

**Board of Directors  
San Simeon Community Services District**



**BOARD PACKET**

**Wednesday, August 14, 2013  
Regular Meeting 6:00 pm**

Cavalier Banquet Room  
250 San Simeon Avenue  
San Simeon, CA

Prepared by  **APT water**

**AGENDA**  
**SAN SIMEON COMMUNITY SERVICES DISTRICT**  
**BOARD OF DIRECTORS REGULAR MEETING**  
**Wednesday, August 14, 2013**  
**6:00 pm**

**CAVALIER BANQUET ROOM**  
**250 San Simeon Avenue**  
**San Simeon, CA**

Note; All comments concerning any item on the agenda are to be directed to the Board Chairperson

**1. NO CLOSED SESSION**

**2. REGULAR SESSION: 6:00 PM**

A. Roll Call

B. Pledge of Allegiance

**3. PUBLIC COMMENT:**

Any member of the public may address and ask questions of the Board relating to any matter within the Board's jurisdiction, provided the matter is not on the Board's agenda, or pending before the Board. Presentations are limited to three (3) minutes or otherwise at the discretion of the Chair.

A. **Sheriff's Report** – Report for July.

B. **Public comment on Sheriff's Report**

**4. BOARD PRESENTATIONS AND ANNOUNCEMENTS:**

Board Members may address the Board and the Public relating to any matter within the Board's jurisdiction. Presentations are limited to three (3) minutes or otherwise at the discretion of the Chair.

**5. STAFF REPORTS**

A. **General Manager's Report**

1. **Staff Activity** – Report on Staff activities for the month of July.

2. **Grants, Loans and Partnership Opportunities** – Update on USDA Loan and Byways Interpretive signs.

3. **Small Scale Recycled Water Project** – Verbal update on the General Reclaimed Water Permit application.

**B. Superintendent's Report**

1. **Wastewater Treatment / Collection Systems** – Summary of operations and maintenance for July.
2. **Water / Distribution Systems** – Distribution performance for the Month of July.
3. **District Maintenance** – Summary of District maintenance for July.

**C. District Financial Summary** – Update on Monthly Financial Status for close of business July 31, 2013.

**D. District Counsel's Report** – Oral Report on current issues

**6. ITEMS OF BUSINESS**

- A. **Approval of last month's minutes** – July 10, 2013.
- B. **Approval of Disbursements Journal** – August 14, 2013.

**7. DISCUSSION/ACTION ITEMS**

- A. **Discussion if the District should reimburse themselves for expenses made towards preparation of the USDA.**
- B. **Review of Auditor proposals for the San Simeon CSD 2012-2013 Audit.**
- C. **Resolution 13-360 – Authorization of Bank Signatures.**

**8. Board Committee Reports** – Oral Report from Committee Members.

**9. Board Reports** – Oral Report from Board Members on current issues.

**10. BOARD/STAFF GENERAL DISCUSSIONS AND PROPOSED AGENDA ITEMS**

**11. ADJOURNMENT**

**GENERAL MANAGER'S REPORT**  
**Charles Grace**  
**Staff Activities for July**

**General Managers Report**  
**August 14, 2013**

**1. Staff Activity – Report on Staff activities for the month of July.**

Along with billing and collections, Staff sent out the Quarterly Newsletter and the Stage 2 Alert. Staff was in contact with the United States Department of Agriculture (USDA) and Phoenix Engineering regarding preparation for construction of the Wellhead Project. Staff prepared information for the Water committee meeting and trained 5 people on Recycled Water distribution. The State/Hearst Billing was sent out (\$21,090.32)

**2. Grants, Loans and Partnership Opportunities**

**Well Rehab Project**

Phoenix Engineering has received several change order requests from the Construction and Electrical teams. These changes were expected since the plans were engineered in 2007. The changes are minor and refer to updated parts and systems. The process is to send the change orders for review to Phoenix or AECOM then final approval through the District and USDA. Once these changes are approved by the USDA, equipment and parts can be purchased. This process only takes a couple of weeks. Construction has already been scheduled for September.

**San Luis Obispo County of Government (SLOCOG) Signs**

The Highway One Byways Interpretive signs are currently under review by CalTrans. The Contract and the Engineering is Scheduled for August approval. Once approved, construction is scheduled for December 2013.

**Highway One Gateway Monument Welcome Sign**

The Four Welcome signs for the HWY 1 corridor are still under CalTrans Engineering preview. The construction contract with CalTrans currently has an October start date. SLOCOG will keep us notified when exact construction dates are planned.

**3. Small Scale Recycled Water Project – Verbal update on the General Reclaimed Water Permit application.**

**SUPERTINTENDENT'S REPORT**  
**Jerry Copeland**  
**Facilities Update for July**

## **SAN SIMEON COMMUNITY SERVICES DISTRICT**

### **Superintendent's Report**

#### **Activities of July 2013**

##### **Wastewater Treatment Plant**

- The wastewater treatment plant performed well this month.
- All sampling, testing and reporting at the wastewater treatment plant was performed as required by the RWQCB.
- One load of sludge was hauled away.

##### **Water Distribution System**

- All routine sampling and testing was performed. The monthly report was submitted to the CDPH.
- Monthly meter reading was performed.
- Staff attended pre-construction meetings regarding the well rehabilitation project.

##### **District and Equipment Maintenance**

- Staff continues with all of the scheduled preventive maintenance for all the equipment at the facilities. We are recording all of these activities.

**San Simeon Community Services District - Monthly Data Report - July 2013**

Date	Day	Wastewater Influent Daily Flow	Wastewater Effluent Daily Flow	CALCULATED Well 1 Total Pumped	CALCULATED Well 2 Total Pumped	CALCULATED Total Daily Water Produced	Water Level Well 1	Water Level Well 2	Rainfall in Inches	INPUT State Sewer Daily Flow
07/01/13	Mon	78,336	92,330	2,693	60,812	63,505			0.00	13,546
07/02/13	Tue	110,606	120,110	64,926	42,711	107,637	11.9	12.0	0.00	13,457
07/03/13	Wed	112,154	107,230	67,918	46,825	114,743			0.00	15,998
07/04/13	Thu	112,916	115,710	0	68,218	68,218	12.1	12.2	0.00	14,544
07/05/13	Fri	155,790	140,280	98,586	58,194	156,781	11.9	12.0	0.00	18,992
07/06/13	Sat	128,984	135,830	78,690	38,746	117,436	12.1	12.2	0.00	24,947
07/07/13	Sun	100,566	109,870	30,593	57,446	88,040			0.00	22,920
07/08/13	Mon	103,372	111,500	58,269	67,694	125,963			0.00	19,275
07/09/13	Tue	112,149	114,620	73,229	0	73,229	12.1	12.2	0.00	14,911
07/10/13	Wed	96,927	100,100	84,000	41,439	125,440	12.1	12.2	0.00	16,827
07/11/13	Thu	98,258	101,450	71,584	7,330	78,914	12.1	12.2	0.00	17,638
07/12/13	Fri	105,982	101,780	68,891	74,351	143,242			0.00	14,805
07/13/13	Sat	113,593	110,690	10,696	75,024	85,721			0.00	17,742
07/14/13	Sun	108,973	107,340	71,060	0	71,060	12.3	12.4	0.00	16,775
07/15/13	Mon	95,965	105,690	0	110,031	110,031	12.2	12.3	0.00	16,489
07/16/13	Tue	98,895	101,970	82,205	58,942	141,148	12.3	12.4	0.00	15,608
07/17/13	Wed	102,850	102,980	73,229	0	73,229	12.5	12.6	0.00	16,397
07/18/13	Thu	104,925	102,690	27,302	72,631	99,933	12.4	12.5	0.00	17,258
07/19/13	Fri	120,245	110,080	64,702	59,316	124,018			0.00	15,886
07/20/13	Sat	113,679	112,960	72,930	39,270	112,200	12.5	12.6	0.00	15,696
07/21/13	Sun	99,899	107,140	47,573	51,612	99,185			0.00	20,351
07/22/13	Mon	98,118	111,240	46,226	58,045	104,271			0.00	19,579
07/23/13	Tue	110,904	107,340	74,501	18,924	93,425	12.6	12.7	0.00	13,407
07/24/13	Wed	112,664	108,480	64,029	62,608	126,636			0.00	17,511
07/25/13	Thu	101,578	102,910	33,136	56,773	89,910			0.00	22,286
07/26/13	Fri	118,027	115,080	75,473	6,956	82,430	12.6	12.7	0.00	14,772
07/27/13	Sat	117,141	115,950	78,465	32,837	111,302			0.00	18,461
07/28/13	Sun	104,291	109,860	18,326	74,426	92,752	12.6	12.7	0.00	20,616
07/29/13	Mon	113,966	121,300	76,520	58,045	134,565			0.00	17,722
07/30/13	Tue	110,047	112,170	74,875	22,066	96,941	12.7	12.8	0.00	25,995
07/31/13	Wed	98,680	102,870	25,956	61,037	86,992			0.00	10,596
<b>TOTALS</b>		<b>3,360,480</b>	<b>3,419,550</b>	<b>1,716,585</b>	<b>1,482,312</b>	<b>3,198,897</b>			<b>0.00</b>	<b>541,007</b>
<b>Average</b>		<b>108,403</b>	<b>110,308</b>	<b>55,374</b>	<b>47,817</b>	<b>103,190</b>	<b>12.3</b>	<b>12.4</b>	<b>0.00</b>	<b>17,452</b>
<b>Minimum</b>		<b>78,336</b>	<b>92,330</b>	<b>0</b>	<b>0</b>	<b>63,505</b>	<b>11.9</b>	<b>12.0</b>	<b>0.00</b>	<b>10,596</b>
<b>Maximum</b>		<b>155,790</b>	<b>140,280</b>	<b>98,586</b>	<b>110,031</b>	<b>156,781</b>	<b>12.7</b>	<b>12.8</b>	<b>0.00</b>	<b>25,995</b>

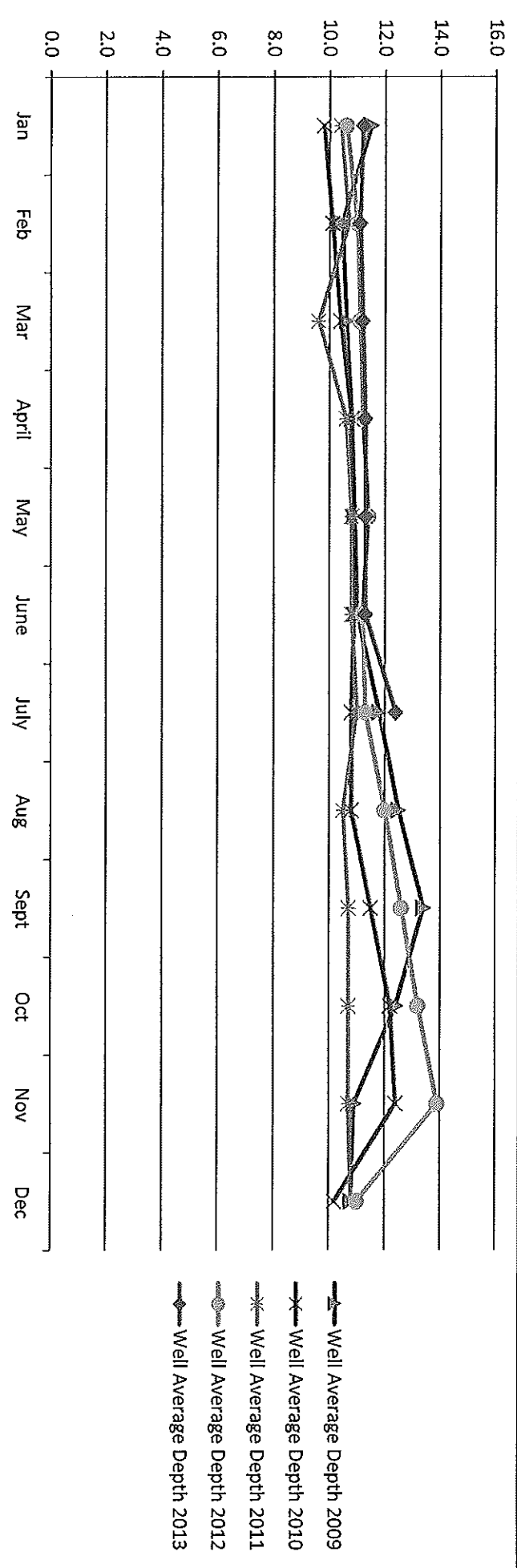


DATA SUMMARY SHEET

	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Total for 2013
<b>2013</b>													
Wastewater Final Effluent (Month Cycle)	2,021,340	1,908,020	2,318,280	2,451,860	2,643,980	2,808,900	3,419,550						17,571,930
Wastewater Influent	2,314,345	2,162,072	2,521,425	2,462,631	2,597,523	2,836,232	3,360,480						18,254,708
Adjusted Wastewater Influent (- State Flow) *	2,067,826	1,945,010	2,232,831	2,144,411	2,239,609	2,452,299	2,819,473						15,901,459
Water Produced (month cycle)	1,727,730	1,703,869	1,995,696	2,278,258	2,540,208	2,803,862	3,198,897						16,248,521
Sewer Influent/Water Produced Ratio	1.34	1.27	1.26	1.08	1.02	1.01	1.05						N/A
Adjusted Sewer/Water Ratio	1.20	1.14	1.12	0.94	0.88	0.88	0.88						N/A
Total Well Production	1,727,730	1,703,869	1,995,696	2,278,258	2,540,208	2,803,862	3,198,897						16,248,521
Well 1 Water Pumped	748,748	238,462	1,839,594	1,211,386	1,090,883	1,642,966	1,716,585						8,488,625
Well 2 Water Pumped	978,982	1,465,407	156,102	1,066,872	1,449,325	1,160,896	1,482,312						7,759,896
Water Well 1 Avg Depth to Water	11.2	11.0	11.1	11.2	11.2	11.2	12.3						N/A
Water Well 2 Avg Depth to Water	11.3	11.1	11.2	11.3	11.3	11.3	12.4						N/A
Average Depth of Both Wells	11.3	11.1	11.2	11.3	11.3	11.3	12.4						N/A
Change in Average Well Depth from 2012	+0.6	+0.1	+0.1	+0.1	-0.1	-0.1	-1.1						N/A
State Wastewater Treated	246,519	217,062	288,594	318,220	357,914	383,933	541,007						2,353,249
State % of Total WW Flow	11%	10%	11%	13%	14%	14%	16%						N/A
Biosolids Removal (Gallons)	6,000	0	0	6,000	6,000	12,000	6,000						36,000
<b>WW Permit Limitation Exceeded</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>						<b>0</b>
<b>Constituent Exceeded</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>						<b>N/A</b>
<b>Sample Limit</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>						<b>N/A</b>
<b>Sample Result</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>						<b>N/A</b>
<b>2012</b>													
Wastewater Final Effluent (Month Cycle)	2,282,400	2,013,230	2,330,795	2,716,990	2,525,450	2,715,470	3,502,920	3,227,160	2,616,130	2,535,700	2,175,190	2,509,470	31,150,905
Wastewater Influent	2,374,670	2,135,421	2,402,116	2,798,195	2,575,428	2,749,696	3,298,298	3,082,906	2,634,002	2,413,542	1,983,791	2,482,140	30,930,205
Adjusted Wastewater Influent (- State Flow) *	2,100,280	1,917,729	2,145,425	2,464,553	2,265,629	2,380,258	2,801,758	2,634,075	2,297,669	2,137,808	1,757,882	2,138,937	27,042,003
Water Produced (month cycle)	1,981,790	1,852,198	1,796,370	2,288,880	2,390,907	2,672,903	3,182,146	3,061,993	2,542,115	2,308,627	1,773,882	1,641,636	27,443,447
Sewer Influent/Water Produced Ratio	1.15	1.15	1.34	1.19	1.07	1.03	1.05	1.01	1.04	1.05	1.12	1.51	N/A
Adjusted Sewer/Water Ratio	1.06	1.04	1.19	1.08	0.95	0.89	0.90	0.86	0.90	0.93	0.99	1.30	N/A
Average Depth of Both Wells	10.7	11.0	11.1	11.2	11.4	11.2	11.3	12.0	12.6	13.2	13.9	11.0	N/A
Change in Average Well Depth from 2011	-0.2	-0.3	-1.5	-0.6	-0.6	-0.4	-0.3	-1.5	-1.9	-2.5	-3.2	-0.2	N/A
State Wastewater Treated	274,390	217,692	256,691	333,642	309,799	369,438	496,540	448,831	336,333	275,734	225,909	343,203	3,888,202
State % of Total WW Flow	12%	10%	11%	12%	12%	13%	15%	15%	13%	11%	12%	14%	N/A
Biosolids Removal (Gallons)	6,000	0	6,000	6,000	6,000	6,000	6,000	6,000	6,000	0	6,000	6,000	60,000
<b>WW Permit Limitation Exceeded</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Constituent Exceeded</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>N/A</b>
<b>Sample Limit</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Sample Result</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

The formula for calculation of "State % of total WW Flow" compares the State Wastewater Treated to the Wastewater Influent Flow.

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Well Average Depth 2009	11.5	10.5	10.6	10.8	10.9	11.0	11.8	12.5	13.4	12.4	10.9	10.8
Well Average Depth 2010	9.8	10.1	10.4	10.8	10.8	10.9	10.8	10.8	11.5	12.2	12.4	10.2
Well Average Depth 2011	10.4	10.7	9.6	10.6	10.8	10.8	11.0	10.5	10.7	10.7	10.7	10.8
Well Average Depth 2012	10.6	11.0	11.1	11.2	11.4	11.2	11.3	12.0	12.6	13.2	13.9	11.0
Well Average Depth 2013	11.2	11.1	11.2	11.3	11.3	11.3	12.4					



**DISTRICT FINANCIALS**  
**Renee Lundy**

**July 31, 2013**

**\* Financial Summary**

**\* Balance Sheet**

**\* Water Sales & Production**

SAN SIMEON COMMUNITY SERVICES DISTRICT



FINANCIAL SUMMARY

BILLING  
July 31, 2013

June Billing Revenue	\$ 65,434.08
July Billing Revenue	\$ 82,456.93
Past Due (31 to 60 days)	\$ 46.04
Past Due (60 days)	\$ 299.50

---

RABOBANK SUMMARY  
Ending Balances July 31, 2013

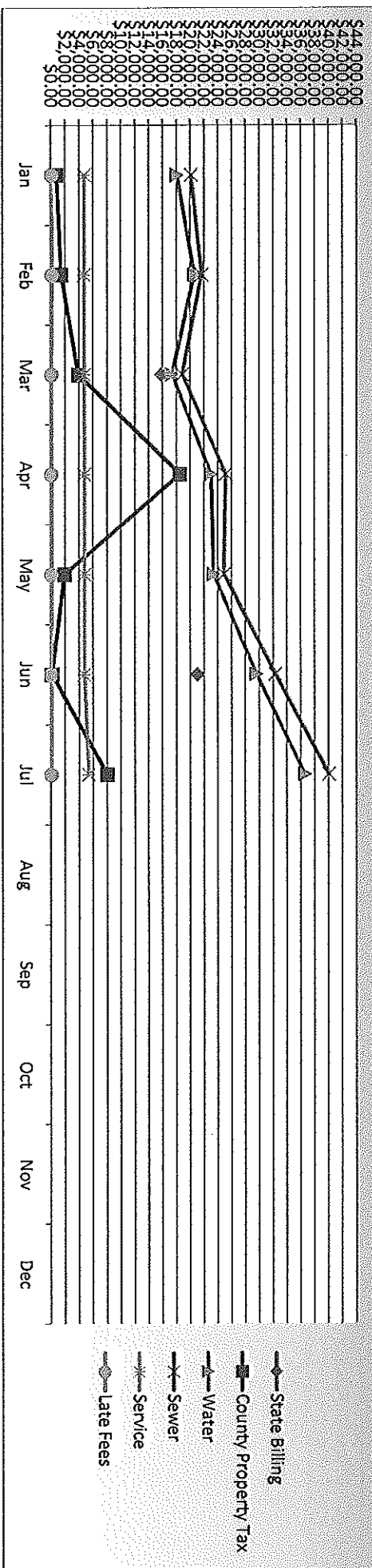
Money Marketing Account Closing Balance July 31, 2013	\$ 535,185.89
<b>Summary of Transactions:</b>	
Balance June 30, 2013	\$ 485,069.87
Checking Account Transfer July 9, 2013	\$ 50,000.00
Interest	\$ 116.02
Reserve Fund	(\$ 250,000.00)
Hook up Deposits	(\$ 43,470.00)
Available Funds	\$ 241,715.87
General Checking Account	\$ 132,559.19
Well Rehab Project/USDA Checking Account	\$ 730.00
LAIF Closing Balance July 31, 2013	\$ 516.98

**SAN SIMEON COMMUNITY SERVICES DISTRICT**  
**Balance Sheet**  
**As of July 31, 2013**

	Jul 31, 13
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
1010 · Petty cash	150.00
1020 · General checking	92,898.74
1022 · USDA checking	730.00
1040 · Cash in county treasury	6,539.94
1050 · LAIF - non-restricted cash	516.62
1060 · Money Market Account 9548643...	535,185.89
Total Checking/Savings	636,021.19
Other Current Assets	
1200 · Accounts receivable	80,281.01
1220 · A/R - Hearst Castle	21,090.32
1300 · Prepaid expenses	5,964.58
Total Other Current Assets	107,335.91
Total Current Assets	743,357.10
Fixed Assets	
1400 · Fixed assets	
1420 · Building and structures	395,874.73
1500 · Equipment	316,747.53
1540 · Major water projects	145,068.22
1580 · Sewer plant	1,488,555.08
1600 · Water system	550,390.00
1620 · WWTP expansion	299,565.92
1630 · Tertiary Project	235,886.09
1640 · Wellhead project	15,042.13
Total 1400 · Fixed assets	3,447,129.70
1650 · Walkway access projects	11,511.00
1690 · Accumulated depreciation	(1,876,629.47)
Total Fixed Assets	1,582,011.23
<b>TOTAL ASSETS</b>	<b>2,325,368.33</b>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	
2000 · Accounts payable	3,393.34
Total Accounts Payable	3,393.34
Other Current Liabilities	
2100 · Payroll liabilities	76.50
2200 · Contingency settlement	25,000.00
2500 · Customer security deposits	10,458.13
2510 · Connect hookup wait list	43,470.00
Total Other Current Liabilities	79,004.63
Total Current Liabilities	82,397.97
Total Liabilities	82,397.97
Equity	
3200 · Fund balance	2,213,079.63
3900 · Suspense	(6,565.48)
Net Income	36,456.21
Total Equity	2,242,970.36
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>2,325,368.33</b>

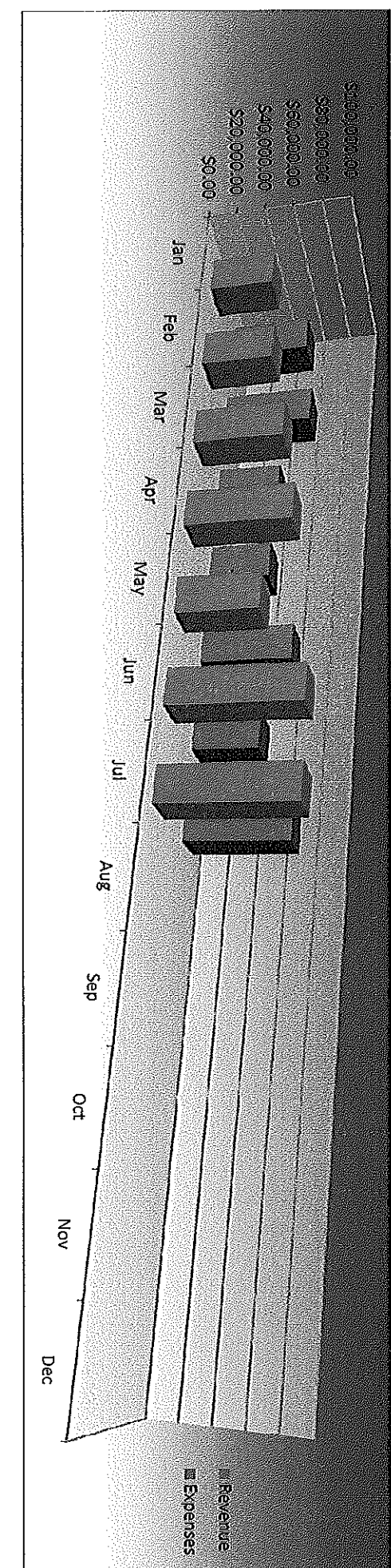
2013 DISTRICT REVENUE

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Totals
State Billing			\$15,874.60			\$21,090.32							\$36,964.92
County Property Tax	\$757.44	\$1,473.36	\$3,935.20	\$18,534.56	\$1,963.98	\$141.38	\$8,069.77						\$34,875.69
Water	\$18,102.6	\$20,631.4	\$17,394.1	\$23,008.4	\$23,384.4	\$29,603.5	\$36,628.9						\$168,753.37
Sewer	\$20,172.8	\$21,705.5	\$18,903.2	\$25,168.5	\$24,914.3	\$32,350.8	\$40,084.9						\$183,299.94
Service	\$4,792.3	\$4,769.3	\$4,769.3	\$4,792.3	\$4,815.4	\$4,792.3	\$5,436.9						\$34,167.78
Late Fees	\$80.3	\$163.5	\$95.6	\$58.8	\$51.7	\$88.3	\$59.8						\$597.87
Water Sold Cu Ft	\$43,905.4	\$48,743.0	\$60,972.0	\$71,562.6	\$55,129.7	\$88,066.6	\$90,280.3						\$458,659.57
Water Sold Acre Ft	22059	21680	209256	285145	279229	354134	373741						1938544
Water Sold Acre ft	5.05	4.97	4.80	6.55	6.42	8.13	8.58						44.50



REVENUE VS EXPENSES

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Totals
Revenue	\$43,905.44	\$48,742.98	\$60,971.99	\$71,562.60	\$55,129.70	\$88,066.60	\$90,280.30						\$458,659.57
Expenses	\$56,546.16	\$62,776.84	\$44,114.20	\$42,560.87	\$62,849.92	\$45,648.58	\$71,615.58						\$418,371.66
Balance	-\$12,640.72	-\$14,033.86	\$16,857.79	\$29,001.73	-\$7,720.22	\$42,418.02	\$18,664.72						\$69,287.91



## **ITEMS OF BUSINESS**

- \* Minutes – July 10, 2013**
- \* Water Committee Minutes – July 17, 2013**
- \* Disbursements Journal – August 14, 2013**

**MINUTES**  
**SAN SIMEON COMMUNITY SERVICES DISTRICT**  
**BOARD OF DIRECTORS REGULAR MEETING**  
**Wednesday, July 10, 2013**  
**6:00 pm**

**CAVALIER BANQUET ROOM**  
**250 San Simeon Avenue**  
**San Simeon, CA**

**Board Member Dan Williams will be teleconferencing**  
**from 765 Cedar Court, Independent, Oregon 97351 (805-276-5859)**

Note; All comments concerning any item on the agenda are to be directed to the Board Chairperson

**1. NO CLOSED SESSION**

**2. REGULAR SESSION@ 6:00 PM**

**A. Roll Call**

Chairperson McAdams - present  
Vice-Chair Williams – Via teleconference  
Director Fields– present  
Director Price - present  
Director Patel - present

**Also present:**

Charles Grace – General Manager  
Robert Schultz – District Counsel  
Sheriff's Administration – Sgt. Keith Scott

**B. Pledge of Allegiance**

**3. PUBLIC COMMENT: None**

**A. Sheriff's Report – Report for June**

There were 55 Calls for service. Some of the calls included; 11 emergency assistance, 8 incomplete 911 calls, 4 assist another agencies, 13 traffic stops, 3 suspicious activity, 2 check the welfare, and 2 citizen assists. At this time the District seems quite and activity low.

Director Patel spoke to Sergeant Scott about a suspicious vehicle. A license plate number was given to the Sergeant so that he could follow up on the vehicle.

**B. Public comment on Sheriff's Report: None**

**4. BOARD PRESENTATIONS AND ANNOUNCEMENT:**

The Beautification award will be announced to San Simeon Residents in the July Newsletter and ballots will be sent out with the July billing. The award will be named in honor of long time resident and Board Member Dee Dee Ricci because of her vigilant commitment to the San



Simeon District. Ballots will be due by August 31<sup>st</sup>. The winner will be announced at the September Board Meeting and an award will be given.

## **5. STAFF REPORTS**

### **A. General Manager's Report**

#### **1. Staff Activity for the month of June**

Along with billing and collections, Staff continued to coordinate with property owners regarding the weed abatement project and continued to address all issues associated with the United States Department of Agriculture (USDA) contract. Staff was in charge of coordinating the special session in June and all required posting and paperwork was completed and submitted on time per County regulations. Staff kept in contact with the County regarding the new appointed Director and coordinated all paperwork needed from Director Patel.

#### **2. Grants, Loans and Partnership Opportunities**

USDA Loan:

District Staff along with Phoenix Engineering and District Counsel have submitted all required documents to the USDA. Phoenix Engineering is currently scheduling the pre-construction meeting which will be held July 17<sup>th</sup>.

#### **3. Small Scale Recycled Water Project**

Staff has spoken to the Regional Water Quality Control Board (RWQCB) to discuss the possibility of continuing the permit process with them instead of the State Water Quality Control Board. The State's process is very timely and expensive. The RWQCB said that they would gladly continue the process with the District and would add the recycled water permit to the current Wastewater National Pollutant Discharge Elimination System (NPDES) permit that is currently up for renewal. The approval is set on the RWQCB's December Agenda.

### **B. Superintendent's Report**

#### **Wastewater Treatment Plant**

- The wastewater treatment plant performed well this month.
- All sampling, testing and reporting at the wastewater treatment plant was performed as required by the RWQCB.
- Annual cleaning, inspection and maintenance of reactor and clarifier #3 was performed. Several grease fittings were replaced on the collector spindle bearings.

- On Sunday, June 23, we experienced a power failure at approximately 9:30pm. The wastewater treatment plant stand-by generator started as scheduled. The plant experienced no setbacks as a result of the event.

**Water Distribution System**

- All routine sampling and testing was performed. The monthly report was submitted to the CDPH.
- Monthly meter reading was performed.
- A 200 amp fuse blew in the utility power disconnect at the well site. It was discovered that the well pump #2 main power disconnect had failed and that was the reason for the blown fuse. Additionally, the magnetic starter coil for well pump #2 burnt as a result. In response we replaced the blown fuse, the well pump #2 main power disconnect and the magnetic starter coil.
- It was discovered that a water meter at the San Simeon Lodge had failed. It was subsequently replaced.
- A leak was discovered at the district water service to 9221 Balboa Ave (The Castle View Condominiums). A contractor was called out and the leak was repaired.

**District and Equipment Maintenance**

- Staff continues with all of the scheduled preventive maintenance for all the equipment at the facilities. We are recording all of these activities.
- Annual weed and shrub abatement was performed throughout the district.
- The District zone marked curbs were painted.
- The District distribution valve box covers were painted.

**C. District Financial Summary – Update on Monthly Financial Status for close of business June 30, 2013.**

May Billing Revenue	\$ 53,142.66
June Billing Revenue	\$ 65,434.08
Past Due (31 to 60 days)	\$ 173.43
Past Due (60 days)	\$ 257.05

**RABOBANK SUMMARY  
Ending Balances June 30, 2013**

Money Marketing Account Closing Balance June 30, 2013	\$ 485,069.87
Summary of Transactions:	
Interest	\$ 95.99
Reserve Fund	(\$ 250,000.00)
Hook up Deposits	(\$ 43,470.00)
Available Funds	\$ 191,599.87
General Checking Account	\$ 90,349.77
Well Rehab Project/USDA Checking Account	\$ 730.00
LAIF Closing Balance June 30, 2013	\$ 516.98

**D. District Counsel's Report – Oral Report on current issues**

Besides general District duties, it was a quite month. Counsel assisted Staff with the new Director's paperwork and letters needed by the County Clerk Recorder's Office.

**6. ITEMS OF BUSINESS**

**A. Approval of Special Meeting Minutes – June 6, 2013**

Motion made to approved as presented.

**Motion by:** Director Fields  
**2<sup>nd</sup> by:** Chairperson McAdams  
**All in:** 5/0

**B. Approval of last month's minutes – June 18, 2013.**

Motion made to approved with amendment.

**Motion by:** Director Fields  
**2<sup>nd</sup> by:** Chairperson McAdams  
**All in:** 5/0

**C. Approval of Disbursements Journal – July 10, 2013.**

Motion made to approved as presented.

**Motion by:** Director Fields  
**2<sup>nd</sup> by:** Chairperson McAdams  
**All in:** 5/0

**7. DISCUSSION/ACTION ITEMS**

**A. Resolution 13-359 - Adoption of the 2013 – 2014 Fiscal Year Budget.**

Motion made to approved with amendments.

**Motion by:** Chairperson McAdams  
**2<sup>nd</sup> by:** Vice-Chair Williams

**Approve:** 4      **Abstain:** Director Fields

**Motion passed.**

**B. Extension and Amendment to Agreement with District Counsel.**

The Board approved the extension of the contract with Counsel and agreed to his monthly service fee increase. District Counsel will receive \$1,800.00 a month.

**Motion by:** Chairperson McAdams

**2<sup>nd</sup> by:** Director Price

**All in:** 5/0

**8. Board Committee Reports –**

No Committee reports were presented. The Water Committee will be meeting on July 17<sup>th</sup>.

**9. Board Reports – None**

**10. BOARD/STAFF GENERAL DISCUSSIONS AND PROPOSED AGENDA ITEMS**

None

**11. ADJOURNMENT: 7:08 PM**

**Water Committee Meeting  
San Simeon Community Services District**



**AGENDA**

**Wednesday July 17, 2013  
3:00 PM  
District Office**

**1. Regular Session**

A. Roll Call:  
Director Alan Fields  
Director Dan Williams  
Ken Patel  
Mike Hanchett

Also Present:  
Charles Grace  
Robert Schultz  
Paul Panchal

B. Pledge of Allegiance

**2. PUBLIC COMMENT: None**

**3. DISCUSSION/ACTION ITEMS**

A. Training of Recycled Water:

Charles Grace trained the following residents for the Recycled Water Training:

Alan Fields  
Dan Williams  
Ken Patel  
Mike Hanchett  
Paul Panchal

B. EDU Credits for Water Conservation:

Invite someone to help us discuss how to initiate a conversation fixture program (Ben Boar from Cambria). Ordinance 108 already talks about how to transfer EDUs. Exhibit A from Ordinance 108 needs to be transferred into gallons and from gallons to EDUs. Charlie will call Ben Boar to get information about EDU-retrofit program. Also need to refine retrofit use/replacement.

C. Since Ken Patel is now a board member, the Water Committee needed to find a resident willing to take Ken Patel's spot on the committee. Paul Panchal was present and willing to take on the roll of Water Committee Member and was accepted.

**SAN SIMEON COMMUNITY SERVICES DISTRICT**  
**Disbursements Journal**  
 August 2013

Type	Date	Num	Name	Memo	Amount	Balance
Paycheck	08/01/2013	6889	ALAN FIELDS			92,898.74
Paycheck	08/01/2013	6890	DAN WILLIAMS		-92.35	92,806.39
Paycheck	08/01/2013	6891	KAUSHIK S PATEL		-92.35	92,714.04
Paycheck	08/01/2013	6892	LEROY E PRICE		-92.35	92,621.69
Paycheck	08/01/2013	6893	RALPH N MCADAMS		-92.35	92,529.34
Bill Pmt	08/05/2013	6894	APTwater, Inc	Operations management August reservoir expansion Project	\$38,360.45 \$852.00	53,224.54
Bill Pmt	08/05/2013	6895	CalPERS	July/Aug/Sept 2013	-984.99	52,239.55
Bill Pmt	08/05/2013	6896	County of San Luis Obispo	Cross Connection Investigations	-70.41	52,169.14
Bill Pmt	08/05/2013	6897	Glenn Burdette	Monthly Services \$1200 payroll Taxes quarterly Submission \$200	-1,400.00	50,769.14
Bill Pmt	08/05/2013	6898	Joan Billingsley Trust	Acct 46, 9062 Avonne Ave (Last months checks were voided.)	-50.00	50,719.14
Bill Pmt	08/05/2013	6899	Kirk Najarian	Deposit return (\$50) credit on acct (\$23.04)	-73.04	50,646.10
Bill Pmt	08/05/2013	6900	MICHAEL O'NEILL	Monthly website maintenance fee	-275.00	50,371.10
Bill Pmt	08/05/2013	6901	Phoenix Civil Engineering, Inc	Tank Feasibility	-2,135.00	48,236.10
Bill Pmt	08/05/2013	6902	ROBERT W SCHULTZ ESQ.	Services	-1,800.00	46,436.10
Bill Pmt	08/05/2013	6903	SouthWest Water Company Inc	Final Payment	-25,000.00	21,436.10
Bill Pmt	08/05/2013	6904	Underground Service Alert of Northern CA	Annual Membership Fee	-152.94	21,283.16
					-71,615.58	21,283.16
					<b>-71,615.58</b>	<b>21,283.16</b>

## **DISCUSSION & ACTION ITEMS**

## **Discussion Action Items August 14, 2013**

### **A. Discussion if the District should reimburse themselves for expenses made towards preparation of the USDA.**

The District has spent \$82,565 in engineering costs in the past on the Well Rehab Project. The District has the opportunity to submit the invoices to the USDA and receive these monies as part of the loan. The USDA loan rate is 2.5%.

To assist in the Board's decision, the District Money Marketing account is currently paying .24%, the routine monthly financials and trending sheets are included in the Board Packet.

### **B. Review of Auditor proposals for the San Simeon CSD 2012-2013 Audit.**

Staff sent requests for proposals to 7 different Accounting Firms that have sent letters of interest to the over the past few years. Four Proposals were submitted received and are attached for Board review. Staff recommends Moss, Levy & Hartzheim based on the company location, competitive pricing, and complete proposal.

Moss, Levy & Hartzheim, LLP, Santa Maria:

\$7,950 for 2012-2013,

\$8,225 for 2013-2014 and,

\$8,515 for 2014-2015

Rob Dennis, Rancho Cucamonga: \$7,200 for 2012-2013 year

Daniels, Phillips, Vaughn & Bock (DelMundo): \$8,800 for 2012-2013 year

Brown Armstrong Accounting Corporation, Bakersfield: \$18,000 for 2012-2013 year

### **C. Resolution 13-360 – Authorization of Bank Signatures.**

The attached resolution is for the approval of new signatures for the San Simeon CSD bank accounts. Staff is requesting approval of Resolution 13-360 in order to update the current and approved signers to the accounts and to add Ken Patel as a new signer.



**San Simeon Community Services District**

**AUDIT PROPOSAL**

For Fiscal Years Ending June 30, 2013, 2014, & 2015

**Submitted By:**

Moss, Levy & Hartzheim LLP  
2400 Professional Parkway, Suite 205  
Santa Maria, CA 93455  
Phone: 805.925.2579  
Fax: 805.925.2147

**Submitted On:**

August 5, 2013

**Contact Person:**

Ron A. Levy, CPA  
rlevy@mlhcpas.com

**SAN SIMEON COMMUNITY SERVICES DISTRICT**  
**AUDIT PROPOSAL**  
**TABLE OF CONTENTS**

---

Letter of Transmittal ..... 1

**Detailed Proposal:**

Independence ..... 3

License to Practice in California ..... 3

Firm Qualifications and Experience ..... 3

Partner, Supervisory, and Staff Qualifications and Experience ..... 3

Similar Engagements with Other Entities ..... 4

Specific Audit Approach ..... 4

Total Maximum Price ..... 6

**Appendices:**

Appendix A - Peer Quality Review Report ..... 8

Appendix B - Resumes ..... 9

Appendix C - References ..... 13

Appendix D - Current and/or Recently Completed Governmental Audits ..... 14



# MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS  
RONALD A LEVY, CPA  
CRAIG A HARTZHEIM, CPA  
HADLEY Y HUI, CPA

2400 PROFESSIONAL PKWY, STE 205  
SANTA MARIA, CA 93455  
TEL: 805.925.2579  
FAX: 805.925.2147  
www.mlhcpas.com

Board of Directors  
San Simeon Community Services District  
111 Pico Avenue  
San Simeon, CA 93452

We are pleased to respond to the San Simeon Community Services District's Request for Proposal for independent auditing services. We have prepared our proposal to address each specification included in the San Simeon Community Services District's Request for Proposal.

After 57 years in public accounting and more than 37 years of performing nonprofit and local governmental audits, it is extremely gratifying to witness the continued growth of Moss, Levy & Hartzheim LLP. The firm has evolved from a one-person operation to a regional public accounting firm with offices in Beverly Hills, Santa Maria, and Culver City with clients throughout the State of California, as well as thirty-one other states. We and the entire staff are pleased with not only the continuing development of the firm, but also the progress and economic health of our clients. We understand that governmental accounting is a specialized industry with its own accounting standards and requirements and that is why we strive to constantly improve the quality of our professional services. This degree of dedication coupled with our ability to inform our clients of any new accounting and auditing issues is paramount to our success.

We feel that our size is such that we are large enough to provide a broad spectrum of services and experience backed by an in-house training program, professional development courses, and an extensive professional library, yet not so large as to become impersonal and rigid. Our informal style allows us to be flexible enough to complete our audits in a timely manner that is the most convenient for each client. Also, this style allows us to be more accessible to our clients when our clients have questions or concerns.

It is our understanding that we will be responsible for expressing an opinion on the San Simeon Community Services District's financial statements in conformity with accounting principles generally accepted in the United States of America. It is also our understanding that we will be responsible for issuing the following:

1. Report on the fair presentation of the financial statements in accordance with auditing standards generally accepted in the United States of America.
2. A Management Letter addressed to the Board of Directors of the San Simeon Community Services District, setting forth recommendations for improvements in the District's accounting systems.
3. We will communicate in a letter to the Board of Directors 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 District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. "Non-reportable conditions" discovered by us will also be communicated in the "Management Letter".
4. We will make immediate, written notification to the Board of Directors of all irregularities and illegal acts or indications of illegal acts of which we become aware.
5. Preparation of the annual State Controller's Report.

We will make all communications to the District as required by the audit standards under which the engagement is performed. Those communications include, but are not limited to:

1. The auditors' responsibility under auditing standards generally accepted in the United States of America.
2. Significant accounting policies.
3. Management judgment 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.
10. Errors, irregularities, and illegal acts.

We will be available to present our audit plan prior to beginning fieldwork.

All work papers and reports will be retained, at our expense, for a minimum of seven years (or the retention timeframe established by the professional standards, whichever is longer) unless the firm is notified in writing by the District of the need to extend the retention period. The work papers are subject to review by state and county agencies and other individuals designated by the District. Accordingly, the workpapers will be made available upon request.

In addition, we will respond to the reasonable inquiries of successor auditors and allow successor auditors to review work papers, at your request.

All adjusting journal entries made by us will be discussed and explained to the designated personnel prior to recording. They will be in a format that shows the lowest level of posting detail needed for data entry in the general ledger systems.

If convenient for the District's staff, the approximate target dates for an audit would be as follows:

- (1) Preliminary audit entrance conference with staff – October 24
- (2) Detailed audit plan – October 24
- (3) Fieldwork – October 24-25
- (5) Exit conference with staff – October 25
- (6) Draft of Financial Statements and Management Letter – December 15, 2013
- (7) Issue Audit Report and final Management Letter -- within three days of the District's final approval of these documents.

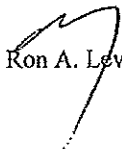
Minimal assistance of the District's staff is required during the course of the audit, however, we ask that the District provide the following: cooperation in answering questions, requested audit confirmations, bank reconciliations, trial balance at June 30, 2013, detailed general ledger for the fiscal year, and other original documentation supporting amounts and disclosures in the financial statements. Also, with the District's approval, our audit team can retrieve and re-file supporting documents, including invoices. We feel this approach minimizes the disruption of the District's routine.

This proposal is a firm and irrevocable offer until September 30, 2013.

Thank you for your consideration and please do not hesitate to contact the authorized representative listed below with any questions, problems, or concerns.

Ron A. Levy, CPA  
Partner  
2400 Professional Parkway, Ste. 205  
Santa Maria, CA 93455  
(805) 925-2579

Sincerely,

  
Ron A. Levy, CPA

## **SAN SIMEON COMMUNITY SERVICES DISTRICT AUDIT PROPOSAL**

---

### **INDEPENDENCE**

Moss, Levy & Hartzheim LLP is independent of the San Simeon Community Services District as defined by auditing standards generally accepted in the United States of America.

### **LICENSE TO PRACTICE IN CALIFORNIA**

Moss, Levy & Hartzheim LLP is a properly licensed certified public accounting firm in the State of California, license # 5863. All certified public accountants engaged in the audit of the District are licensed to practice in the State of California and have received at least the minimum number of continuing professional education hours required by the State Board of Accountancy to perform audits under professional standards.

### **FIRM QUALIFICATIONS AND EXPERIENCE**

Moss, Levy & Hartzheim LLP is a minority owned regional firm that performs audits of entities throughout the State of California. The firm currently employs 31 professionals and has annual gross revenues between 4.0 and 4.5 million dollars. Eighty-four percent of the 31 total employees are women or belong to an ethnic minority. The firm has three offices in California; Beverly Hills, Santa Maria, and Culver City.

The audit work will be completed by staff from our Santa Maria office.

The Santa Maria office is currently staffed by eight certified public accountants (two partners, two managers, three audit supervisors, and one senior accountant). In addition, the office employs three staff accountants.

The San Simeon Community Services District will have one partner and one alternate partner assigned to the audit at all times. In addition, one manager, one senior accountant, and one or two staff accountants will be assigned on a full-time basis to the audit from the Santa Maria office. The San Simeon Community Services District will also have a computer specialist assigned to the audit on a full-time basis. This individual assists the audit team in documenting the computer system internal control structure.

Please see *Appendix A - Peer Quality Review Report* for a copy of our firm's most recent quality review report.

### **PARTNER, SUPERVISORY, AND STAFF QUALIFICATIONS AND EXPERIENCE**

It is the firm's policy to have our partners and audit managers involved in the management function of our audits. Having both the partner and audit manager involved in the engagement allows the District to receive immediate responses to questions about accounting and audit topics, concerns, and recommendations.

Mr. Ron Levy will be the partner in charge of the District's audit. Mr. Levy will have primary responsibility for the audit. Mr. Levy will be responsible for final review of the District's audit report, financial statements, and required federal and state tax returns. Mr. Levy will also be responsible for addressing any questions or concerns that arise during the fiscal year. It is the firm's policy to have a partner on site for a majority of the fieldwork. This policy enables the partner to become acquainted with the District's daily operations and key personnel.

Mr. Adam Guise will be the manager assigned to the audit. As manager, Mr. Guise will oversee the day to day operations of the audit and will review all audit areas. Mr. Guise will be at the District for 100% of the fieldwork. He performs in house training for governmental auditing staff members and is in charge of keeping the firm updated on aspects of governmental accounting and auditing issues.

Mr. Travis Hole will be the senior accountant assigned to the audit. As senior accountant, it will be Mr. Hole's responsibility to oversee the staff accountants, do preliminary reviews of audit sections, and to perform more difficult audit sections.

Mr. David Ortiz will be the Information Technology Director assigned to the audit. Mr. Ortiz has extensive knowledge in auditing EDP functions. Mr. Ortiz will also perform the statistical sampling procedures for the audit. Also, he will document and test the internal control structure of the computer systems.

**SAN SIMEON COMMUNITY SERVICES DISTRICT**  
**AUDIT PROPOSAL**

---

**PARTNER, SUPERVISORY, AND STAFF QUALIFICATIONS AND EXPERIENCE-**  
continued

In addition to the supervisory staff listed above, one or two staff accountants will be assigned to the audit. All staff accountants have degrees from accredited colleges or universities, have received in-house audit training, and at present have at least one year of auditing experience. All staff accountants will be directly supervised by the manager assigned to the audit at all times. All partners, managers, and staff members have worked on numerous engagements together. Consistently working together will provide the District with a knowledgeable and efficient audit team.

The firm will maintain staff continuity on the engagement throughout the term of the contract, barring any terminations, illnesses, or other unforeseen circumstances. At the request of the District, any Moss, Levy & Hartzheim LLP employee assigned to the audit can be removed and replaced by another qualified employee. Moss, Levy & Hartzheim LLP has an advantage in that there is relatively low turnover in employees as can be seen on individual resumes and therefore, the firm will not use the District as a training ground for its employees.

Please see *Appendix B - Resumes* for each individual's resume.

**SIMILAR ENGAGEMENTS WITH OTHER ENTITIES**

Moss, Levy & Hartzheim LLP has an extensive background in auditing governmental Districts with over thirty-six years of experience in this specialized field.

Please see *Appendix D - Current and/or Recently Completed Governmental Audits*.

**SPECIFIC AUDIT APPROACH**

The extent of our work will be what is required to enable us to express an opinion on the financial statements in accordance with:

1. *AICPA Industry Audit Guide for Local Governments,*
2. *AICPA Audit Standards,*
3. Laws of the State of California,
4. Generally Accepted Accounting Principles,
5. Our firm's own additional standards and procedures.

The audit will be conducted in accordance with auditing standards generally accepted in the United States of America.

The primary purpose of the audit is to express an opinion on the financial statements, and such an audit is subject to the inherent risk that material errors or fraud may exist and not be detected by us. If conditions are discovered which lead to the belief that material errors, defalcations, or fraud may exist, or if any other circumstances are encountered that require extended services, we will promptly advise the District.

Our audit will begin when it is convenient for the District's staff. We estimate this date to be in October to perform audit planning and fieldwork. Upon acceptance of the audit proposal, the audit partner or audit manager will contact your Executive Director to discuss the scope and timing of the annual audit, to review any accounting issues known at that time, to prepare audit confirmations, and to address any concerns or questions you may have about the impending audit.

We will schedule approximately two days of fieldwork each fiscal year. During the first fiscal year, we will prepare narrative flow charts and other documentation of the internal control structure of the District, and its major systems, such as income and cash receipts, purchasing and cash disbursements, payroll and personnel, inventory, property and equipment, grant compliance, investment activities, and the budget process. We will gain this information through discussions with appropriate District staff members, and our review of available documented policies, District charts, manuals, programs, and procedures. Once we obtain this information, we will evaluate internal control in order to plan audit testing, and to tailor audit programs specifically for the District. During subsequent audits, we will note any changes to internal control.

**SAN SIMEON COMMUNITY SERVICES DISTRICT**  
**AUDIT PROPOSAL**

---

**SPECIFIC AUDIT APPROACH -continued**

For the first year of our engagement, we will utilize the prior fiscal year's financial statements, and our knowledge of your systems to determine materiality for the different audit sections. Each fiscal year, we will select a sample of transactions to determine to what extent the systems are functioning as described to us. The extent of our sample size will depend upon our assessment of the internal control structure. The selection of transactions for testing will be made using a combination of random, systematic, and haphazard sampling techniques. We will identify the strength of the systems upon which we can rely in planning our substantive tests. Our internal control review will meet all the requirements of the AICPA Statement on Auditing Standards (SAS) No. 55, Consideration of the Internal Control Structure in a Financial Statement Audit, as amended by SAS Nos. 78 and 99, Consideration of Fraud in a Financial Statement Audit. We will also perform preliminary analytical review procedures using the prior fiscal year's audited financial statements.

We will also review the following documents in order to determine compliance with laws and regulations:

- (a) Minutes of the Board of Directors with special attention to: indications of new income sources, including state and local grants; expenditure authorizations and related disbursements, including any special or restrictive provisions; authorization for bank or other debt incurred; awards to successful bidders; authorization for new leases entered into; changes in licenses, fines or fees; and authorization for significant new employees hired,
- (b) New agreements and amendments to new agreements including but not limited to: grant agreements; debt and lease agreements; labor agreements; joint venture agreements; and other miscellaneous agreements,
- (c) Administrative Code, and
- (d) Investment and/or Endowment Policies.

Before April 1 of each fiscal year, we will contact you to provide our detailed audit plan for audit fieldwork. We will also discuss with you any matters that may impact our audit procedures or your financial reporting. Also, we will discuss with you any assistance the District may need with fiscal year-end closing.

Our audit fieldwork will begin after the District has closed its books, which we estimate to be mid-October. The fiscal year-end audit work will begin with an analytical review of all significant balance sheet and revenue and expense accounts, which includes a comparison of prior fiscal year financial statements and current fiscal year budget, to the fiscal year-end trial balance.

The primary objective of the year-end audit work is to audit the final numbers that will appear in the District's financial statements. Our fieldwork includes procedures required under SAS No. 99, *Consideration of Fraud in a Financial Statement Audit*. We will also maintain compliance with SAS Nos. 103-112 during the fiscal year ended June 30, 2013. These procedures significantly changed the way auditors approach audits and are required for audits with a fiscal year ended beginning after December 31, 2006. This will entail a risk-based audit approach that will increase the time spent on audit planning. Standards also require interviews with audit committee members (if applicable), and/or members of the board of directors and management.

We will also perform audit procedures such as:

- (a) Confirmations, by positive and negative circularizations including but not limited to all cash and investment accounts; selected receivable and income balances; all bonds, loans, notes payable, and capital leases; all notes receivable; all insurance carriers; all legal firms contracted by the District; and other miscellaneous confirmations as deemed necessary,
- (b) Physical verifications and observations of assets,
- (c) Analysis and review of evidential material,
- (d) Interviews and investigative efforts,
- (e) Electronic data processing testing for computer and software reliability, and
- (f) Numerous other procedures as deemed necessary for audit completion.

The objective in testing transactions for compliance with laws, regulations, and the provisions of contracts and grant agreements is to express an opinion on whether the District has complied, in all material respects, with applicable compliance requirements, noncompliance with which could have a material effect on each major program. In selecting audit samples for purposes of tests of compliance, we will plan our tests to support a low assessed level of control risk. We will select transactions from each program or area that requires testing. The selection of transactions to test is based on the auditors' professional judgment.

**SAN SIMEON COMMUNITY SERVICES DISTRICT  
AUDIT PROPOSAL**

---

**SPECIFIC AUDIT APPROACH – continued**

SAS No. 99, *Consideration of Fraud in a Financial Statement Audit* impacts both the planning and the performance of the audit. In planning, the audit team will discuss how and where the financial statements might be susceptible to material misstatement due to fraud. To determine this, we will inquire of management, consider results of analytical procedures, and consider other fraud risk factors. We will review the results of our inquiries and identification of potential fraud areas on a daily basis to ensure compliance with SAS No. 99.

We have extensive knowledge in auditing computer systems. We have assisted numerous clients with the implementation of accounting software and database systems. This assistance has provided our firm with a thorough background in computer systems in both software applications, and auditing such systems. It is our policy to have a computer specialist as part of the audit team. This individual assists the audit team in documenting the computer system internal control structure and highlighting strengths and weaknesses relating to the computer structure of the District.

Moss, Levy & Hartzhiem LLP uses networked laptop computers for audit fieldwork that connect to our office computer network via the internet. Software used by our staff includes Word, Excel, PPC Engagement Manager, and AuditWare for financial statements preparation. The firm employs a paperless audit approach. We will request the majority of the audit schedules and information electronically.

As part of the audit, we will compose a management letter, informing you of required audit disclosures, and noting certain observations or recommendations that we feel will assist you in strengthening internal control, and/or gaining efficiency in conducting your daily operations. The management letter is intended to be a helpful tool for management based on our experience, and never a critique of operations or management. The management letter is provided to management in draft form, and is subject to revision and approval, prior to issuance.

We will retain working papers and reports at our expense for a period of seven years. In addition, we will make our working papers available, upon your request, to any oversight District or successor auditor, if any.

**TOTAL MAXIMUM PRICE**

All out of pocket expenses are included in the fee and no additional costs will be passed on to the San Simeon Community Services District. The San Simeon Community Services District is, however, expected to provide adequate working space, access to a copier, fax machine, and telephone. We will provide all items and equipment, including laptop computers, scanners, calculators, and office supplies.

The maximum annual audit fees are as follows:

<u>Fiscal Year</u>	<u>Cost of Service</u>
2012-13	\$ 7,950
2013-14	\$ 8,225
2014-15	\$ 8,515





**SAN SIMEON COMMUNITY SERVICES DISTRICT  
AUDIT PROPOSAL**

---

**TOTAL MAXIMUM PRICE -- continued**

Special audit work as requested by the District will be performed at the stated discounted hourly rates. However, no extended services will be performed unless they are authorized in the contractual agreement, or in an amendment to the agreement.

Partner	\$	125
Manager	\$	90
Senior Accountant/Supervisory Staff	\$	70
Staff Accountant	\$	50
Clerical	\$	20
Computer Specialist	\$	60

Respectfully submitted,

MOSS, LEVY & HARTZHEIM LLP

  
Ron A. Levy, CPA

Moss, Levy & Hartzheim LLP is an Equal Opportunity Employer



**POWELL & SPAFFORD, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

Jessie C. Powell, CPA  
Patrick D. Spafford, CPA

Licensed by the California Board of Accountancy  
Member American Institute of Certified Public Accountants

### System Review Report

To the Partners of  
Moss, Levy & Hartzheim, 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 Moss, Levy & Hartzheim, LLP (the firm) in effect for the year ended December 31, 2011. Our review was conducted in accordance with standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. 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/rrsummary](http://www.aicpa.org/rrsummary).

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

In our opinion, the system of quality control for the accounting and auditing practice of Moss, Levy & Hartzheim, LLP in effect for the year ended December 31, 2011, 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*. Moss, Levy & Hartzheim, LLP has received a peer review rating of *pass*.

*Powell & Spafford, LLP*

July 11, 2012

## APPENDICES

**SAN SIMEON COMMUNITY SERVICES DISTRICT**  
**APPENDIX B - RESUMES**

---

**RON A. LEVY, CPA - PARTNER**

- California licensed CPA with 37 years of audit experience with governmental entities.
- Partner in charge of all governmental audits, currently including 30 municipal audits (including Redevelopment Agency & Single Audits), 28 school district audits, and 62 special district audits.
- Has assisted governmental clients with year end closings, key position interviews, preparation of award winning CAFRs, and preparation of State Controller's Reports.
- Honored as CPA of the year (2006) by the Santa Barbara Chapter of the California Special Districts Association.
- Has met or exceeded all continuing education requirements, including recent courses in:
  - 2013, 2012, and 2011 Governmental Accounting Conferences*
  - GASB Statement No.34 Training Conference*
  - Compliance Auditing, Audit Sampling and Concluding the Audit*
  - Audits of State and Local Governments*
  - Governmental Accounting Update*
  - The Single Audit Act*
  - 2013, 2012, and 2011 School District Conferences*
  - Auditor's Reports on Audits of Local Governments*
  - Planning a Governmental Audit Engagement*
- Member of the following:
  - California Society of Municipal Finance Officers
  - American Institute of Certified Public Accountants
  - California Society of Certified Public Accountants
  - California Association of School Business Officials
  - Kiwanis Club
- A Bachelor of Science degree from Oregon State University conferred in 1977.
- Taught accounting courses at a branch of LaVerne College and Chapman College.
- Knowledgeable about all areas of tax law.

# SAN SIMEON COMMUNITY SERVICES DISTRICT

## APPENDIX B - RESUMES

---

### CRAIG HARTZHEIM, CPA – PARTNER (ALTERNATE)

- California licensed CPA with 27 years of audit experience with governmental, non-profit, and commercial entities.
- Engagement partner for governmental and non-profit audits (Beverly Hills office), currently including 40 special district audits (including Los Angeles County Flood Control District and the County Sanitation District of Los Angeles County), 12 school districts and related audits, and 17 municipal audits.
- Has assisted governmental clients with year end closings, key position interviews, preparation of award winning CAFRs, and preparation of State Controller's Reports.
- Has met or exceeded all continuing education requirements, including recent courses in the following:

*2013, 2012, and 2011 Governmental Accounting Conferences*  
*2013, 2012, and 2011 School District Conferences*  
*Audits of States and Local Governments*  
*Preparing Governmental Financial Statements*  
*GAAS Guide*  
*Other Comprehensive Basis of Accounting (OCBOA) Statements*  
*Audit Standards update*  
*Implementing SAS No. 112*  
*Implementing SAS No. 114*  
*Auditing update*  
*Grants Management*

- A Bachelor of Science degree in Accounting from Marquette University conferred in 1982.
- Member of the following:
  - American Institute of Certified Public Accountants
  - California Society of Certified Public Accountants
- Knowledgeable about all areas of tax law including non-profit and payroll tax issues.

**SAN SIMEON COMMUNITY SERVICES DISTRICT**  
**APPENDIX B - RESUMES**

---

**ADAM GUISE, CPA – MANAGER**

- Auditor with 5 years of audit experience with governmental and commercial entities.
- Manager for 11 special districts, 10 school district audits, 3 non-profits, 3 municipal audits, and numerous TDA audits
- Has assisted governmental clients with year end closings, preparation of award winning CAFRs, and preparation of State Controller's Reports.
- Has met or exceeded all continuing education requirement, including recent courses in:  
*2013, 2012, and 2011 School District Conferences*  
*2013, 2012, and 2011 Governmental Accounting Conferences*
- Member of the following:  
California Society of Certified Public Accountants
- A Bachelor of Science degree in Business Administration with concentrations in public accounting and financial management from California Polytechnic State University, San Luis Obispo.
- Previous work experience included 1 year auditing publically traded corporations with an international public accounting firm.

**TRAVIS HOLE, CPA – SENIOR ACCOUNTANT**

- Auditor with 3 years of audit experience with governmental and commercial entities.
- Auditor for 3 special district audits, 3 municipal audits, and 6 school district audits.
- Has met or exceeded all continuing education requirements including recent courses in the following:  
*2013, 2012, and 2011 Governmental Accounting Conferences*  
*2013, 2012, and 2011 School District Conferences*
- Member of the following:  
California Society of Certified Public Accountants
- Bachelor of Arts degree in Economics and Business with a concentration in accounting from Westmont College.

**SAN SIMEON COMMUNITY SERVICES DISTRICT**  
**APPENDIX B - RESUMES**

---

**PABLO TORRES, CPA – SENIOR ACCOUNTANT**

- Auditor with 5 years of audit experience with governmental and commercial entities.
- Auditor for 3 special district audits, 3 municipal audits, and 5 school district audits.
- Has met or exceeded all continuing education requirements including recent courses in the following:  
*2013, 2012, and 2011 Governmental Accounting Conferences*  
*2013, 2012, and 2011 School District Conferences*
- Member of the following:  
California Society of Certified Public Accountants
- Bachelor of Science degree in Business Administration with a concentration in public accounting and financial management from California Polytechnic State University, San Luis Obispo.
- Previous work experience include 1 year in not-for profit accounting and 3 years in healthcare accounting.

**DAVID ORTIZ – INFORMATION TECHNOLOGY DIRECTOR**

- Eleven years of audit and computer experience with governmental entities.
- Extensive knowledge of:  
Network design and implementation  
Network maintenance and troubleshooting  
Network security  
Microsoft, Mac, and Linux operating systems  
Database systems  
Various accounting programs
- A Bachelor of Science degree in Business Administration with an emphasis in Accounting from California Polytechnic State University, San Luis Obispo.

## **SAN SIMEON COMMUNITY SERVICES DISTRICT**

### **APPENDIX C - REFERENCES**

---

#### **VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT**

Audit of basic financial statements, preparation of state controllers report  
2003 to Present

Contact: Joe Barget, (805) 733-2475

Email: [jbarget@vvcasd.org](mailto:jbarget@vvcasd.org)

3757 Constellation Road, Lompoc, CA 93436

#### **SANTA YNEZ COMMUNITY SERVICES DISTRICT**

Audit of basic financial statements, preparation of state controllers report  
2005 to Present

Contact: Bobbie Martin, (805) 688-3008

Email: [Roberta@sycsd.com](mailto:Roberta@sycsd.com)

1070 Faraday St, Santa Ynez, CA 93460

#### **CUYAMA COMMUNITY SERVICES DISTRICT**

Audit of basic financial statements

2004 to Present

Contact: U.S Wilson, (661) 766-2780

Email: [ccsd@inreach.com](mailto:ccsd@inreach.com)

PO Box 368, New Cuyama, CA 93254



# SAN SIMEON COMMUNITY SERVICES DISTRICT

## APPENDIX D - CURRENT AND/OR RECENTLY COMPLETED GOVERNMENTAL AUDITS

---

### SANITARY DISTRICTS

Cayucos Sanitary District  
County Sanitation Districts of LA County -  
All 25 Districts  
Encina Wastewater Authority  
Orange County Sanitation District-Internal audits

### WATER/IRRIGATION DISTRICTS

Aldercroft Heights County Water District  
Foothill Municipal Water District  
Main San Gabriel Basin Watermaster  
Marina Water District  
North Marin Water District  
Soquel Creek Water District  
Valley County Water District  
Valley of the Moon Water District

### UTILITY DISTRICT

Georgetown Divide Public Utility District

### AMBULANCE SERVICES DISTRICTS

Cambria Community Healthcare District  
North Coast Emergency Medical Services

### FIRE PROTECTION DISTRICTS

Cayucos Fire Protection District  
Lakeport Fire Protection District  
Orcutt Fire Protection District

### CEMETERY DISTRICTS

Arroyo Grande Cemetery District  
Atascadero Cemetery District  
Gridley-Biggs Cemetery District  
Lompoc Cemetery District  
Oak Hill Cemetery District  
San Miguel Cemetery District  
Santa Margarita Cemetery District  
Santa Maria Cemetery District  
Shandon Cemetery District

### BUILDING AUTHORITY

County of San Diego Regional Building Authority

### COMMUNITY SERVICES DISTRICTS

Cambria CSD  
Cuyama CSD  
Groveland CSD  
Los Alamos CSD  
Nice CSD  
Oceano CSD  
Rancho Murieta CSD  
Santa Ynez CSD  
Templeton CSD  
Vandenberg Village CSD

### RECREATION AND PARK DISTRICTS

Conejo Recreation and Park District  
Hayward Recreation and Park District  
Isla Vista Recreation and Park District  
Mountains Recreation and Conservation  
Authority  
Rancho Simi Park and Recreation District

### TRANSPORTATION DEVELOPMENT ACTS

Arroyo Grande  
Beaumont  
Brawley  
Calexico  
El Centro  
Grover Beach  
Holtville  
Paso Robles  
San Luis Obispo Council of Governments  
Santa Barbara Council of Governments  
Santa Cruz County Regional Transportation  
Commission  
South County /San Luis Obispo Transit  
South County Area Transit  
Transportation Authority of Marin County  
Transportation Authority of Monterey County

### TRANSIENT OCCUPANCY TAX AUDITS

Arroyo Grande  
Bellflower  
Bishop  
Calexico  
Carmel  
Ojai  
Santa Maria  
South Lake Tahoe  
Watsonville  
Whittier

### OTHER PUBLIC SCHOOL ENTITIES

Academia Semillas Del Pueblo Charter School  
Antelope Valley Schools Transportation District  
East Bay Regional Occupational Program  
Family Partnership Charter School  
Garr Academy of Mathematics and Entrepreneurial  
Studies  
Santa Barbara County Special Education Local  
Plan Area  
Pacoima Charter School  
Santa Ynez Valley Charter School  
Southern California Regional Occupational Center  
Stella Academy  
Synergy Charter School  
Tri-Valley Regional Occupational Program

**SAN SIMEON COMMUNITY SERVICES DISTRICT**

**APPENDIX D - CURRENT AND/OR RECENTLY COMPLETED GOVERNMENTAL AUDITS**

---

**CITIES AND REDEVELOPMENT AGENCIES**

Adelanto  
Arcata  
Arroyo Grande  
Atascadero  
Beaumont  
Bellflower  
Brawley  
Buellton  
Calabasas  
Calexico  
Camarillo-Internal control audits  
Clayton  
County of San Diego Redevelopment Agency  
Dinuba  
El Cerrito  
Eureka  
Fillmore  
Fort Bragg  
Greenfield  
Grover Beach  
Gustine  
Healdsburg  
Hercules  
Holtville  
Imperial  
Lathrop  
Lemon Grove  
Lompoc  
Lynwood  
Morgan Hill  
Oakdale  
Ojai  
Pacifica  
Paradise  
Paso Robles  
Santa Maria  
Susanville  
Taft  
Tracy  
Watsonville  
Whittier  
Winters  
Yuba City

**PUBLIC FINANCING AUTHORITIES**

The majority of our municipalities issue debt through an established public financing authority.

**COUNTIES**

Los Angeles County (Master List)  
San Diego County (Master List)

**SCHOOL DISTRICTS**

Acton-Agua Dulce Unified School District  
Ballard School District  
Bellflower Unified School District  
Beverly Hills Unified School District  
Blochman Union School District  
Bradley Elementary School District  
Buellton Union School District  
Calaveras County Office of Education  
Calipatria Unified School District  
Carpinteria Unified School District  
Casmalia School District  
Castaic Union School District  
Cayucos Elementary School District  
Coast Unified School District  
Cold Spring School District  
College Elementary School District  
Cuyama Joint Unified School District  
Eastside School District  
El Segundo Unified School District  
Garvey School District  
Goleta Union School District  
Guadalupe Union School District  
Graves School District  
Heber School District  
Hope Elementary School District  
Hughes-Elizabeth Lakes Union School District  
Keppel Union School District  
Lagunita School District  
Lancaster School District  
Los Alamos Elementary School District  
Los Olivos Elementary School District  
Magnolia Union School District  
Manhattan Beach Unified School District  
Meadows Union School District  
Mission Elementary School District  
Monrovia Unified School District  
Montecito Union School District  
Mulberry School District  
Novato Unified School District  
Orcutt Union School District  
Pacific Elementary School District  
Palmdale School District  
Pleasant Valley School District  
San Ardo Elementary School District  
San Lucas Elementary School District  
San Miguel School District  
Santa Maria High School District  
Shandon Unified School District  
Solvang Elementary School District  
Temple City Unified School District  
Templeton Unified School District  
Torrance Unified School District  
Vista del Mar Elementary School District  
Westmoreland Elementary School District  
Washington School District  
Wilsona School District

## SAN SIMEON COMMUNITY SERVICES DISTRICT

### APPENDIX D - CURRENT AND/OR RECENTLY COMPLETED GOVERNMENTAL AUDITS

---

#### OTHER DISTRICTS

Beach Cities Health District  
County of San Diego - Emergency Services Organization  
County of San Diego First 5 Commission  
County of San Diego In-Home Supportive Services  
Public Authority  
County of San Diego Health and Human Services Agency  
Child Development Program Grant  
County of San Diego MIOCR Grant  
County of San Diego RLETC Grant  
County of Los Angeles Delta Sigma Theta, Head Start  
Program, Inc.  
County of San Diego District Attorney's Office of  
Auto Insurance Fraud Grant, Urban Auto Fraud  
Grant and WC Insurance Fraud Grant  
Los Angeles County Flood Control District  
Marin/Sonoma Mosquito and Vector Control District  
Mosquito and Vector Management District  
San Diego Geographic Information Source  
Tracy Area Public Facilities Financing Agency  
West Contra Costa Integrated Waste Management Authority

**AUDIT PROPOSAL  
FOR THE  
SAN SIMEON COMMUNITY SERVICES DISTRICT**

**12223 Highland Ave 106-625  
Rancho Cucamonga, CA 91739**

**Phone: 909.689.8219**

**Email: [rtdennis@dennis-cpa.com](mailto:rtdennis@dennis-cpa.com)**

**Contact: Rob Dennis**

**Date: August 2, 2013**

Transmittal Letter..... - 1 -

Firm Profile..... - 2 -

Staffing ..... - 10 -

Specific Experience..... - 12 -

Current Client List..... - 13 -

References..... - 14 -

Specific Audit Approach..... - 15 -

Fee Schedule ..... - 22 -

# Robert T. Dennis, CPA

## **Transmittal Letter**

I am pleased to provide an audit proposal to San Simeon Community Services District for the year ending June 30, 2013.

I will be fully committed to all deadlines, meeting all deadlines required by both the District and the State. Additionally I will have administrative support for drafting of the financial statements, etc.

My commitment to technology has afforded me the capability of have the most up to date audit tools for a less intrusive audit experience, while at the same time, providing a quality engagement.

As stated in the request, I understand the services to be provided are the following:

1. Compile the San Simeon Community Services District's financial statements based off the trial balance.
2. An opinion on the San Simeon Community Services District's financial statements in accordance with auditing standards generally accepted in the United States of America.
3. An opinion on the San Simeon Community Services District's 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*, issued by the Comptroller General of the United States of America.

The sections that follow, as required by the RFP, demonstrate our experience and ability to complete the requirements for this audit, as well as our audit approach. This is an irrevocable offer not to exceed 60 days. For purposes of this proposal Robert T. Dennis is authorized to make representations for Robert T. Dennis, CPA.



---

Robert T. Dennis, CPA  
*Proprietor*

TEL. 909.689.8219  
12223 Highland Avenue, Suite #106-625  
Rancho Cucamonga, CA 91739

### Introduction

After starting the firm of Dennis & Hart Accountancy in December 2008 and a subsequent merger, Rob Dennis struck out on his own in March of 2012 to start this firm while retaining most of the original clients from Dennis & Hart Accountancy.

Rob Dennis, was introduced to the school district audit industry at the largest school district audit firm in California in April 2000. Mr. Dennis has remained committed to the governmental industry with over eleven years of experience in the governmental/nonprofit arena prior to the opening of the firm. This includes working in the business office of a large school district in San Bernardino County and a waste water agency in Chino.

As far as audits are concerned, the firm's background experience includes audits of school districts, Proposition 39 bonds, OMB A-133 Single Audits, water districts, and a variety of special districts. The diversity of clients has been from 50,000 ADA districts down to single school districts; and the location of these districts has been all points within the state of California. Although school districts were the starting point, Mr. Dennis has gone on to audit other governmental entities such water districts and various other special districts. The size of all the entities audited range in size from \$10,000 general fund revenue up to \$450 million in general fund revenue.

Currently we audit governmental entities exclusively, which allows us to focus on governmental accounting and auditing standards. Since we specialize in governmental entities all of our practice aids, audit manuals, accounting manuals, and research materials are the most up-to-date to current standards.

Through varied experience the firm has developed a profound understanding of the interworking of governmental entities. With that said, our goal is to work with clients through scheduling and timely communications to provide the audit objectives for the client by the mandated deadlines.

Our mission is to provide high quality audits at a reasonable fee. Please refer to "Specific Experience" for a partial list of the entities audited.

### **General Information**

We have read the specific information requested within the request for proposal and believe all areas have been addressed within this proposal. This proposal is not a joint venture nor is it a consortium.

### **Firm Office**

The firm has one office located in Rancho Cucamonga. Rancho Cucamonga serves as our home office location, but our proximity ensures our ability to reach San Simeon Community Services District's location.

### **Services Provided**

In addition to auditing, we are a full service firm and we are available to provide the following services to school districts, associated student bodies (ASB), municipalities, and other not-for-profit entities:

- Bookkeeping services accounting services
- Budget development
- Comprehensive annual financial report (CAFR) preparation, analysis, and other assistance
- Internal control design and consulting services
- Not-for-profit tax preparation
- GASB 34 maintenance and analysis
- GASBs 43, 45, and 57, Other Postemployment Benefits (OPEB) accounting, reporting and analysis
- GASB 63 and 65 implementation for deferred inflows and deferred outflows
- GASB 67 and 68 implementation for pension reporting such as California Public Employee Retirement System (CalPERS) and California State Teachers' Retirement System (CalSTRS)



**Independence**

All auditors of the firm are independent of the San Simeon Community Services District as defined by audit standards generally accepted in the United States of America and Government Accountability Office's *Government Auditing Standards*.

**Peer Review**

Firms can receive a rating of *Pass*, *Pass with Deficiency(ies)*, or *Fail*. Prior to the dissolution of Dennis & Hart Accountancy, the firm completed their peer review, and received a report of *PASS* for the period as of December 31, 2010.

We are currently a member of the AICPA's peer review program, as administered by the California Society for Certified Public Accountants (CalCPA), and as such CalCPA will schedule the peer review for later this year.

**License to practice**

Rob Dennis has a current CPA license, #90213, for the state of California.

**Legal or Regulatory Action**

The firm is not currently, nor has been in the past, involved with any legal or regulatory actions against this firm.

**Continuing Professional Education (CPE)**

Auditors performing work in accordance with Generally Accepted Government Auditing Standards (GAGAS), including planning, directing, performing audit procedures, or reporting on an audit conducted in accordance with GAGAS, should maintain their professional competence through continuing professional education (CPE). Therefore, each auditor performing work in accordance with GAGAS should complete, every 2 years, at least 24 hours of CPE that directly relates to government auditing, the government environment, or the specific or unique environment in which the audited entity operates. Auditors who are involved in any amount of planning, directing, or reporting on GAGAS audits and auditors who are not involved in those activities but charge 20 percent or more of their time annually to GAGAS audits should also obtain at least an additional 56 hours of CPE (for a total of 80 hours of CPE in every 2-year period) that enhances the auditor's professional proficiency to perform audits. Auditors required to take the total 80 hours of CPE should complete at least 20 hours of CPE in each year of the 2-year periods. Auditors hired or initially assigned to GAGAS audits after the beginning of an audit organization's 2-year CPE period should complete a prorated number of CPE hours.

As described above, we are required to obtain a minimum amount of CPE; we achieve this from various organizations. Most of our CPE is provided by the American Institute of Certified Public Accountants (AICPA), as well as the California Education Foundation, which is in cooperation with the California Society of Certified Public Accountants. Some examples of CPE titles are as follows:

- Accountancy Laws, Ethics, Taxes, and Financial Reporting Review – Ethics
- Annual School District Accounting/Auditing Update (class developed with the California Department of Education and California State Controller's Office)
- California Regulatory Review
- Fraud – Governmental and Not-For-Profits
- GASB Basic Financial Statements for State and Local Governments
- Governmental Accounting and Auditing Update

### Memberships

The firm has membership of the following organizations:

- American Institute of Certified Public Accountants (AICPA) – The AICPA is the world's largest member association representing the accounting profession, with nearly 386,000 members in 128 countries and a 125-year heritage of serving the public interest. AICPA members represent many areas of practice, including business and industry, public practice, government, education and consulting. The AICPA sets ethical standards for the profession and U.S. auditing standards for audits of private companies, nonprofit organizations, federal, state and local governments. It develops and grades the Uniform CPA Examination and offers specialty credentials for CPAs who concentrate on personal financial planning; fraud and forensics; business valuation; and information technology. Through a joint venture with the Chartered Institute of Management Accountants, it has established the Chartered Global Management Accountant designation to elevate management accounting globally.
- AICPA's Global Chartered Management Accountant (CGMA) designation – The CGMA is a relatively new designation created by the AICPA and the Chartered Institute of Management Accountants. The CGMA mission is to promote the science of management accounting on the global stage. The designation champions management accountants and the value they add to an organization.
- AICPA's Government Audit Quality Center (GAQC) – GAQC promotes the importance of quality governmental audits and the value of such audits to purchasers of governmental audit services. GAQC is a voluntary membership center for CPA firms and state audit organizations that perform governmental audits.
- AICPA's Firm Practice Management (PCPS) – The PCPS Firm Practice Center provides a venue for CPA firms to harness business opportunities and overcome challenges in their firms. PCPS - the AICPA Private Companies Practice Section—provides a rich array of valuable information and resources for firms of all sizes in the area of practice management.

**Memberships, continued**

- AICPA's Peer Review Program – CalCPA administers the AICPA Peer Review Program for enrolled firms with their main office in California, Arizona and Alaska. The AICPA administers this program through the National Peer Review Committee (NPRC) for firms required to be registered with and inspected by the Public Company Accounting Oversight Board (PCAOB). A peer review is a periodic outside review of a firm's accounting and auditing practice aimed at helping the firm maintain and improve the quality of its services.
  
- California Society of Certified Public Accountants (CalCPA) – CalCPA's vision is to cause CalCPA members to be viewed as leaders in professional competency and integrity by clients, employers, the public and government officials. Their mission is to increase the value and promote the integrity of the CPA profession, contribute to the success of our members, and strengthen client, employer, public and government trust in CalCPA member advice, work products and opinions

**Staff assigned to the audit**

The staff assigned to the job would be Rob Dennis as the in-charge of the audit. Mr. Dennis has been working in the governmental audit industry since April of 2000. In that time he has worked on all facets of an audit, from staff level to manager. For specific information, please see the Staffing section.

### **Insurance/Indemnity**

The firm has professional liability insurance policy in aggregate of \$1,000,000 with CAMICO Mutual Insurance Company, and will indemnify and hold harmless the District from and against all losses and claims in the execution of our work or the consequences of any negligence or carelessness on our part. We are aware of the provisions of Sections 3700 et seq. of the California Labor Code which requires every employer to be insured against liability for workers' compensation or to undertake insurance in accordance with the provisions of that code before commencing the performance of the work of the contract.

### **Experience**

The firm specializes in governmental audits as well as OMB 133-A "Single Audits." Over the past 10 years Mr. Dennis has been auditing governmental agencies, and has written CAFRs in compliance with GASB 34 as well as all current GASB required disclosures, such as 43 and 45 (OPEB). In addition to the federal compliance, Mr. Dennis has also performed state compliance auditing, and other audit work.

### **Quality**

The firm strives to provide the highest quality audits to our clients. As evidence to our commitment to quality we use the continuing professional education and our professional memberships as our opportunity to strengthen our knowledge base for application into actual audit scenarios.

Our belief is that an audit, while required, is an opportunity for the client to use our knowledge and experience to improve their own operations, or as a sounding board for ideas they may have for improving or changing their accounting procedures.

Finally, when it comes time for audit report review, we have arrangements with other CPAs to provide a "cold review" or the equivalent of a "second partner review." This helps catch any opinion, disclosure, or accounting issues which may have missed. This also helps in catch any formatting, spelling, or grammar errors that may have passed our review.

**Method of operation**

The firm uses Pro Systems fx for our trial balance and audit documentation. This allows us to use Excel, Word, and Outlook for our audit schedules and back-up. As far as any documentation from the client is concerned, we are paperless, and, therefore, do not require the client to prepare any copies for us. We would appreciate electronic files either through email or presented to us upon arrival.

We come to audit fieldwork with laptops and scanners; this allows us to exploit the most current technology as a tool for expediting the audit with the least amount of negative impact to the client's staff.

Prior to the audit we will provide the client with a detailed list of items and reports needed for completion of that particular phase of the audit. Availability of accounting staff during the time we are at the client's facilities is of the utmost importance; however, if we know in advance any availability issues we can work around them and reschedule testing of controls and accounts.

**Work-paper retention**

The firm's policy is to retain all work-papers for a period of seven years, as is required by law.

While the firm is a relatively small operation, our combined experience makes us more efficient in accomplishing the tasks required by the audit. Most firms use clients as testing grounds for their new employees; since the audit team consists of only Mr. Dennis, there is a much shorter learning curve for auditors getting acclimated to a new client and vice-versa.

Except as noted above regarding the "cold review," we do not subcontract any of the audit work.

The Firm is an Equal Opportunity Employer, and is in compliance with the Civil Rights Act of 1964, the State Fair Employment Practice Act, and all other applicable Federal and State laws and regulations relating to equal opportunity employment, including executive Order No. 11246 of September 24, 1965.

**Robert T. Dennis, CPA, CGMA**

*Proprietor*

***Experience:***

Over ten years of public accounting and internal audit experience which includes work on over 100 governmental entity and non-profit audits which were located in various location all throughout California.

This experience includes but is not limited to:

- Preparation of numerous School District Audit Reports (including Single Audit Reports)
- Preparation of numerous County Office of Education and Community College Audit Reports (including Single Audit Reports)
- Preparation of Special District Audit Reports
- State Controllers Reports for Special Districts
- Management Letters
- Performed multiple single audits which have included major programs across funding agencies.
- Oversight of all audit work involved for engagements.
- Review and implementation support for school attendance systems.
- Review of Federal and State programs for compliance requirements.

***Education:***

Graduated from Cal State Fullerton, BA in Business Administration with concentrations in Accounting and Finance.

***Professional Organizations and Continuing Education:***

Current member of the American Institute of Certified Public Accountants (AICPA) and the California Society of Certified Public Accountants.

Completed the updated Yellow Book standards training for Governmental Agencies along with attending CalCPA School District Training annually.

***Other:***

Rancho Cucamonga Kiwanis, Treasurer, 2009 – 2010



Mr. Dennis has participated in the past audits as the audit in charge/manager/partner for the following agencies:

**School Districts:**

Bassett Unified  
Beverly Hills Unified  
Colusa Unified  
Del Norte County Unified  
Duarte Unified  
Gold Trail Union  
Hawthorne Elementary  
Lancaster Elementary  
Lawndale Elementary  
Maxwell Unified  
Montebello Unified  
Muroc Joint Unified

Pierce-Joint Unified  
Plumas Unified  
Riverside Unified  
Santa Ana Unified  
Santa Barbara Unified  
Santa Cruz City  
Simi Valley Unified  
South Pasadena Unified  
South San Francisco Unified  
Walnut Valley Unified  
William S. Hart Union High  
Williams Unified

**County Offices of Education:**

Colusa County Office of Education  
Del Norte County Office of Education

Plumas County Office of Education

**Community Colleges:**

Antelope Valley Community College  
Southwestern Community College

Victor Valley Community College

**Special Districts:**

Apple Valley Heights Water District  
Hesperia Park and Recreation District  
Joshua Basin Water District

Mojave Water Agency  
Thunderbird Water District

**Not-for-profit Organizations & Charter Schools:**

Academy for Career Education Charter  
Klamath River Early College of the Redwoods  
Options for Youth

Watts Learning Center  
Wheatland Charter Academy  
Yuba County Career Preparatory Charter

**ROBERT T. DENNIS,  
CPA**

**CURRENT CLIENT LIST**

<b>Entity Name</b>	<b>OMB 133-A Single Audit</b>	<b>2012 General Fund Revenue</b>
Arroyo Grande Cemetery District	No	\$ 366,036
Arvin Community Services District	No	\$ 2,097,060
Bayshore School District	No	\$ 3,503,829
Brisbane School District	No	\$ 6,417,137
Camptonville Union Elementary School District	No	\$ 667,916
Indian Diggings School District	No	\$ 224,628
Indian Springs Elementary School District	No	\$ 609,520
Saratoga Cemetery District	No	\$ 794,316
South Kern Cemetery District	No	\$ 262,865
Plumas Lake School District	Yes	\$ 8,062,070
Wheatland Elementary School District	Yes	\$ 12,616,283
Wheatland Union High School District	Yes	\$ 6,557,211
Whitmore Union Elementary School District	No	\$ 419,145
Yuba County Office of Education	Yes	\$ 16,800,663

# ROBERT T. DENNIS, CPA

## REFERENCES

---

Julie McCarthy, Business Manager  
Bayshore School District  
[jmccarthy@race.com](mailto:jmccarthy@race.com)  
One Solano Street  
Brisbane, CA 94005  
415.467.0550

Wendy Scarlett, CFO  
Gold Trail Union School District  
[wscarlett@gtusd.org](mailto:wscarlett@gtusd.org)  
1575 Old Ranch Rd.  
Placerville, CA 95667  
530.626.3194 x.235

Ajit Kang, Director of Business Services  
Plumas Lake School District  
[akang@plusd.org](mailto:akang@plusd.org)  
2743 Plumas School Road  
Plumas Lake, CA 95961  
530.743.4428

Tami Johnson, Business Manager  
Wheatland Elementary School District  
[tjohnson@wheatland.k12.ca.us](mailto:tjohnson@wheatland.k12.ca.us)  
111 Main St.  
Wheatland, CA 95692  
530.633.3130

Violette Begley, Director of Business Services  
Yuba County Office of Education  
[violette.begley@yubacoe.k12.ca.us](mailto:violette.begley@yubacoe.k12.ca.us)  
935 14th Street  
Marysville, CA 95901-4198  
530.749.4856

Once awarded the contract we will coordinate with the client the actual dates to start the audit and fieldwork. The audit is broken up in following phases:

- Planning/Pre-audit preparation
- Field-work
- Post fieldwork procedures.

The field-work will generally be between September and November, with issuance of the report by the December deadline.

**I. Planning/Pre-audit preparation**

A. Initially we will speak with the District, to coordinate the following:

1. Establish points of contact for scheduling, data gathering/audit responsibilities, and other logistical details.
2. Dates and specific timelines for the various phases of the audit.

B. Review and document the following:

1. Pertinent state and federal statutes (compliance) that apply to the San Simeon Community Services District, regulations, charters and any other appropriate documentation available concerning the District.
2. Prior year audit work-papers, with client's approval, as well as the annual financial report and any other reports issued. Additionally, we would want to speak to the prior auditor to determine if there were any issues we would need to be aware of.
3. Board minutes, starting with the date under audit, typically July 1.
4. Determine we are still, in fact, independent of the client.

C. Interview and make inquiries of:

1. The District's chief financial officer, legal counsel and other appropriate personnel to determine if there are specific laws, regulations or policies that are in place on which we may need additional information and address problems or areas of concern that they may have at that time.
2. Appropriate people about the political climate to determine if there are initiatives that are pending that may affect operations.

**II. Field-work**

- A. Perform analytical review procedures on the District's financial statements to obtain a better understanding of the operation and to identify areas that may need increased attention. Areas that may be analyzed are comparisons of account balances between periods and/or to budget amounts. There may be some ratio and trend analysis to better understand the operations and to help in identifying critical audit areas. A comparison of revenue and expenditures may be conducted to aid in following patterns or trends.
- B. Assess the internal control structure of the District's for the 1.) revenue cycle, from revenue collection to deposit; 2.) purchasing cycle, from ordering goods and services to paying for them; and 3.) payroll cycle, from hiring to payment of employees. - we would review and test the following:
1. Control environment: Review the organizational structure, management's philosophy and operating style, assignment of authority and responsibilities, human resources policies and procedures, management oversight and experience levels of personnel.
  2. Risk assessment: Review the processes used to identify potential risk that can affect the District and the steps it takes to counter these risks.
  3. Control activities: Review the policies and procedures that help ensure management's directives are carried out.
  4. Information and communication: Review and test the methods and records established to identify, assemble, analyze, classify, record and report the District's transactions, events and conditions; determine how the District maintains accountability over related assets and liabilities; review written policies and procedures to determine their completeness and effectiveness in addressing reporting controls.
  5. Monitoring: Review management's oversight of the internal control process.

Internal Control Testing, continued

6. Sampling of the various transaction cycles will depend on the sizes of the populations as well as logistical concerns for obtaining the sample and requisite back-up. The following are some examples of sampling methods:
  - Systematic, whereby we will select one of every "n<sup>th</sup>" transactions of the entire population to reach our determined sample amount.
  - Haphazard, where we approximate randomization, without the statistical modeling.
  - Judgmental, where we are looking for something specific in the transactions we are sampling.
- C. Perform fraud analysis through interviews of the staff and roundtable discussion amongst the audit team.
- D. Meet with management, and as necessary the board/audit committee, to provide an update on the audit and discuss any issues with respect to the audit.
- E. Obtain electronic version trial balance for import into audit software.
- F. Prepare and issue:
  - I. State Controller's Report.

- G. Test account balances based on results of risk assessments performed at Interim. Such tests could include the following:
1. Vouching cash, cash in county, and other investment balances to the statements and/or confirmations.
  2. Obtain aging schedule for accounts receivable and test reported balances. Additionally, we would test the revenue for billings, etc., connected with the previously mentioned accounts receivable.
  3. Fixed asset listing as well as capital outlay expenditures and/or any information on any other additions or dispositions of fixed/capital assets.
  4. Accounts payable testing, including subsequent disbursements.
  5. Customer deposits and any other current liability testing.
  6. Debt schedules, official statements, trustee statements, and any other statements relevant to payment of long-term debt, including any new issuances, refunding, or refinancing, as applicable.
  7. Agreeing beginning fund balance to prior year audit report.
- H. Perform final analytical review of various account balances being reported.
- I. Management inquiries, review methods of preparation, and other procedures regarding Supplementary Information (SI) for thing such as the following:
- Schedule of Revenue and Expenses by Fund



- J. Hold exit conference with management, and as necessary board and audit committee, and review:
  - 1. Any findings/issues noted for possible inclusion into management letter.
  - 2. Any proposed adjustments/reclassification entries to determine whether or not to post to trial balance.
  - 3. Obtain a management representation letter.

**III. Post field work procedures**

- A. Prepare draft report and submit to the District's management for review.
- B. Review the District's Management's Discussion and Analysis and provide assistance to the District concerning tables and any other graphically represented financial data.
- C. Review the District's responses to findings and recommendations, if applicable.
- D. Issue:
  - 1. Financial report.
  - 2. Management letter, if necessary.
- E. Make board presentation of the Annual Financial Report and present the following:
  - 1. Provide brief overview of what is included in the Annual Financial Report
  - 2. Explain the audit opinions and what they mean
  - 3. Highlight the ending General Fund balance, along with the financial trends and analysis schedule

The following is an hourly breakdown of the previously described audit phases and components:

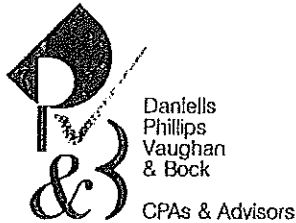
	<u>Hours</u>
<b>I. Planning/Pre-audit preparation</b>	
A. Coordination	1
B. Review and Documentation	2
C. Interviews and inquiries	1
<b>II. Field-work</b>	
A. General procedures	4
B. Internal control testing	
1. Revenue cycle (receipting procedures)	2
2. Disbursement cycle	2
3. Payroll cycle	2
C. Fraud analysis	2
D. Exit conference and review	1
E. Trial balance	3
F. State controller's report	4
G. Account balance testing	8
H. Final account analysis	3
I. SI procedures	1
J. Exit conference and review	1
<b>III. Post field work procedures</b>	
A. Financial statement prep.	4
B. & C. Review	1
D. Issuance of reports	1
E. Board presentation	1
<hr/>	
Total hours, estimated	<hr/> 44 <hr/>

---

	<u>Est. Hours</u>	<u>Billing Rates</u>	<u>2012/13 Fees</u>
Staff level			
Owner	40	\$ 150.00	\$ 6,000
Clerical	4	50.00	200
<hr/>			
Total hours	44	Out-of-pocket expenses	1,000
<hr/>			
			\$ 7,200

---





Member of the McGladrey Alliance

Member of AICPA Division for Firms  
Private Companies Practice Section

LYNN STARR DEL MUNDO

## ARRANGEMENT LETTER

July 31, 2013

Board of Directors  
**San Simeon Community Services District**  
111 San Pico Avenue  
San Simeon, California 93452

Attention: Charles Grace, General Manager

### **The Objective and Scope of the Audit of the Financial Statements**

You have requested that we audit the financial statements of **San Simeon Community Services District** (the "District"), as of and for the year ended June 30, 2013 which collectively comprise the basic financial statements and supplementary information. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

Our audit will be conducted with the objective of our expressing an opinion on the financial statements.

### **The Responsibilities of the Auditor**

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); "Government Auditing Standards" issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS. Also, an audit is not designed to detect errors or frauds that are immaterial to the financial statements. The determination of abuse is subjective; therefore, Government Auditing Standards do not expect us to provide reasonable assurance of detecting abuse.

**San Simeon Community Services District**

July 31, 2013

Page 2

In making our risk assessments, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

We will also communicate to the board of directors (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during the audit, and (b) any instances of noncompliance with laws and regulations that we become aware of during the audit (unless they are clearly inconsequential).

Our report on internal control will include any significant deficiencies and material weaknesses in controls of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with requirements of the standards and circulars identified above. Our report on compliance matters will address material errors, fraud, abuse, violations of compliance obligations, and other responsibilities imposed by state and federal statutes and regulations or assumed by contracts, and any state or federal grant, entitlement, or loan program questioned costs of which we become aware, consistent with requirements of the standards and circulars identified above.

**The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework**

Our audit will be conducted on the basis that management acknowledges and understands that they have responsibility:

- a. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
- b. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- c. For establishing and maintaining effective internal control over financial reporting and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge;
- d. For identifying and ensuring that the entity complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the entity involving management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others;
- e. For (a) making us aware of significant vendor relationships where the vendor is responsible for program compliance, (b) following up and taking corrective action on audit findings, including the preparation of a summary schedule of prior audit findings, and a corrective action plan, and (c) report distribution including submitting the reporting package(s); and

**San Simeon Community Services District**

July 31, 2013

Page 3

- f. To provide us with:
- (1) Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
  - (2) Additional information that we may request from management for the purpose of the audit;
  - (3) Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence;
  - (4) When applicable, a summary schedule of prior audit findings for inclusion in the single audit reporting package; and
  - (5) If applicable, responses to any findings reported on the schedule of findings and questioned costs.

As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit including among other items:

- a. That management has fulfilled its responsibilities as set out in the terms of this letter; and
- b. That it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for identifying and ensuring that District complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud or abuse, and for informing us about all known or suspected fraud or abuse affecting the entity involving management, employees who have significant roles in internal control, and others where the fraud or abuse could have a material effect on the financial statements or compliance. Management is also responsible for informing us of its knowledge of any allegations of fraud or abuse or suspected fraud or abuse affecting the entity received in communications from employees, former employees, analysts, regulators, short sellers, or others.

Management is responsible for the preparation of the supplementary information in accordance with accounting principles generally accepted in the United States of America. Management agrees to include the auditor's report on the supplementary information in any document that contains the supplementary information and that indicates that the auditor has reported on such supplementary information. Management also agrees to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

The board of directors is responsible for informing us of its views about the risks of fraud or abuse within the entity, and its knowledge of any fraud or abuse or suspected fraud or abuse affecting the entity.

**San Simeon Community Services District** agrees that it will not associate us with any public or private securities offering without first obtaining our consent. Therefore, **San Simeon Community Services District** agrees to contact us before it includes our reports or otherwise makes reference to us, in any public or private securities offering.

**San Simeon Community Services District**

July 31, 2013

Page 4

Our association with an official statement is a matter for which separate arrangements will be necessary. **San Simeon Community Services District** agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when **San Simeon Community Services District** seeks such consent, we will be under no obligation to grant such consent or approval.

Because Daniells Phillips Vaughan & Bock will rely on **San Simeon Community Services District** and its management and board of directors to discharge the foregoing responsibilities, **San Simeon Community Services District** holds harmless and releases Daniells Phillips Vaughan & Bock, its partners, and employees from all claims, liabilities, losses, and costs arising in circumstances where there has been a knowing misrepresentation by a member of **San Simeon Community Services District's** management which has caused, in any respect, Daniells Phillips Vaughan & Bock's breach of contract or negligence. This provision shall survive the termination of this arrangement for services.

**San Simeon Community Services District's Records and Assistance**

If circumstances arise relating to the condition of the District's records, the availability of appropriate audit evidence, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment, prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion, issue a report, or withdraw from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in the District's books and records. The District will determine that all such data, if necessary, will be so reflected. Accordingly, the District will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by District personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with Charles Grace, General Manager and Renee Samaniego-Lundy. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

In connection with our audit, you have requested us to perform certain non-audit services necessary for the preparation of the financial statements, including preparation of the financial statements and the Annual Report of Financial Transactions with Special Districts. The independence standards of the "Government Auditing Standards" issued by the Comptroller General of the United States GAS require that the auditor maintain independence so that opinions, findings, conclusions, judgments, and recommendations will be impartial and viewed as impartial by reasonable and informed third parties. Before we agree to provide a non-audit service to **San Simeon Community Services District**, we determine whether providing such a service would create a significant threat to our independence for GAS audit purposes, either by itself or in aggregate with other non-audit services provided. A critical component of our determination is consideration of management's ability to effectively oversee the non-audit service to be performed. **San Simeon Community Services District** has agreed that Charles Grace, General Manager and Renee Samaniego-Lundy possess suitable skills, knowledge, or experience and that the individuals understand the preparation of the financial statements and the Annual Report of Financial Transactions with Special Districts services to be performed sufficiently to oversee them. Accordingly, the management of **San Simeon Community Services District** agrees to the following:

**San Simeon Community Services District**

July 31, 2013

Page 5

1. **San Simeon Community Services District** has designated Charles Grace, General Manager and Renee Samanlego-Lundy a senior member of management, who possess suitable skills, knowledge, and experience to oversee the services.
2. Charles Grace, General Manager and Renee Samanlego-Lundy will assume all management responsibilities for subject matter and scope of the including preparation of the financial statements and the Annual Report of Financial Transactions with Special Districts.
3. **San Simeon Community Services District** will evaluate the adequacy and results of the services performed.
4. **San Simeon Community Services District** accepts responsibility for the results and ultimate use of the services.

GAS further requires we establish an understanding with the management of **San Simeon Community Services District** of the objectives of the non-audit service, the services to be performed, the entity's acceptance of its responsibilities, the auditor's responsibilities, and any limitations of the non-audit service. We believe this letter documents that understanding.

In accordance with Government Auditing Standards, a copy of our most recent peer review report is enclosed, for your information.

**Fees, Costs, and Access to Workpapers**

Our fees for the audit and accounting services described above are based upon the value of the services performed and the time required by the individuals assigned to the engagement, plus direct expenses. Our fee estimate and completion of our work is based upon the following criteria:

- a. Anticipated cooperation from District personnel
- b. Timely responses to our inquiries
- c. Timely completion and delivery of client assistance requests
- d. Timely communication of all significant accounting and financial reporting matters
- e. The assumption that unexpected circumstances will not be encountered during the engagement

If any of the aforementioned criteria are not met, then fees may increase. Interim billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission. Amounts that are more than 30 days past due will be subject to a finance charge of 0.0329% per day (12% per annum). We reserve the right to stop work on this engagement, until the account is brought current. Our fee for the services described in this letter are estimated not to exceed \$8,800 plus travel and lodging, unless the scope of the engagement is changed, the assistance which the District has agreed to furnish is not provided, or unexpected conditions are encountered, in which case we will discuss the situation with you before proceeding. All other provisions of this letter will survive any fee adjustment.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leave the firm and is subsequently employed by or associated with a client. Accordingly, the District agrees it will compensate Daniells Phillips Vaughan & Bock for any additional costs incurred as a result of the District's employment of a partner or professional employee of Daniells Phillips Vaughan & Bock.



**San Simeon Community Services District**

July 31, 2013

Page 6

In the event we are requested or authorized by **San Simeon Community Services District** or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagement for **San Simeon Community Services District**, **San Simeon Community Services District** will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for any professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

The documentation for this engagement is the property of Daniells Phillips Vaughan & Bock. However, you acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staffs, and the U.S. Government Accountability Office shall have access to the audit documentation upon their request; and that we shall maintain the audit documentation for a period of at least three years after the date of the report, or for a longer period if we are requested to do so by the cognizant or oversight agency. Access to requested audit documentation will be provided under the supervision of Daniells Phillips Vaughan & Bock audit personnel and at a location designated by our Firm.

**Reporting**

We will issue a written report upon completion of our audit of **San Simeon Community Services District's** financial statements. Our report will be addressed to the governing board of **San Simeon Community Services District**. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

In addition to our report on **San Simeon Community Services District's** financial statements, we will also issue a report on internal control related to the financial statements. This report will describe the scope of testing of internal control and the results of our tests of internal controls.

**Claim Resolution**

If any dispute arises among the parties hereto, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Rules for Professional Accounting and Related Services Disputes before resorting to litigation. The costs of any mediation proceeding shall be shared equally by all parties.

**San Simeon Community Services District** and we both agree that any dispute over fees charged by us to the client will be submitted for resolution by arbitration, to be conducted pursuant to the California Arbitration Act. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, in the event of a dispute over fees charged by us, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury and instead are accepting the use of arbitration for resolution.

This letter constitutes the complete and exclusive statement of agreement between Daniells Phillips Vaughan & Bock and **San Simeon Community Services District**, superseding all proposals, oral or written, and all other communications, with respect to the terms of the engagement between the parties.

San Simeon Community Services District  
July 31, 2013  
Page 7

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

DANIELLS PHILLIPS VAUGHAN & BOCK



Lynn Starr Del Mundo  
Certified Public Accountant

Confirmed on behalf of San Simeon Community Services District:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

## Renee Samaniego-Lundy

---

**From:** Eric Xin [exin@bacpas.com]  
**Sent:** Friday, July 19, 2013 4:47 PM  
**To:** Charles Grace  
**Cc:** Renee Samaniego-Lundy  
**Subject:** RE: San Simeon CSD Annual Audit quote

Hi Charles, after I look into the draft financials and interim financial information, we estimated that we can perform your audit at a cost of \$18,000. Please let me know if you have any questions.

You have a great weekend!

Eric Xin | Brown Armstrong Accountancy Corp. |  
4200 Truxtun Avenue, Suite 300 | Bakersfield, CA 93309 |  
Tel: 661-324-4971 | Fax: 661-324-4997 |  
Toll Free: 888-565-1040 |  
E-mail: [exin@bacpas.com](mailto:exin@bacpas.com)

*Confidentiality Notice.* The information in this transmission (including any attachments) is intended only for the person or entity to which it is addressed and may contain confidential and/or privileged material. If you are not the intended recipient, any review, retransmission, dissemination or other use of, or taking of any action in reliance upon this information is prohibited. If you have received this in error, please contact Brown Armstrong Accountancy Corporation at 661-324-4971 and destroy all copies of the original message (including any computer copies).

**From:** Charles Grace [mailto:[cgrace@aptwater.com](mailto:cgrace@aptwater.com)]  
**Sent:** Thursday, July 18, 2013 2:45 PM  
**To:** Eric Xin  
**Cc:** Renee Samaniego-Lundy  
**Subject:** San Simeon CSD Annual Audit quote

Eric,

It was a pleasure talking to you today. Please provide a quote to perform the Annual Audit and electronic submittal of the State Controllers summary. Attached is last year's audit and a recent financial summary. Typically the auditor is on site about two days and then attends a Board meeting when the Audit Draft is presented.

Thank you,

Charles Grace  
APTwater  
General Manager  
805 431 6253  
[cgrace@aptwater.com](mailto:cgrace@aptwater.com)

---

This email has been scanned by the Symantec Email Security.cloud service.  
For more information please visit <http://www.symanteccloud.com>

---

**RESOLUTION NO. 13-360**

**RESOLUTION OF THE BOARD OF DIRECTORS FOR THE SAN SIMEON  
COMMUNITY SERVICES DISTRICT AUTHORIZING SIGNATURES, INCLUDING FACSIMILE  
SIGNATURES, FOR BANKING SERVICES ON BEHALF OF THE SAN SIMEON COMMUNITY  
SERVICES DISTRICT**

**THE SAN SIMEON COMMUNITY SERVICES DISTRICT RESOLVES AS FOLLOWS;**

**SECTION 1.** The following persons are authorized to sign on behalf of the District, orders for payment or withdrawal of money;

**Ralph McAdams, Alan Fields, Leroy Price, Daniel Williams, Ken Patel and Charles Grace**

Such authority shall remain in force until revoked by written notice to the affected bank of the action taken by the Board of Directors of the San Simeon Community Services District. All prior authorizations are superseded.

**SECTION 2.** Any designated depository ("Bank") of the San Simeon Community Services District is authorized and directed to honor and pay any checks, drafts, or other orders for the payment of money withdrawing funds from any account of the District when bearing or purporting to bear the signatures of TWO persons listed in Section One of this resolution. The Bank is authorized and directed to honor and to charge the District whom such actual or purported signatures were made, provided they resemble the signatures duly certified to and filed with the Bank by the city recorder or other officer of the District.

**SECTION 3.** This Resolution takes effect upon signing by the Chairperson.

UPON MOTION of \_\_\_\_\_ seconded by \_\_\_\_\_, and on the following roll call vote to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

The foregoing Resolution is hereby adopted this 14th day of August 2013.

\_\_\_\_\_  
Ralph McAdams  
Chairperson of the Board of Directors

ATTEST:

\_\_\_\_\_  
Charles Grace  
General Manager/Secretary, SSCSD