposal or the Firm, please contact us. We look forward to speaking with you.

Sincerely,

The Pun Group, LLP
Certified Public Accountants and Business Advisors

[Signature]

Paul J. Kaymark, CPA
Audit Partner
SECTION I – AUDITING FIRM INFORMATION

Name of the Business/Company and Address:
The Pun Group, LLP
200 East Sandpointe Avenue, Suite 600
Santa Ana, California 92707

Business Company Telephone Number and Facsimile Number:
Phone: (949) 777-8800  |  Fax: (949) 777-8850

Business/Company Website Address:
www.pungroup.com

Type of Business/Company:
Limited Liability Partnership

Name, Title, Telephone Number, E-mail Address and if different, address of the person authorized to represent the business/company and name, title, telephone number, email address and if different, address of person(s) authorized to sign contracts for the business/company:
Name: Mr. Paul J. Kaymark, CPA
Position: Audit Partner
Address: 200 East Sandpointe Avenue, Suite 600
          Santa Ana, California 92707
Telephone: (949) 777-8821
Email: paul.kaymark@pungroup.com
SECTION II – STATEMENT OF EXPERIENCE

The Pun Group, LLP

The Pun Group, LLP, formerly known as Pun & McGeady, LLP, Certified Public Accountants and Business Advisors, founded in 2012, is a limited liability partnership. The full-service accounting firm comprises forty (40) professionals on full-time basis who provide auditing, accounting, and advisory services. Of the forty (40) professionals, thirty (30) of them focus in the Government Assurance Practice. The Firm has offices in Orange County, San Diego, and Palm Desert, California, and Phoenix, Arizona.

The Firm has served hundreds of governmental agencies since 1989, under the umbrella of its predecessor firm, Caporicci & Larson, where all key personnel assigned provided outstanding services to governmental entities throughout California. The Firm has a demonstrated track record to perform the required services by the Mesa Water District.

The combination of hands-on experience and practical knowledge of our audit professionals makes the Firm unique in the field. Our technical knowledge and thorough understanding of current regulations and issues—along with the Firm’s commitment to hard work, integrity, and teamwork on every engagement—enable us to help our clients flourish.

Our Governmental Partners Group—which includes partners Paul J. Kaymark, Kenneth H. Pun, Gary M. Caporicci, Lisa B. Lumbard, and Jack F. Georger—has provided auditing, accounting, and advisory services to numerous governmental entities throughout the United States. Our more than one hundred-fifty (150) years of combined experience in the government industry have made us a trusted business partner with our clients, and we have become well-respected as one of the most socially responsible accounting firms.

In addition to annual financial audits, team members undertake special studies in financial management, accounting, cost-accounting-system analysis, internal audit services, and internal control documentation and testing. By participating in industry associations and activities, we are always up to date on the latest industry changes and the impact they will have on your operations. We will keep you and our colleagues in the Firm, fully informed of these developments.

Our Orange County office, located at 200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707 will perform the requested services for the District. However, we may assign additional staff from our San Diego or Palm Desert, California offices to the engagement, at no additional cost to the District. No subcontractors will be used.

Our team is committed to bringing the full breadth and depth of our expertise to the audit of the District at an outstanding value to you.

While many accounting firms can perform an audit, not all can build a great working relationship with their clients. The Pun Group, LLP develops lasting, personal relationships with clients. Our hands-on partner involvement and low personnel turnover will make you appreciate our firm more every day we work together.

Staff Consistency

The Firm is committed to maintaining staff continuity throughout audit engagements. While we cannot guarantee that our staff members will stay with the Firm, we encourage loyalty by paying competitive wages, offering opportunities for promotion, using state-of-the-art equipment, and providing excellent working conditions. We also offer benefits including retirement plans, medical plans, profit-sharing programs, and continuing education. The Firm is an equal-opportunity employer and complies with all federal and state hiring requirements. The Firm also supports affirmative-action philosophies and works hard to provide opportunities for self-enhancement to members of disadvantaged groups.

We guarantee that the partners assigned to this audit will be involved throughout the entire engagement term, and that assigned staff members will return to the District in future years if they are still with the firm. One of our primary audit concerns is staff continuity, and our hands-on partner involvement ensures that qualified and experienced professionals will perform audits efficiently and effectively every year of the engagement.
Most Recent External Quality Control Review

The Firm participates in the AICPA Peer Review Program, which is designed to identify weaknesses in accounting-service policies, practices, and procedures.

In 2015, an independent reviewer assessed the Firm's quality-control policies, reviewed administrative records, interviewed professional personnel, and inspected the Firm's working papers and reports from a representative sample of accounting and auditing engagements, including governmental audits. The reviewer concluded that the Firm fully complies with the AICPA's stringent standards for quality control.

A quality-control reviewer considers, among other things, a firm's policies regarding hiring, training, supervision, delegation of responsibilities, and access to technical resources.

The reviewer determined that the Firm's accounting and auditing work and internal quality-control system meet the AICPA's guidelines for professional standards.

The Firm's participation in the Peer Review Program demonstrates our commitment to quality. We also affirm our dedication to excellent client service through our voluntary memberships in the AICPA—including the AICPA's Governmental Audit Quality Center—and CalCPA.
Federal or State Desk Review

No federal or state desk reviews or field reviews have been undertaken of any audits performed by the Firm or any of its partners, managers, or professionals during the past three (3) years.

Disciplinary Action

No disciplinary action has been taken by state regulatory bodies or professional organizations against the Firm or any of its partners, managers, or professionals during the past three (3) years.

The Firm has no conditions such as bankruptcy, pending litigations, planned office closures, mergers or any organizational conflict of interest that may affect the ability of the Firm to perform the required duties requested by the Mesa Water District.
At the Pun Group we work together with our clients to address a variety of challenges like Reporting and Compliance requirements, risk and internal controls, operational transformation and technology consulting. We understand our clients have broad and complex needs. This is the number one reason our solutions are developed specifically to address these unique needs. We have performed numerous financial and compliance audits of governmental municipalities and organizations.

**Quality-Control System**

Our Firm meticulously monitors the quality and contents of our reports. The Pun Group LLP is 100% committed to providing only the highest grade of work possible for our clients and for those who rely on our audits. The Firm strives to exceed professional industry standards because of the continuing respect for our clients and our emphasis on creating long-lasting relationships. The Pun Group LLP works exclusively with those who share the same moral integrity and values.

Our quality-control system was crafted with excellence in mind. It not only meets AICPA standards, but also matches our own elevated standards, which includes the following professional-development activities.

**Professional Development**

Each Engagement Team member is up-to-date with continuing professional education requirements. The Firm encourages staff members to participate in the continuing education programs offered by the AICPA and the CalCPA Education Foundation in order to always keep our staff well versed in the changing field and any new regulations. These classes include, among others:

- Basic Concepts of Governmental Accounting, Financial Reporting and Auditing
- Government Auditing Standards
- GASB Basic Financial Statements for State and Local Governments
- Single Audits: Uniform Guidance (formerly known as OMB Circular A-133)
- Governmental and Nonprofit Annual Update
- Governmental Accounting and Auditing: The Annual Update
- Auditing Standards: A Comprehensive Review

In addition, the Firm provides comprehensive in-house training for all levels of staff. The program includes seminars developed by the Firm, educational programs developed by the AICPA and CalCPA, and on-the-job training.

Every year, all professional and administrative staff members receive an annual overview and review of topics such as these:

- Principles of accounting and financial reporting for state and local governments
- Governmental fund types
- Newly issued U.S. generally accepted auditing standards and government auditing standards
- Internal control evaluation approaches, including COSO Internal Control Framework
- Updates on recent governmental accounting and reporting guidelines and pronouncements
- Single Audit requirements and approaches
- Risk based audit approaches
- Working paper techniques
- Current issues facing the governmental community
SECTION III – EXCEPTIONS TO MESA WATER’S CONTRACT TERMS

The Firm has reviewed the Sample Professional Services Agreement (Appendix B) and will execute it with no exceptions, if selected. Executed Appendix C “RFP and Professional Services Agreement Acceptance Form” follows:

APPENDIX C
RFP AND PROFESSIONAL SERVICES AGREEMENT ACCEPTANCE FORM

Firm Name: The Pun Group, LLP

Address: 200 East Sandpointe Ave, Suite 600

City Santa Ana State CA Zip Code 92707

Telephone: (949) 777-8800 Fax: (949) 777-8850

I have reviewed the RFP and Professional Services agreement in their entirety. Our firm will execute the Professional Services Agreement with no exceptions.

Name of Authorized Representative: Paul J. Kaymark, CPA

Signature of Authorized Representative: 

Date: February 10, 2016
SECTION IV – REFERENCES

The following five clients are examples of some of the engagements that are similar to the requirements in the District’s proposal. Additional references are available upon request. Please feel free to contact these governmental agencies to learn more about their experiences working with us.

Reference No. 1

Governmental Client Name: Casitas Municipal Water District
Contact Individual: Ms. Denise Collin
Address: 1055 Ventura Avenue, Oak View, CA 93022
Year: 2015 - Present
Description of Services Provided:
- Audit of the Basic Financial Statements and CAFR Presentation
- Similar District with Camping and Recreation Facilities
GFOA’s Certificate of Achievement for Excellence in Financial Reporting: Yes

Reference No. 2

Governmental Client Name: Trabuco Canyon Water District
Contact Individual: Ms. Cindy Byerrum, Treasurer
Address: 32003 Dove Canyon Drive, Trabuco Canyon, CA 92679
Year: 2015 - Present
Description of Services Provided:
- Audit and preparation of the Basic Financial Statements

Reference No. 3

Governmental Client Name: El Toro Water District
Contact Individual: Ms. Neely Shahbakht
Address: 24251 Los Alisos Blvd., Lake Forest, CA 92630
Year: 2014 - Present
Description of Services Provided:
- Audit of the Basic Financial Statements and CAFR preparation
- Quarterly Agreed-Upon Procedures Engagement
GFOA’s Certificate of Achievement for Excellence in Financial Reporting: Yes

Reference No. 4

Governmental Client Name: Palmdale Water District
Contact Individual: Mr. Dennis Hoffmeyer
Address: 2029 East Avenue "Q", Palmdale, CA 93550
Year: 2014 - Present
Description of Services Provided:
- Audit and preparation of the Basic Financial Statements

Reference No. 5

Governmental Client Name: West County Wastewater District
Contact Individual: Mr. Dean Prater, CPA
Address: 2910 Hilltop Drive, Richmond, CA 94806
Year: 2015 - Present
Description of Services Provided:
- Audit of the Basic Financial Statements and CAFR Presentation
GFOA’s Certificate of Achievement for Excellence in Financial Reporting: Yes
Firm Municipal Clients

The Pun Group, LLP has performed numerous audits of governmental organizations subject to financial and compliance audits. These audits were performed in accordance with auditing standards generally accepted in the United States, Government Auditing Standards, OMB Circular A-133 and its Compliance Supplement (when applicable), Office of the State Controller’s Minimum Audit Requirements and Reporting Guidelines for California Special Districts. A list of current engagements is as follows:

Special Districts:
- Altadena Library District
- Antelope Valley State Water Contractors Association
- Barstow Heights Community Services District
- Big Bear City Airport District
- Big Bear City Community Services District
- Bodega Bay Fire Protection District
- Casitas Municipal Water District
- Desert Recreation District
- Desert Recreation Foundation
- Diablo Water District
- East Orange County Water District
- El Toro Water District
- Encinitas Ranch Golf Authority
- Fallbrook Healthcare District
- Las Virgenes Municipal Water District
- Las Virgenes-Triunfo JPA
- Marina Coast Water District
- Menlo Park Fire Protection District
- Newport Coast Elementary School District
- North Count Fire Protection District
- North County Dispatch JPA
- North of the River Municipal Water District
- Orange County Coastkeeper
- Palmdale Water District
- Palos Verdes Library District
- Port of Hueneme - Oxnard Harbor District
- Rancho Santa Fe Fire Protection District
- Riverside County Flood Control and Water Conservation District
- San Diego Coastkeeper
- San Dieguito Water District Audit
- San Mateo Mosquito and Vector Control District
- South Bay Regional Public Communications Authority
- Southwestern Community College District
- Stallion Springs Community Services District
- The Farm Mutual Water Company
- Trabuco Canyon Water District
- Valley Sanitary District
- West County Agency
- West County Wastewater District
- West Valley Water District
- Wilmington Cemetery District

Cities/Towns:
- City of Arvin
- City of Arcadia
- City of Bradbury
- City of Calexico
- City of Carpinteria
- City of Cerritos
- City of Chula Vista
- City of Clearlake
- City of Clovis
- Town of Danville
- City of Desert Hot Springs
- City of Encinitas
- City of Fairfield
- City of Gardena
- City of Hemet
- City of Hermosa Beach
- City of Huntington Park
- City of Huntington Beach
- City of Industry
- City of Lakewood
- City of Monterey Park
- City of Morro Bay
- City of National City
- City of Placerville
- City of Poway
- City of Ridgecrest
- City of San Bernardino
- City of Solana Beach
- City of Shafter
- City of Stockton

Health Centers:
- Alliance Medical Center
- Anderson Valley Health Clinic
- Centro Medico Community Clinic
- Desert Hot Springs Health and Wellness Foundation
- Family Health Centers of San Diego
- Industry Convalescent Hospital
- Marin City Health and Wellness Center
- McCloud Healthcare Clinic
- Mountain Valleys Health Centers
- Redwood Coast Medical Services
- Shingletown Medical Center
- Tulare Community Health Clinic
- United Health Centers of San Joaquin Valley

Transportation Agencies/Authorities:
- Gold Coast Transit
- San Diego Metropolitan Transit System
- Shasta Regional Transportation Agency
- Ventura County Railroad Company, LLC
- Ventura County Transportation Commission
SECTION V – PROPOSED STAFF AND PROJECT ORGANIZATION

Engagement Team

The Engagement Team is carefully chosen to provide the District with all services needed to successfully complete the audit. The Engagement and Concurring Partners are personally involved in the audit, and the Engagement Team has significant experience in governmental auditing. Our broad experience and technical capabilities allow us to provide technical support, interpret findings, and offer effective solutions to any issues.

The personnel assigned to this engagement are fully qualified to perform an effective and efficient audit of the District, and their extensive experience will be invaluable to the audit process. Our professionals are familiar with the complexities of governmental accounting, auditing, and financial reporting, including but not limited to, all GASB pronouncements, the Single Audit Act, Uniform Guidance (formerly OMB Circular A-133), and fund operations.

If the Firm changes key personnel for reasons other than those specified in the Proposal, we will provide the District with written notification and will only be changed with the express prior written permission of the District.

Audit personnel may be replaced only by those with similar or better qualifications and experience. Resumes for key Engagement Team members follow.
Paul J. Kaymark is an Audit Partner with the Governmental and Not-for-Profit Practice of The Pun Group, LLP. Prior to joining our firm, Paul spent over twenty-years with KPMG, McGladrey and CZF CPA being part of the governmental and not-for-profit audit services practice.

Paul has also provided significant other services to various governmental and not-for-profit entities. In these engagements, he has been involved in the strategic planning processes, design and implementation of policies and procedures manuals and operational and organizational reviews of accounting departments. He has also been involved in the implementation of performance management budgeting and planning processes, financial reviews, trend analysis, cash management practices and utility rate setting.

**EDUCATION**

- BS Degree in Business Administration, emphasis in Accountancy from California State University, Long Beach.
  *Licensed by the State of California*

**PROFESSIONAL & CIVIC AFFILIATIONS**

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Certified Public Accountants (CalCPA)
- Member, Government Finance Officers Association (GFOA)
- Member, California Society of Municipal Finance Officers (CSMFO)
- GFOA Certificate for Excellence in Financial Reporting – Reviewer

**PROFESSIONAL EXPERIENCE**

- Altadena Library District
- Barstow Heights Community Services District
- Big Bear City Community Services District
- Big Bear City Airport District
- Casitas Municipal Water District
- Desert Recreation Foundation
- East Orange County Water District
- Desert Recreation District
- Bodega Bay Fire Protection District
- El Toro Water District
- Festival of Arts of Laguna Beach
- Festival of Arts of Laguna Beach
- Gold Coast Transit
- Mountain Meadows Community Services District
- North County Dispatch JPA
- North County Fire Protection District
- North of the River Municipal Water District
- Orange County Coastkeeper
- Palmdale Water District
- Palos Verdes Library District
- Port of Hueneme - Oxnard Harbor District
- Public Agencies Self Insurance System
- Rancho Santa Fe Fire Protection District
- San Diego Coastkeeper
- San Mateo Mosquito and Vector Control District
- San Diego Fire Authority
- San Mateo Water District
- South Bay Regional Public Communications Authority
- Stallion Springs Community Services District
- The Farm Mutual Water Company
- Trabuco Canyon Water District
- County of Ventura (Local Transportation Fund)
- Ventura County Railroad Company, LLC
- West County Agency
- West County Wastewater District
- Wilmington Cemetery District
- West County Water District

**CONTINUING PROFESSIONAL EDUCATION**

- Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: Uniform Guidance (formerly OMB Circular A-133)
  - Financial Accounting Standards Board Annual Updates
  - Statement on Standards for Accounting and Review Services Updates
- Has met the current CPE educational requirements to perform audits of governmental agencies.
Gary M. Caporicci has more than forty years of diversified business experience, including a specialization in audit and management consulting for government organizations. Gary’s clients include public and private universities and colleges, city and county governments, state agencies, joint power authorities, healthcare agencies, transportation agencies, and special districts. Known for his expertise in the areas of construction and government, Gary wrote the AICPA audit guides on these topics, and he has authored many audit and accounting courses for professional groups, as well as academic institutions. He frequently speaks and lectures at many professional organizations, governmental seminars, and conferences held by industry associations, other accounting firms, and universities. In addition, he authors white papers for the California Committee on Municipal Accounting.

Prior to working with the Firm, Gary founded his own accounting practice. He also spent eleven years with a “Big Eight” professional services firm, where he was an Audit Manager and gained broad experience in a wide range of industries such as government, construction, manufacturing, mutual funds, and insurance. Prior to that, Gary held a consultant position with a “Big Four” practice and was Vice President of a national insurance and financial services company.

In 2015 Gary Caporicci was appointed to the State Retirement Advisory Committee by the State Controller.

EDUCATION

- BS Degree in Accounting and Finance from Armstrong University
  *(Licensed by the State of California)*

PROFESSIONAL & CIVIC AFFILIATIONS

- Member and Instructor, American Institute of Certified Public Accountants (AICPA)
- Member, Author and Instructor, California Society of Certified Public Accountants (CalCPA)
- Past Chair, CalCPA Governmental Accounting and Auditing Committee
- Chair and Speaker, CalCPA Governmental Accounting and Auditing State Conferences
- Member, CalCPA Council
- Chair, California Committee on Municipal Accounting (CCMA)
- Member, Government Finance Officers Association (GFOA)
- Member, California Society of Municipal Finance Officers (CSMFO)
- Member, Governmental Accounting Standards Board (GASB)
- Member, Deposit and Investment Risks Disclosure Task Force (GASB No. 40)
- National Reviewer and Speaker, Government Finance Officers Association
- Adjunct Professor, National University
- Past Member, Texas Governmental Accounting and Auditing Committee
- GFOA Certificate for Excellence in Financial Reporting – Reviewer

CONTINUING PROFESSIONAL EDUCATION

- Author and instructor of various municipal accounting courses offered by CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: Uniform Guidance (formerly OMB Circular A-133)
- Has met the current CPE educational requirements to perform audits of governmental agencies.
Melissa Ochoa is a Manager in The Pun Group, LLP’s Assurance division. Melissa has over fifteen years of accounting and auditing experience working with governmental agencies, not-for-profit entities, and private for profit entities. Melissa also has particular expertise in conducting financial audits under GAO Yellow Book standards and compliance audits in accordance with Uniform Guidance (formerly OMB Circular A-133).

Melissa has performed audits and other attestation services for several governmental agencies throughout California including: special districts, airports, financing authorities, water, sewer, flood and sanitation districts. She has assisted these clients with publishing their Comprehensive Annual Financial Reports in compliance with GASB Statement No. 34.

Ms. Ochoa develops training materials and shares her expertise internally with other Firm professionals. Melissa is a frequent speaker at in-house seminars on topics related to government auditing standards and Single audits.

**EDUCATION**

- BA Degree in Business Administration, Emphasis in Accounting, from California State University, Fullerton
  *Licensed by the State of California*

**PROFESSIONAL & CIVIC AFFILIATIONS**

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Certified Public Accountants (CalCPA)
- Member, Member of Government Finance Officers Association (GFOA)
- Member, California Society of Municipal Finance Officers (CSMFO)

**RELEVANT PROJECT EXPERIENCE**

| Altadena Library District | Antelope Valley State Water Contractors Assoc. |
| Barstow Heights Community Services District | Big Bear City Airport District |
| Big Bear City Community Services District | Bodega Bay Fire Protection District |
| Casitas Municipal Water District | Desert Recreation District |
| Desert Recreation Foundation | Diablo Water District |
| East Orange County Water District | El Toro Water District |
| Festival of Arts of Laguna Beach | Festival of Arts of Laguna Beach |
| Gold Coast Transit | Mountain Meadows Community Services District |
| North County Dispatch JPA | North Count Fire Protection District |
| North of the River Municipal Water District | Orange County Coastkeeper |
| Palmdale Water District | Palos Verdes Library District |
| Port of Hueneme - Oxnard Harbor District | Public Agencies Self Insurance System |
| Rancho Santa Fe Fire Protection District | San Diego Coastkeeper |
| San Mateo Mosquito and Vector Control District | South Bay Regional Public Communications Authority |
| Stallion Springs Community Services District | The Farm Mutual Water Company |
| Trabuco Canyon Water District | County of Ventura (Local Transportation Fund) |
| Ventura County Railroad Company, LLC | West County Agency |
| West County Wastewater District | Wilmington Cemetery District |

**CONTINUING PROFESSIONAL EDUCATION**

- Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: Uniform Guidance (formerly OMB Circular A-133)
  - Financial Accounting Standards Board Annual Updates
  - Statement on Standards for Accounting and Review Services Updates
- Has met the current CPE educational requirements to perform audits of governmental agencies.
Frances Kuo is a Senior Manager in The Pun Group, LLP’s Assurance division. Frances has over ten years of accounting and auditing experience working with governmental agencies, not-for-profit entities, and employee benefit plans. Frances also has particular expertise in conducting financial audits under GAO Yellow Book standards and compliance audits in accordance with Uniform Guidance (formerly OMB Circular A-133).

Frances has performed audits and other attestation services for several municipalities throughout California including cities, counties, redevelopment agencies, public financing authorities, housing authorities, transportation agencies, and special Districts. She has assisted these clients with publishing their Comprehensive Annual Financial Reports in compliance with GASB Statement No. 34.

Ms. Kuo is the in-house instructor who provides training, both theoretical and on-the-job training, to lower level staff. She has developed training materials on the risk based audit approach, GASB Statement No. 34 reporting, Single Audits, and employee benefit plan audits.

**EDUCATION**

- BS Degree in Business Administration, Emphasis in Accounting, from the University of California, Riverside
- BA Degree in Economics from the University of California, Riverside

*Licensed by the State of California, Arizona and Virginia.

**PROFESSIONAL & CIVIC AFFILIATIONS**

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Certified Public Accountants (CalCPA)
- Member, California Society of Municipal Finance Officers (CSMFO)

**RELEVANT PROJECT EXPERIENCE**

| City of Arcadia           | City of Bradbury |
| City of Cerritos          | City of Carpinteria |
| City of Desert Hot Springs| City of Gardena |
| City of Huntington Park   | City of Huntington Beach |
| City of Hermosa Beach     | City of Hemet |
| City of Industry          | City of Monterey Park |
| City of Ridgecrest        | Conejo Recreation and Park District |
| Las Virgenes Municipal Water District | Marina Coast Water District |
| Mountains Recreation and Conservation Authority | San Diego Transit Corporation Retirement Plan |
| Tulare Community Health Clinic | San Diego Metropolitan Transit System |
| San Diego Association of Governments | Southwestern Community College District |
| Valley Sanitary District  | Shanghai Jiao Tong University Foundation of America |

**CONTINUING PROFESSIONAL EDUCATION**

- Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: Uniform Guidance (formerly OMB Circular A-133)
  - Financial Accounting Standards Board Annual Updates
  - Statement on Standards for Accounting and Review Services Updates

- Has met the current CPE educational requirements to perform audits of governmental agencies.
SECTION VI – PROJECT UNDERSTANDING

Mesa Water District is requesting an opinion as to the fair presentation of its basic financial statements in accordance with generally accepted accounting principles (GAAP) and applicable laws and regulations. These audits are to be performed in accordance with all applicable and generally accepted auditing standards, including, but not limited to, the following:

- Generally accepted auditing standards as set for by the American Institute of Certified Public Accountants.
- The standards applicable to financial audits contained in the most current version of the Generally Accepted Government Auditing Standards (Yellow Book), issued by the Comptroller General of the United States.
- The provisions of the Single Audit Act.
- The provisions of U.S. Office of Management and Budget (OMB) Uniform Guidance (formerly known as Circular A-133), Audits of State and Local Governments and Non-Profit Organizations and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.
- Minimum audit requirements and reporting guide lines for special Districts pursuant to California Code of Regulation, State Controller, Subchapter 5, 1131.2 "Minimum Audit Requirements and Reporting Guidelines for Special Districts."

The Firm will:

- Perform an audit on all debt issues, to review both accounting treatment and compliance with the bond covenants. We understand Mesa Water® may require assistance with pension accounting and accounting for Other Post-Employment Benefits (OPEB) and GASB statements 68, 71 and 75. We have assigned Gary Caporicci, our GASB Implementation Specialist, who is appointed to the State Retirement Advisory Committee by the State Controller, in assisting the District in the implementation of GASB’s new Pension Standards.

- Prior to recording, all auditor adjusting journal entries will be discussed and explained to the CFO and the CPA who oversees the annual audit. The entries will be in a format that shows the lowest level of posting detail required for the District to enter the data into the general ledger.

- Issue a report on the fair presentation of the financial statements in conformity with generally accepted accounting principles, including an opinion of the fair presentation of the supplementary schedule of expenditures of federal awards in relation to the audited financial statements (if applicable).

- Issue a report on compliance and internal control over financial reporting based on an audit of the financial statements.

- Prepare a report or memorandum on Internal Control and prepare a Management Letter addressing all deficiencies noted including items not considered significant deficiencies or material weaknesses (i.e. immaterial findings). In this report, the Firm will also communicate any reportable conditions found during the audit and indicate whether they are also material weaknesses.

- Keep the District informed of any new state and federal developments affecting municipal finance and reporting standards.

- If requested, the engagement team will examine other reports or perform other services as required. Additional work will not conflict with the primary responsibilities of the services required. Additional time and fees will be negotiated based on the scope of the services requested.

- Make an immediate, written report to the District of all irregularities and illegal acts or indications of illegal acts of which they become aware to the following:
The Firm will insure that the General Manager and/or CFO is informed of each of the following:

- The auditor's responsibility under generally accepted auditing standards
- Significant accounting policies
- Management judgments and accounting estimates
- Significant audit adjustments
- Other information in documents containing audited financial statements
- Disagreements with management
- Management consultation with other accountants
- Major issues discussed with management prior to retention
- Difficulties encountered in performing the audit

The Firm will provide periodic reports to Mesa's Finance Committee and present the final report(s) to the Board of Directors at an evening meeting.


The Firm will retain, at its own expense, all working papers and reports for a minimum of (7) seven years, unless the District notifies the Firm in writing of the need to extend the retention period. Upon request, the Firm will make working papers available to the Mesa Water District and the following parties or their designees:

- The District's Chief Financial Officer.
- Parties designated by the Federal or state governments or by the District as part of an audit quality review process.
- Auditors or entities of which the District is a sub recipient of grant funds.

The Firm will also comply with reasonable requests from successor auditors and allow them to review working papers that relate to matters of continuing accounting significance.
SECTION VII – SCOPE OF WORK - TECHNICAL PORTION

Independence

The Pun Group, LLP (the “Firm”) requires all employees to adhere to strict independence standards in relation to the Firm’s clients. These independence standards exceed, in many instances, the standards promulgated by the American Institute of Certified Public Accountants (AICPA).

The Pun Group, LLP certifies that it is independent of Mesa Water District (the “District”). The Firm meets independence requirements defined by the United States Government Accountability Office’s (U.S. GAO’s) Government Auditing Standards, and the American Institute of Certified Public Accountants (AICPA).

The Firm has had no professional relationships involving the District for the past five (5) years.

The Firm will give the Mesa Water District written notice of any professional relationships entered into during the period of the agreement.

License to Practice in California

The Firm and all key professional staff are licensed by the State of California to practice as Certified Public Accountants, and meet the Continuing Professional Education requirements under U.S. GAO’s Government Auditing Standards to perform the proposed audits.
Specific Audit Approach and Methodology

Our primary objective for the proposed audit is to examine the District's financial statements and express our opinions on their fairness of presentation, in accordance with generally accepted accounting principles. Other objectives that will benefit the District include the following:

- To offer beneficial observations and recommendations about policies and procedures for accounting and operating controls.
- To identify opportunities to make District operations more efficient and reduce costs.
- To perform the audit efficiently and effectively, so disruption to office operations is minimized.
- To provide continuing advisory services to help the District implement recommendations.
- To meet these objectives at no additional cost to the District.
- The Firm will engage in statistical sampling, compliance tests, and substance testing throughout the audit engagement process, as a part of the Firm’s specific audit approach.

The Engagement Team will perform the audit in accordance with the Firm’s quality-control procedures, which include following standard audit programs, careful planning, using industry-standardized software for auditing and internal control documentation, and welcoming an objective review of audit work.

The Firm supplies portable computers and second monitors to the onsite staff members.

Our audit approach emphasizes careful planning, open communication, and proper assignment of responsibilities. This method ensures that audit requirements will be met with minimal disruption of the District’s daily operations, and that the audit will proceed efficiently with full understanding between the Engagement Team and the District.

The Firm will perform all services described on Section IV – Project Understanding of this proposal, utilizing the following audit approach and methodology:

1. Level of staff and number of hours to be assigned to each proposed segment of the engagement

We understand that the District is looking for value in the professional relationship they have with their auditors. Value comes from the knowledge, experience, and dedication that the auditing firm employs. We stress “employ” because all of the knowledge and expertise shown on paper will not benefit you unless it is applied. This application equates to time spent. We have developed an hours plan that we feel will accomplish the objectives of the District and meet your particular needs. We will utilize the information you have shared with us and our experience over the years auditing other governmental entities including agencies of a similar size and nature to develop an effective and efficient plan for all major areas.

Total Hours:

<table>
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<th>Staff Classification Performing Work</th>
<th>Estimated Hours Annually</th>
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<tr>
<td>Partners</td>
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<td>Managers</td>
<td>60</td>
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<td>Senior Accountants</td>
<td>70</td>
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<td>Staff Accountants</td>
<td>80</td>
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<tr>
<td><strong>Total Annual Hours:</strong></td>
<td><strong>240</strong></td>
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</tbody>
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<table>
<thead>
<tr>
<th>Hours by Audit Phase</th>
<th>Hours</th>
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</thead>
<tbody>
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<td>Phase II - Interim</td>
<td>96</td>
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<tr>
<td>Phase III - Year End</td>
<td>96</td>
</tr>
<tr>
<td>Phase IV - Reporting</td>
<td>24</td>
</tr>
<tr>
<td><strong>Total Annual Hours:</strong></td>
<td><strong>240</strong></td>
</tr>
</tbody>
</table>
2. **Proposed Segmentation of the Engagement and Timeline**

The audit will be performed in four phases:

*Initial Planning Meeting* | Entrance Conference: First Week of April each year

The Engagement Partner and Manager will meet with District’s Management to get up to speed with District policies and procedures, establish any specific requirements Management may have, identification of unique transactions, implementation of new GASB pronouncements, and develop the audit work plan for the engagement.

*Interim* | Exit Conference: Last Week of April each year

The Engagement Team—including the Engagement Partner—will assess accounting policies adopted by the District, obtain an understanding of the District and its operating environment, review internal controls on all significant transaction classes, perform walkthroughs and/or tests of internal control, perform preliminary analytical procedures, evaluate Single Audit compliance (if needed), identify any audit issues, and prepare confirmation correspondence. The Engagement Team and District Management will establish expectations including responsibilities and assignments for the year-end audit, and will hold a progress status meeting at the end of the Interim phase.

*Year-End* | Detailed Audit Plan: First Week of September; Exit Conference: Last Week of September

The Engagement Team—including the Engagement Partner—will conduct audit procedures on account balances in the general ledger, finish confirmation procedures, perform preliminary analytical procedures, search for unrecorded liabilities, perform substantive analytical review procedures, complete work on compliance with Federal Assistance, and conclude fieldwork. The Engagement Team and District Management will hold an exit conference at the end of the Year-End phase.

*Reporting* | Draft copies of reports will be provided in by Mid-October; Final reports and management letter will be provided no later than Mid-November of each year.

The Firm will review and prepare audit reports and perform quality control procedures in accordance with the Quality Control Standards issued by the AICPA. We will also review reports for compliance with GFOA reporting guidelines at no additional cost. Any comments will be issued in a letter to Management. At the District’s request, the Engagement Partner, Concurring Partner, and Managers will present the audit to the District’s governing body.

The Firm will complete the audit fieldwork and issue all reports within the established timeframe, assuming no internal or external (CalPERS GASB No. 68 Reporting) District circumstances delay the audit.

3. **Extent Statistical Sampling is to be Used in this Engagement and the Sample Size**

In our audit approach, statistical sampling is used in conjunction with our skilled judgment and knowledge of each situation. The population size and assurance level needed from any given test will determine the sample size used in our testing.
4. **Approach to be taken in Determining Audit Samples for Purposes of Compliance Testing**

To test compliance, we follow the AICPA’s *Audit Sampling Considerations of Uniform Guidance (formerly OMB Circular A-133) Compliance Audits*. We will select an appropriate sample size based on our professional judgment and knowledge. Any deviations from control and compliance requirements will be documented.

5. **Type and Extent of Analytical Procedures to be Used in the Engagement**

We use analytical procedures during the interim phase to set up expectations for the year-to-date results and balances and compare them with *budgeted* and prior-year amounts. This allows us to forecast year-end amounts, reducing the workload during the year-end phase and allowing us to focus on areas of concern.

We also use trend and ratio analysis to identify any uncertain or unusual events. In order to perform these analysis, our firm performs a survey of special agencies and develops benchmarks on certain key financial indicators, such as cost of services to tax revenues ratios, average general fund balance, capital assets, debt per capital, general fund unassigned fund balance to total general fund expenditures, etc.

Our staff members have the knowledge and experience to effectively use analytical procedures to the District’s benefit.

6. **Approach to be taken to gain and document an understanding of the District’s internal control structure**

Audit risk assessment will be established by an internal control review, combined with the Engagement Team’s understanding of the District’s operations and accounting software. Using the Committee of Sponsoring Organizations (COSO) Framework, staff members will evaluate the District’s processes and identify any control deficiencies. These diagnostic review procedures allow the Engagement Team to evaluate the District’s systems and controls and to provide constructive feedback to District Management.

The Engagement Team will perform a walkthrough of the District’s accounting systems, including processes for financial reporting, revenue recognition and cash receipts, purchasing/contract management and cash disbursements, and payroll and related liabilities, etc. Auditors will document the process with a flowchart or narrative summary.

7. **Approach to be taken in determining laws and regulations that will be subject to audit test work**

The Firm stays continually up to date with audit requirements—including new regulations, compliance supplements, state guidelines, and pertinent contracts—to ensure that we conduct audits in accordance with applicable laws and regulations. We test transactions for compliance with the Single Audit Act, California Government Code, GANN Appropriations Limit, provisions of applicable grant guidelines, requirements of local measures, etc.

For example, the Single Audit Act requires that we determine which grants to include in our audit and select transactions from those grants for detailed testing. While most transactions are tested as part of the Interim phase, we cannot determine which grants to test for the Single Audit until the Year-End phase of audit.

Our compliance audits of cash, investments, debt covenants, and other areas are performed in accordance with the California Government code, which has many provisions and regulations covering investments.

8. **Approach to be taken in drawing audit samples for purposes of tests of compliance**

To test compliance, we follow the AICPA’s *Audit Sampling Considerations of Circular A-133 Compliance Audits*. We will select an appropriate sample size based on our professional judgment and knowledge. Any deviations from control and compliance requirements will be documented.
9. **Identification of Anticipated Potential Audit Problems**

While we do not expect any problems with the audit, we will carefully investigate and monitor the following common problem areas:

- **Investments:**
  - Compliance with GASB 31 and GASB 34
  - Authorization and approval process for District investments
  - Controls to assure District compliance with investment limitations and types of specific investments
  - Monitoring by the District of its investments

- **Financial Reporting:**
  - CAFR compliance with current reporting and disclosure requirements issued by GASB
  - CAFR eligibility for financial reporting conformance awards issued by GFOA
  - Compliance with the various GASBs in effect, especially the implementation of GASB 68 and 71 related to pension accounting
  - Compliance with infrastructure obligations and regulatory provisions

- **Internal Control Structure:**
  - District's internal control functions and compliance with proper internal control philosophies
  - Computer-system processes and controls, and adequacy of the control environment

Over the period of this proposal, several new GASB pronouncements will become effective. The Engagement Team will pay specific attention to the following new and upcoming pronouncements, and any others that become effective during the proposal period, in order to determine proper implementation procedures:

- GASB 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*
- GASB 69 – *Government Combinations and Disposals of Government Operations*
- GASB 71 – *Pension Transition for Contributions Made Subsequent to the Measuring Date*
- GASB 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- GASB 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- GASB 76 – *The Hierarchy of Generally Accepted Account Principles for State and Local Governments*
- GASB 77 – *Tax Abatement Disclosures*

**Commitment to Government Finance and/or Accounting**

The Firm strongly believes and applies the following guidelines to educate employees, providing them with the necessary skills to meet the solicitation requirements:

Professional personnel participate in general and industry-specific continuing professional education and professional development activities that enable them to satisfy their professional responsibilities and meet the applicable continuing professional education requirements of the state board of accountancy, other applicable regulatory agencies, the AICPA, and state CPA societies, as applicable.

a. The Firm requires professional personnel to plan their professional development activities considering the requirements of the following:

  - The state board of accountancy.
  - Other applicable regulatory agencies.
  - The AICPA and the state CPA societies.
  - The clients and engagements to which they are or will be assigned.

b. The managing partner, in cooperation with other partners or designated management professionals, evaluates the planning and progress of all professional personnel toward meeting applicable licensure, regulatory, and professional society membership requirements and the needs of the Firm at least annually. In addition, it is the Firm’s policy that all professional personnel comply with the
continuing professional education requirements of the AICPA, State Boards of Accountancy where the Firm is licensed, the AICPA Governmental Audit Quality Center, the AICPA Employee Benefit Plan Audit Quality Center, the AICPA Center for Public Company Audit Firms, the U.S. Government Accountability Office, and other regulatory agencies, when applicable. This information is detailed in the Firm’s Human Resources Policy manual.

c. The Firm encourages professional staff to participate in other professional development activities such as graduate study, membership in professional and trade organizations, service on professional committees, writing for professional publications, and other professional development activities. The Firm encourages these activities as described in the Firm’s Human Resources Policy manual in which such policies are detailed and which also, describes recognition provided for individual accomplishments, such as passing the CPA Exam, attaining an advanced degree, serving with professional organizations, or publishing articles.

d. The Firm receives professional literature that keeps its professional personnel abreast of changes in accounting, auditing and attestation standards and industry-specific standards and developments. The managing partner designates professionals within the Firm to summarize and disseminate information that is relevant to its practice. The Firm informs personnel of recent changes in professional standards, and in areas noted as needing improvement.

All staff meet “Yellow Book” continuing education standards. Additionally, our staff has direct experience for this contract in the following areas:

- Federal Acquisition Regulations
- Uniform Guidance (formerly known as OMB Circular A-133)
- OMB Circular A-87
- OMB Circular A-122
- Firm’s current continuing education policies

The Firm is a proud sponsor of the CSMFO Annual Conference and our Partners have participated as speakers and writers of articles for their publications as well as the CalCPA and AICPA magazines.

**Client Training Seminar**

Every year, the Firm hosts a conference to update governmental clients on new technical accounting and financial issues. The day-long session—held in Clovis, San Diego, Cerritos, and Danville—qualifies for eight hours of CPE with the California Board of Accountancy.

Participants of last year’s training seminar received a high-level examination of numerous technical issues, including the following:

- GASB Updates
  - GASB No. 72 – Fair Value Measurement and Application
  - GASB No. 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68
  - GASB No. 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans
  - GASB No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions
- Uniform Grant Guidance
- Survey of Cities and Counties

Importantly, all of our clients are invited to attend the Pun Group, LLP client training seminar FREE OF CHARGE

**Sample of Statements and Schedules to be provided by Client**

A sample of our PBC list can be found on the appendices section of this proposal.
Benefits of Choosing The Pun Group, LLP

The Pun Group, LLP is known for its professionalism, integrity, and ability to guide clients through their unique challenges. Firm policy emphasizes providing personalized client service, so our carefully chosen engagement teams are led by an experienced partner who is directly involved in the work. This philosophy allows us to provide a superior level of service.

We trust that this proposal has given you the information you need about the Firm, the Engagement Team members, overall audit approach, cost-saving measures, and audit fees. We are committed to exceeding your expectations, and we look forward to bringing our experience and expertise to the Mesa Water District and providing you with the excellent level of service that you expect and deserve.

Thank You

Thank you for giving us the opportunity to introduce the Firm and submit our qualifications to provide you with audit services. Please direct inquiries to:

Mr. Paul J. Kaymark, CPA
Audit Partner
200 East Sandpointe Avenue, Suite 600
Santa Ana, California 92707
paul.kaymark@pungroup.com
(949) 777-8821

Sincerely,

The Pun Group, LLP
Certified Public Accountants and Business Advisors
APPENDICES

✓ Proof of Insurance
✓ Sample of PBC List
# MESA WATER DISTRICT

## Proposal to Perform Professional Auditing Services

---

## ACORD Certificate of Liability Insurance

**Certificate Number:** I6802B545975  
**Policy Number:** I6802B545975  
**Limits:**  
- **General Liability:** $2,000,000  
- **Automobile Liability:** $2,000,000  
- **Workers' Compensation and Employers' Liability:**  
  - **Liability:** $1,000,000  
  - **Medical Payments:** $1,000,000  
  - **Employers' Liability:** $1,000,000  

**Issuing Entity:** Travelers Casualty Ins Co Amer  
**Insured:** The Pun Group, LLP  
**Address:** 200 E Sandpointe, #600, Santa Ana, CA 92707

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### Description of Operations / Locations / Vehicles

(Attach ACORD 191, Additional Rider Schedule, if more space is required)

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### Certificate Holder

**Evidence of Insurance**  
**Authorized Representative:** Sandra Bao  

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## MESA WATER DISTRICT

**Proposal to Perform Professional Auditing Services**

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### Water District Client Assistance Request Package
**FYE: June 30, 2016**

Please provide the following schedules and information to assist with the audit. These requests will allow us to complete the audit of your financial statements in a timely and efficient manner. We will be basing our audit plan on the assumption that all schedules listed below will be available for our use on the dates indicated. This list is not all inclusive. We may, and probably will, request other items as our audit progresses. Microsoft Excel and Word formats are preferred, but Adobe and scanned hard copy reports are also helpful. If you have any questions on any of the schedules or if there are areas where we may be of assistance, please feel free to contact us.

**Interim Fieldwork Start Date: 5/4/16**

**Year End Fieldwork Start Date: 9/14 Monday and 9/15 Tuesday**

<table>
<thead>
<tr>
<th>Request Number</th>
<th>Requested Item</th>
<th>Date Requested</th>
<th>Date Expected</th>
<th>Date Received</th>
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<td><strong>General</strong></td>
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<td>1</td>
<td>Most recent chart of accounts, if any changes from chart received at interim.</td>
<td>9/4/2016</td>
<td>9/8/2016</td>
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<td>2</td>
<td>Most recent roll-ups for the balance sheet and income statements line items,</td>
<td>9/4/2016</td>
<td>9/8/2016</td>
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<td>if any changes from list received at interim.</td>
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<td>2016 that are required for note disclosure.</td>
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<td>4</td>
<td>Description of subsequent events for note disclosure, if any</td>
<td>9/4/2016</td>
<td>9/8/2016</td>
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<td><strong>Trial Balances</strong></td>
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<td><strong>Cash and Investments</strong></td>
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<tr>
<td>16</td>
<td>List of accounts opened and closed during FY2015-2016. If there are any,</td>
<td>9/4/2016</td>
<td>9/8/2016</td>
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<td>please provide proof of proper authorization provided to the bank</td>
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<td>17</td>
<td>Summary for all restricted cash and investments held by fiscal agents by</td>
<td>9/4/2016</td>
<td>9/8/2016</td>
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<tr>
<td></td>
<td>trustee account at June 30, 2016 (excel)</td>
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<tr>
<td>18</td>
<td>Trustee statements for all restricted cash and investments held by fiscal</td>
<td>9/4/2016</td>
<td>9/8/2016</td>
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<td></td>
<td>agents at June 30, 2016 (PDF)</td>
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<td>a) credit rating for each investment</td>
<td>9/4/2016</td>
<td>9/8/2016</td>
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<td><strong>Accounts Receivable and Other Current Assets</strong></td>
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</table>
### MESA WATER DISTRICT

**Proposal to Perform Professional Auditing Services**

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Date 1</th>
<th>Date 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>24</td>
<td>Detailed listing of all interest receivable at June 30, 2016</td>
<td>9/4/16</td>
<td>9/8/16</td>
</tr>
<tr>
<td>25</td>
<td>Detailed listing of all other receivables at June 30, 2016, including due from other government</td>
<td>9/4/16</td>
<td>9/8/16</td>
</tr>
<tr>
<td>26</td>
<td>Prepaid expenses and other deposits detail listings as of June 30, 2016 (excel)</td>
<td>9/4/16</td>
<td>9/8/16</td>
</tr>
<tr>
<td></td>
<td><strong>Prepaid Assets</strong></td>
<td></td>
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<tr>
<td>27</td>
<td>Schedule of beginning balances, additions, deletions, and ending balances of capital assets and accumulated depreciation at June 30, 2016 (excel)</td>
<td>9/4/16</td>
<td>9/8/16</td>
</tr>
<tr>
<td>28</td>
<td>Detailed listing of all additions and deletions for all capital assets during FY2015-2016 (excel)</td>
<td>9/4/16</td>
<td>9/8/16</td>
</tr>
<tr>
<td>29</td>
<td>Depreciation Report for depreciation expense for capital assets for FY2015-2016</td>
<td>9/4/16</td>
<td>9/8/16</td>
</tr>
<tr>
<td>30</td>
<td>CIP detail schedule showing by project and with beginning balance, additions, deletions (capitalized), reclassifications, and ending balance for year ended June 30, 2016 (excel)</td>
<td>9/4/16</td>
<td>9/8/16</td>
</tr>
<tr>
<td>31</td>
<td>Calculation of gains and losses for all capital assets disposed for FY2015-2016, if any</td>
<td>9/4/16</td>
<td>9/8/16</td>
</tr>
<tr>
<td>32</td>
<td>Listing of amount and description of donated capital assets during FY2015-2016, if any</td>
<td>9/4/16</td>
<td>9/8/16</td>
</tr>
<tr>
<td>33</td>
<td>Listing of any impairments of capital assets during FY2015-2016, if any</td>
<td>9/4/16</td>
<td>9/8/16</td>
</tr>
<tr>
<td>34</td>
<td>Copy of the inventory of capital assets done in FY2015-2016</td>
<td>9/4/16</td>
<td>9/8/16</td>
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<tr>
<td>35</td>
<td>Supporting documentation for the Water Participation Rights</td>
<td>9/4/16</td>
<td>9/8/16</td>
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<tr>
<td>36</td>
<td>Supporting documentation for the CIP Projects</td>
<td>9/4/16</td>
<td>9/8/16</td>
</tr>
<tr>
<td></td>
<td><strong>Accounts Payable and Other Current Liabilities</strong></td>
<td></td>
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</tr>
<tr>
<td>37</td>
<td>Detailed listing of all accounts payable at June 30, 2016 (excel)</td>
<td>9/4/16</td>
<td>9/8/16</td>
</tr>
<tr>
<td>38</td>
<td>A/P Aging Report as of June 30, 2016</td>
<td>9/4/16</td>
<td>9/8/16</td>
</tr>
<tr>
<td>39</td>
<td>A/P Accrual Detail Listing as of June 30, 2016</td>
<td>9/4/16</td>
<td>9/8/16</td>
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<tr>
<td>40</td>
<td>Accounts payable check registers from July 1, 2016 through date of fieldwork.</td>
<td>9/4/16</td>
<td>9/8/16</td>
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<tr>
<td>41</td>
<td>Listing and support of all unearned revenues</td>
<td>9/4/16</td>
<td>9/8/16</td>
</tr>
<tr>
<td>42</td>
<td>Listing of all deposits payable as of June 30, 2016 including customer and construction (excel)</td>
<td>9/4/16</td>
<td>9/8/16</td>
</tr>
<tr>
<td></td>
<td><strong>Accrued Payroll and related</strong></td>
<td></td>
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<tr>
<td>43</td>
<td>Detailed listing and calculation of all accrued salaries payable at June 30, 2016 (excel)</td>
<td>9/4/16</td>
<td>9/8/16</td>
</tr>
<tr>
<td>44</td>
<td>Payroll registers for pay periods included in accrual and explanations on accrual calculation at June 30, 2016</td>
<td>9/4/16</td>
<td>9/8/16</td>
</tr>
<tr>
<td>45</td>
<td>Form 941s for FY2015-2016 (all quarters) and reconciliations to total annual payroll</td>
<td>9/4/16</td>
<td>9/8/16</td>
</tr>
<tr>
<td>46</td>
<td>List beginning balances, additions, deletions, and ending balances of compensated absences at June 30, 2016 (excel)</td>
<td>9/4/16</td>
<td>9/8/16</td>
</tr>
<tr>
<td>47</td>
<td>CalPERS Contribution Analysis for FY2015-2016</td>
<td>9/4/16</td>
<td>9/8/16</td>
</tr>
<tr>
<td>48</td>
<td>Number of retirees and employees eligible to retirement health plan as of June 30, 2016</td>
<td>9/4/16</td>
<td>9/8/16</td>
</tr>
<tr>
<td>49</td>
<td>Amount of OPEB expenditures in FY2015-2016 contributed to the plan (supporting documentation/calculation) and annual OPEB cost calculation</td>
<td>9/4/16</td>
<td>9/8/16</td>
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<tr>
<td></td>
<td><strong>Long-term liabilities (Debt Related)</strong></td>
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<tr>
<td>50</td>
<td>Long-term debt schedule as of June 30, 2016 (excel)</td>
<td>9/4/16</td>
<td>9/8/16</td>
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<tr>
<td>51</td>
<td>Copy of all debt agreements</td>
<td>9/4/16</td>
<td>9/8/16</td>
</tr>
<tr>
<td>52</td>
<td>Please provide supporting documents on the District’s compliance with debt covenants.</td>
<td>9/4/16</td>
<td>9/8/16</td>
</tr>
<tr>
<td>53</td>
<td>Schedule of amortization of bond discount</td>
<td>9/4/16</td>
<td>9/8/16</td>
</tr>
<tr>
<td>54</td>
<td>Schedule of accrued interest payable</td>
<td>9/4/16</td>
<td>9/8/16</td>
</tr>
<tr>
<td></td>
<td><strong>Revenue and Expenses</strong></td>
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<td>Description</td>
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</tr>
<tr>
<td>55</td>
<td>Explanation to Revenue and Expenditures over/under budget (items requiring explanations to be provided by PennGroup after receiving FY2015-2016 Revenue and Expenditure Status Report)</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
<tr>
<td>56</td>
<td>Listing of purchased water expense in FY2015-2016</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
<tr>
<td>57</td>
<td>Insurance and Claims Payables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>57</td>
<td>Copy of listing of FY2015-2016 premium payments for workers' comp, general liability, and reinsurance support programs</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
<tr>
<td>58</td>
<td>Copy of FY2015-2016 insurance declarations page showing policy coverage amounts and deductible for general liability, property, inverse condemnation, auto, physical damage, and reinsurance support program</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
<tr>
<td>59</td>
<td>Copy of FY2015-2016 workers compensation policy with ACWA/IFIA</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
</tbody>
</table>
I. BACKGROUND & PURPOSE

Mesa Water District (Mesa Water®) is soliciting Requests for Proposals (RFP’s or RFP) from qualified firms of certified public accountants to audit the financial statements of Mesa Water District and the Mesa Water District Improvement Corporation (MWDIC) for the fiscal years ending June 30, 2016, June 30 2017, and June 30, 2018 with the option to audit the financial statements for each of the two subsequent fiscal years.

Mesa Water, a special district, was formed on January 1, 1960 as a result of the merger of four water agencies. Mesa Water® has approximately 55 employees, and is governed by a five-member Board of Directors elected by the constituents of five divisions within the district’s service area. Mesa Water® has no affiliation with the County of Orange or the City of Costa Mesa.

Mesa Water®’s primary purpose is to manage and deliver water and water-related services to customers within its service area. Mesa Water® distributes a combination of imported water, local groundwater, and recycled water to approximately 23,500 retail accounts (population of over 110,000) in an 18 square mile area, which includes the City of Costa Mesa, parts of Newport Beach, and unincorporated area of Orange County, including the John Wayne Airport.
II. GENERAL FINANCE INFORMATION

Mesa Water®'s Fund Structure

Proprietary Funds are to be used by government entities that are similar to private sector businesses, and Mesa Water® uses a single Proprietary Fund to account for all of its operations. Mesa Water® uses a subcategory of Proprietary Funds, entitled “Enterprise Fund”, as Mesa Water® charges external customers for certain goods or services. In addition, Mesa Water® maintains Mesa Water District Improvement Corporation, A California Nonprofit Benefit Corporation.

Mesa Water®'s Basis of Accounting

Our records are maintained on the accrual basis of accounting consistent with generally accepted accounting principles and GASB. We record revenues in the period in which they are earned; expenses are recorded in the period incurred. We receive no Federal or State financial assistance. Mesa Water® is a member of the State of California’s Public Employees Retirement System. Mesa Water® does not participate in joint ventures with other governments.

Magnitude of Financial Operations

The Financial Services Department is managed by the Chief Financial Officer (CFO) with a staff 6, along with 1-2 interns. There is a Certified Public Accountant (CPA) overseeing the day-to-day accounting operations and the annual audit. Another CPA performs financial analysis and manages the annual budgeting process. The Accounting Technician II (staff Accountant) is responsible for the posting and reporting of cash and investments. An Accounting Technician I is responsible for accounts payable and accounts receivable. The Financial Services Assistant is responsible for payroll, fixed assets, project accounting and department administration, and the Buyer handles the procurement aspects for Mesa Water®.

Computer Systems

Great Plains is the financial accounting software and the CRM system is Cogsdale. Mesa Water primarily utilizes Microsoft Office products. All Mesa Water District internal and external email is hosted by a Microsoft Exchange Server. All data is backed up daily, along with financial and other critical data. These backups are then stored offsite on a routine basis.

End of Section
III. GENERAL INFORMATION & SUBMISSION REQUIREMENTS

All interested and qualified firms are invited to submit a proposal for consideration. The Request for Proposal (RFP) information packet contains instructions governing the proposals to be submitted and the material to be included therein. Submission of the proposal indicates that you have read and understand the entire RFP, to including all appendices, schedules, and addendums (as applicable), and that all concerns regarding the RFP have been satisfied.

All questions regarding this RFP must be submitted in writing by the deadline indicated in the RFP Schedule/Timeline table below, in the following format: section number paragraph number, page number, text of passage being questioned, and the question. Those firms that have registered an e-mail address will be provided all questions and responses. E-mail all questions to LoriM@MesaWater.org with a cc: to AndrewH@MesaWater.org. Questions will be responded to as quickly as possible, but may be held and consolidated into a single set of responses no later than the deadline date indicated in the RFP Schedule/Timeline table below.

If sufficient adjustments or clarifications are identified, and modifications or changes are made by Mesa Water in this RFP they will be in writing in the form of an addendum and issued to all firms submitting a proposal. Oral communications from Mesa Water® personnel or others concerning this RFP shall not be binding on Mesa Water® and shall not in any way be considered as a commitment by Mesa Water®.

Submit five (5) copies of the proposal to the address listed below no later than 3:00 p.m., on Monday, February 10, 2016. Proposals received after the deadline date & time will not be considered and faxed or e-mailed proposals will not be accepted. Postmarks will not be accepted in lieu of actual receipt.

All materials submitted in accordance with this RFP become the property of Mesa Water® and will not be returned. The proposals will become public record subject to the disclosure provisions of the Public Records Act (Government Code Section 6250 et seq.)

The proposed costs/bid is required to be submitted on the Proposed Costs/Bid Form (Appendix A), to the same address listed below, separately from the proposal, in a sealed envelope. Only one copy of the proposed costs/bid is required.

Proposals & separate seals costs/bid are to be submitted to:

Mesa Water District
Attention: Purchasing
1965 Placentia Avenue
Costa Mesa, CA 92627
The RFP schedule/timeline for auditing services is listed below:

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Release of RFP</td>
<td>January 15, 2016</td>
</tr>
<tr>
<td>Deadline for Inquiries</td>
<td>January 29, 2016</td>
</tr>
<tr>
<td>Deadline for Responses to Inquiries</td>
<td>February 5, 2016</td>
</tr>
<tr>
<td>Deadline for Proposals, 3:00 p.m.</td>
<td>February 10, 2016</td>
</tr>
<tr>
<td>Finalist(s) Interviews</td>
<td>Week of February 22, 2016</td>
</tr>
<tr>
<td>Tentative Date for Award</td>
<td>February 29, 2016</td>
</tr>
</tbody>
</table>

**RFP Inquiries**

Any explanation desired by a proposer regarding the meaning or interpretation of the RFP or general inquiries must be requested in writing to LoriM@MesaWater.org with a cc: to AndrewH@MesaWater.org.

**The deadline for inquiries is Friday, January 29, 2016.**

Prior to the commencement of services, the selected Firm awarded the contract will be required to execute a Professional Services Contract (Sample Agreement: Appendix B) between itself and Mesa Water®. The contract shall incorporate the scope of work defined herein and all RFP terms and conditions. Portions of the Firm’s proposal may be considered for inclusion into the scope of work at Mesa Water®’s discretion.

The firm shall review the Sample Professional Services Contract and carefully review the scope of work in detail as Mesa Water® will execute the contract with no exceptions if your firm is selected.

*Please indicate that the Sample Professional Services Agreement has been reviewed and will execute it with no exceptions if selected by signing and dating the Professional Services Agreement Acceptance Form (Appendix C).*

**Mesa Water® Organization Chart**

Mesa Water®’s organization chart (Appendix D) is provided to familiarize your firm with each department’s current organizational structure and reporting hierarchy.

---

End of Section
IV. SCOPE OF WORK

Mesa Water District requests that proposals be submitted from qualified CPA firms to provide audit services for both Mesa Water District and Mesa Water District Improvement Corporation for the fiscal years ending June 30, 2016, June 30, 2017 and June 30, 2018.

The term in the contract requires proposed pricing for a minimum of three (3) years. An additional two (2) renewal years is contemplated, requiring the proposer to submit prices in the proposal for the two (2) renewal terms. Renewal terms are an option exercisable by Mesa Water® and may not necessarily need to go back to the Board of Directors each year.

These audits are to be performed in accordance with generally accepted auditing standards and the standards for financial audits set forth in the U.S. General Accounting Office’s (GOA) Government Auditing Standards.

1. GENERAL

There is no expressed or implied obligation from Mesa Water District to reimburse responding firms for any expenses incurred in preparing proposals in response to this request. To be considered the proposal must be received in accordance to the Proposal Submission and Deadline as stated under section III., “General Information & Submission Requirements”. Mesa Water District reserves the right to reject any or all proposals submitted.

Mesa Water® is to be kept abreast of new developments affecting special district Accounting and reporting as well as any other issues. This includes but is not limited to impacts of newly imposed State of California mandated procedures, and required changes in grants and procedures. In addition, the District frequently requests professional advice on accounting matters throughout the fiscal year, and such advice be contemplated unless explicitly negotiated by the District or its agents.

2. ANNUAL COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

The auditor shall express an opinion on the fair presentation of the basic financial statements in conformity with generally accepted accounting principles. The auditor is not required to audit the supporting schedules, but is to provide an “in-relation-to” opinion on the schedules based on the auditing procedures applied during the audit of the basic financial statements. The auditor shall also be responsible for performing certain limited procedures involving required supplementary information required by the Government Accounting Standards Board as mandated by generally accepted auditing standards.

Audit work will be required on all debt issues, to review both accounting treatment and compliance with the bond covenants. Mesa Water® may require
assistance with pension accounting and accounting for Other Post-Employment Benefits (OPEB) and GASB statement #’s 68, 71 and 75.

Prior to recording, all auditor adjusting journal entries must be discussed and explained to the CFO and the CPA who oversees the annual audit. The entries should be in a format that shows the lowest level of posting detail required for the District to enter the data into the general ledger.

3. AUDITING STANDARDS TO BE FOLLOWED

The audit shall be performed in accordance with:

- Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants.
- Minimum audit requirements and reporting guide lines for special Districts pursuant to California Code of Regulation, State Controller, Subchapter 5, 1131.2 “Minimum Audit Requirements and Reporting Guidelines for Special Districts.”

4. REPORTS TO BE ISSUED

Following the completion of the annual CAFR audit, the auditor shall issue:

- A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles, including an opinion of the fair presentation of the supplementary schedule of expenditures of federal awards in relation to the audited financial statements (if applicable).

- A report on compliance and internal control over financial reporting based on an audit of the financial statements.

In the required reports on compliance and internal controls, the auditor shall communicate any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization’s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions that are also material weaknesses shall be identified as such in the report.

Non-reportable conditions discovered by the auditors shall be reported in a separate letter to the management (the “Management Letter”), which shall be referred to in the reports on compliance and internal controls.
Irregularities and illegal acts: 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 General Manager and/or the CFO.

Auditors shall assure themselves that the General Manager and/or CFO is informed of each of the following:

1. The auditor’s responsibility under generally accepted auditing standards
2. Significant accounting policies
3. Management judgments and accounting estimates
4. Significant audit adjustments
5. Other information in documents containing audited financial Statements
6. Disagreements with management
7. Management consultation with other accountants
8. Major issues discussed with management prior to retention
9. Difficulties encountered in performing the audit

5. WORKING PAPER RETENTION AND ACCESS TO WORKING PAPERS

All working papers and reports must be retained, at the auditor’s expense, for a minimum of five (5) years, unless the firm is notified in writing by Mesa Water® of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the following parties or their designees:

- The District’s Chief Financial Officer.
- Parties designated by the Federal or state governments or by the District as part of an audit quality review process.
- Auditors or entities of which the District is a sub recipient of grant funds. In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

6. SCHEDULE FOR THE 2016 FISCAL YEAR AUDIT

Proposers are requested to submit a proposed schedule for the 2016 Fiscal Year Audit as a part of the Technical Proposal of this Request For Proposal. Please include entrance conferences, progress reporting and exit conference in your proposed schedule.

- Entrance Conference Interim (Date or week) - The purpose of this meeting will be to discuss prior or anticipated audit issues and the interim date and work to be performed. This meeting will also be used to establish overall
liaison for the audit and to make logistical arrangements for work space and other needs of the auditor.

- Exit Conference Interim (Date or Week) - The purpose of this meeting will be to summarize the results of the preliminary review and to identify the key internal controls or other matters to be tested. This meeting will also be used to discuss year-end work to be performed.
- Detailed Audit Plan Year-End (Date) - The purpose of this meeting will be to discuss the commencement of the year-end audit work including beginning and ending dates, schedule requests, and other auditor needs.
- Exit Conference Year-End (Date or Week) - The purpose of this meeting will be to summarize the results of the field work and to review significant findings.
- Draft CAFR Report – Date anticipated to be completed by Mesa Water District. The Auditor will complete a review of the draft reports within two weeks of receipt. Revised draft documents may be required as part of this process. During the two week period, the auditor should be available for any telephonic meetings that may be necessary to discuss the audit reports. Should the auditor require additional financial exhibits not included in the published 2016 Mesa Water District CAFR, the auditor shall notify Mesa Water® staff as soon as reasonably possible.
- Final Reports – Mesa Water® staff will be responsible for preparations of the final CAFR. It is anticipated that the process will be completed and final reports for publishing delivered no later than November 30 of each respective audit year. The final reports and 10 signed bound copies will be provided to Mesa Water®. In addition, the selected firm will be required to provide periodic reports to Mesa’s Finance Committee and present the final report to the Board of Directors at an evening meeting.

7. ASSISTANCE TO THE AUDITOR AND REPORT PREPARATION

- The Financial Services Department as well as the responsible management personnel will be available during the audit to assist the firm by providing information, documentation and explanations. The preparation of confirmations will be the responsibility of the District, with the assistance of the auditor.
- Information personnel will be available to provide systems documentation and explanations. Various computer reports will be provided to the auditor as requested.
- Mesa Water® will provide the auditor with reasonable workspace, desks and chairs, which may be in the general Accounting Department area. The auditor will also be provided with access to a telephone, photocopying facilities and fax machines subject to the following restrictions. Mesa Water District utilizes a 9-80 work schedule, and the auditor should plan accordingly.

End of Section
V. CONTENTS OF PROPOSAL

Submitted proposals, including the enclosures, must be clearly and consecutively numbered and correspond to the contents outlined below:

1. AUDITING FIRM INFORMATION

These items must be fully completed:

- Name of Business/Company and Address:
- Business/Company Telephone Number(s) and Facsimile Number:
- Business/Company Website Address:
- Federal Tax ID Number and Number of Years in Business:
- Type of Business/Company (Sole Proprietorship; Partnership; Corporation; or Other (Explain)):
- Name, title, telephone number, e-mail address and if different, address of person(s) authorized to represent the business/company and name, title, telephone number, e-mail address and if different, address of person(s) authorized to sign contracts for the business/company.

2. STATEMENT OF EXPERIENCE (5 page maximum)

This section should contain the firm’s experience and establish their ability to perform work to the expectations and satisfaction of Mesa Water® District by reason of:

- Similar work
- Strength and stability of the firm
- Staffing capability
- Work load

Include the following in this section of the proposal:

- A statement that the firm has a demonstrated track record to perform the required services.
- Provide reasoning why the firm would be the best choice for providing services as described in the RFP for Mesa Water®.
- State the size of the firm, the size of the firm’s governmental audit staff, the location of the office from which the work on this engagement is to be performed, and the number and nature of the professional staff to be employed in this engagement on a full-time basis and the number and nature of the staff to be so employed on a part-time basis.
- If the firm is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium should be separately identified and the firm that is to serve as the principal auditor should be noted, if applicable.
• The firm is also required to submit a copy of the report on its most recent external quality control review, with a statement indicating whether that quality control review included a review of specific government engagements.

• The firm shall also provide information on the results of any federal or state desk review or field reviews of its audits during the past three (3) years. In addition, the firm 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.

• The firm should provide an affirmative statement that it is independent of Mesa Water District as defined by generally accepted auditing standards for the U.S. General Accounting Office’s Government Auditing Standards. In addition, the firm shall give the District written notice of any professional relationships entered into during the period of this agreement.

3. EXCEPTIONS TO MESA WATER®’S CONTRACT TERMS

A copy of Mesa Water®’s Professional Services Contract (Appendix B) is attached. Please indicate that the Sample Professional Services Agreement has been reviewed and will execute it with no exceptions if selected by signing and dating the Professional Services Agreement Acceptance Form (Appendix C).

4. REFERENCES

Provide five references from similar auditing projects including name of business/company, address, contact name, e-mail address, telephone number and a description of the work performed. Only include projects completed in the last 36 months.

5. PROPOSED STAFFING AND PROJECT ORGANIZATION (5 page maximum)

This section should provide qualifications, identify the project team and provide an organization chart with each key staff’s responsibilities and reporting relationships defined for the purposed team. Provide a one (1) page resume with general education experience, and professional credentials for key staff and proposed project team members. Specifics should include type and amount of experience with Government Auditing Services, list of projects in which they were involved, and their capacity with these projects.

Identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement and provide an affirmative statement that the firm and all assigned key professional staff are licensed to practice as certified public accountants in the state of California. Also provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past three (3) years and membership in professional organizations relevant to the performance of this audit.
Provide as much information as possible regarding the number, qualifications, experience and training of the specific staff to be assigned to this engagement. Indicate how the quality of staff over the term of the agreement will be assured.

Engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the District. However, in either case, the District retains the right to approve or reject replacements.

Other audit personnel may be changed at the discretion of the firm provided that Replacement staff have substantially the same or better qualifications or experience.

6. PROJECT UNDERSTANDING (4 page maximum)

Clearly state the project objectives and anticipated deliverables. Indicate why the firm is qualified and why Mesa Water® should select them for this project.

7. SCOPE OF WORK – TECHNICAL PORTION

The purpose of the technical portion is to demonstrate the qualifications, competence, and capacity of the firms seeking to undertake an independent audit of the District in conformity with the requirements of this Request for Proposal. The technical portion should be prepared simply and economically, providing a straight forward, concise description of the firm’s capabilities to satisfy the requirements of the Request for Proposal. The following subjects must be included:

- Independence - The firm should provide an affirmative statement that it is independent of Mesa Water District as defined by generally accepted auditing standards of the U.S. General Accounting Office’s Government Auditing Standards. Additionally, the firm should also list and describe the firm’s professional relationships involving the District for the past five (5) years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.

  In addition, the firm shall give the District written notice of any professional relationships entered into during the period of this agreement.

- An affirmative statement should be included that the firm and all assigned key professional staff are properly licensed to practice in the state of California.

- List separately all engagements similar to Mesa Water District (Special Districts, Governmental Agencies) within the last five (5) years, ranked on the basis of total staff hours, by type of engagement (i.e., audit, management advisory services, other, etc.) Indicate the scope of work, date, engagement partners,
total hours, the location of the firm’s office from which the engagement was performed, and the name and telephone number of the principal client contact.

- **Specific Audit Approach** - The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in the section of the Request for Proposal, “Nature of Services required.” In developing the work plan, reference should be made to such sources of information as the District’s budget and related materials, organizational charts, manuals and programs, and financial and other management information systems.

Firms will be required to provide the following information on their audit approach:

- Proposed schedule for the 2016 audit.
- List of proposed statements and schedules that the District would need to provide to the auditor and their due dates.
- Information technology assistance request.
- Method of providing the District with important accounting changes throughout the year.
- Sample size and the extent to which statistical sampling is to be used in the engagement.
- Type and extent of analytical procedures to be used in the engagement.
- Approach to be taken 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.
- Approach to be taken in drawing audit samples for purposes of tests of compliance.

- **Identification of Anticipated Potential Audit Problems** - The proposal should identify and describe any anticipated potential audit problems, the firm’s approach to resolving these problems, and any special assistance that will be request from the District.

- **Commitment to Government Finance and/or Accounting** - The firm’s commitment to government finance and/or auditing should be demonstrated through participation in GFOA, CSMFO, GASB, or other recognized organizations dedicated to the field. Please describe organization and level of participation.
8. **PROPOSED COSTS/BID SHEET – SUBMIT IN A SEPARATE SEALED ENVELOPE**

Complete the Proposed Costs/Bid sheet, (Appendix A) which outlines the required format for cost. The cost proposal needs to contain all pricing information relative to performing the audit engagement as described in this Request for Proposal. The total all-inclusive maximum price is to contain all direct and indirect costs including all out-of-pocket expenses.

Show a total all-inclusive maximum price for FY16, FY17, and FY18 audit years (including MCWDIC).

Rates by Partner, Specialist, Supervisory and Staff Level times hours anticipated for each. The cost bid should include and schedule of professional fees and expenses that supports the total all-inclusive maximum annual price.

Out-of-pocket expenses included in the total all-inclusive maximum price and reimbursement rates. All expense reimbursements will be charged against the total all-inclusive maximum price submitted by the firm.

Mesa Water District will not be responsible for expenses incurred in preparing and submitting the technical proposal or the cost bid. Such costs should not be included in the proposal.

Rates for additional services – If it should become necessary for the District to request the firm to render any additional service to either supplement the services requested in this Request for Proposal, or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract between the District and the firm. Any such additional work agreed to between the District and the firm shall be performed as the same rates set forth in the schedule of fees and expenses included in the Cost Proposal.

**Manner of Payment**

Progress payments will be made on the basis of hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the firm’s Cost bid, to billed no more frequently than monthly and no later than the 5th business day of the following month.

End of Section
VI. EVALUATION CRITERIA AND SELECTION PROCESS

A Selection Team established by the Financial Services Manager will review, evaluate, and score the proposals. The Team will evaluate the proposals based upon the following criteria:

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm Qualifications &amp; Experience</td>
<td>20%</td>
</tr>
<tr>
<td>Company/Staff Availability</td>
<td>10%</td>
</tr>
<tr>
<td>Project Understanding</td>
<td>30%</td>
</tr>
<tr>
<td>Scope of Work</td>
<td>35%</td>
</tr>
<tr>
<td>Proposal Quality</td>
<td>5%</td>
</tr>
<tr>
<td>Cost (Evaluated only after ratings are complete)</td>
<td></td>
</tr>
</tbody>
</table>

The review process of the proposals will be the members of the Evaluation Team scoring each technical portion of the proposal using a scoring system based on a scale of 1 to 5 with 5 being the most favorable score. The Team may select the proposal that clearly exceeds the others in all mandatory specifications of the RFP or they may select finalist proposals that meet specifications and whose score on evaluation factors is sufficiently high to merit further consideration by the Team.

The Team may, at its discretion, request an interview with any one or all firms to be further evaluated so there is the opportunity to answer any questions the Team may have of their proposal before deciding on the firm that best meets the District’s needs. Such interview(s) would be tentatively scheduled for completion during the week of February 22, 2016.

The Team may at its discretion, waive the finalist interview process, and select the firm based on the submitted proposal content if, it is the opinion, one firm’s proposal appears substantially more qualified than others.

Mesa Water® reserves the right to reject any and all proposals for any reason. Mesa Water® may not proceed, for any reason, with the selection process of a firm if Mesa Water® deems it is in the best interest of the organization. Mesa Water® shall not be responsible to any of the firms for the cost to prepare their proposal in response to this RFP.

Proposals must include the entire scope of work as outlined in this RFP.

End of Section
APPENDIX A (Two Pages)
COSTS/BID FORM

MESA WATER DISTRICT
Professional Auditing Services

Proposed Costs/Bid

---

I. Firm Name:

Contact Person:

Phone: E-Mail Address:

---

II. Auditing Personnel Provided For This Engagement:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Years Experience</th>
<th>Cert./ Degree</th>
<th>Date Of Last Public Audit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

III. Hourly Rates and Anticipated Number of Hours for Each of the Auditing Personnel:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Total Hours</th>
<th>Quoted Hourly Rate</th>
<th>Extended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>$____per hour</td>
<td>$_______</td>
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<td>$____per hour</td>
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<td>$_______</td>
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<td></td>
<td></td>
<td></td>
<td>$____per hour</td>
<td>$_______</td>
</tr>
</tbody>
</table>

IV. Out of Pocket Expenses and Reimbursement Rates

<table>
<thead>
<tr>
<th>Listing of Out of Pocket Expenses</th>
<th>Total</th>
<th>Reimbursement Rate</th>
</tr>
</thead>
</table>
PROPOSED COSTS/BID FORM, CONTINUED

V. Total All-Inclusive Maximum Price:

Fiscal Year 2016 Audit
Total_____________________

Fiscal Year 2017 Audit
Total_____________________

Fiscal Year 2018 Audit
Total_____________________

Option to Renew:

Fiscal Year 2019 Audit
Total_____________________

Fiscal Year 2020 Audit
Total_____________________

VI. Authorization Signature On Behalf Of The Firm:

The person signing this bid does so certifying they are entitled to represent the firm, empowered to submit the proposal, and authorized to sign the Mesa Water® Contract between parties.

________________________________________________________________________
Name of Authorized Personnel on Behalf of the Firm

________________________________________________________________________
Signature on Behalf of the Firm Date
APPENDIX B
PROFESSIONAL SERVICES CONTRACT
APPENDIX C
RFP AND PROFESSIONAL SERVICES AGREEMENT ACCEPTANCE FORM

Firm Name:______________________________________________________

Address:________________________________________________________________

City __________________________State ______Zip Code _______________

Telephone:_________________________ Fax:_________________________

I have reviewed the RFP and Professional Services agreement in their entirety. Our firm will execute the Professional Services Agreement with no exceptions.

Name of Authorized Representative:___________________________________

Signature of Authorized Representative:________________________________

Date: ___________________________
APPENDIX D
MESA WATER® ORGANIZATION CHART
MEMORANDUM

TO: Finance Committee
FROM: Stacy Taylor, Public & Government Affairs Manager
DATE: June 20, 2016
SUBJECT: FY 2017 District Memberships/Public Outreach Events

RECOMMENDATION

Approve Fiscal Year 2017 District Memberships/Public Outreach Events.

STRATEGIC PLAN

Goal #3: Be financially responsible and transparent.
Goal #4: Increase public awareness about Mesa Water® and about water.
Goal #5: Attract and retain skilled employees.
Goal #6: Provide outstanding customer service.
Goal #7: Actively participate in regional water issues.

PRIOR BOARD ACTION/DISCUSSION

During the May 19, 2016 Board meeting discussion of the Fiscal Year (FY) 2017 Budget, the Board of Directors (Board) determined to review and approve the District Memberships/Public Outreach Events separate from the adoption of the 2017 Budget.

DISCUSSION

Each year, the Board approves the District Memberships/Public Outreach Events in the annual budget. Both Board and staff participate in the organizations in which the District is a member. Participation includes committee representation, attending functions at discounted rates, industry networking, etc.

Detail related to the financial impact associated with each membership is attached (Attachment A).

Following is the list of proposed district memberships comprised in the FY 2017 Budget:

- Association of CA Cities – Orange County (ACC-OC)
- Association of California Water Agencies (ACWA)
- American Water Works Association (AWWA)
- AWWA Water Research Foundation
- CalDesal
- California Special Districts Association (CSDA)
- Costa Mesa Chamber of Commerce
- Foundation for Cross Connection Control & Hydraulic Research
- Independent Special Districts of Orange County (ISDOC)
- Newspaper subscriptions (LA Times and OC Register)
- Orange County Business Council (OCBC)
• Orange County Forum (OC Forum)
• Southern California Water Committee (SCWC)
• Southwest Membrane Operator Association (SWMOA)
• Urban Water Institute
• WaterReuse
• Miscellaneous memberships

With respect to Mesa Water’s attendance, participation in and/or sponsorship of public outreach events, staff follows a vetting process that includes:

• Verifying the event’s/organization’s nonprofit status;
• Reviewing the opportunity with respect to its beneficiaries, location, media coverage, mission, services, timing, etc.; and,
• Determining the opportunity’s outreach benefits and potential return on investment (ROI), in terms of cost per touch, for the District to reach its audiences.

Furthermore, even if the event/organization meets the above criteria, Mesa Water® retains the right to decline the opportunity. Attached for the purposes of the Board’s discussion of this item are:

• Mesa Water’s proposed FY 2017 Community Outreach Events (Attachment B) for attendance, participation in and/or sponsorship considerations and corresponding funding levels; and,
• Mesa Water’s most recent ROI analysis (Attachment C) of all District events that staff/Board attended, hosted, and/or participated in during calendar year 2015.

FINANCIAL IMPACT

In FY 2017, $72,000 is budgeted for District memberships and $51,500 is budgeted for Community Outreach Events; no funds have been spent to date.

ATTACHMENTS

Attachment A: FY 2017 District Memberships
Attachment B: FY 2017 Community Outreach Events
Attachment C: Cost Per Touch ROI for Mesa Water’s events in Calendar Year 2015
## District Memberships

<table>
<thead>
<tr>
<th>Membership</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Association of California Water Agencies</td>
<td>$23,000</td>
</tr>
<tr>
<td>California Special Districts Association</td>
<td>$6,000</td>
</tr>
<tr>
<td>Association of CA Cities - Orange County</td>
<td>$5,000</td>
</tr>
<tr>
<td>CalDesal</td>
<td>$5,000</td>
</tr>
<tr>
<td>Chamber of Commerce</td>
<td>$5,000</td>
</tr>
<tr>
<td>Miscellaneous memberships</td>
<td>$5,000</td>
</tr>
<tr>
<td>Orange County Business Council</td>
<td>$5,000</td>
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## Community Outreach Events

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<td>Costa Mesa United</td>
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**Total Community Outreach Events** $51,500
## Accounts Paid Listing

**From 5/1/2016 to 5/31/2016**

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**TOTAL CAPITAL** 6 47,648.98
# Accounts Paid Listing

From 5/1/2016 to 5/31/2016

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## Accounts Paid Listing

From 5/1/2016 to 5/31/2016

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**TOTAL DEPARTMENT EXPENSE**   **17**   **85,472.65**
### Accounts Paid Listing

From 5/1/2016 to 5/31/2016

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**TOTAL DIRECTOR CHECKS** 5 3,518.00
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## Accounts Paid Listing

**From 5/1/2016 to 5/31/2016**

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7 of 28
## Accounts Paid Listing

**From 5/1/2016 to 5/31/2016**

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**From 5/1/2016 to 5/31/2016**

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11 of 28
## Accounts Paid Listing

From 5/1/2016 to 5/31/2016

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## Accounts Paid Listing

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# Accounts Paid Listing

From 5/1/2016 to 5/31/2016

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**TOTAL GENERAL AND ADMINISTRATIVE** 107  227,834.78
## Accounts Paid Listing

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**TOTAL RETIREE CHECKS** 5  584.68
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## Accounts Paid Listing

From 5/1/2016 to 5/31/2016

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From 5/1/2016 to 5/31/2016

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## Accounts Paid Listing

**From 5/1/2016 to 5/31/2016**

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**Total Amount:**

- 1,318.95
- 577.80
- 108.37
- 3,683.24
- 268.92
- 49,798.80
- 14,582.16
- 64,380.96

**Total:** **104,793.06**
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# Accounts Paid Listing

From 5/1/2016 to 5/31/2016

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## Accounts Paid Listing

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## Accounts Paid Listing

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<td>1,978.60</td>
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## Accounts Paid Listing

From 5/1/2016 to 5/31/2016

<table>
<thead>
<tr>
<th>Vendor</th>
<th>Check Number</th>
<th>Invoice Number</th>
<th>Description</th>
<th>Check Count</th>
<th>Amount</th>
</tr>
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<td>0614734-IN</td>
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<td>LANDSCAPING</td>
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<td>000020253</td>
<td>0614733-IN</td>
<td>ROCK &amp; MULCH INSTALLATION</td>
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<td>380.00</td>
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<td></td>
<td><strong>5/18/2016</strong></td>
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<td><strong>5,325.91</strong></td>
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<td>ORANGE COUNTY WATER DISTRICT</td>
<td>000020254</td>
<td>2016-S14</td>
<td>2016 CHLDN WATER EDUCATION</td>
<td>1</td>
<td>1,155.78</td>
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<td>PARADISE AWARDS</td>
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<td>11450</td>
<td>ART GLASS AWARD</td>
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<tr>
<td>PAULUS ENGINEERING INC</td>
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<td>PP 4 8' WATER MAIN REPAIR</td>
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<td>7,628.43</td>
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<tr>
<td></td>
<td>000020255</td>
<td>13590</td>
<td>PP 5 WATER MAIN REPAIR</td>
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<td>27,796.61</td>
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<tr>
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<td></td>
<td></td>
<td><strong>5/18/2016</strong></td>
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<td><strong>60,060.03</strong></td>
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<td>SOUTHERN CALIFORNIA GAS CO</td>
<td>000020149</td>
<td>03940813002APR2016</td>
<td>APRIL 03/25 - 04/25</td>
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<td>894.95</td>
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<tr>
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<td>000020149</td>
<td>03520813000APR2016</td>
<td>APRIL 03/25 - 04/25</td>
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<td>94.19</td>
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<td>000020204</td>
<td>05060829008APR2016</td>
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<td>000020310</td>
<td>05200799004MAY2016</td>
<td>MAY 04/21-05/20</td>
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<td>2,075.55</td>
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<td><strong>5/25/2016</strong></td>
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<td><strong>6,689.98</strong></td>
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</table>
# Accounts Paid Listing

From 5/1/2016 to 5/31/2016

<table>
<thead>
<tr>
<th>Vendor</th>
<th>Check Number</th>
<th>Invoice Number</th>
<th>Description</th>
<th>Check Count</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOUTHERN CALIFORNIA EDISON CO</td>
<td>0000020207</td>
<td>2238281499MAR16B</td>
<td>MAR 2016</td>
<td>1</td>
<td>18,930.76</td>
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<tr>
<td></td>
<td>0000020207</td>
<td>2238281499APR16A</td>
<td>APR 2016</td>
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<td>70,811.92</td>
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<tr>
<td></td>
<td></td>
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<td></td>
<td>89,742.68</td>
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<tr>
<td>STOUT &amp; BURG ELECTRICAL INC</td>
<td>000020262</td>
<td>000289</td>
<td>REPAIRS</td>
<td>1</td>
<td>276.00</td>
</tr>
<tr>
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<td>5/18/2016</td>
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<td>TYCO INTEGRATED SECURITY</td>
<td>000020314</td>
<td>26491485</td>
<td>SERVICE CALL</td>
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<td></td>
<td>5/25/2016</td>
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<td></td>
<td>986.80</td>
</tr>
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</table>

**TOTAL VARIOUS** 32 238,554.00

**GRAND TOTAL** 214 843,625.86
RECOMMENDATION

This item is provided for information only.

STRATEGIC PLAN

Goal #3: Be financially responsible and transparent.

PRIOR BOARD ACTION/DISCUSSION

None.

DISCUSSION

Staff will provide an updated monthly financial report at the Finance Committee meeting.

FINANCIAL IMPACT

None.

ATTACHMENTS

None.
## Major Staff Projects for Fiscal Year 2016

<table>
<thead>
<tr>
<th>Title</th>
<th>Comments</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting year-end audit</td>
<td></td>
<td>In Process</td>
</tr>
</tbody>
</table>
REPORTS AND INFORMATION ITEMS:

7. REPORT OF THE GENERAL MANAGER:
REPORTS AND INFORMATION ITEMS:

8. DIRECTORS' REPORTS AND COMMENTS:
MEMORANDUM

TO: Board of Directors
FROM: Andrew Hamilton, Chief Financial Officer
DATE: June 20, 2016
SUBJECT: South Coast Plaza Emergency Repair Update

RECOMMENDATION

This report is for information only.

STRATEGIC PLAN

Goal #1: Provide a safe and reliable water supply.
Goal #2: Practice perpetual infrastructure renewal and improvement.
Goal #3: Be financially responsible and transparent.

PREVIOUS BOARD ACTION / DISCUSSION

On October 19, 2015, a 50-year old waterline near the western end of the interior roadway of South Coast Plaza (SCP) at Bristol Street (across from Anton Boulevard) ruptured and impacted the soils supporting the pavement. A 12-inch water main runs along the roadway in the east-west direction. The rupture occurred in a section of pipe that angled down through a retaining wall more than 16 feet below the ground surface. At the rupture location, the pavement caved in - resulting in a deep sinkhole (approximately 30 feet by 20 feet at the ground surface) - undermining a Southern California Edison (SCE) high voltage (12 KVA) duct bank and roadway infrastructure (sidewalk, light poles, palm trees, etc.). Beyond the immediate location of the waterline rupture, the asphaltic concrete (AC) pavement was uplifted from the water pressure and the base course was filled with water, soaking the upper parts of the clay subgrade.

Repairs included removal of debris, damaged pavement, and soils disturbed by the water erosion; backfilling of the sinkhole; replacement of the pavement in the entire driveway; replacement of the damaged sidewalk section and light pole; and relocation of a section of the water line around the existing retaining wall.

The Finance Committee reviewed this item at the December 21, 2015 meeting and recommended the Board approve the filing of an insurance claim with the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA).
The Board took the following actions during the January 14, 2016 Board Meeting:

- Approve filing an insurance claim with ACWA/JPIA for the following invoices incurred by Mesa Water:

<table>
<thead>
<tr>
<th>Claim # / Contractor</th>
<th>Activity</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. PEI</td>
<td>Emergency Pipeline Repair</td>
<td>$121,537.88</td>
</tr>
<tr>
<td>2. PEI</td>
<td>New Pipeline Construction</td>
<td>$206,602.67</td>
</tr>
<tr>
<td>3. UPC</td>
<td>New Driveway Construction</td>
<td>$249,469.77</td>
</tr>
<tr>
<td>4. GPI</td>
<td>Geotechnical Services</td>
<td>$14,906.30</td>
</tr>
<tr>
<td>5. MWH</td>
<td>Construction Management</td>
<td>$8,781.50</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$601,298.12</strong></td>
</tr>
</tbody>
</table>

- The Board also denied the following claim and referred it to ACWA/JPIA for handling:

<table>
<thead>
<tr>
<th>Claim # / Affected Party</th>
<th>Reason</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>6. Westin</td>
<td>Financial Impact</td>
<td>$22,199.32</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$22,199.32</strong></td>
</tr>
</tbody>
</table>

- The Board also approved the following claims and directed staff to process:

<table>
<thead>
<tr>
<th>Claim # / Affected Party</th>
<th>Reason</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>7. Claim Jumper Restaurant</td>
<td>Financial Impact</td>
<td>$10,000.00</td>
</tr>
<tr>
<td>8. Seasons 52 / Darden</td>
<td>Financial Impact</td>
<td>$10,000.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
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<td><strong>$20,000.00</strong></td>
</tr>
</tbody>
</table>
DISCUSSION

The following table and accompanying notes provide an update on all claims which were submitted within six months from the date of the incident or by April 19, 2016. Claims filed prior to this date for personal injury or damage to personal property are considered timely.

Subsequent to the January 14, 2016 Board actions, a claim was sent directly to ACWA/JPIA from Southern California Edison (SCE). ACWA/JPIA settled directly with SCE as shown in the table below:

<table>
<thead>
<tr>
<th>Claim # / Contractor / Affected Party</th>
<th>Payment Date</th>
<th>ACWA/JPIA Reimbursement to Mesa Water</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. PEI</td>
<td>See note below</td>
<td>Pending Review</td>
<td>$121,537.88</td>
</tr>
<tr>
<td>2. PEI</td>
<td>See note below</td>
<td>Denied</td>
<td>206,602.67</td>
</tr>
<tr>
<td>3. UPC</td>
<td>February 11, 2016</td>
<td>Approved</td>
<td>249,469.77</td>
</tr>
<tr>
<td>4. GPI</td>
<td>See note below</td>
<td>Approved</td>
<td>14,906.30</td>
</tr>
<tr>
<td>5. MWH</td>
<td>See note below</td>
<td>Partially Approved</td>
<td>8,781.50</td>
</tr>
<tr>
<td>6. Westin</td>
<td>May 12, 2016</td>
<td>N/A – ACWA/JPIA paid direct</td>
<td>22,199.32</td>
</tr>
<tr>
<td>7. Claim Jumper Restaurant</td>
<td>See note below</td>
<td>N/A – Mesa Water paid direct</td>
<td>10,000.00</td>
</tr>
<tr>
<td>8. Seasons 52 / Darden</td>
<td>April 7, 2016</td>
<td>N/A – Mesa Water paid direct</td>
<td>10,000.00</td>
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<td>9. SCE</td>
<td>April 12, 2016</td>
<td>N/A – ACWA/JPIA paid direct</td>
<td>35,824.66</td>
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</table>

TOTAL $679,322.10

Notes
1. PEI – Ongoing communication between ACWA/JPIA and Mesa Water's Engineering Department has occurred on this item. Mesa Water is currently awaiting a response from ACWA/JPIA regarding whether this claim will be approved.
2. PEI – ACWA/JPIA has not approved this claim due to ACWA/JPIA not providing coverage for pipeline relocation.
3. Geotechnical Services – ACWA/JPIA has recently approved this claim. Payment is expected from ACWA/JPIA in the next couple of weeks.
4. MWH Constructors – ACWA/JPIA has recently approved $6,410.50 of this claim and has rejected $2,371.00. Payment is expected from ACWA/JPIA in the next couple of weeks.
7. Claim Jumper – Mesa Water received a liability release on June 8, 2016. Mesa Water is still awaiting a W-9 form from Claim Jumper to release payment.

FINANCIAL IMPACT

To date, the cost associated with the SCP emergency repairs is approximately $371,000. The cost is figured on the expenditures and reimbursement as follows: $621,000 has been expended which is a combination of the emergency repairs and claims paid directly by Mesa Water. Approximately $250,000 has been received from ACWA/JPIA as an insurance reimbursement.

ATTACHMENTS

None.
MEMORANDUM

TO: Board of Directors
FROM: Andrew Hamilton, Chief Financial Officer
DATE: June 20, 2016
SUBJECT: Financial Forecast

RECOMMENDATION

Receive the presentation.

STRATEGIC PLAN

Goal #1: Provide a safe, abundant, and reliable water supply.
Goal #2: Practice perpetual infrastructure renewal and improvement.
Goal #3: Be financially responsible and transparent.

PRIOR BOARD ACTION/DISCUSSION

On May 14, 2015, the Board of Directors (Board) of Mesa Water District (Mesa Water®) approved the Fiscal Year (FY) 2016 Budget.

In March 2016, the Board received the third quarterly forecast containing expected Fiscal Year 2016 financial results.

DISCUSSION

Subsequent to adoption by the Board and due to a variety of unique factors, financial assumptions used to formulate the FY 2016 budget have changed. Therefore, to provide updated financial information, a forecast for FY 2016 was created with revised assumptions. This forecast provides an estimate of expected financial results due to a variety of factors: budgeted conservation exceeding actual conservation, change in the Basin Production Percentage (BPP) to 75%, sooner than expected operation of clear wells, increased receipt of developer fee deposits, increased capital expenditures, etc. These changes in assumptions resulted in related revisions to: anticipated water consumption revenues, volume of water mix (clear vs. amber), Mesa Water Reliability Facility (MWRF) production estimates, cash inflows from developer deposits, and capital spending. Another FY 2016 Forecast was created in the 4th quarter of the fiscal year and then compared against the FY 2016 Budget, as summarized on the following page:
<table>
<thead>
<tr>
<th></th>
<th>Q4 Annual Forecast vs Budget</th>
<th>Q4 Annual Forecast vs Budget</th>
<th>Q3 Annual Forecast vs Budget</th>
<th>Q2 Annual Forecast vs Budget</th>
<th>Q1 Annual Forecast vs Budget</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Best Case</td>
<td>Worse Case</td>
<td>Best Case</td>
<td>Best Case</td>
<td>Best Case</td>
</tr>
<tr>
<td>Revenues</td>
<td>($1,895,227)</td>
<td>($1,995,227)</td>
<td>($1,895,227)</td>
<td>($843,039)</td>
<td>($1,978,769)</td>
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<tr>
<td>Expenses</td>
<td>$438,103</td>
<td>$461,219</td>
<td>$438,103</td>
<td>$336,626</td>
<td>$668,504</td>
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<tr>
<td>Increase in BPP</td>
<td>$160,000</td>
<td>$160,000</td>
<td>$160,000</td>
<td>$160,000</td>
<td>$160,000</td>
</tr>
<tr>
<td>Developer deposits &amp; other</td>
<td>$3,400,000</td>
<td>$2,475,000</td>
<td>$1,900,000</td>
<td>$1,390,000</td>
<td>$1,400,000</td>
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<tr>
<td>Capital Spending</td>
<td>($602,876)</td>
<td>($602,876)</td>
<td>($602,876)</td>
<td>($602,876)</td>
<td>$100,000</td>
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<td>Net increase/(decrease) in cash</td>
<td>$1,500,000</td>
<td>$498,116</td>
<td>$0</td>
<td>$440,711</td>
<td>$349,735</td>
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</tbody>
</table>

Further details of the forecast vs. budget variation will be provided during the presentation.

FINANCIAL IMPACT

Under the Best Case scenario, it is anticipated that no net increase in cash will result due to revised financial assumptions that have occurred since the adoption of the FY 2016 Budget.

ATTACHMENTS

None.