

Honorable Mayor and
Members of the City Council
of the City of Costa Mesa
Costa Mesa, California

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Costa Mesa, California (the City), as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. As discussed below, we identified a certain matter involving the internal control and other operational matters that is presented for your consideration. This letter does not affect our report dated January 26, 2018, on the financial statements of the City. Our comment and recommendation are intended to improve the internal control or result in other operating efficiencies. Our comment with our recommendation for improvement is summarized as follows:

Capital Assets

Auditors' Comment and Recommendation

The City identified expenditures from previous fiscal years that should have been recorded as construction in progress. This resulted in an understatement of capital assets in fiscal year 2015-2016 and a restatement of beginning net position. We recommend that the City reviews its existing procedures and enhance the procedures to identify all capital outlay that should be recorded as construction in progress at year-end.

This communication is intended solely for the information and use of management, the City Council, and others within the City and is not intended to be, and should not be, used by anyone other than these specified parties.

White Nelson Dick Evans LLP

Irvine, California
January 26, 2018