

TO: FINANCE AND AUDIT COMMITTEE

REVIEWED: MARIO IGLESIAS
GENERAL MANAGER

AK

FROM: LISA BOGNUDA
FINANCE DIRECTOR

LSB

DATE: MARCH 1, 2019

AGENDA ITEM

2

MARCH 6, 2019

REVIEW PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

ITEM

Review proposal for professional auditing services

BACKGROUND

Pursuant to Special District Law, the Board of Directors shall provide for regular audits of the District's accounts and records. An audit is performed on the accounts and records of Nipomo Community Services District every year by an independent Certified Public Accountant (CPA).

The District contracts for auditing services under a three year contract. With the completion of the June 30, 2018 audit, the three year contract with Rogers, Anderson, Malody & Scott, LLP (RAMS), Certified Public Accountants is complete. In order to maintain continuity, Staff requested a proposal for RAMS for an additional three years which is allowed under California Government Code 12410.6(b).

Excerpt from California Government Code Section 12410.6(b):

Commencing with the 2013-14 fiscal year, a local agency shall not employ a public accounting firm to provide audit services to a local agency if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for the local agency for six consecutive years.

Mr. Terry Shea, CPA, will be on a conference call to answer questions from the Finance and Audit Committee. The proposed annual fee for FY 18-19, 19-20 and 20-21 is \$22,000, \$23,000 and \$24,000 respectively. The fee for the previous contract was \$12,000 per year, with no escalation.

RECOMMENDATION

It is recommended that the Committee review the proposal and provide direction to Staff.

ATTACHMENT

- A. Proposal for Professional Auditing Services

MARCH 6, 2019

ITEM 2

ATTACHMENT A



***Proposal for Professional
Auditing Services***

***For the fiscal year ending June 30, 2019
(With the option of each of the two subsequent years)***

Submitted by:

ROGERS, ANDERSON, MALODY & SCOTT, LLP

Certified Public Accountants

735 E. Carnegie Drive, Suite 100
San Bernardino, California 92408
(909) 889-0871

January 14, 2019

CONTACT: TERRY P. SHEA, PARTNER
terry@ramscpa.net

ALTERNATE CONTACT PERSON: BRAD A. WELEBIR, PARTNER
bwelebir@ramscpa.net



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

NIPOMO COMMUNITY SERVICES DISTRICT
PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

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Attachment A: Government Clients Served



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

January 14, 2019

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscca.net

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Kirk A. Franks, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jay H. Zercher, CPA (Partner Emeritus)
Phillip H. Waller, CPA (Partner Emeritus)

MANAGERS / STAFF

Jenny Liu, CPA, MST
Seong-Hyea Lee, CPA, MBA
Charles De Simoni, CPA
Gardenya Duran, CPA
Brianna Schultz, CPA
Samuel Singery, CPA
Jing Wu, CPA
Evelyn Morentin-Barcena, CPA
Jin Gu, CPA, MT
Veronica Hernandez, CPA

MEMBERS

American Institute of
Certified Public Accountants

*PCPS The AICPA Alliance
for CPA Firms*

*Governmental Audit
Quality Center*

*Employee Benefit Plan
Audit Quality Center*

California Society of
Certified Public Accountants

Nipomo Community Services District
ATTENTION: Lisa Bognuda,
Finance Director/Assistant General Manager
148 South Wilson Street
Nipomo, CA 93444

Dear Ms. Bognuda,

I am pleased to respond, on behalf of Rogers, Anderson, Malody & Scott, LLP, (RAMS) to your request for a proposal regarding professional auditing services. As a recognized industry leader and innovator, our goal for the past 70 years has been to provide honest, accurate, objective results to all of our clients, including governmental organizations such as yours. Our success in this effort is witnessed by both the growth of our firm and the list of long-term clients who trust us.

At RAMS, we are committed to achieving the highest quality audit possible. We understand the complexity of performing governmental audits and that's why we have a *dedicated team of auditors* that possess the specialized knowledge and experience to help ensure compliance and changes in regulations that may impact your organization. We plan and execute our audits in a way that maximizes audit efficiency and effectiveness and provides you the highest quality services.

We are aware that the District has other proposals to consider. We believe that RAMS would be the appropriate choice for the audit engagement for the following reasons, which are provided in more detail in our proposal. Our firm:

- Has an established reputation in the governmental and not-for-profit accounting and auditing community for providing excellent, timely service and high quality reporting to our clients.
- Performs a risk based audit which enables us to focus on key audit areas allowing us to become more efficient resulting in lower audit fees.
- Provides auditing services to over 50 governmental agencies and not-for-profit organizations, including over 35 special districts.
- Understands the audit process, as a whole, can be a stressful experience for you and your staff; we understand that you will have other commitments and your regular workloads during the audit period. We make every effort to ensure the audit process, from the interim fieldwork to the preparation of the required financial reports, will be as trouble-free as possible for you and your staff. We accomplish this through comprehensive planning of the audit and utilizing our staff in the most efficient and effective manner while keeping disruptions and miscommunications to a minimum.
- Has audit team members that are personable and easy to work with. Through open and responsive communication with all parties involved in the audit process, we work to have the most efficient audit possible by minimizing operational distractions of your staff, while maximizing quality service and products.

- Provides extensive training and continuing education to all of our audit staff through a combined use of in-house instruction and third-party providers. Our audit team members are experienced with and receive regular training in performing Single Audits in accordance with Federal OMB Uniform Guidance.
- Is committed to helping you meet all reporting/auditing deadlines, resolving any issues encountered during your audit (e.g., accounting or auditing, new pronouncements, etc.), and providing you with quality audit services.
- Has an extensive internal quality control review process to ensure your financial reports meet the highest standards. In addition to the preparation of financial reports by the engagement team and review by the engagement manager, *each report is also examined by 2 partners and 2 professional proofreaders.*
- Has assisted many of our clients with the preparation of their Comprehensive Annual Financial Reports, and all of our clients that have submitted their reports for the Government Finance Officers Association (GFOA) or California Society of Municipal Finance Officers (CSMFO) awards have received the awards. Our participation as a GFOA reviewer also indirectly benefits our clients in the quality review process.
- Is a full service firm, with specialists in auditing, reviews and compilations, tax planning and preparation, as well as business consulting. The diverse experience and accessibility of the professionals in these areas help us to provide a comprehensive approach to a wide variety of needs.
- Believes that our fee estimate and arrangement provides a fair and reasonable cost, commensurate with the experience of the audit team members, to perform the annual audit services for the District.

Our client driven focus, continued commitment to quality and client service and industry expertise has made RAMS one of the most sought after firms in Southern California.

Mr. Shea and Mr. Welebir are authorized to represent the firm, are empowered to submit the bid and authorized to sign a contract with the District. We understand the work to be done as listed in the section of this proposal titled *Services to be provided*. This proposal is a firm and irrevocable offer for sixty (60) days. In addition, we will be committed to meeting any agreed upon time frames.

We can be reached at: 735 E. Carnegie Drive, Suite 100, San Bernardino, CA 92408, (909) 889-0871, terry@ramscpa.net or bwelebir@ramscpa.net.

Thank you for the opportunity to present our proposal qualifications and to serve as independent auditors to the District. We will be committed to exceeding your expectations of an auditor and believe this proposal provides you with information about our firm, the service team members and our customized audit approach. We look forward to having a long and mutually beneficial relationship with the District. Please contact us if you have any questions regarding this proposal.

Respectfully yours,

ROGERS, ANDERSON, MALODY & SCOTT, LLP



Terry P. Shea, CPA
Partner

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Firm Overview

Independence

Rogers, Anderson, Malody & Scott, LLP is independent of the District, and any component units, as defined by general standard number two of the generally accepted auditing standards.

We are also independent of the District, and any component units, as defined by the second general standard for government auditing in the U.S. Government Accountability Office's *Government Auditing Standards* (2011).

License to practice in California

Rogers, Anderson, Malody & Scott, LLP is licensed to practice in the State of California. The key professional staff, which includes the partners, managers, and supervisors, are all certified public accountants licensed to practice in the State of California and are in compliance with all applicable Board of Accountancy standards.

About our firm



RAMS was founded in 1948 and is located at 735 E. Carnegie Drive, Suite 100, San Bernardino, California and offers the full range of services expected of a full service accounting firm. We are one of the oldest and most trusted and respected CPA firms in Southern California, with over 68 years of public practice experience, specializing in governmental agency and not-for-profit organization auditing, accounting and management advisory services. Over *fifteen thousand hours per year* are devoted to this area of our practice, which includes cities, redevelopment successor agencies, water districts, other special districts, not-for-profit corporations and joint power authorities. We

do not use our government accounting and auditing practice as "fill work" for the firm, it is a primary focus of it.

We understand that organizations desire that its auditors have a thorough understanding of the complex accounting and compliance issues confronting entities such as yours. Our firm has a long history of governmental accounting and auditing. Over the years, we have gained valuable experience, acquired in-depth knowledge, and obtained the technical expertise needed for governmental accounting and auditing. This expertise has enabled us to provide exceptional, high quality service and to provide solutions at fees we feel represent our value to our clients. In addition, we use our participation in various industry associations to continuously update our knowledge with respect to issues relating to governmental accounting, auditing and operations. Any insight we gain is immediately passed on to our clients if we feel they will benefit from it.

Our firm has a total staff of thirty-four people, which includes seventeen certified public accountants. The staff consists of five partners, four managers, ten supervisors/senior accountants, eleven staff accountants and four support staff. The audit staff consists of twenty-one members who devote over 80% of their time to municipal engagements. The engagement team assigned to the District's engagement will consist of the following full-time staff: three audit partners, one audit manager, one audit senior and one to two staff auditors. All personnel are located in our San Bernardino office.

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Firm Overview (continued)

Our firm is committed to providing our clients with the highest quality service at the most reasonable fee. The professionals assigned to the District's financial audit have each made providing quality service their priority.

Single audit experience

Most of our clients, and some of our other not-for-profit clients, have been subject to an audit in accordance with OMB Circular A-133. We recently performed single audits for the following entities:

City of Thousand Oaks	City of La Mesa
City of Claremont	City of Mission Viejo
City of Goleta	City of Redondo Beach
City of Hawthorne	Elsinore Valley Water District
City of Fillmore	Community Action Partnership of San Bernardino County
City of Rosemead	University Enterprises Corporation at CSUSB
City of Thousand Oaks	Western Municipal Water District
City of La Verne	

CAFR preparation

We have extensive experience in the preparation of Comprehensive Annual Financial Reports (CAFR). For the fiscal years ended June 30, 2016 and 2017, our staff prepared over 20 CAFR's, and each entity received the Certificate of Achievement for Excellence in Financial Reporting from the GFOA. For the fiscal year ended June 30, 2018, again, our staff prepared over 20 CAFR's for our clients for their submittal to the GFOA. In addition, we have helped many cities and special districts develop their first year's report for submittal. The audit partner on the engagement is also a technical reviewer for the GFOA CAFR award program.

Governmental Audit Quality Center

As a member of the American Institute of CPAs *Governmental Audit Quality Center*, we are committed to adhering to the highest quality standards by voluntarily agreeing to the Center membership requirements, which include designating a partner responsible for the quality of our governmental and not-for-profit audit practice, establishing quality control programs, performing annual internal inspection procedures, and making our peer review report findings publicly available. At RAMS, our goal is to continue to enhance our quality initiatives within our governmental and not-for-profit audit practice to deliver the highest quality audit services possible.

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Firm Overview (continued)

In addition, the Governmental Audit Quality Center provides access to comprehensive resources that will assist us in further enhancing the quality of your audit. The Center membership provides us with timely information on a variety of technical, legislative and regulatory subjects that we can in turn apply to your audit to help ensure compliance with the appropriate standards and changes in regulations which we pass on to our clients.

Range of services

Our firm provides various other services in addition to auditing services to governmental and not-for-profit entities, including:



- Finance director and accounting support services
- Study and evaluation of financial condition and fiscal policies
- Transient Occupancy Tax Agreed Upon Procedures
- Franchise (refuse, cable) Agreed Upon Procedures
- Accounting policies and procedures
- Capital improvement program procedures and policies
- Cash management studies
- Financing and public bond offering assistance
- Franchise agreement assistance (ambulance, cable, television, refuse, etc.)

In addition, the firm provides accounting, auditing, attest and consulting services to for profit and not-for-profit entities. We also provide tax preparation and tax consulting services to individuals, corporations and partnerships.

Engagement quality control

We have an extensive internal quality control review process to ensure your audit meets the highest standards. In addition to the preparation of financial reports by the senior member of the engagement team, each report is reviewed by the engagement manager and is also examined by the engagement partner and the technical review partner, and is proofread by two professional staff. In addition, all audit workpapers are reviewed by the in-charge auditor and the partner in-charge of the engagement.

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Firm Overview (continued)

External quality control review

As a member of the AICPA Private Companies Practice Section, our firm has participated in "Peer Review" since 1993 and has been examined every three years since that date. Participation in this program ensures that all of our engagements meet the standards of the AICPA, the Yellow Book and the California State Board of Accountancy. Throughout our participation in this program, the firm has received pass ratings from the peer reviewers. The latest review below included reviews of specific governmental entities.

During the current review, an independent firm reviewed our policies and procedures and then inspected a representative sample engagement workpapers and reports, including governmental entities and engagements subject to OMB A-133. For the year ended November 30, 2017, our firm received a "pass" rating which indicates our auditing practice is suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with applicable standards. The results provided confirmation that the custom audit approach and procedures we use are technically sound and in compliance with applicable standards.

The firm is not aware of any federal or state desk reviews or field reviews of its audits during the last three years.

Disciplinary action

The firm **has never** had any disciplinary action taken or pending against it with state regulatory bodies or professional organizations, nor has it ever had any pending or settled litigation, civil or criminal investigations.

Our firm does not have a record of substandard work.

In addition to the external quality control review, our firm performs in-house peer reviews over our audit and attest engagements annually.

Equal Opportunity Employer

Our firm is an equal opportunity employer and is committed to providing employment opportunities to all qualified persons regardless of race, color, sex, religion, national origin or handicap. Our staff represents a wide range of cultures and ethnic backgrounds. We provide opportunities for advancement for all staff based on ability, skill and desire to advance.

Grant Bennett Associates

A PROFESSIONAL CORPORATION

Report on the Firm's System of Quality Control

May 15, 2018

To the Partners of Rogers, Anderson, Malody & Scott, 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 Rogers, Anderson, Malody & Scott, LLP (the firm) in effect for the year ended November 30, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

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. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

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.

Required Selections and Considerations

Engagements selected for review included engagements performed under Government Auditing Standards including a compliance audit under the Single Audit Act and an audit of an employee benefit plan.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Rogers, Anderson, Malody & Scott, LLP in effect for the year ended November 30, 2017, 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*. Rogers, Anderson, Malody & Scott, LLP has received a peer review rating of *pass*.


GRANT BENNETT ASSOCIATES
A PROFESSIONAL CORPORATION
Certified Public Accountants



1375 Exposition Boulevard, Suite 230
Sacramento, CA 95815
916/922-5109 FAX 916/641-5200

P.O. Box 223096
Princeville, HI 96722
888/769-7323

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Experience Summary

RAMS has extensive experience in performing governmental and special district audits, we currently audit 20 cities and 35 special districts, most of which are water, sewer and sanitation districts. From fiscal year 2003-04 to fiscal year 2010-11 we audited over 90 San Bernardino County Special Districts, several of which included water, sewer and street lighting operations. Please see Attachment A for a list of our current clients. We have detailed our qualifications in the Firm Overview and Personnel sections of this proposal.

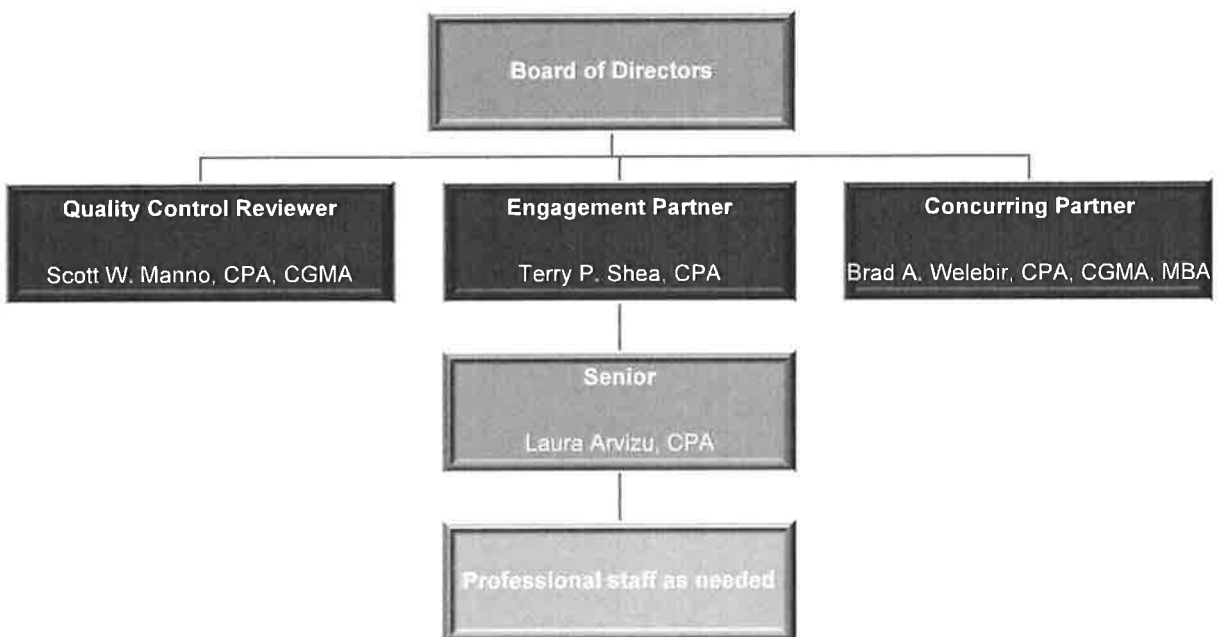
NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Personnel

The quality of service you receive is dependent on the capabilities of the individuals assigned to the engagement, and the manner in which those personnel resources are organized to efficiently focus their abilities on providing you with the requested audit services. These professionals are highly trained and knowledgeable and have a thorough understanding of the environment in which governmental and not-for-profit entities operate. This experience is a critical component in providing the District with an effective and efficient audit.

Our engagement team will provide significant experience coupled with an extensive, practical understanding of governmental and not-for-profit accounting and auditing along with a broad business perspective. Each member will have access to a wide range of technical resources and knowledge bases which will enable them to provide the District with practical observations and effective solutions.



NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Personnel (continued)

Partner and supervisory staff involvement

All partners and supervisory staff are working professionals and are actively and continually involved in all aspects of their engagements. We believe that partner and supervisory staff involvement in all areas of the audit is a key aspect of the overall audit process. This involvement includes being on-site for interim and year-end fieldwork, thus facilitating a proper, efficient and effective audit, with minimal disruption of your staff. In addition, the time spent on-site by the partners and supervisory staff ensures they gain an understanding of the entire District's accounting processes and procedures. This understanding will enable them to evaluate and develop opportunities for efficiency as well as offer practical and functional advice for improving your accounting processes and procedures.

All professionals on this engagement have worked on audits similar in nature to the District's, therefore, the District will not have to train our engagement team.

Staff continuity

Continuity of audit staff is a principal concern with our firm. In order to retain our staff, we offer extremely competitive wages, opportunities for advancement, generous medical packages, a retirement plan, bonus opportunities, as well as educational benefits. Even with the benefits we provide, we realize we may lose staff at any given time. Knowing this, we plan to provide staff continuity from year to year, which is in the best interest of the organization and our firm. Continuity ensures an orderly, efficient, and less disruptive audit experience. Since we cannot guarantee staff will remain with us, principal supervisory and management staff, including engagement partners, managers, other supervisory staff, and specialists, may be changed if those personnel leave the firm or are promoted. However, the District reserves the right to accept or reject replacements.

We believe that due to the significant involvement of the partners on all of our engagements, any staff transition would have a minimal effect on the audit efficiency and effectiveness of subsequent years.

Continuing professional education

Our team of auditor specialists stays current in this highly technical practice area by adhering to the continuing professional education requirements of *Government Auditing Standards* as well as the State Board of Accountancy guidelines. All professionals at our firm participate in continuing professional education (CPE) programs, which are sponsored by various organizations including the Government Finance Officers Association, the American Institute of Certified Public Accountants, the California State Society of Certified Public Accountants, the California Society of Municipal Finance Officers and the Association of Government Accountants. Participation in these programs helps us to ensure that our clients are serviced with the best trained and most proficient government and not-for-profit auditors and accountants available. In addition, we provide in-house training taught by our partners and senior level staff using published resources. All staff are required to attend fraud and ethics training. It is our goal to provide our professional staff continuing education which exceeds the minimum standard of 80 hours over two years.

In accordance with our firm's Quality Control document and *Government Auditing Standards (GAS)*, all staff members who work on audits subject to GAS are required to complete CPE in accordance with GAS standards which require 24 hours directly related to governmental accounting and auditing.

In addition to the required CPE, we also use the following to increase our technical knowledge: view the Governmental Audit Quality Center Annual Webcast Update and other relevant seminars and review monthly publications from the AICPA, the GFOA, and various other resources. We also attend conferences and seminars sponsored by the GFOA, California Society of Municipal Finance Officers and the California Special District Association.

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Personnel (continued)

Assigned personnel

It is our goal to provide you with capable, competent, and personable individuals who offer an extensive background, not only in governmental and not-for-profit accounting and auditing, but also in general business practices. We offer practical solutions, as well as provide technical support. This enables you to stay at the forefront of governmental and not-for-profit accounting and provides you with the support you need in dealing with the complex issues confronting entities such as yours.

In addition, our engagement team has the managerial and supervisory experience to provide the District with a comprehensive audit of the highest quality, while still focusing on personal service. The resumes of the key engagement personnel assigned to the audit are presented near the end of this proposal. The following individuals will be assigned to the engagement for the entire contract period:

Terry P. Shea, CPA – Partner, Engagement Partner

Terry will be the Engagement Partner. As the engagement partner, he will be responsible for overall engagement quality, as well as ensuring that the engagement is performed in the most effective and efficient manner. He will directly oversee all engagement staff while assisting in planning and performing the engagement as well as reviewing all work-papers prepared during the engagement, in addition to all required reports. He has over 37 years of practical, governmental accounting and auditing experience. Terry provides real world experience to all of our governmental engagements. He has gained this experience by serving as interim/contract finance director for several cities over the years. He served as Interim Finance Director for the City of Perris from July 1998 to October 2001. He currently serves as the Contract Finance Director for one city in Riverside County and one in Los Angeles County.

Brad A. Welebir, CPA, CGMA, MBA – Partner, Concurring

Brad is a partner with the firm. He is licensed to practice as a certified public accountant in the State of California. Brad has over 14 years of public accounting experience and has provided accounting, auditing, and consulting services for municipalities, special districts, water agencies, and various nonprofit organizations. As the concurring partner, Brad will work directly with Terry in planning and performing the engagement. In addition, he will provide technical consultation for the engagement team.

Scott W. Manno, CPA, CGMA – Partner, Quality Control Reviewer

Scott will be the Quality Control Reviewer. He is licensed to practice as a certified public accountant in the State of California. He has been in public accounting for 22 years specializing in serving local governments such as yours. Scott also serves as a technical reviewer for the GFOA CAFR Award program.

Laura Arvizu, CPA – Senior Accountant

Laura is a senior accountant with the firm. She has over 3 years' experience in providing accounting and auditing services for municipalities, special districts and various nonprofit organizations. As a senior accountant, she will work closely with the engagement partner and supervisor and be responsible for planning the audit, supervising the staff assigned to the engagement, and performing reviews of all work-papers prepared for the engagement. In addition, she will also be responsible for the preparation of any required reports.

NIPOMO COMMUNITY SERVICES DISTRICT
PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Personnel (continued)

Senior and staff level accountants

All staff employed by us and working on governmental audits are qualified to perform governmental audits. Each staff member is encouraged to take on increased responsibility for engagements previously worked on. This enables our staff to grow on each engagement and allows them to continue to gain the skills and knowledge required to perform the audits.

In summary, we want to emphasize the credentials of the above professionals who will be directly responsible for the quality of service that you will receive. Additionally, our audit team has another attribute that is very important, even though it is intangible -- the professionals assigned to the audits have previously worked together as a multi-disciplined team, thus ensuring a smooth, efficient and effective audit. We are committed to allocating the necessary resources to ensure that we provide continuity of personnel throughout the term of our relationship with the District.

Full engagement team resumes are provided as follows.

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Personnel (continued)

Engagement team resumes



Terry P. Shea, CPA
Engagement Partner

Professional experience

Mr. Shea began his career with Thomas, Byrne and Smith in 1981. He spent five years with the firm primarily working on audits of municipalities, special districts, redevelopment and other governmental agencies. He joined Rogers, Anderson, Malody & Scott, LLP in 1987 where he has completed governmental audits including municipalities and provided financial consulting services for various cities.

Education/licenses

Bachelor of Arts degree from California State University, Fullerton
Certified Public Accountant – State of California

Related professional experience

Partial listing of governmental entities recently served (*includes enterprise fund accounting):

Pine Cove Water District	City of Redondo Beach*	Helix Water District
Crestline Village Water District	Western Municipal Water District	Joshua Basin Water District
Vista Irrigation District	Idyllwild Water District	City of Riverside*
City of Corona*	City of San Jacinto*	City of La Verne*
City of Norco*	Crestline – Lake Arrowhead	City of La Mesa*
City of Mission Viejo*	Water Agency	Jurupa Comm. Services District
Ventura Regional Sanitation District	Yucaipa Valley Water District	S.B. County Special Districts*
	Town of Yucca Valley	

Mr. Shea served as the Interim Finance Director for the City of Perris from July 1998 to October 2001. He currently serves as the Contract Finance Director for one Riverside County city and one Los Angeles County city.

Continuing professional education

Mr. Shea has completed over 120 hours of continuing professional education courses in the past three years, of which, the following select courses are relevant to this engagement:

- ◆ American Institute of Certified Public Accountants, *Foundations in Governmental Accounting*
- ◆ American Institute of Certified Public Accountants, *Governmental and Not-for Profit Conference*
- ◆ California Society of CPAs Education Foundation, *Governmental Auditing Skills*
- ◆ Thomson Reuters, *Audits of State and Local Governments*

Professional affiliations

Mr. Shea is a member of the following professional organizations:

- ◆ American Institute of Certified Public Accountants (AICPA)
- ◆ California Society of Certified Public Accountants (CalCPA)
- ◆ Government Finance Officers Association (GFOA)
- ◆ California Society of Municipal Finance Officers (CSMFO)

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Personnel (continued)



Brad A. Welebir, CPA, CGMA, MBA
Concurring Partner

Professional experience

Mr. Welebir joined Rogers, Anderson, Malody & Scott, LLP in January 2004. He works primarily on audits of governmental agencies, small to mid-sized businesses, and nonprofit organizations. Prior to joining our firm, he worked at Sam's Club, where he was the operations manager and at La Sierra Academy as the accountant.

Education/licenses

Masters of Business Administration – Accounting Emphasis from California State University, Fullerton
Bachelor of Arts in Business Administration from La Sierra University
Certified Public Accountant – State of California
Chartered Global Management Accountant – American Institute of Certified Public Accountants

Related professional experience

Partial listing of governmental entities recently served (*includes enterprise fund accounting):

Western Municipal Water District	Helendale CSD
Crestline Village Water District	Crestline-Lake Arrowhead Water Agency
San Gorgonio Pass Water Agency	San Bernardino Municipal Water District
West Valley Water District	Valley Water Agency
Big Bear Area Regional Wastewater Agency	Running Springs Water District
Mojave Water Agency	Santa Ana Watershed Project Authority

Continuing professional education

Mr. Welebir has completed over 120 hours of continuing professional education courses in the past three years of which the following select courses are relevant to this engagement:

- ◆ Thomson Reuters, *Audits of State and Local Governments*
- ◆ American Institute of Certified Public Accountants, *Foundations in Governmental Accounting*
- ◆ California Society of CPAs Education Foundation, *Governmental Accounting and Auditing Update*
- ◆ American Institute of Certified Public Accountants, *Applying A-133 to Nonprofit and Governmental Organizations*

Professional affiliations

Mr. Welebir is a member of the following professional organizations:

- ◆ American Institute of Certified Public Accountants (AICPA)
- ◆ California Society of Certified Public Accountants (CalCPA)
- ◆ Government Finance Officers Association (GFOA)
- ◆ California Society of Municipal Finance Officers (CSMFO)

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Personnel (continued)



Scott W. Manno, CPA, CGMA
Quality Control Partner

Professional experience

Mr. Manno began his career with Thomas, Bigbie and Smith in 1995. He spent six years with the firm primarily working on audits of municipalities, special districts and redevelopment agencies as well as various nonprofit organizations. He joined Rogers, Anderson, Malody & Scott, LLP in July 2001. Currently, Mr. Manno serves as a technical reviewer for the GFOA CAFR Award program. Since 2010, Mr. Manno has been serving as a technical volunteer on the California Special Districts Association Audit Committee and is now a member of the Association's fiscal committee providing accounting and fiscal program guidance. Also, Mr. Manno recently did a presentation on fraud at a state conference.

In addition, he is part of the California State Society of Certified Public Accountants Governmental Accounting and Auditing Committee which meets periodically to discuss current events, pronouncements, etc., including the upcoming implementation of GASB 68.

Education/licenses

Bachelor of Science degree from California State University, San Bernardino
Certified Public Accountant – State of California
Chartered Global Management Accountant – American Institute of Certified Public Accountants

Related professional experience

Partial listing of governmental agencies recently served:

Western Municipal Water District	Vallecitos Water District	Runnings Springs Water District	Crestline Village Water District
San Bernardino Valley Municipal Water District	San Geronio Pass Water Agency	Rincon del Diablo Water District	Twentynine Palms Water District
Pine Cove Water District	Helix Water District	East Valley Water District	Vista Irrigation District
West Valley Water District	Valley Sanitary District	Saticoy Sanitary District	Helendale CSD

Mr. Manno has completed approximately 132 hours of continuing professional education courses over the past three years of which the following select courses are relevant to this engagement:

- ◆ Association of Certified Fraud Examiners, *How to Detect and Prevent Financial Statement Fraud*
- ◆ American Institute of Certified Public Accountants, *Governmental Accounting and Reporting*

Professional affiliations

Mr. Manno is a member of the following organizations:

- ◆ American Institute of Certified Public Accountants (AICPA)
- ◆ California Society of Certified Public Accountants (CalCPA)
- ◆ Association of Certified Fraud Examiners (ACFE)
- ◆ Association of Government Accountants (AGA)
- ◆ Government Finance Officers Association (GFOA)
- ◆ California Special Districts Association (CSDA)
- ◆ California Society of Municipal Finance Officers (CSMFO)

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of Services

Services to be provided

The District desires the auditor to express an opinion on the fair presentation of its financial statements in accordance with Generally Accepted Accounting Principles (GAAP), and Governmental Accounting Standard Board (GASB) practices.

In addition, we shall:

- Prepare the financial statements and related notes of the CAFR.
- Apply certain limited procedures related to Management's Discussion and Analysis and any Required Supplementary Information.
- Provide opinions as to the compliance with the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (OMB Uniform Guidance). We are to provide an "in-relation-to" report on the Schedule of Expenditures of Federal Awards based on the auditing procedures applied during the audit of the financial statements, if Single Audit is required.
- Prepare Management Letter that includes significant and less significant (i.e. reportable and non-reportable) recommendations for improvements to internal control.
- Provide a formal update on new state and national developments affecting the District.

Our audit(s) will be in accordance with:

- Generally Accepted Auditing Standards as promulgated by the American Institute of Certified Public Accountants (AICPA).
- The guidelines set forth in the AICPA's Audit and Accounting Guide, *Audits of State and Local Governments*.
- Government Auditing Standards issued by the Comptroller of the United States of America.
- *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (OMB Uniform Guidance).
- Requirements issued by the State Controller's Office.
- Requirements issued by the State of California.
- Any other requirements as needed.

The Firm will prepare a report to the Board regarding each of the following:

- The auditor's responsibility under generally accepted auditing standards.
- Significant accounting policies.
- Management judgments and accounting estimates.
- Significant audit adjustments.
- Other information in documents containing audited financial statements.
- Disagreements with management.
- Management consultation with other accountants.
- Major issues with management prior to retention.
- Difficulties encountered in performing the audit.
- Errors, irregularities, and illegal acts.

All working papers and reports will be retained (at our expense) for a minimum of seven (7) years, unless we are notified by the District of the need to extend that retention period.

We will make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which we become aware to the following:

- District General Manager
- Finance Director
- Board President if Applicable

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of Services (continued)

RAMS engagement approach

Our engagement approach for your audit will be developed using established goals which will enable measurement of the audit process by the engagement partner and supervisor. Our approach involves frequent communication between the partner and the engagement team to ensure that all audit objectives are achieved in accordance with the established goals and that any issues which may arise are communicated and dealt with on a timely basis. Our overall knowledge and expertise in governmental accounting and auditing has allowed us to identify key audit and accounting risks in the government environment. More importantly, the approach provides for a complete reassessment of the management and control environment in each year's audit and thus is capable of responding to changes and will ensure that deadlines are met in issuing the annual financial statements.

Our engagement approach has been developed and refined over many years. The backbone of our approach revolves around the following six elements:

- **Knowledge and experience.** We have been auditing governmental entities like the District, both large and small, for over 70 years. This experience has allowed us to gain in-depth knowledge of the governmental environment which in turn allows us to perform a more efficient and effective audit and enables us to perform detailed risk assessment procedures. These risk assessment procedures allow us to identify significant audit risk areas within the District.
- **Oversight.** Professional judgment is not developed overnight. Our partners, managers and supervisors have been deeply involved in governmental audits on a continuous basis for most of their professional careers. By having direct partner and manager oversight, we are able to design audit strategies that result in effective and efficient audits.
- **Timeliness.** Deadlines are not just "dates" to us, they are professional commitments. All required deadlines will be met.
- **Open communication.** Open lines of communication with all parties (the engagement team members and District Management and staff) throughout the audit process helps to eliminate "surprises." Proper planning and proper use of experienced engagement personnel tend to provide for an effective and efficient audit process. Consequently, inefficiencies, disruptions, and lack of understanding are kept to a minimum.
- **Availability.** All engagement team members are available throughout the year for any questions or additional consultation.
- **Cost effectiveness.** Our customized audit approach and procedures and our experienced auditors help to reduce your overall audit costs.

As indicated in the next section of the proposal, the overall objective of the engagement with the District is to conduct an audit of the financial statements in accordance with required auditing standards and the expression of an opinion on those financial statements. Beyond that initial objective, we believe that our engagement approach provides certain other value added characteristics, at no additional cost, that will benefit the District over the long-term:

- All of our audits are designed to be performed in an efficient and effective way to minimize disruption to the office operations.
- We offer practical observations and recommendations relating to internal control issues, implementation of accounting standards and the policies and procedures regarding both.
- We identify opportunities for operating efficiencies which can be used to decrease operating costs of the District.

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of Services (continued)

Audit approach and audit segmentation

The following is a summary of the audit team's audit approach for the District's engagement. The audit will be divided into the following segments:

Segment 1 – Interim testing – planning, pre-audit administration and internal control testing

During this phase of the audit, our principal objectives will be to gather information about the District and its environment, including internal control over financial reporting.

In order to achieve the desired objectives of this phase of the audit, we will:

- Meet with the District's staff in order to determine convenient dates in which we can begin our audit, and to discuss the assistance to be provided by the District's staff.
- Hold brainstorming sessions with engagement team members to discuss the susceptibility of the District's financial statements to material misstatement and fraud.
- Review and evaluate the District's accounting and reporting processes by reviewing the prior year's audit work-papers, any District-prepared documents such as budgets, in-house financial reports, policies and procedures manuals, minutes of board meetings, etc., and by using various analytical procedures. Analytical procedures will enhance our understanding of the District and will help us identify areas that may need further assessment and additional testing.
- Review and retain copies of any pertinent local, state and federal statutes, regulations, or charters that apply to the District.
- Evaluate the design of controls that are relevant to the audit by obtaining a thorough understanding of the District's internal controls over financial reporting and compliance by documenting key internal control components, utilizing questionnaires, walkthroughs, inquiring of the District's personnel, and observing and reviewing key supporting documentation (a more thorough explanation of this process is discussed later in the technical proposal).
- Test controls, if control risk is assessed below the maximum, by selecting a sample of transactions within the audit area being tested and reviewing supporting documentation, and evaluating the completeness of the documentation tested, as well as the adequacy of support and approvals as they appear on the support.
- Document and review with management, any findings noted during the testing of internal controls and provide a preliminary management letter that will include our recommendations for improving any weaknesses in operations. The letter will also include suggestions for improving the efficiency of the District's operations.

This phase of the engagement for the audit will be performed by the senior/supervising accountant and one staff accountant with direct supervision by the audit partner.

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of Services (continued)

Segment 2 – Year end testing – substantive testing

During this phase of the audit, our principal objectives will be to assess the risk of material misstatement at the financial statement level and specific assertions, design overall responses to assessed risks and further audit procedures, perform substantive tests, as needed, and complete the audit and evaluate audit findings, if applicable.

In order to achieve the desired objectives of this phase of the audit, we will:

- Determine whether our testing supports the assessed level of risk initially assigned at the financial statement level and at the assertion level.
- Identify significant risks.
- Develop a detailed audit plan.
- Design substantive tests of account balances, designed and modified specifically for the District's operations and assessed level of risk. Substantive procedures could, depending on our risk assessment, may consist of the following (the list below is not all inclusive):
 - Confirmation of cash and investment balances
 - Testing of cash and investment reconciliations
 - Testing GASB 40 disclosures
 - Testing for compliance with the District's investment policy
 - Testing of interest income allocations to the various funds
 - Analytical review and subsequent receipt testing of significant receivables
 - Evaluate if receivables are valued properly and perform tests of balances in conjunction with the testing of revenues
 - Testing of significant inventory and other asset accounts
 - Testing of additions and deletions to capital assets, including CIP accounts
 - Perform a search for unrecorded liabilities
 - Testing of significant liability and accrued liability accounts
 - Evaluate the support for compensated absences
 - Review the valuation of claims and judgments
 - Testing of long-term debt balances and debt covenants
 - Analytical review of interest expense
 - Testing of net position (net asset) classifications
 - Testing of revenues through either analytical procedures and/or detailed testing
 - Testing of expenses through either analytical procedures and/or detailed testing
 - Payroll testing for compliance with approved salary schedules
 - Review the minutes of the board meetings
 - Review significant contracts, debt issuances, leases and other agreements
 - Review of subsequent events after year end (through the completion of our audit)
 - Testing for significant commitments to be disclosed in the financial statements
 - Confirm with legal counsel any significant legal matters affecting the District's financial position

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of Services (continued)

Segment 3 - Reporting – Report preparation (workpaper review)/audit conclusion

During this phase of the audit, our principal objectives will be to evaluate whether the financial statements, taken as a whole, are free from material misstatement and form an opinion(s) and issue our report.

In order to achieve the desired objectives of this phase of the audit, we will:

- Determine whether, based on our substantive testing and other procedures, the financial statements, taken as a whole, are free of material misstatement. This will provide the basis for our opinion(s).
- Review of all audit workpapers by the engagement partner and manager/supervisor/senior to ensure that the audit was performed in accordance with the required standards (GAAS, GAGAS, etc.).
- Prepare drafts of all required reports by the agreed-upon dates.
- Conduct an independent review of the financial statement draft by the engagement's quality control partner.
- Issue all reports by the agreed-upon dates.

This phase of the engagement will be performed by the audit senior and one staff accountant with direct supervision by the audit partner. In addition, the engagements quality control partner will perform a detailed quality control review of the financial statements.

The above procedures are a general list of procedures to be performed. After our initial review of the District and our detailed risk assessment, we will customize the engagement and gear it towards the needs of the District and the audit itself. In doing so, we will determine which procedures to perform relative to our risk assessment. All of our audits are customized to each entity, helping to ensure a complete, effective, and efficient audit. The foundation of the above approach is based on open communication coupled with a strong knowledge of District operations and detailed planning at the initial stages of the audit.

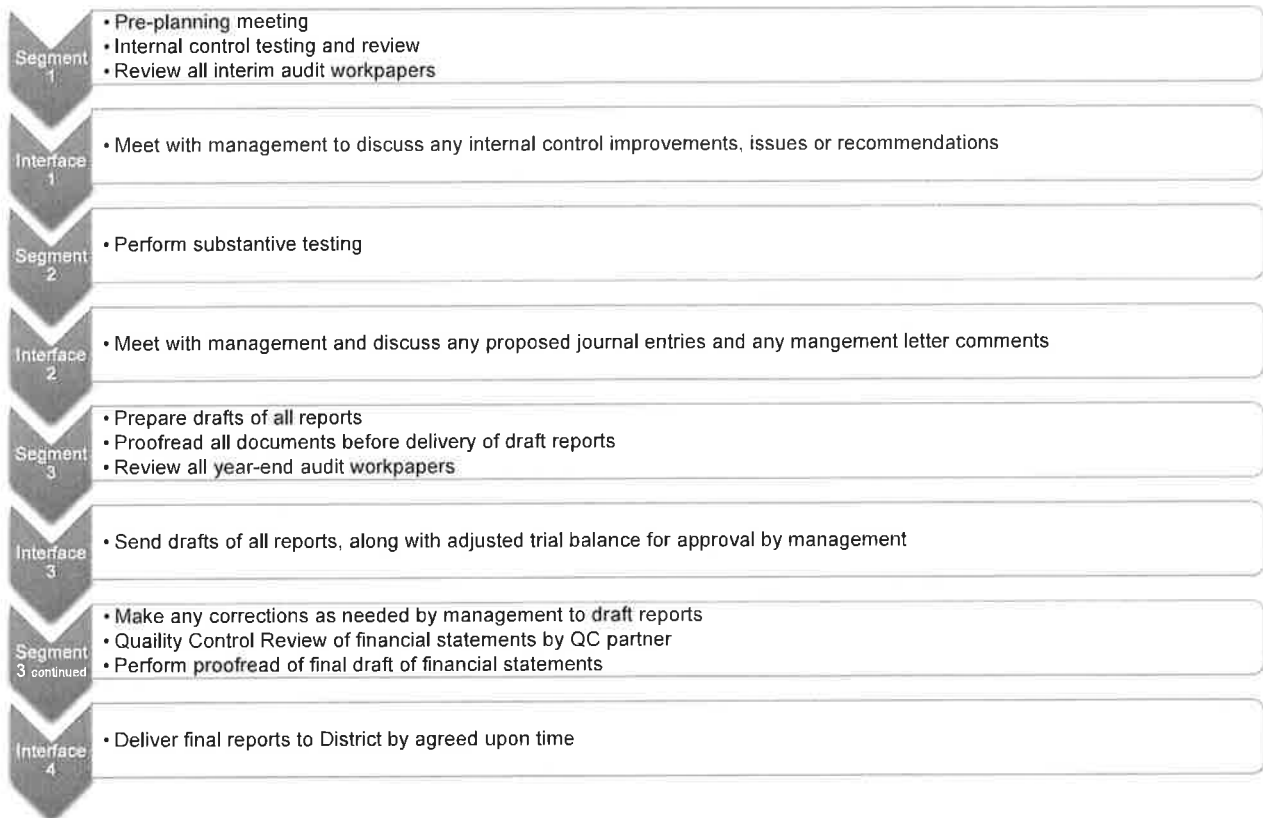
Our firm is dedicated to performing a timely audit engagement. Prior to the start of the audit, we will meet with District staff and decide on adequate timeframes, agreed upon by both the District and us, for the performance of the audit and the release of the financial statements. *We will dedicate the necessary resources to meet any agree upon time frames.*

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of Services (continued)

Below is a flowchart of the major tasks and interfaces between the firm and the District:



NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of Services (continued)

Understanding of internal control over financial reporting

Our approach to obtaining an understanding of the District's internal control over financial reporting will be performed in accordance with professional standards as promulgated by the American Institute of Certified Public Accountants -- our understanding will include the *Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring*. We will use customized procedures which we have developed internally to evaluate your internal control systems. By combining our customized procedures and our detailed knowledge of the District and its environment, we will be able to provide constructive feedback in areas we feel need improvement. In addition to our customized procedures, we will also perform the following:

Control Environment. Through inquiry of the District's personnel, prompted by questionnaires, personal knowledge, and review of the minutes of the District's board meetings, we will obtain an understanding of management's and the District Board's attitudes, awareness and actions concerning the control environment, focusing on the substance of the controls rather than their form.

Risk Assessment. Through inquiry of the District's personnel and the use of questionnaires, we will obtain sufficient knowledge of the District's risk assessment process to understand how management considers risks relevant to financial reporting objectives and decides upon actions to address those risks. This will include understanding how management identifies risks, estimates the significance of these risks, assesses the likelihood of their occurrence, and relates them to financial reporting.

Control Activities. Certain control procedures will be documented during our analysis of the control environment and the accounting system. However, many specific control procedures will still need to be documented that will focus primarily on the District's major transaction cycles. As mentioned above, we will test the District's control procedures on which we intend to rely on for safeguarding assets from unauthorized use or disposition and detecting/preventing unauthorized transactions. Any flow charts, organizational charts and any other manuals, programs, and financial and management information systems will be analyzed during this process.

Information and Communication. Through inquiry of the District's personnel, we will identify the major types of transactions engaged in by the District. We will become familiar with the treatment of those transactions, including how the transactions are initiated, the related accounting records, and the manner of processing the transactions. Finally, we will obtain an understanding of the District's financial reporting process used to prepare financial reports, including the approaches used in making accounting estimates and disclosures.

Monitoring. Through the inquiry of the District's personnel and the use of questionnaires, we will obtain sufficient knowledge of the major types of activities the District uses to monitor internal control over financial reporting. We will also determine how those activities are used to initiate corrective actions.

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of Services (continued)

Sample sizes

Our sample sizes will be determined in accordance with the AICPA's *Audit and Accounting Guide, Audit Sampling*, and will be selected using professional judgment as permitted by SAS No. 111: *Amendment to Statement on Auditing Standards No. 39, Audit Sampling*. Our methods are designed to provide the most audit coverage without expending excess time. Our sample sizes will depend upon our preliminary assessment of control risk, our planned substantive testing and analytical procedures as well as our professional judgement.

Approach in drawing samples for compliance testing

Our approach to be taken in drawing audit samples for purposes of tests of compliance will depend on the number of transactions, the amounts of financial assistance provided (as applicable), and the District's internal controls over the respective programs. Our audits are designed to ensure we will select samples that will provide sufficient evidence of the District's compliance with the laws and regulations that will have a material effect on compliance with laws and regulations.

Computer technology in the audit

Our firm has adopted a paperless audit approach. Using our engagement software, all audit team members are linked to each other using a local router which enables them to share information at an almost real-time speed. In addition, once your trial balances and financial statements are entered into our software, we are able to observe your statements in the field allowing us to notice any variances and address them at your office. With this in mind, we would prefer all audit information in an electronic format, particularly trial balances and general ledgers. If electronic formatting is not available, all audit teams have portable scanners and printers while on location during fieldwork. In addition, we can access our accounting and auditing resources through either a wireless or wired internet connection. We link the CAFR schedules directly to our audit software trial balances, and as result, we can provide the District with fund financial statements almost immediately after importing the trial balances. Additionally, journal entries are easy to post to the CAFR schedules and the risk of data entry error is minimized. We can provide the District with our audited trial balances which show the coding of the CAFR schedules for ease of review for District staff. These reports show each account coded to a specific CAFR line item as well as journal entries posted during the audit.

Analytical procedures

In order to properly utilize analytical procedures, industry background and knowledge are needed. With our firm's long history and qualified staff, we believe we have the necessary knowledge and experience to affectively apply analytical procedures. We will utilize analytical review procedures throughout our audit of the District. During the *interim* phase of our audit, we will compare current and prior year unadjusted balances to determine areas that may need additional analysis; we will also compare current year actual amounts to the District's annual budget. During the *final* phase of our audit, we will perform procedures similar to those mentioned above, as well as compare certain financial ratios for current and prior years. We will also conduct certain "reasonableness" tests. Any significant variances are investigated further through inquiry and other substantive testing as deemed necessary until resolved to our satisfaction. Finally, after we have completed our fieldwork, we will compare current and prior year audited balances, keeping in mind expected relationships obtained from our knowledge of the District and various other entities. In addition, we may choose to use various other analytical techniques such as trend analysis, etc.

Unlike many other firms, we use analytical procedures to supplement our substantive testing, not supplant them.

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of Services (continued)

Approach in determining applicable laws and regulations

We understand the importance of laws and regulations in planning an audit of a local government or not-for-profit entity and design all of our audits to ensure we test transactions for compliance. As part of our audit process, our audit team will obtain an understanding of the laws and regulations that will have a direct and material effect on the District's financial statements. In determining which laws and regulations are applicable to the District's financial statement audit, we will consult the following sources:

- AICPA Audit and Accounting Guide, *Audits of State and Local Governments*
- California Government Code (investments, GANN limit requirements, etc.)
- U.S. Government Accountability Office's *Government Auditing Standards* (The Yellow Book), 2018 Revision
- Applicable contracts/grants/bond documents of the District
- *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (OMB Uniform Guidance)

After consulting the applicable sources, we will design our audit to provide reasonable assurance of detecting material instances of noncompliance while continuing to refer back to the applicable compliance guideline to ensure changes in compliance are not missed.

Evaluation of internal controls and management letter comments

In connection with each audit, a comprehensive review of internal controls over financial reporting will be performed. Our firm uses customized internal control questionnaires, information technology questionnaires and narratives to gain an understanding of the internal control process during the audit process. If we identify any weaknesses and after discussion with the appropriate District staff, we will submit a management comment letter which will identify weaknesses observed during the audit process. The management comment letter will provide our recommendation for correction and we will also provide management with the opportunity to comment on our findings.

There are three classifications of internal control deficiencies. We will work carefully with your staff to ensure the correct classification of any identified internal control deficiencies. The three classifications are as follows:

- *Control deficiency* – a minor internal control deficiency that can be communicated either verbally or in writing to management.
- *Significant deficiency* – a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance, and must be communicated in writing.
- *Material weakness* – a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis, and must be communicated in writing to those charged with governance.

When we prepare internal control recommendations, we obtain a thorough understanding of the specific circumstances surrounding the finding, and discuss the matters with management prior to drafting the letter. We work with your staff to ensure that the recommendation is reasonable and practical to implement.

NIPOMO COMMUNITY SERVICES DISTRICT
PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of Services (continued)

Audit timing

Audit segments	Proposed timing
Segment 1 - Planning, pre-audit administration and internal control testing Provide management with a detailed listing of items needed to perform the audit, including the timing of when items are needed.	May 2019
Meet with management for pre-audit planning, and to obtain an understanding of systems, internal controls, and current-year issues. Perform interim audit fieldwork and tests of internal controls.	August 2019
Segment 2 - Substantive testing Send confirmations of cash, investment, and other accounts as deemed necessary.	July 2019
Perform substantive audit fieldwork.	August 2019
Segment 3 - Report preparation (review)/audit conclusion Present draft of financial statements, audit report, and management letter to senior management.	September 2019
Issuance of auditor reports.	October 2019

NIPOMO COMMUNITY SERVICES DISTRICT
PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Proposed Fees

The annual fee for complete audit services, including all anticipated direct and indirect costs is as follows:

Fiscal Year 2018-19	\$22,000
Fiscal Year 2019-20	\$23,000
Fiscal Year 2020-21	\$24,000
Total Fees	\$69,000

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

References

Entity: **Western Municipal Water District**
Scope of work: Financial Audit/CAFR*/Single Audit
Date: Years ending June 30, 2011 - 2016
Engagement partner: Scott Manno
Hours: 400
Contact person: Mr. Kevin Mascaro, Director of Finance, (951) 571-7100
Address: 14205 Meridian Parkway, Riverside, CA 92508

Entity: **Elsinore Valley Municipal Water District**
Scope of work: Financial Audit/CAFR*
Date: Year ending June 30, 2015 to present
Engagement partner: Scott Manno
Hours: 350 hours
Contact person: Mr. Robert Hartwig, Assistant General Manager, (951) 674-3146
Address: 31315 Chaney Street, Lake Elsinore, CA 92530

Entity: **Crestline-Lake Arrowhead Water Agency**
Scope of work: Financial Audit
Date: Years ending June 30, 1996 - present
Engagement partner: Terry Shea
Hours: 350
Contact person: Ms. Roxanne Holmes, General Manager, (909) 338-1779
Address: 24116 Crest Forest Drive, Crestline, CA 92325

Entity: **Ventura Regional Sanitation District**
Scope of work: Financial Audit/CAFR*
Engagement partner: Mr. Terry Shea
Date: Years ending June 30, 2007 - present
Total hours: 275
Contact person: Ms. Tina Rivera, Director of Finance & Admin, (805) 658-4646,
Address: 1001 Partridge Drive, Suite 150, Ventura, CA 93003

Entity: **Vallecitos Water District**
Scope of work: Financial Audit
Engagement partner: Mr. Scott Manno
Date: Years ending June 30, 2015 to June 30, 2017
Total hours: 250
Contact person: Mr. John Fusco, Finance Manager, (760) 744-0460
Address: 201 Vallecitos De Oro, San Marcos, CA 92069

Entity: **Helendale Community Services District**
Scope of work: Financial Audit
Date: Years ending June 30, 2010 - present
Engagement partner: Mr. Scott Manno
Hours: 250
Contact person: Ms. Kimberly Cox, General Manager (760) 951-0006
Address: 26719 Vista Road #3, Helendale, CA 92342

* = *received GFOA award.

NIPOMO COMMUNITY SERVICES DISTRICT
PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

References (continued)

Entity: **San Bernardino Valley Municipal Water District**
Scope of work: Financial Audit
Date: Years ending June 30, 2004 - present
Engagement partner: Terry Shea
Hours: 225
Contact person: Mrs. Cindy Saks, Finance Manager, (909) 387-9224
Address: 380 East Vanderbilt Way, San Bernardino, CA 92408

Entity: **Pine Cove Water District**
Scope of work: Financial Audit
Engagement partner: Mr. Terry Shea
Date: Years ending June 30, 2010 - present
Total hours: 200
Contact person: Mr. Jerry Holldber, General Manager, (951) 659-4936
Address: 24917 Marion Ridge Drive, Idyllwild, CA 92519

Entity: **Big Bear Area Regional Wastewater Agency**
Scope of work: Financial Audit/CAFR*
Engagement partner: Mr. Scott Manno
Date: Years ending June 30, 2012 - present
Total hours: 200
Contact person: Ms. Jennifer McCullar, Finance Manager, (909) 584-4522
Address: 121 Palomino Drive, Big Bear, CA 92314

Entity: **United Water Conservation District**
Scope of work: Financial Audit/CAFR
Engagement partner: Mr. Terry Shea
Date: Years ending June 30, 2015 to June 30, 2018
Total hours: 260
Contact person: Ms. Erin Gorospe, Senior Accountant (805) 525-4431
Address: 106 North 8th Street, Santa Paula, CA 93060

Entity: **Rosamond Community Services District**
Scope of work: Financial Audit
Engagement partner: Mr. Terry Shea
Date: Years ending June 30, 2015
Total hours: 240
Contact person: Mr. Brad Rockabrand, Finance Director (661) 256-5812
Address: 3179 35th Street West, Rosamond, CA 93560

GOVERNMENT CLIENTS SERVED

<u>Government Client</u>	<u>Years Served</u>		<u>CSMFO/ GFOA Awards</u>	<u>Successor Agency</u>	<u>Housing Authority</u>
City of El Cajon	06/30/07	to 06/30/18	Yes	Yes	Yes
City of Fillmore	06/30/08	to 06/30/18		Yes	Yes
City of Exeter	06/30/17	to 06/30/18			
City of Woodlake	06/30/17	to 06/30/18			
Town of Yucca Valley	06/30/08	to 06/30/18	Yes	Yes	Yes
City of San Juan Capistrano	06/30/11	to 06/30/15	Yes	Yes	Yes
City of La Verne	06/30/11	to 06/30/17	Yes	Yes	Yes
City of San Jacinto	06/30/11	to 06/30/18		Yes	Yes
City of Twentynine Palms	06/30/11	to 06/30/18	Yes	Yes	Yes
City of Chino	06/30/11	to 06/30/16	Yes	Yes	Yes
City of La Mesa	06/30/11	to 06/30/18		Yes	Yes
City of Rosemead	06/30/11	to 06/30/17	Yes	Yes	Yes
City of Moorpark	06/30/12	to 06/30/17	Yes	Yes	Yes
City of Mission Viejo	06/30/12	to 06/30/15	Yes	Yes	Yes
City of Menifee	06/30/14	to 06/30/17	Yes		
City of San Marcos	06/30/14	to 06/30/18	Yes	Yes	Yes
City of Capitola	06/30/12	to 06/30/17	Yes	Yes	Yes
City of Redondo Beach	06/30/12	to 06/30/16	Yes	Yes	Yes
City of Loma Linda	06/30/13	to 06/30/18	Yes	Yes	Yes
City of Poway	06/30/14	to 06/30/18	Yes	Yes	Yes
City of Sierra Madre	06/30/12	to 06/30/18		Yes	Yes
Successor Agency to the County of SB	06/30/14	to 06/30/18			
City of Hawthorne	06/30/16	to 06/30/18	Yes	Yes	Yes
City of West Covina	06/30/16	to 06/30/18	Yes	Yes	Yes
City of Aliso Viejo	06/30/16	to 06/30/18	Yes	No	No
City of Claremont	06/30/16	to 06/30/18	Yes	Yes	Yes
City of Thousand Oaks		06/30/18	Yes	Yes	Yes
City of South Pasadena		06/30/18	Yes	Yes	Yes
Crestline Village Water District	04/30/96	to 04/30/18			
Crestline-Lake Arrowhead Water	06/30/98	to 06/30/18			
San Bernardino Valley Muni Water Dist	06/30/04	to 06/30/18			
Elsinore Valley Municipal Water District	06/30/15	to 06/30/18	Yes		
Ventura Regional Sanitation District	06/30/07	to 06/30/18	Yes		
Saticoy Sanitary District	06/30/07	to 06/30/18			
Helendale Community Services District	06/30/10	to 06/30/18			
Pine Cove Water District	06/30/10	to 06/30/18			
Western Municipal Water District	06/30/11	to 06/30/16	Yes		
WRCRWA	06/30/11	to 06/30/16			
Vista Irrigation District	06/30/11	to 06/30/16	Yes		
Idyllwild Water District	06/30/11	to 06/30/18			
Vallecitos Water District	06/30/15	to 06/30/18	Yes		
29 Palms Water District	06/30/12	to 06/30/15			
Big Bear Area Regional Wastewater	06/30/12	to 06/30/18	Yes		
Beaumont Basin Watermaster	06/30/13	to 06/30/18			
Mojave Water Agency		06/30/18			

**Attachment A
(continued)**

GOVERNMENT CLIENTS SERVED (continued)

<u>Government Client</u>	<u>Years Served</u>	<u>CSMFO/ GFOA Awards</u>	<u>Successor Agency</u>	<u>Housing Authority</u>
Costa Mesa Sanitary District	06/30/15 to 06/30/17	Yes		
Beaumont Cherry Valley Water District	12/31/17			
United Water Conservation Agency	06/30/15 to 06/30/18	Yes		
Inland Empire Resource Cons. District	06/30/04 to 06/30/16			
Rosamond Community Services District	06/30/15 to 06/30/18			
Rossmoor Community Services District	06/30/05 to 06/30/18			
Rim of the World Park & Rec. District	06/30/06 to 06/30/18			
Ventura County Regional Energy	06/30/07 to 06/30/18			
Heartlands Communications Fac Auth	06/30/07 to 06/30/18			
Heartlands Fire Training Authority	06/30/07 to 06/30/18			
Consolidated Fire Agencies	06/30/14 to 06/30/18			
Riverside County Habitat Con. Agency	06/30/15 to 06/30/18			
Santa Ana Watershed Association	12/31/09 to 12/31/18			
SB Fire Training Authority	06/30/10 to 06/30/15			
Capistrano Bay Community Services District	06/30/13 to 06/30/18			
Ventura County Public Fin Authority	06/30/12 to 06/30/18			
Nipomo Community Services District	06/30/16 to 06/30/18	Yes		
SBIAA	06/30/17 to 06/30/18			
West Valley San Bernardino Water District	06/30/17 to 06/30/18			
WRCOG	06/30/17 to 06/30/18	Yes		
San Diego Workforce Partnership	06/30/16 to 06/30/18			
Rubidoux Community Services District	06/30/16 to 06/30/18			
CSUSB - Student Union	06/30/05 to 06/30/18			
CSUSB - Associated Students Inc.	06/30/10 to 06/30/18			
CSUSB - Philanthropic Foundation	06/30/11 to 06/30/18			
CSUSB - University Enterprise Corp.	06/30/11 to 06/30/18			
Running Springs Water District	Accounting support			
Phelan Pinon Hills Community Services District	Accounting support			

TO: FINANCE AND AUDIT COMMITTEE

REVIEWED: MARIO IGLESIAS
GENERAL MANAGER

FROM: LISA BOGNUDA
FINANCE DIRECTOR

LSB

DATE: MARCH 1, 2019

AGENDA ITEM

3

MARCH 6, 2019

REVIEW FY 2019-2020 BUDGET PREPARATION TIME LINE

ITEM

Review FY 2019-2020 Budget preparation time line

BACKGROUND

Below is a proposed schedule for the preparation of the 2019-2020 Fiscal Year Budget.

March 6	Kick off meeting with Finance Committee to hear input
Week of April 15	Staff meets with Finance Committee and receives recommendations/changes/deletions on draft Budget
Week of May 13	Staff prepares public notice of adoption for newspaper (publish on May 29 and June 5)
May 8	Review of draft Budget by Board of Directors at Regular Board Meeting
June 12	Public Hearing and adoption of 2019-2020 Budget

RECOMMENDATION

It is recommended that the Committee review the proposed schedule and provide direction to Staff.

ATTACHMENT

None

TO: FINANCE AND AUDIT COMMITTEE

REVIEWED: MARIO IGLESIAS
GENERAL MANAGER



FROM: LISA BOGNUDA
FINANCE DIRECTOR



DATE: MARCH 1, 2019



REVIEW INFORMATION FOR INCLUSION IN THE 2019-2020 FISCAL YEAR BUDGET

ITEM

Review various schedules and financial information in the 2019-2020 fiscal year budget.

BACKGROUND

The following information is provided for the Committee's review:

- Attachment A PROPOSED CAPITAL IMPROVEMENT PLAN AND FUNDED REPLACEMENT PLAN AND CASH FLOW PROJECTIONS
- Attachment B PROPOSED FIXED ASSET PURCHASES
- Attachment C PROPOSED DISTRICT PERSONNEL
- Attachment D PROPOSED FLEET SCHEDULE

RECOMMENDATION

It is recommended that the Committee provide direction to Staff. Staff will incorporate the Committee's comments and recommendations into the draft 2019-2020 budget.

ATTACHMENTS

- See above

MARCH 6, 2019

ITEM 4

ATTACHMENT A

CAPITAL IMPROVEMENTS
PROJECT COST SUMMARY
2019-2020

<u>BUDGET ITEMS FOR 2019-2020</u>	#500 SUPPLEMENTAL WATER CHARGES	#700 WATER CAPACITY CHARGES	#710 TOWN SEWER CAPACITY CHARGES	<u>TOTAL</u>
Supplemental Water Project Interconnects	650,000	0	0	650,000
Supplemental Water Project Pump Station	300,000	0	0	300,000
Tract 2650 Connection to Blacklake Pressure Zone	0	180,000	0	180,000
Water Master Plan	0	220,000	0	220,000
Southland WWTF - Storage Building (carryover work in progress)	0	0	200,000	200,000
	<u>950,000</u>	<u>400,000</u>	<u>200,000</u>	<u>1,550,000</u>

Supplemental Water Projects (Fund #500)

Supplemental Water Project Interconnects - Bid, award contract, and construct GSWC Primavera, WMWC Via Concha and GSWC Lyn interconnects.

Supplemental Water Project Pump Station - Construct new pump at Joshua Road Pump Station.

Water Projects (Fund #700)

Tract 2650 connection to Blacklake Pressure Zone - Bid, award contract, and construct connection.

Water Master Plan - Bid, award and commission Water Master Plan.

Town Sewer Projects (Fund #710)

Southland WWTF -Storage Building (carryover work in progress) - Bid, award contract and construct storage building.

NIPOMO COMMUNITY SERVICES DISTRICT
 CAPITAL FUNDING PLAN
 SUPPLEMENTAL WATER
 FUND #500

CAPITAL IMPROVEMENT PLAN

Line #	SUPPLEMENTAL WATER - FUND #500	FY 19-20
1	Interconnects (1)	650,000
2	Pump Station Improvements (2)	300,000
3	Orchard/Southland to Tefft/Oakglen Water Line (3)	0
4	Pomeroy Water Line from Augusta to Aden Way (4)	0
TOTAL		950,000

- (1) Golden State interconnect at Orchard and Primavera; Woodlands interconnect at Camino Caballo and Via Concha; Golden State interconnect on Lyn Road
- (2) Includes 1 new 800 gpm pump/VFD at Joshua Road Pump Station in FY 18-19 and 2 replacement 800 gpm pumps/removal of 2@400 gpm pumps in FY 23-24.
- (3) 12,000 linear feet of 12 inch diameter waterline. Design in FY 22-23 and construct in FY 23-24.
- (4) 4600 linear feet of 12 inch diameter waterline. Design in FY 22-23 and construct in FY 23-24.

FOR PLANNING PURPOSES ONLY

	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
	0	0	0	0	0
	0	0	0	450,204	0
	0	0	450,000	3,150,000	0
	0	0	196,691	1,429,396	0
	0	0	646,691	5,029,600	0

CASH FLOW PROJECTION

	FY 19-20
Sources of Funds	
Funds on Hand at Beginning of Year-projected	2,785,000
Interest Income (5)	69,625
Principal and Interest Payments from WMW & GSW	525,359
Capacity Charges (6)	0
Transfer in from Prop Tax Fund #600 for Debt Service	435,200
Transfer in from Water Funded Replacement #805	0
Total Sources of Funds	3,815,184

Uses of Funds

Capital Project	950,000
Debt Service Payments 2013 COP	531,288
Bond Administration	4,000
Total Uses of Funds	1,485,288
Funds on Hand at End of Year-projected	2,329,896

	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
	2,329,896	2,819,994	3,329,754	3,213,829	21,076
	58,247	70,500	83,244	80,346	527
	525,359	525,359	525,359	525,359	525,359
	0	0	0	0	0
	442,905	450,926	459,263	463,042	467,390
	0	0	0	1,300,000	0
	3,356,407	3,866,779	4,397,620	5,582,576	1,014,352

	0	0	646,691	5,029,600	0
	532,413	533,025	533,100	527,900	527,000
	4,000	4,000	4,000	4,000	4,000
	536,413	537,025	1,183,791	5,561,500	531,000
	2,819,994	3,329,754	3,213,829	21,076	483,352

- (5) Assumes an interest rate of 2.5%
- (6) Assumes no new connections (worst case scenario)
 Schedule may be impacted by Court Action

NIPOMO COMMUNITY SERVICES DISTRICT
 CAPITAL FUNDING PLAN
 WATER DIVISION
 FUND #700

CAPITAL IMPROVEMENT PLAN

Line #	WATER CAPACITY - FUND #700	FY 19-20
1	Tract 2650 Connection to Blacklake Pressure Zone	180,000
2	Water Master Plan	220,000
3	New Water Storage Tank	0
		400,000

CASH FLOW PROJECTION

	FY 19-20
Sources of Funds	
4	Funds on Hand at Beginning of Year-projected
5	Interest Income (1)
6	Capacity Charges (2)
7	Total Sources of Funds

8	Capital Project
9	Total Uses of Funds
10	Funds on Hand at End of Year-projected

(5) Assumes an interest rate of 2.5%
 (6) Assumes no new connections (worst case scenario)

FOR PLANNING PURPOSES ONLY						
	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	327,818	2,588,670	0	0
	0	0	327,818	2,588,670	0	0
	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	
	1,497,275	1,534,707	1,573,075	1,284,583	(1,271,972)	
	37,432	38,368	39,327	32,115	0	
	0	0	0	0	0	
	1,534,707	1,573,075	1,612,401	1,316,698	(1,271,972)	
	0	0	327,818	2,588,670	0	
	0	0	327,818	2,588,670	0	
	1,534,707	1,573,075	1,284,583	(1,271,972)	(1,271,972)	

NIPOMO COMMUNITY SERVICES DISTRICT
 CAPITAL FUNDING PLAN
 SEWER - TOWN DIVISION
 FUND #710

CAPITAL IMPROVEMENT PLAN

Line #	TOWN SEWER CAPACITY - FUND #710	FY 19-20
1	Southland WWTF Storage Building	200,000
2	Sewer Collection Master Plan	0
3	Sewer collection System Improvements	0
		200,000

CASH FLOW PROJECTION

FY 19-20

Sources of Funds		FY 19-20
4	Funds on Hand at Beginning of Year-projected	950,000
5	Interest Income (1)	23,750
6	Capacity Charges (2)	0
7	Total Sources of Funds	973,750

Uses of Funds

8	Debt Service Payment	42,180
9	Capital Project	200,000
10	Total Uses of Funds	242,180
11	Funds on Hand at End of Year-projected	731,570

- (1) Assumes an interest rate of 2.5%
- (2) Assumes no new connections (worst case scenario)
- (3) Aeration basin not needed if no new connections are added

FOR PLANNING PURPOSES ONLY

	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
	0	0	0	0	0
	155,000	0	0	0	0
	0	0	3,000,000	0	0
	155,000	0	3,000,000	0	0

FY 20-21 FY 21-22 FY 22-23 FY 23-24 FY 24-25

731,570	594,859	609,731	(2,375,026)	(2,375,026)
18,289	14,871	15,243	0	0
0	0	0	0	0
749,859	609,731	624,974	(2,375,026)	(2,375,026)

0	0	0	0	0
155,000	0	3,000,000	0	0
155,000	0	3,000,000	0	0
594,859	609,731	(2,375,026)	(2,375,026)	(2,375,026)

NIPOMO COMMUNITY SERVICES DISTRICT
 PROPERTY TAX
 FUND #600

Line #	PROPERTY TAX - FUND #600	FY 19-20
1	None	0
		0

CASH FLOW PROJECTION

	FY 19-20
Sources of Funds	
Funds on Hand at Beginning of Year-projected	450,000
Interest Income (1)	11,250
Property Taxes(2)	658,000
Total Sources of Funds	1,119,250

Uses of Funds

Capital Project	0
Debt Service-Revenue Bonds Series 2013A Refunding (3)	222,800
Transfer to Supplemental Water Fund #500 for Debt Service Certificate of Participation 2013 B (4)	435,200
Bond Administration	4,000
Total Uses of Funds	662,000
Funds on Hand at End of Year-projected	457,250

- (1) Assumes interest rate of 2.5%
- (2) Assume 1% growth in Property Tax Revenue - Pledged to debt service payments
- (3) Debt service on Revenue Bonds secured by ad valorem property taxes (Per Bond Indenture, irrevocably pledged as first source of payment)
- (4) Debt service on Certificates of Participation 2013B secured first by ad valorem property taxes and then by water revenues
(Difference between Property Tax Collections and debt service for Revenue Bonds Series 2013 A Refunding)

FOR PLANNING PURPOSES ONLY

	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
	0	0	0	0	0
	0	0	0	0	0
FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	
457,250	464,681	472,298	480,106	488,108	
11,431	11,617	11,807	12,003	12,203	
664,580	671,226	677,938	684,717	691,565	
1,133,261	1,147,524	1,162,044	1,176,826	1,191,876	
0	0	0	0	0	
221,675	220,300	218,675	221,675	224,175	
442,905	450,926	459,263	463,042	467,390	
4,000	4,000	4,000	4,000	4,000	
668,580	675,226	681,938	688,717	695,565	
464,681	472,298	480,106	488,108	496,311	

FUNDED REPLACEMENT PROJECTS
2019-2020

<u>BUDGET ITEMS FOR 2019-2020</u>	#805	#810	#830	TOTAL	
	FUNDED REPLACEMENT <u>WATER</u>	FUNDED REPLACEMENT <u>TOWN SEWER</u>	FUNDED REPLACEMENT <u>BLACKLAKE SEWER</u>		
Branch Street Waterline Replacement (1)	650,000	0	0	650,000	
Eureka Well Replacement (2)	1,000,000	0	0	1,000,000	
Blow-Off Repair (3)	20,000	0	0	20,000	
Air Vac Replacement (3)	20,000	0	0	20,000	
Fire Hydrant Replacement (3)	50,000	0	0	50,000	
Valve Replacement (3)	50,000	0	0	50,000	
Manhole Rehabilitation (3)	0	150,000	0	150,000	
Southland WWTF Biosolids Dewatering (4)	0	920,000	0	920,000	
Lift Station Rehabilitation (5)	0	820,000	683,000	1,503,000	
Blacklake Sludge Removal (6)	0	0	289,600	289,600	
	TOTAL	1,790,000	1,890,000	972,600	4,652,600

(1) Existing 6 inch diameter water line is failing

(2) Redrill and equip replacement well

(3) Water and Town Sewer Master Plan Projects

(4) Screw press for biosolids dewatering during wet weather

(5) Nipomo Palms Lift Station and Woodgreen Lift Station complete replacement

(6) Removal, dewatering and disposal of accumulated sludge

NIPOMO COMMUNITY SERVICES DISTRICT
 CAPITAL FUNDING PLAN
 FUNDED REPLACEMENT-WATER
 FUND #805

FUNDED REPLACEMENT PLAN

Line #	WATER - FUND #805	FY 19-20
1	Branch Street Waterline Replacement	\$ 650,000
2	Eureka Well Replacement	\$ 1,000,000
3	Blow-Off Replacement	\$ 20,000
4	Air Vac Replacement	\$ 20,000
5	Fire Hydrant Replacement	\$ 50,000
6	Valve Replacement	\$ 50,000
7	Well Refurbishment	\$ -
8	Quad Tank Disinfection System	\$ -
		1,790,000

CASH FLOW PROJECTION

	FY 19-20
Sources of Funds	
9	Funds on Hand at Beginning of Year-projected
10	Interest Income (1)
11	Transfer from Water for funded replacement
12	Total Sources of Funds
Uses of Funds	
13	Funded Replacement Projects
14	Transfer to Supplemental Water Project Fund #500
15	Total Uses of Funds
16	Funds on Hand at End of Year-projected

(1) Assumes interest rate of 2.5%

FOR PLANNING PURPOSES ONLY

	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
	0	0	0	0	0
	0	0	0	0	0
	20,600	21,218	21,855	22,510	23,185
	20,600	21,218	21,855	22,510	23,185
	51,500	53,045	54,636	56,275	57,964
	103,000	106,090	109,273	112,551	115,927
	103,000	106,090	109,273	112,551	115,927
	0	0	0	300,000	0
	298,700	307,661	316,891	626,398	336,189

FY 20-21

	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
	3,092,200	3,495,805	3,916,539	4,338,562	3,161,628
	77,305	87,395	97,913	108,464	79,041
	625,000	641,000	641,000	641,000	641,000
	3,794,505	4,224,200	4,655,453	5,088,026	3,881,669
	298,700	307,661	316,891	626,398	336,189
	0	0	0	1,300,000	0
	298,700	307,661	316,891	1,926,398	336,189
	3,495,805	3,916,539	4,338,562	3,161,628	3,545,479

NIPOMO COMMUNITY SERVICES DISTRICT
 CAPITAL FUNDING PLAN
 FUNDED REPLACEMENT-TOWN SEWER
 FUND #810

**TOWN SEWER
 FUNDED REPLACEMENT PLAN**

Line #	TOWN SEWER - FUND #810	FY 19-20
1	Southland WWTF Biosolids Dewatering	920,000
2	Manhole Rehabilitation	150,000
3	Lift Station Rehabilitation	820,000
		1,890,000

CASH FLOW PROJECTION

	FY 19-20	
Sources of Funds		
4	Funds on Hand at Beginning of Year-projected	4,270,000
5	Interest Income (1)	106,750
6	Transfer from Town Sewer for funded replacement	395,000
7	Total Sources of Funds	4,771,750

Uses of Funds

8	Funded Replacement Projects	1,890,000
9	Total Uses of Funds	1,890,000
10	Funds on Hand at End of Year-projected	2,881,750

(1) Assumes interest rate of 2.5%

FOR PLANNING PURPOSES ONLY					
	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
	0	0	0	0	0
	154,500	159,135	163,909	168,826	173,891
	0	869,938	0	922,917	0
	154,500	1,029,073	163,909	1,091,744	173,891
	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
	2,881,750	3,194,294	2,640,078	2,937,171	2,313,857
	72,044	79,857	66,002	73,429	57,846
	395,000	395,000	395,000	395,000	395,000
	3,348,794	3,669,151	3,101,080	3,405,600	2,766,703
	154,500	1,029,073	163,909	1,091,744	173,891
	154,500	1,029,073	163,909	1,091,744	173,891
	3,194,294	2,640,078	2,937,171	2,313,857	2,592,812

NIPOMO COMMUNITY SERVICES DISTRICT
 CAPITAL FUNDING PLAN
 FUNDED REPLACEMENT-TOWN SEWER
 FUND #830

**BLACKLAKE SEWER
 FUNDED REPLACEMENT PLAN**

Line #	Project Identification (1)	BLACKLAKE FUNDED REPLACEMENT - FUND #830	FY 19-20
1	CS-CIP-1	Lift Station Rehabilitation - Woodgreen	683,000
2	WRF-CIP-2	Blacklake Sludge Removal	289,600
3	CS-CIP-4	Golf Course Trunk Main Replacement	0
4	CS-CIP-5	Tourney Hill Sewer Main Replacement	0
5	WRF-CIP-1	WRF Treatment Plant Pond Rehabilitation - Pond 1	0
6	CS-CIP-2	Lift Station Rehabilitation - The Oaks	0
7	WRF-CIP-3	WRF Chlorine Contact Chamber Rehabilitation	0
8	CS-CIP-6	Oakmont Sewer Main Replacement	0
9	WRF-CIP-4	WRF Site Improvements	0
10	CS-CIP-5	Lift Station Rehabilitation - Misty Glen	0
11	CS-CIP-3	Augusta Sewer Main Replacement	0
12	CS-CIP-7	WRF Electrical Improvements	0
13	WRF-CIP-5	Repair Off-set Joints - Sewer Main	0
14	CS-CIP-8	Repair Off-set Joints - Sewer Main	0
			972,600

CASH FLOW PROJECTION		FY 19-20
Sources of Funds		
15	Funds on Hand at Beginning of Year-projected	988,000
16	Interest Income (2)	24,700
17	Transfer from BL Sewer for funded replacement	173,000
18	Proceeds from new debt issuance (3)	1,800,000
19	Total Sources of Funds	2,985,700

Uses of Funds		
20	Funded Replacement Projects	972,600
21	Debt service payments from new debt issuance (3)	0
22	Total Uses of Funds	972,600
23	Funds on Hand at End of Year-projected	2,013,100

(1) Project identification reference found in Blacklake Sewer Master Plan
 (2) Assumes interest rate of 2.5%
 (3) Blacklake Sewer Rate Study dated November 14, 2018 (Section 3.1.3, Page 10)
 anticipates borrowing \$1.8 M to fund capital replacement projects.

FOR PLANNING PURPOSES ONLY					
	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
	0	0	0	0	0
	179,000	0	0	0	0
	560,700	0	0	0	0
	319,700	0	0	0	0
	0	384,600	0	0	0
	0	0	102,500	0	0
	0	0	392,400	0	0
	0	0	196,200	0	0
	0	0	0	258,100	0
	0	0	0	97,800	0
	0	0	0	0	61,442
	0	0	0	0	499,647
	0	0	0	0	30,141
	0	0	0	0	0
	1,059,400	384,600	691,100	355,900	591,230
FY 20-21					
	2,013,100	1,038,028	718,378	89,238	(220,431)
	50,328	25,951	17,959	2,231	0
	178,000	183,000	188,000	188,000	188,000
	0	0	0	0	0
	2,241,428	1,246,978	924,338	279,469	(32,431)
FY 20-21					
	1,059,400	384,600	691,100	355,900	591,230
	144,000	144,000	144,000	144,000	144,000
	1,203,400	528,600	835,100	499,900	735,230
	1,038,028	718,378	89,238	(220,431)	(767,661)

MARCH 6, 2019

ITEM 4

ATTACHMENT B

NIPOMO COMMUNITY SERVICES DISTRICT
 FIXED ASSET PURCHASES
 2019-2020

<u>BUDGET ITEMS FOR 2019-2020</u>	<u>#110 ADMIN</u>	<u>#125 WATER</u>	<u>#130 TOWN SEWER</u>	<u>#150 BL SEWER</u>	<u>TOTAL</u>
Office Furniture for cubicle	5,000	0	0	0	5,000
Surveillance Camera Video Retention Equipment	10,000	0	0	0	10,000
Two Office Air Conditioning Unit Replacements	20,000	0	0	0	20,000
Replacement Truck	0	29,700	9,900	5,400	45,000
SCADA Radio Replacement	0	66,000	22,000	12,000	100,000
Water Laboratory Management Software (carryover)	0	25,000	0	0	25,000
Sensus FlexNet Leak Detection System	0	115,000	0	0	115,000
Four Well Operator Interface Panels	0	60,000	0	0	60,000
Replacement Tractor	0	60,000	0	0	60,000
Water Truck	0	100,000	0	0	100,000
	<u>35,000</u>	<u>455,700</u>	<u>31,900</u>	<u>17,400</u>	<u>540,000</u>

Fixed assets will be purchased from the Enterprise Funds

MARCH 6, 2019

ITEM 4

ATTACHMENT C

NIPOMO COMMUNITY SERVICES DISTRICT
DISTRICT PERSONNEL
2019-2020

ADMINISTRATION	MONTHLY SALARY STEP/RANGE (PAGE 11)	Budgeted FY 18-19	Additions 19-20	Budgeted 19-20
General Manager	Contract	1	0	1
Assist General Manager/Finance Director	44	1	0	1
Billing Clerk II	13	1	0	1
Billing Clerk I	10	0	1 (1)	1
Secretary/Clerk	5	1	0	1
Administrative Supervisor (2)	31	1	0	1
Customer Service Specialist (3)	21	<u>1</u>	<u>0</u>	<u>1</u>
ADMINISTRATION SUBTOTAL		<u>6</u>	<u>1</u>	<u>7</u>

OPERATIONS				
Director of Engineering and Operations	60	1	0	1
Assistant Engineer	29	1	0	1
Water Supervisor	32	1	0	1
Wastewater Supervisor	38	1	0	1
Wastewater Operator III	24	0	0	0
Wastewater Operator II	20	3	0	3
Wastewater Operator I	16	2	0	2
Water Operator III	17	0	0	0
Water Operator II	13	1	0	1
Water Operator I	9	4	0	4
Utility Office Assistant	Contract	<u>0.5</u>	<u>0</u>	<u>0.5</u>
OPERATIONS SUBTOTAL		<u>14.5</u>	<u>0</u>	<u>14.5</u>

TOTAL		<u>20.5</u>	<u>1</u>	<u>21.5</u>
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Positions projected to be unfilled as of June 2019-recruitment to begin in August 2019

- (1) 2017 Rate Study included second billing clerk FY 19-20
- (2) Administrative Supervisor position replaced Public Information Director/Clerk position
- (3) 2017 Rate Study included customer Service Specialist FY 18-19

MARCH 6, 2019

ITEM 4

ATTACHMENT D

NIPOMO COMMUNITY SERVICES DISTRICT
FLEET SCHEDULE
2019-2020

	OPERATIONS VEHICLES	YEAR	DATE PURCHASED	FISCAL YR PURCHASED	MILEAGE (FEB 2019)
1	FORD F250 4x4	2007	8/25/06	2007	112,525
2	FORD F150 4x4 (1)	2009	12/29/08	2009	112,865
3	FORD F150 (2)	2009	1/6/09	2009	95,802
4	FORD RANGER	2010	11/7/09	2010	22,365
5	FORD F250 4X4	2010	1/15/10	2010	63,854
6	FORD F150	2013	1/23/13	2013	67,775
7	FORD F150	2013	9/26/13	2014	47,583
8	FORD F250	2015	11/7/14	2015	24,778
9	FORD F250	2016	4/5/16	2016	23,257
10	FORD F250	2017	4/13/18	2018	7,898
11	FORD F250	2017	4/13/18	2018	6,305

- (1) To be replaced FY 18-19
(2) To be replaced FY 19-20

	ADMIN VEHICLES	YEAR	DATE PURCHASED	FISCAL YR PURCHASED	MILEAGE (FEB 2019)
12	FORD ESCAPE	2007	12/1/06	2007	27,921

	OTHER OPERATIONS EQUIPMENT	DATE PURCHASED	FISCAL YR PURCHASED	MILEAGE/ HOURS (FEB 2019)
13	FORD DUMP TRUCK	6/25/06	2006	27,394
14	JOHN DEERE LOADER/BACKHOE JD110	1/2/08	2008	582 hrs (out of service)
15	JOHN DEERE BACKHOE JD310	9/3/09	2010	458 hrs
16	VAC CON	2/10/10	2010	17,408
17	FORD F550 SERVICE TRUCK	04/16/13	2013	9,969
18	JOHN DEERE GATOR CART	4/18/14	2014	1,229 hrs
19	CAT 914 LOADER	10/30/15	2015	385 hrs
20	CAT 279D SKID STEER	8/9/17	2018	328 hrs

TO: FINANCE AND AUDIT COMMITTEE
 REVIEWED: MARIO IGLESIAS
 GENERAL MANAGER
 FROM: LISA BOGNUDA
 FINANCE DIRECTOR
 DATE: MARCH 1, 2019



REVIEW EMPLOYEE COST OF LIVING ADJUSTMENT (COLA)

ITEM

Review employee Cost of Living Adjustment (COLA)

BACKGROUND

The NCSD Employee Handbook, Section 3000(D) states the following:

Cost of Living Adjustments – Annually, the Board may consider a Cost of Living Adjustment (COLA). If the COLA is approved, District Salary Schedule will be adjusted accordingly, thus keeping the schedule current. Therefore, an employee may receive both a Cost of Living Adjustment and an increase in compensation pursuant to subdivision C above in any given year until the employee reaches Step 5. Upon reaching Step 5, the only salary adjustments an employee will receive will be Board-approved COLA, unless the employee is eligible for longevity pay.

On April 12, 2017, the Board of Directors approved Resolution 2017-1440 which included:

Cost of Living Adjustments shall use the Consumer Price Index for the California Consumer Price Index All Items for Urban Wage Earners and Clerical Workers.

Staff computed the Consumer Price Index for California All Items for Urban Wage Earners and Clerical Workers to be 3.87%. (Attachment D)

The six previous years COLA computation and Board approval has been as follows:

Fiscal year	Methodology Used	COLA Computation	Board Approved	Difference
7/1/18	California CPI	2.870%	2.870%	0.00%
7/1/17	California CPI	1.880%	1.880%	0.00%
7/1/16	Avg of LA/SF (1)	1.400%	1.400%	0.00%
7/1/15	Avg of LA/SF (1)	1.900%	1.900%	0.00%
7/1/14	Avg of LA/SF (1)	1.625%	1.625%	0.00%
7/1/13	Avg of LA/SF (1)	2.480%	2.480%	0.00%

(1) Average of Urban Wage Earners and Clerical Workers for the Los Angeles-Riverside-Orange County and San Francisco-Oakland-San Jose

RECOMMENDATION

It is recommended that the Committee review the COLA and direct Staff for budget preparation purposes.

ATTACHMENTS

- A. Section 3000(D) from NCSD Employee Handbook
- B. Resolution 2017-1440
- C. Excerpt from Bureau of Labor Statistics on how to compute the CPI
- D. Consumer Price Index information and computation

MARCH 6, 2019

ITEM 5

ATTACHMENT A

CHAPTER THREE – HOURS OF WORK AND COMPENSATION

3000 - COMPENSATION

- A. New Introductory Employees:** All newly appointed introductory employees shall be paid at the first step of the salary range for the position to which the introductory employee is appointed except as provided elsewhere herein.
- B. Advanced Step Hiring:** If the General Manager finds that qualified applicants have greater experience or competencies than required at the first step of the salary range, the General Manager can extend an offer higher than the first step.
- C. Increase in compensation other than Cost of Living Adjustments (Step-Merit Increase):** After one year in a salary step (on the employee's Anniversary Date), employees may qualify for a step merit increase to the next step, provided the employee has performed satisfactorily, and provided management has determined that a step merit increase is appropriate. All decisions about step merit increases are subject to management's sole discretion; employees are not automatically entitled to or eligible for a step merit increase. A report verifying satisfactory performance of each employee recommended for advancement shall be submitted to and approved by the General Manager prior to final action on such recommendation.
- D. Cost of Living Adjustments:** Annually, the Board may consider a Cost of Living Adjustment (COLA). If the COLA is approved, the District Salary Schedule will be adjusted accordingly, thus keeping the schedule current. Therefore, an employee may receive both a Cost of Living Adjustment and an increase in compensation pursuant to subdivision C above in any given year until the employee reaches Step 5. Upon reaching Step 5, the only salary adjustments an employee will receive will be Board-approved COLA, unless the employee is eligible for longevity pay.
- E. Promotion:** Employees promoted to a position with a higher salary range shall be placed on the step of the range allocated to the new classification which would grant such employee an increase in pay no greater than five percent (5%). The increase may exceed five percent (5%) at the discretion of the General Manager, but shall not exceed the top step of the range allocated to the new classification. Employees who are promoted retain the same Anniversary Date for purposes of years of service and benefit accruals, but have a new Promotion Date for purposes of performance reviews and merit step increases.
- F. Lateral Transfer:** When an employee transfers to a different position or classification with similar responsibilities as his/her existing position (and has not been demoted), the affected employee shall be placed at a salary range within the new classification that is most consistent with the employee's existing salary range not to exceed Step 5 unless employee is eligible for longevity pay.
- G. Incentive Pay:** Operations Staff who successfully achieve Water or Wastewater Grade certificates over and above those required for the position while employed with the District will be entitled to receive a one-time incentive pay of \$500.00 for each certificate obtained. Once the employee achieves the certificate, it is their

CHAPTER THREE – HOURS OF WORK AND COMPENSATION

MARCH 6, 2019

ITEM 5

ATTACHMENT B

**NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2017-1440**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE NIPOMO
COMMUNITY SERVICES DISTRICT ESTABLISHING THE
METHODOLOGY FOR COMPUTING EMPLOYEE COST OF LIVING
ADJUSTMENTS (COLA)**

WHEREAS, the Nipomo Community Services District (herein "District") Board of Directors (herein "Board") is a local government agency formed and authorized to provide services within its jurisdiction, pursuant to Section 61000 et seq. of the California Government Code; and

WHEREAS, the Board annually reviews the employee Cost of Living Adjustment (COLA) based on the policy and procedures adopted in Resolution 2006-1000 and amended by Resolution 2017-1437, which repealed Section 3 of Resolution 2006-1000 that had approved the use of the Consumer Price Index-Urban Wage Earners and Clerical Workers using the average of annual increases for the Los Angeles-Riverside-Orange County and San Francisco-Oakland-San Jose; and

WHEREAS, the Board believes the California Consumer Price Index is more reflective of the economy of the Central Coast; and

WHEREAS, the Board wishes to establish that the employee COLA computation shall use the Consumer Price Index for the California Consumer Price Index All Items for Urban Wage Earners and Clerical Workers, and

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Nipomo Community Services District:

Section 1. The above recitals are true and correct.

Section 2. All future Cost of Living Adjustments shall use the Consumer Price Index for the California Consumer Price Index All Items for Urban Wage Earners and Clerical Workers.

Section 3. This resolution shall take effect immediately.

Upon a motion by Director Armstrong, seconded by Director Eby, on the following roll call vote, to wit:

AYES: Directors Armstrong, Eby, Blair, Woodson, and Gaddis
NOES: None
ABSTAIN: None
ABSENT: None

**NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2017-1440**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE NIPOMO COMMUNITY
SERVICES DISTRICT ESTABLISHING THE METHODOLOGY OF COMPUTING
EMPLOYEE COST OF LIVING ADJUSTMENTS (COLA)**

the foregoing resolution is hereby passed and adopted on this 12th day of April, 2017.



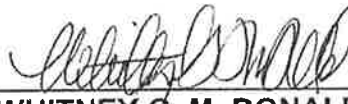
DAN A. GADDIS
President of the Board

ATTEST:

APPROVED AS TO FORM AND
LEGAL EFFECT:



MARIO IGLESIAS
General Manager and Secretary to the Board



WHITNEY G. McDONALD
District Legal Counsel

MARCH 6, 2019


ITEM 5

ATTACHMENT C

Consumer Price Index

[CPI Home](#) | [CPI Publications](#) | [CPI Data](#) | [CPI Methods](#) | [CPI FAQs](#)

[Contact CPI](#) | [Consumer Price Index](#) > [Publications](#) > [How to Use the Consumer Price Index for Escalation](#)

PRINT: 

How to Use the Consumer Price Index for Escalation

The Consumer Price Index (CPI) measures the average change in the prices paid for a market basket of goods and services. These items are purchased for consumption by the two groups covered by the index: All Urban Consumers (CPI-U) and Urban Wage Earners and Clerical Workers, (CPI-W).

Escalation agreements often use the CPI—the most widely used measure of price change—to adjust payments for changes in prices. The most frequently used escalation applications are in private sector collective bargaining agreements, rental contracts, insurance policies with automatic inflation protection, and alimony and child support payments.

The following are general guidelines to consider when developing an escalation agreement using the CPI:

Define the base payment

Define clearly the base payment (rent, wage rate, alimony, child support, or other value) that is subject to escalation.

Identify which CPI series will be used

Identify precisely which CPI index series will be used to escalate the base payment. This should include the population coverage (CPI-U or CPI-W), area coverage (U.S. City Average, West Region, Chicago, etc.), series title (all items, rent of primary residence, etc.), and index base period (1982-84=100).

Specify reference period

Specify a reference period from which changes in the CPI will be measured. This is usually a single month (the CPI does not correspond to a specific day or week of the month), or an annual average. There is about a two-week lag from the reference month to the date on which the index is released (that is, the CPI for May is released in mid-June). The CPIs for most metropolitan areas are not published as frequently as are the data for the U.S. City Average and the four regions. Indexes for the U.S. City Average, the four regions, nine divisions, two city-size classes, eight region-by-size classes, and three major metropolitan areas (Chicago, Los Angeles, and New York) are published monthly. Indexes for the remaining 20 published metropolitan areas are available only on a bimonthly basis. Contact BLS for information on the frequency of publication for the 23 metropolitan areas.

State frequency of adjustment

Adjustments are usually made at fixed intervals, such as quarterly, semiannually, or, most often, annually.

Determine adjustment formula

Determine the formula for the adjustment calculation. Usually the change in payments is directly proportional to the percent change in the CPI index between two specified periods. Consider whether to make an allowance for a "cap" that places an upper limit on the increase in wages, rents, etc., or a "floor" that promises a minimum increase regardless of the percent change (up or down) in the CPI.

Provide for revisions

Provide a built-in method for handling situations that may arise because of major CPI revisions or changes in the CPI index base period. The Bureau always provides timely notification of upcoming revisions or changes in the index base.

The CPI and escalation: Some points to consider

The CPI is calculated for two population groups: All Urban Consumers (CPI-U) and Urban Wage Earners and Clerical Workers (CPI-W). The CPI-U represents about 94 percent of the total U.S. population and is based on the expenditures of all families living in urban areas. The CPI-W is a subset of the CPI-U and is based on the expenditures of families living in urban areas who meet additional requirements related to employment: more than one-half of the family's income is earned from clerical or hourly-wage occupations. The CPI-W represents about 28 percent of the total U.S. population.

There can be small differences in movement of the two indexes over short periods of time because differences in the spending habits of the two population groups result in slightly different weighting. The long-term movements in the indexes are similar. CPI-U and CPI-W indexes are calculated using measurement of price changes of goods and services with the same specifications and from the same retail outlets. The CPI-W is used for escalation primarily in blue-collar cost-of-living adjustments (COLAs). Because the CPI-U population coverage is more comprehensive, it is used in most other escalation agreements.

The 23 metropolitan areas for which BLS publishes separate index series are by-products of the U.S. City Average index. Metropolitan area indexes have a relatively small sample size and, therefore, are subject to substantially larger sampling errors. Metropolitan area and other subcomponents of the national indexes (regions, size-classes) often exhibit greater volatility than the national index. BLS recommends that users adopt the U.S. City Average CPI for use in escalator clauses.

The U.S. City Average CPIs are published on a seasonally adjusted basis as well as on an unadjusted basis. The purpose of seasonal adjustment is to remove the estimated effect of price changes that normally occur at the same time and in about the same magnitude every year (e.g., price movements due to the change in weather patterns, holidays, model change-overs, end-of-season sales, etc.). The primary use of seasonally adjusted data is for current economic analysis. In addition, the factors that are used to seasonally adjust the data are updated annually and seasonally adjusted data are subject to revision for up to 5 years after their original release. For these reasons, the use of seasonally adjusted data in escalation agreements is inappropriate.

Escalation agreements using the CPI usually involve changing the base payment by the percent change in the level of the CPI between the reference period and a subsequent period. This is calculated by first determining the index point change between the two periods and then determining the percent change. The following example illustrates the computation of a percent change:

CPI for current period	232.945
Less CPI for previous period	229.815
Equals index point change	3.130
Divided by previous period CPI	229.815
Equals	0.0136
Result multiplied by 100	0.0136 x 100
Equals percent change	1.4%

The Bureau of Labor Statistics neither encourages nor discourages the use of price adjustment measures in contractual agreements. Also, while BLS can provide technical and statistical assistance to parties developing escalation agreements, we can neither develop specific wording for contracts nor mediate legal or interpretive disputes which might arise between the parties to the agreement.

Additional information may be obtained from the Consumer Price Index Information Office at cpi_info@bls.gov or 202-691-7000. Information on the CPI's overall methodology can be found in [Chapter 17](#) of the BLS Handbook of Methods.

Last Modified Date: February 14, 2018

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MARCH 6, 2019

ITEM 5

ATTACHMENT D

STATE OF CALIFORNIA
OFFICE OF THE DIRECTOR - RESEARCH UNIT
CONSUMER PRICE INDEX CALCULATOR

1) Select an Index	California CPI	▼	
2) Select index type	Urban Wage Earners and Clerical Workers	▼	
3) Select beginning month	Annual Average	▼	Beginning Index value
4) Select beginning year	2017	▼	253.244
5) Select ending month	Annual Average	▼	Ending Index Value
6) Select ending year	2018	▼	263.048

Based upon the Index, index type, and the time period you have specified, the percent change in the Consumer Price Index is equal to:

3.9%

CALIFORNIA CONSUMER PRICE INDEX (1955-2018)

ALL ITEMS (1982-1984=100)

Year	Month	All Urban Consumers	Urban Wage Earners and Clerical Workers
2018	Annual	272.510	263.048
2018	December	274.922	265.308
2018	October	275.686	266.217
2018	August	273.844	264.506
2018	June	272.462	263.199
2018	April	271.210	261.696
2018	February	269.247	259.566
2017	Annual	262.802	253.244
2017	December	265.652	256.131
2017	October	265.472	255.682
2017	August	263.473	253.874
2017	June	262.286	252.839
2017	April	261.850	252.316
2017	February	260.111	250.485
2016	Annual	255.303	246.184
2016	December	256.953	247.411
2016	October	257.836	248.408
2016	August	R/256.097	R/246.735

263.048 +

253.244 =

9.804

9.804 +

253.244 =

0.03871365165

0.03871365165

100 =

3.871365165