CALL TO ORDER

PLEDGE OF ALLEGIANCE

PUBLIC COMMENTS

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

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

ITEMS TO BE ADDED, WITHDRAWN, OR REORDERED ON THE AGENDA
At the discretion of the Board, all items appearing on this agenda, whether or not expressly listed as an Action Item, may be deliberated and may be subject to action by the Board.

CONSENT CALENDAR ITEMS:
Approve all matters under the Consent Calendar by one motion unless a Board member, staff, or a member of the public requests a separate action.

1. Approve minutes of regular Board meeting of March 10, 2016.
2. Approve minutes of special Board meeting of March 21, 2016.
3. Approve minutes of special Board meeting of March 24, 2016.
4. Approve attendance considerations (additions, changes, deletions).
5. Board Schedule:
   • Conferences, Seminars, and Meetings
   • Board Calendar
   • Upcoming Community Outreach Events
6. Declare the following list of computer equipment, printers, servers, UPS, and miscellaneous computer equipment as surplus and authorize the General Manager to dispose of the items within the established rules and regulations set forth by Resolution No. 1463.
7. Approve Smart Timer Rebate Program Option 2: Increase supplemental funding to the regional program to a total of $150 per residential timer and $15 per commercial station capacity, up to a total expenditure of $15,000 per fiscal year, effective FY 2017.
8. Approve a letter of support for the Nomination of Charley Wilson for the Orange County Local Agency Formation Commission Regular Special District Member seat.
PRESENTATION AND DISCUSSION ITEMS:

9. CONSERVATION COMMEMORATION:
   
   Recommendation: Receive the presentation.

10. ASSOCIATION OF CALIFORNIA CITIES-ORANGE COUNTY OVERVIEW:
    
   Recommendation: Receive the presentation.

11. MUNICIPAL WATER DISTRICT OF ORANGE COUNTY BRIEFING:
    
   Recommendation: Receive the presentation.

12. ORANGE COUNTY WATER DISTRICT BRIEFING:
    
   Recommendation: Receive the presentation.

13. YORBA LINDA WATER DISTRICT REQUEST FOR AMICUS CURIAE LETTER ASSISTANCE:

   Recommendation: Receive the presentation.

ACTION ITEMS:

14. SB 814 (HILL) DROUGHT: EXCESSIVE WATER USE: URBAN RETAIL WATER SUPPLIERS:

   Recommendation: Oppose SB 814 Drought: Excessive Water Use: Urban Retail Water Suppliers, introduced by Senator Jerry Hill (D-San Mateo), and approve staff to actively advocate against and continue efforts to amend this bill.

15. FINANCIAL AUDITOR SELECTION:

   Recommendation: Approve a contract with White Nelson Diehl Evans LLC (WNDE) to perform annual financial audit services for fiscal years ending June 30, 2016, June 30, 2017, and June 30, 2018 with two optional one-year extensions.

REPORTS:

16. REPORT OF THE GENERAL MANAGER
   • March Key Indicators Report
   • Other (no enclosure)

17. DIRECTORS’ REPORTS AND COMMENTS
INFORMATION ITEMS:

18. DIRECTORS’ REPORTS (AB 1234) PER CA GOVERNMENT CODE SECTION 53232.3 (D)

19. OTHER (NO ENCLOSURE)

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

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

ADJOURN TO AN ADJOURNED REGULAR BOARD MEETING SCHEDULED FOR MONDAY, APRIL 18, 2016 AT 3:30 P.M.
CALL TO ORDER

The meeting of the Board of Directors was called to order on March 10, 2016 at 6:03 p.m. by President Dewane at the District Office Boardroom, located at 1965 Placentia Avenue, Costa Mesa, California.

PLEDGE OF ALLEGIANCE

Director Fisler led the Pledge of Allegiance.

Directors Present

Shawn Dewane, President
Ethan Temianka, Vice President
Jim Atkinson, Director
Fred R. Bockmiller, Director
James R. Fisler, Director

Directors Absent

None

Staff Present

Paul E. Shoenberger, P.E., General Manager
Coleen L. Monteleone, Assistant General Manager/District Secretary
Phil Lauri, Assistant General Manager
Andrew Hamilton, Chief Financial Officer
Stacy Taylor, Public & Government Affairs Manager
Stacie Sheek, Customer Services Manager
Denise Garcia, Executive Assistant to the General Manager/Assistant District Secretary
Jeff Hoskinson, Attorney, Bowie, Arneson, Wiles & Giannone

Others Present

Joan C. Finnegan, Director, Municipal Water District of Orange County (MWDOC)
Andy Sells, CEO, ACWA/JPIA
Peter Kuchinsky II, Lead Risk Management Consultant, ACWA/JPIA
Renee Fraser, President/CEO/Founder, Fraser Communications
Ilene Prince, Senior Vice President and Director of Client Services, Fraser Communications

PUBLIC COMMENTS

President Dewane recognized MWDOC Director Joan Finnegan, who was in attendance.

He then asked for public comments on non-agendized items. There were no comments and President Dewane proceeded with the meeting.
ITEMS TO BE ADDED, WITHDRAWN, OR REORDERED ON THE AGENDA

General Manager Shoenberger noted that ACWA/JPIA representatives may be arriving for a non-action item and asked the Board to accommodate them when they arrive. He noted that staff would like to reorder the agenda to take Item 10 prior to Item 9; there were no objections.

CONSENT CALENDAR ITEMS:

1. Approve minutes of special Board meeting of February 10, 2016.
2. Approve minutes of regular Board meeting of February 11, 2016.
3. Approve minutes of special Board meeting of February 16, 2016.
5. Approve minutes of special Board meeting of February 24, 2016.
6. Approve minutes of special Board meeting of February 25, 2016.
7. Approve attendance considerations (additions, changes, deletions).
8. Board Schedule:
   - Conferences, Seminars, and Meetings
   - Board Calendar
   - Upcoming Community Outreach Events

President Dewane asked for comments. There were no comments.

MOTION

Motion by Director Bockmiller, second by Director Fisler, to approve the Consent Calendar. Motion passed 5-0.

PRESENTATION AND DISCUSSION ITEMS:

ITEM 10 – MEMORANDUM OF UNDERSTANDING (MOU) UPDATE:

GM Shoenberger introduced the item. He offered the current four-year MOU was adopted two years ago. This year, Mesa Water® is undergoing a classification and compensation study to prepare for the 2017 MOU negotiations.

Assistant General Manager Monteleone was introduced and proceeded with the Memorandum of Understanding update. She offered the MOU is between Mesa Water® and the represented employees. It addresses wages, hours, and working conditions. The current MOU was adopted by the Board in February of 2014 and expires at the end of 2017.

The following was highlighted:
   - Summary of MOU
   - Status
   - Next Steps
In response to questions from the Board, AGM Monteleone offered that the classification and compensation study will use 16 different agencies to benchmark criteria against (8 local water agencies and 8 local cities).

A discussion ensued regarding venturing outside the governmental agency structure to obtain benchmarking information. It was agreed the current process is sufficient.

9. **DROUGHT-REACH UPDATE:**

Public & Government Affairs Manager Taylor acknowledged Fraser Communications’ President/CEO/Founder Renee Fraser and Senior Vice President and Director of Client Services Ilene Prince. Ms. Fraser proceeded with an update on the Mesa Water® Saver Campaign during May 2015 – March 2016.

Ms. Fraser highlighted the following:
- **Campaign Effectiveness & Objectives**
- “Drought Reach 2.0” – Mid-May 2015 – October 2015
- “Drought Reach 3.0” – Mid-November 2015 – Mid-December 2015
- “Drought Reach 3.0B” – Mid-December 2015 – February 2016
- “Drought Reach 3.0C” – March 2016 – April 2016
- Campaign Impact

Ms. Fraser responded to questions and the Board thanked her for the presentation.

10. **MEMORANDUM OF UNDERSTANDING UPDATE:**

This item was taken earlier in the meeting.

11. **FISCAL YEAR 2017 BUDGET PREVIEW:**

GM Shoenberger provided an overview of the budget and budget process. He then introduced Chief Financial Officer Andrew Hamilton who proceeded with the presentation.

Mr. Hamilton highlighted the following:
- Cash on Hand & Days Cash Ratio
- FY 2017 Budget – Key Drivers & Budget Impacts
- Permanent Impacts
- Projected/Actual Water Sales
- Replenishment Assessment
- Potential Budget Options
- Capital Spending – Options
- Draft FY 2017 Budget Results
- Budget Assumptions/Recommendations

Mr. Hamilton responded to questions from the Board.

President Dewane asked for comments.
Director Bockmiller spoke in opposition to using debt issuance to solve a short term problem. He suggested staff remove this option from future consideration. The Board concurred with the recommendation.

**MOTION**

Motion by Director Bockmiller, second by President Dewane, to extend the Board’s financial goals in Cash on Hand and Days Cash Ratio to $36.1 million and 547 days in the FY 2017 budget and to conduct a Water Rate Study in FY 2017. Motion passed 5-0.

12. **BOARD OF DIRECTORS GOVERNANCE ROTATION:**

GM Shoenberger introduced the topic.

A discussion ensued. No action was taken.

**ACTION ITEMS:**

13. **ORDINANCE NO. 25 – DIRECTORS COMPENSATION AND EXPENSE REIMBURSEMENT**

It was noted that the topic was reviewed by the Executive Committee who recommended the Board take no action.

**MOTION**

Motion by Director Fisler, second by Director Temianka, to defer action on Ordinance No. 25 – Directors Compensation and Expense Reimbursement. Motion passed 5-0.

**RECESS**

President Dewane declared a recess at 7:25 p.m. in order to conduct the Mesa Consolidated Water District Improvement Corporation Annual Meeting.

14. **MESA CONSOLIDATED WATER DISTRICT IMPROVEMENT CORPORATION ANNUAL MEETING:**

The Board meeting reconvened at 7:30 p.m.

**REPORTS:**

15. **REPORT OF THE GENERAL MANAGER**

- February Key Indicators Report
- Other (no enclosure)
ACWA/JPIA PRESENTATION

GM Shoenberger introduced ACWA/JPIA's CEO Andy Sells and Lead Risk Management Consultant Peter Kuchinsky II.

Mr. Sells offered that he and Mr. Kuchinsky were at the meeting to present Mesa Water® with a refund check for $85,447. Mr. Sells congratulated Mesa Water® staff for its educational efforts and safety record.

Mr. Kuchinsky thanked the Board for its leadership and support of staff which lays the foundation for a well-trained and knowledgeable workforce.

The Board thanked Messrs. Sells and Kuchinsky for attending the meeting.

Photographs were taken.

RECESS

President Dewane declared a recess at 7:43 p.m. The meeting reconvened at 7:45 p.m.

16. DIRECTORS’ REPORTS AND COMMENTS

INFORMATION ITEMS:

17. DIRECTORS’ REPORTS (AB 1234) PER CA GOVERNMENT CODE SECTION 53232.3 (D)

18. OTHER (NO ENCLOSURE)

President Dewane adjourned the meeting at 7:58 p.m. to a Regular Board Meeting scheduled for Thursday, April 14, 2016, at 6:00 p.m.

Approved:

______________________________
Shawn Dewane, President

______________________________
Coleen L. Monteleone, District Secretary

Recording Secretary: Sharon D. Brimer
FINANCE COMMITTEE MEETING

CALL TO ORDER
The meeting of the Board of Directors was called to order on March 21, 2016 at 3:31 p.m. by Chairman Temianka at the District Office Boardroom, located at 1965 Placentia Avenue, Costa Mesa, California.

PLEDGE OF ALLEGIANCE
Director Bockmiller led the Pledge of Allegiance.

Directors Present
Ethan Temianka, Vice President, Chair
Fred R. Bockmiller, Director
James R. Fisler, Director

Directors Absent
Shawn Dewane, President
Jim Atkinson, Director

Staff Present
Paul E. Shoenberger, P.E., General Manager
Coleen L. Monteleone, Assistant General Manager/District Secretary
Andrew Hamilton, Chief Financial Officer/District Treasurer

Others Present
None

PUBLIC COMMENTS
There was no public present.

PRESENTATION AND DISCUSSION ITEMS:
1. Financial Forecast

General Manager Shoenberger introduced Chief Financial Officer Andrew Hamilton, who proceeded with the presentation.

The following topics were highlighted:
- FY 2016 Financial Forecast:
  - Best and Worst Case Scenarios
    - Revenues & Expenses
    - Developer Deposits & Capital
    - Net Change in Cash

Mr. Hamilton answered questions from the Board and GM Shoenberger thanked him for the presentation.
ACTION ITEMS:

2. Financial Auditor Selection

CFO Hamilton presented the item. Discussion ensued amongst the Board. Without objection from the Board, Vice President Temianka directed staff to bring this item, including all the Financial Auditor proposals, to the next regularly scheduled Board meeting as an Action Item.

3. MWDOC Rate Study

MOTION

Motion by Director Bockmiller, second by Vice President Temianka, to approve the draft letter response, amended to one page, to the Municipal Water District of Orange County regarding their upcoming rate study. Motion passed 3-0-2, with President Dewane and Director Atkinson absent.

4. Surplus Property

MOTION

Motion by Director Fisler, second by Vice President Temianka, to declare miscellaneous computer equipment as surplus and authorize the General Manager to dispose of such items within the established rules and regulations set forth by Resolution No. 1463. Motion passed 3-0-2, with President Dewane and Director Atkinson absent.

REPORTS:

5. Accounts Paid Listing
6. Monthly Financial Reports
7. Major Staff Projects
9. Directors' Reports and Comments

INFORMATION ITEMS:

None.
The Board meeting was adjourned at 4:48 p.m.

Approved:

______________________________
Shawn Dewane, President

______________________________
Coleen L. Monteleone, District Secretary
LEGISLATIVE & PUBLIC AFFAIRS COMMITTEE MEETING

CALL TO ORDER

The meeting of the Board of Directors was called to order on March 24, 2016 at 3:37 p.m. by Chairman Fisler at the District Office Boardroom, located at 1965 Placentia Avenue, Costa Mesa, California.

PLEDGE OF ALLEGIANCE

Vice President Temianka led the Pledge of Allegiance.

Directors Present
Ethan Temianka, Vice President
Fred R. Bockmiller, Director
James R. Fisler, Director, Chair

Directors Absent
Shawn Dewane, President
Jim Atkinson, Director

Staff Present
Coleen L. Monteleone, Acting General Manager/Assistant General Manager/District Secretary
Denise Garcia, Executive Assistant to the General Manager/Assistant District Secretary
Stacy Taylor, Public & Government Affairs Manager
Noelle Collins, Public Affairs Coordinator

Others Present
Cori Williams, Senior Associate, Townsend Public Affairs
James Peterson, Federal/Southern CA Director, Townsend Public Affairs
Eric O’Donnell, Associate, Townsend Public Affairs

PUBLIC COMMENTS

There were no comments on non-agendized topics.

PRESENTATION AND DISCUSSION ITEMS:

1. Legislative Consulting Services Update

Public & Government Affairs Manager Taylor introduced Townsend Public Affairs’ Senior Associate Cori Williams, Federal/Southern CA Director James Peterson, and Associate Eric O’Donnell. They delivered a presentation that highlighted:
• Priority State Legislation
• Governor’s 2016-17 Budget Proposal
• Legislative Leadership
• Amended Drought Conservation Measures
• Federal Activity

2. Social Media Metrics

3. Water Issues Study Group Program

   P&GA Manager Taylor presented a new format going forward for the Water Issues Study Group Program.

**ACTION ITEMS:**

None.

**REPORTS:**

4. Advocacy Consulting Services Report
5. Legislative Consulting Services Report
7. Directors’ Reports and Comments

**INFORMATION ITEMS:**

8. MesaWater.org Upgrade Status
9. Outreach Update

The Board meeting was adjourned at 4:26 p.m.

Approved:

______________________________
Shawn Dewane, President

______________________________
Coleen L. Monteleone, District Secretary
TO: Board of Directors
FROM: Paul E. Shoenberger, P.E., General Manager
DATE: April 14, 2016
SUBJECT: Attendance at Conferences, Seminars, Meetings, and Events

RECOMMENDATION

In accordance with Ordinance No. 25, adopted April 9, 2015, authorize attendance at conferences, seminars, meetings, and events.

STRATEGIC PLAN

Goal #1: Provide a safe, abundant, and reliable water supply.
Goal #2: Practice perpetual infrastructure renewal and improvement.
Goal #3: Be financially responsible and transparent.
Goal #4: Increase public awareness about Mesa Water® and about water.
Goal #5: Attract and retain skilled employees.
Goal #6: Provide outstanding customer service.
Goal #7: Actively participate in regional water issues.

PROPOSED LIST

None.

PRIOR BOARD ACTION

On July 9, 2015, the Board approved the Fiscal Year 2016 attendance at Conferences, Seminars, Meetings, and Events.

DISCUSSION

During the discussion of this item, if any, the Board may choose to delete any item from the list and/or may choose to add additional conferences, seminars, meetings, or events for approval, subject to available budget or additional appropriation.

FINANCIAL IMPACT

None.

ATTACHMENTS

None.
# 2016 Conferences, Seminars, and Meetings:

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Location</th>
<th>Attendees</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 21-22, 2016</td>
<td>Green CA Summit</td>
<td>Sacramento, CA</td>
<td></td>
</tr>
<tr>
<td>May 2-6, 2016</td>
<td>ACWA/JPIA Spring Conference</td>
<td>Monterey, CA</td>
<td>Atkinson, Bockmiller, Fisler, Temianka</td>
</tr>
<tr>
<td>May 17-18, 2016</td>
<td>CSDA Legislative Days</td>
<td>Sacramento, CA</td>
<td></td>
</tr>
<tr>
<td>June 19-22, 2016</td>
<td>AWWA ACE16</td>
<td>Chicago, IL</td>
<td>Atkinson</td>
</tr>
<tr>
<td>Sunday</td>
<td>Monday</td>
<td>Tuesday</td>
<td>Wednesday</td>
</tr>
<tr>
<td>--------</td>
<td>--------</td>
<td>---------</td>
<td>-----------</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7:30AM S&amp;DCC Executive Committee Meeting - Fisler (S&amp;DCC Conference Room 101)</td>
<td>8:30AM J.L. MMDC/OCD Board Meeting (S&amp;DCC OCM Boardroom)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8:00AM Executive Committee Meeting - Dewane, Temianka (Panian Conf Room; Boardroom)</td>
<td>5:30PM OCWD Board Mtg - Atkinson, Temianka (S&amp;DCC/OCWD Boardroom)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5:45PM Costa Mesa City Council Mtg.</td>
<td>6:00PM S&amp;DCC Elected Officials Forum - Atkinson (S&amp;DCC/OCWD Boardroom)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8:00AM Executive Committee Meeting - Dewane, Temianka (Panian Conf Room; Boardroom)</td>
<td>8:00AM Executive Committee Meeting - Dewane, Temianka (Panian Conf Room; Boardroom)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5:45PM Costa Mesa City Council Mtg.</td>
<td>6:00PM S&amp;DCC Elected Officials Forum - Atkinson (S&amp;DCC/OCWD Boardroom)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pay Day</td>
<td>6:00PM S&amp;DCC Elected Officials Forum - Atkinson (S&amp;DCC/OCWD Boardroom)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pay Day</td>
<td>6:00PM S&amp;DCC Elected Officials Forum - Atkinson (S&amp;DCC/OCWD Boardroom)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pay Day</td>
<td>6:00PM S&amp;DCC Elected Officials Forum - Atkinson (S&amp;DCC/OCWD Boardroom)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pay Day</td>
<td>6:00PM S&amp;DCC Elected Officials Forum - Atkinson (S&amp;DCC/OCWD Boardroom)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pay Day</td>
<td>6:00PM S&amp;DCC Elected Officials Forum - Atkinson (S&amp;DCC/OCWD Boardroom)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pay Day</td>
<td>6:00PM S&amp;DCC Elected Officials Forum - Atkinson (S&amp;DCC/OCWD Boardroom)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pay Day</td>
<td>6:00PM S&amp;DCC Elected Officials Forum - Atkinson (S&amp;DCC/OCWD Boardroom)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pay Day</td>
<td>6:00PM S&amp;DCC Elected Officials Forum - Atkinson (S&amp;DCC/OCWD Boardroom)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pay Day</td>
<td>6:00PM S&amp;DCC Elected Officials Forum - Atkinson (S&amp;DCC/OCWD Boardroom)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pay Day</td>
<td>6:00PM S&amp;DCC Elected Officials Forum - Atkinson (S&amp;DCC/OCWD Boardroom)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pay Day</td>
<td>6:00PM S&amp;DCC Elected Officials Forum - Atkinson (S&amp;DCC/OCWD Boardroom)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pay Day</td>
<td>6:00PM S&amp;DCC Elected Officials Forum - Atkinson (S&amp;DCC/OCWD Boardroom)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pay Day</td>
<td>6:00PM S&amp;DCC Elected Officials Forum - Atkinson (S&amp;DCC/OCWD Boardroom)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pay Day</td>
<td>6:00PM S&amp;DCC Elected Officials Forum - Atkinson (S&amp;DCC/OCWD Boardroom)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pay Day</td>
<td>6:00PM S&amp;DCC Elected Officials Forum - Atkinson (S&amp;DCC/OCWD Boardroom)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pay Day</td>
<td>6:00PM S&amp;DCC Elected Officials Forum - Atkinson (S&amp;DCC/OCWD Boardroom)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pay Day</td>
<td>6:00PM S&amp;DCC Elected Officials Forum - Atkinson (S&amp;DCC/OCWD Boardroom)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pay Day</td>
<td>6:00PM S&amp;DCC Elected Officials Forum - Atkinson (S&amp;DCC/OCWD Boardroom)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pay Day</td>
<td>6:00PM S&amp;DCC Elected Officials Forum - Atkinson (S&amp;DCC/OCWD Boardroom)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pay Day</td>
<td>6:00PM S&amp;DCC Elected Officials Forum - Atkinson (S&amp;DCC/OCWD Boardroom)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pay Day</td>
<td>6:00PM S&amp;DCC Elected Officials Forum - Atkinson (S&amp;DCC/OCWD Boardroom)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pay Day</td>
<td>6:00PM S&amp;DCC Elected Officials Forum - Atkinson (S&amp;DCC/OCWD Boardroom)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pay Day</td>
<td>6:00PM S&amp;DCC Elected Officials Forum - Atkinson (S&amp;DCC/OCWD Boardroom)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pay Day</td>
<td>6:00PM S&amp;DCC Elected Officials Forum - Atkinson (S&amp;DCC/OCWD Boardroom)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pay Day</td>
<td>6:00PM S&amp;DCC Elected Officials Forum - Atkinson (S&amp;DCC/OCWD Boardroom)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pay Day</td>
<td>6:00PM S&amp;DCC Elected Officials Forum - Atkinson (S&amp;DCC/OCWD Boardroom)</td>
</tr>
</tbody>
</table>
## May 2016

<table>
<thead>
<tr>
<th>Sunday</th>
<th>Monday</th>
<th>Tuesday</th>
<th>Wednesday</th>
<th>Thursday</th>
<th>Friday</th>
<th>Saturday</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>ACWA Spring Conference ♦ Monterey</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>Pay Day</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>7:30AM - 8:30AM SDCC Executive Committee Meeting - Fisler (SDCC Conference Room 101)</td>
<td>8:30AM - 11:00AM JL/MWDCC/OCWD Workshop (SDCC/OCWD Boardroom)</td>
<td>5:30PM - 7:00PM OCWD Board Mtg - Alkinson, Temianka (SDCC Boardroom)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5:45PM - 7:45PM Meeting DeLavee, Temianka (Panian Conf Room, Boardroom)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>9</td>
<td>10</td>
<td>11</td>
<td>12</td>
<td>13</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>CSDA Legislative Days ♦ Sacramento, CA</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3:30PM - 5:00PM Finance Committee Meeting - Temianka, Bockmiller (Boardroom)</td>
<td>7:30AM - 9:00AM SDCC Finance Committee Meeting - Temianka, Bockmiller (Boardroom)</td>
<td>11:15AM - 1:15PM Joint Meeting DeLavee, Temianka (SDCC Boardroom)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>7:30AM - 9:00AM SDCC Planning Committee - Temianka (SDCC)</td>
<td>8:30AM - 11:00AM JU/MWDCC Workshop (SDCC/OCWD Boardroom)</td>
<td>5:30PM - 7:00PM OCWD Board Mtg - Alkinson, Temianka (SDCC Boardroom)</td>
<td><strong>Pay Day</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5:45PM - 6:45PM Costa Mesa City Council Mtg</td>
<td>8:00AM - 10:00AM SDCC/OCWD Board Mtg - Alkinson, Temianka (SDCC Boardroom)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>16</td>
<td>17</td>
<td>18</td>
<td>19</td>
<td>20</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>Pay Period Ends</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>7:30AM - 9:00AM SDCC Executive Committee Meeting - Fisler, Temianka (SDCC Conference Room 101)</td>
<td>7:30AM - 9:00AM SDCC Finance Committee Meeting - Temianka, Bockmiller (Boardroom)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>7:30AM - 9:00AM SDCC Planning Committee - Temianka (SDCC)</td>
<td>8:30AM - 11:00AM JU/MWDCC Workshop (SDCC/OCWD Boardroom)</td>
<td>5:30PM - 7:00PM OCWD Board Mtg - Alkinson, Temianka (SDCC Boardroom)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5:45PM - 6:45PM Costa Mesa City Council Mtg</td>
<td>8:00AM - 10:00AM SDCC/OCWD Board Mtg - Alkinson, Temianka (SDCC Boardroom)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>23</td>
<td>24</td>
<td>25</td>
<td>26</td>
<td>27</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>Memorial Day ♦ Holiday</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3:30PM - 5:00PM LPAC Committee Meeting - Fisler, Alkinson (Boardroom)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>30</td>
<td>31</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### June 2016

<table>
<thead>
<tr>
<th>Sunday</th>
<th>Monday</th>
<th>Tuesday</th>
<th>Wednesday</th>
<th>Thursday</th>
<th>Friday</th>
<th>Saturday</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3:00PM - 8:30PM</td>
<td>Pay Day</td>
<td>8:00AM - 11:00AM</td>
<td>MWDOC/MWD Workshop (MWDOC/OCWD Boardroom)</td>
<td>5:30PM - 7:00PM OCWD Board Mtg. - Atkinson, Temianka (MWDOC/OCWD Boardroom)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4:00PM - 7:00PM</td>
<td>Pay Period Ends</td>
<td>7:30AM - 9:00AM</td>
<td>Board Meeting (OCWD Boardroom)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3:00PM - 6:00PM</td>
<td></td>
<td>6:00PM - 9:00PM</td>
<td>Water Board Meeting (OCWD Boardroom)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>7:00AM - 8:00AM</td>
<td>Pay Day</td>
<td>8:00AM - 11:00AM</td>
<td>MWDOC Board Meeting (MWDOC Boardroom)</td>
<td>1:30PM - 3:30PM Newport Bay Watershed Executive Committee Meeting (Irvine Ranch Water District)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10:00AM - 12:00PM</td>
<td></td>
<td>5:30PM - 7:00PM</td>
<td>OCWD Board Mtg. - Atkinson, Temianka (OCWD Boardroom)</td>
<td>3:30PM - 5:00PM Chamber Networking Luncheon (Costa Mesa Country Club)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3:00PM - 5:00PM</td>
<td></td>
<td>7:00AM - 9:00AM</td>
<td>WACO Planning Committee - Temianka, Bockmiller, Fisler, Atkinson</td>
<td>11:00AM - 1:00PM ISDOC Quarterly Meeting (MWDOC/OCWD Boardroom)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4:00PM - 6:00PM</td>
<td></td>
<td>9:30AM - 11:00AM</td>
<td>OCWD Producers Meeting (OCWD Boardroom)</td>
<td>11:00AM - 1:00PM WISG Alumni Meeting (MWRF)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5:00PM - 7:00PM</td>
<td></td>
<td>11:30AM - 1:00PM</td>
<td>OCWD Producers Meeting (OCWD Boardroom)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>6:00PM - 8:00PM</td>
<td></td>
<td>4:00PM - 6:00PM</td>
<td>OCWD Producers Meeting (OCWD Boardroom)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>7:00PM - 9:00PM</td>
<td></td>
<td>5:45PM - 6:45PM</td>
<td>OCWD Board Mtg. - Atkinson, Temianka (OCWD Boardroom)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>8:00PM - 10:00PM</td>
<td>Pay Period Ends</td>
<td>8:00AM - 10:00AM</td>
<td>City/District Liaison Committee Meeting (Mesa Water District)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>9:00PM - 11:00PM</td>
<td></td>
<td>11:00AM - 1:00PM</td>
<td>Chamber Networking Luncheon (Costa Mesa Country Club)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>10:00PM - 12:00PM</td>
<td></td>
<td>5:30PM - 7:00PM</td>
<td>OCWD Board Mtg. - Atkinson, Temianka (OCWD Boardroom)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>11:00PM - 1:00AM</td>
<td></td>
<td>7:00AM - 9:00AM</td>
<td>WACO Planning Committee - Temianka, Bockmiller, Fisler, Atkinson</td>
<td>11:00AM - 1:00PM ISDOC Quarterly Meeting (MWDOC/OCWD Boardroom)</td>
</tr>
</tbody>
</table>

**AWWA ACE 16 Chicago, IL**

- 3:30PM - 5:00PM Finance Committee Meeting - Temianka, Bockmiller (Boardroom)
- 7:30AM - 9:00AM (AWA) Planning Committee - Temianka (MWDOC)
- 3:30PM - 5:00PM Engineering and Operations Committee Meeting - Bockmiller, Fisler (Boardroom)
- 5:45PM - 6:45PM Costa Mesa City Council Mtg
- 11:30AM - 1:00PM SDOC Quarterly Meeting (MWDOC/OCWD Boardroom)
- 3:30PM - 5:00PM LPAC Committee Meeting - Atkinson, Temianka (Boardroom)
- 7:30AM - 9:00AM (AWA) Planning Committee - Temianka (MWDOC)
- 3:30PM - 5:00PM Engineering and Operations Committee Meeting - Bockmiller, Fisler (Boardroom)
- 5:45PM - 6:45PM Costa Mesa City Council Mtg

**Pay Periods**

- Pay Day: 16
- Pay Period Ends: 18
- Pay Day: 22

**Contact Information**

Kathy Pham
### Upcoming Community Outreach Events

<table>
<thead>
<tr>
<th>Event:</th>
<th>Date &amp; Time:</th>
<th>Location:</th>
</tr>
</thead>
<tbody>
<tr>
<td>9th Annual Costa Mesa Community Run</td>
<td>Saturday April 23, 2016 7:00 a.m.</td>
<td>Estancia High School Stadium</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2323 Placentia Avenue Costa Mesa</td>
</tr>
<tr>
<td>8th Annual Save Our Youth (SOY) Fiesta Dinner and Silent Auction</td>
<td>Friday April 29, 2016 5:30 p.m. to 8:30 p.m.</td>
<td>Halecrest Club</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3107 Killybrooke Ln, Costa Mesa, CA 92626</td>
</tr>
<tr>
<td>Mayor’s “Celebrating the Art of Leadership” Event</td>
<td>Thursday May 12, 2016 5:30 p.m. to 9:00 p.m.</td>
<td>Samueli Theater</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Segerstrom Center for the Arts, Costa Mesa</td>
</tr>
<tr>
<td>“Drought” Youth Art Exhibit</td>
<td>Sunday May 15, 2016 10:00 a.m. to 3:00 p.m.</td>
<td>Environmental Nature Center (ENC)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1601 E. 1st Street Newport Beach</td>
</tr>
<tr>
<td>Student Scholarships</td>
<td>Friday May 20, 2016 7:00 a.m. to 9:00 p.m.</td>
<td>Hilton (CM Chamber)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3050 Bristol Street Costa Mesa</td>
</tr>
<tr>
<td>OC Water Summit</td>
<td>Friday May 20, 2016 7:30 a.m. to 1:30 p.m.</td>
<td>Westin South Coast Plaza</td>
</tr>
<tr>
<td></td>
<td></td>
<td>686 Anton Boulevard Costa Mesa</td>
</tr>
<tr>
<td>Costa Mesa Fish Fry</td>
<td>Friday - Sunday June 3 to June 5, 2016</td>
<td>Fairview Park</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2501 Placentia Avenue Costa Mesa</td>
</tr>
<tr>
<td>WISG Alumni Event</td>
<td>Saturday June 25, 2016 11:00 a.m. to 1:00 p.m.</td>
<td>MWRF</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1350 Gisler Avenue Costa Mesa</td>
</tr>
</tbody>
</table>
MEMORANDUM

TO: Board of Directors
FROM: Andrew Hamilton, Chief Financial Officer
DATE: April 14, 2016
SUBJECT: Surplus Property

RECOMMENDATION

Declare the following list of computer equipment, printers, servers, UPS, and miscellaneous computer equipment as surplus and authorize the General Manager to dispose of the items within the established rules and regulations set forth by Resolution No. 1463.

The Finance Committee reviewed this item at its March 21, 2016 meeting and recommends Board approval.

- Cisco Wireless Access Points - 2 quantity
- Dell Laptops - 15 quantity
- HP Laptops - 3 quantity
- Dell Desktop PC - 6 quantity
- HP Desktop PC - 1 quantity
- Dell Monitors - 3 quantity
- Dell Printer - 1 quantity
- HP Scanner - 1 quantity
- Panini Scanner - 1 quantity
- HP Switch - 3 quantity
- KVM DLink - 2 quantity
- Inter-Tel Telephone System - 1 quantity
- APC UPS - 4 quantity
- HP Servers - 3 quantity
- Compaq Server - 1 quantity
- HP Tape Drive - 1 quantity

STRATEGIC PLAN

Goal #3: Be financially responsible and transparent.

PRIOR BOARD ACTION/DISCUSSION

Resolution No. 1463, adopted by the Board of Directors (Board) of Mesa Water District (Mesa Water®) in August 2015, updated rules and regulations for the disposal of property that Mesa Water® determines as no longer necessary to carry out the powers and the purposes of the District to meet present or future needs. Further, Resolution No. 1463 requires all surplus personal property, regardless of the amount, to be approved by the Board prior to disposition.

The resolution also specifies that the General Manager, acting in the best interest of the District, may use any of the prescribed methods approved by the Board for disposal of the assets.
DISCUSSION

This memo serves as the written report of the disposal of Surplus Personal Property, including the manner of disposal utilized, which is provided to the Board prior to disposition.

All proposed surplus items listed above were either expensed at the time of purchase or have no undepreciated book value.

“Disposal by Auction” has been chosen as the method to dispose of the above surplus items.

FINANCIAL IMPACT

None.

ATTACHMENTS

None.
RECOMMENDATION

Approve Smart Timer Rebate Program Option 2: Increase supplemental funding to the regional program for a total of $150 per residential timer and $15 per commercial station capacity, up to a total expenditure of $15,000 per fiscal year, effective FY 2017.

The Engineering and Operations Committee reviewed this item at its March 15, 2016 meeting and recommends Board approval. Staff was directed to make no changes to the Conservation Ordinance at this time, but to include an exemption clause for Smart Timers upon the next revision of the Conservation Ordinance.

STRATEGIC PLAN

Goal #1: Provide a safe, abundant, and reliable water supply.
Goal #4: Increase public awareness about Mesa Water® and about water.
Goal #6: Provide outstanding customer service.

PRIOR BOARD ACTION/DISCUSSION

At the February 11, 2016 Board meeting, the Board requested more information about Smart Timers and a plan for increasing public awareness and adoption of this technology.

DISCUSSION

The irrigation industry has developed a number of Smart Timers which are either Weather-Based Irrigation Controllers or Soil Moisture Sensor Systems.

A Weather Based Irrigation Controller (WBIC) adjusts the irrigation schedule based on changes in local EvapoTranspiration, determined by real-time on-site weather data, off-site data with internet access, or historical weather data. Controllers are programmed for each zone with information such as plant type, soil type, and sun exposure. Alternatively, the controller can be programmed for a default maximum watering time, based on the hottest time of year.

A Soil Moisture Sensor System (SMSS) will sense soil moisture content in the active root zone where it is installed at the property. The sensor is placed in a location that best represents the overall soil moisture condition of the site, and must be connected to an irrigation system controller that is equipped to accommodate a SMSS. A measurement is taken before each scheduled irrigation event, and the irrigation controller bypasses the scheduled run cycle if the soil moisture is above a certain threshold as defined by the user.
Metropolitan Water District of Southern California (MWD), through its regional program SoCalWater$mart, has offered rebates for WBICs for many years, and for SMSS within the last two years. Both products are currently eligible for an $80 base rebate for residential properties and $35 per station capacity for commercial, industrial, and government properties. While MWD's FY 2017-2018 budget is not yet approved, it is anticipated that all conservation device rebates will be fully funded for the next two fiscal years.

Mesa Water® currently provides supplemental funding for residential smart timers in the amount of up to $75 per residential timer. The funding mechanism utilized by MWD is to first utilize MWD's funding and then utilize supplemental funding. The total rebate to the customer is always capped at the cost of the product. MWD, through Municipal Water District of Orange County (MWDOC), invoices Mesa Water® on a monthly basis for supplemental funding based on program participation.

The average residential smart timer cost to customers is approximately $270 and the average commercial smart timer cost is approximately $75 per station capacity.

Mesa Water® previously administered a Smart Timer Pilot Program in 2008 for both residential and commercial properties. The program was successful in that it improved customer's irrigation efficiency and resulted in customer satisfaction. However, long-term customer satisfaction can suffer because customers tend to contact the District years after participating in the program to request technical assistance. Timers installed by a contractor tend to be programmed incorrectly, unless the contractor received technical training by the manufacturer, thereby decreasing water conservation and customer satisfaction.

Rebate programs are generally preferred over district-incentivized contractor-installed programs. Rebate programs significantly decrease liability to the District and offer a greater amount of product choices for customers.

The following are three potential Smart Timer Rebate Program options:

- Option 1: Continue supplemental funding of $75 per residential timer, up to $5,000 per fiscal year.
- Option 2: Increase supplemental funding to the regional program to a total of $150 per residential timer and $15 per commercial station capacity, up to a total expenditure of $15,000 per fiscal year, effective FY 2017.
- Option 3: Operate a Mesa Water® administered rebate program.

It is recommended that Mesa Water® continue contributing supplemental funding to the regional rebate program for residential smart timers, and add funding for commercial smart timers, because it could increase program participation and would not incur significant administrative costs. It is not recommended to administer another program parallel to the regional program because it would be confusing for customers to submit multiple applications and would significantly increase administrative costs.
The following are potential Water Conservation Ordinance (Ordinance No. 26) Options:

1. Revise the Conservation Ordinance, and include a provision that Smart Timers would automatically make a property exempt from the designated watering schedule.
2. Make no changes to the Conservation Ordinance at this time. Direct staff to include an exemption clause for Smart Timers upon the next revision of the Conservation Ordinance.

It is recommended that Mesa Water® make no changes to the Conservation Ordinance at this time. All Smart Timers are able to comply with the designated watering day schedule by specifying the days to water. Advanced Smart Timers will skip designated watering days if irrigation is not needed until the next designated watering day. Additionally, any customer with a Smart Timer could request an exemption from the designated watering day schedule by completing a Hardship Waiver Application. Staff would work with those customers on a case-by-case basis to ensure they would still save water during extended drought conditions.

On April 4, 2016, the Board received a letter (attached) from California Apartment Association’s Executive Director Tommy Thompson in support of the Smart Timer Rebate Program.

FINANCIAL IMPACT

$5,000 is budgeted in fiscal year 2016; $1,056 funds have been spent to date. The requested funding will come from Cash on Hand next fiscal year.

<table>
<thead>
<tr>
<th>Project Estimate Amounts</th>
<th>Project Cost Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Project Estimate (FY 2016)</td>
<td>$ 5,000</td>
</tr>
<tr>
<td>Original funding</td>
<td>$ 5,000</td>
</tr>
<tr>
<td>Change Orders</td>
<td>0</td>
</tr>
<tr>
<td>Requested additional funding (FY2017)</td>
<td>$ 10,000</td>
</tr>
<tr>
<td>Revised funding (FY 2017)</td>
<td>$ 15,000</td>
</tr>
<tr>
<td>Actual spent to date (FY 2016)</td>
<td>$ 1,056</td>
</tr>
<tr>
<td>Revised funding (FY 2017)</td>
<td>$ 15,000</td>
</tr>
</tbody>
</table>

ATTACHMENTS

Attachment A: California Apartment Association Letter of Support
President Shawn Dewane  
Mesa Water District  
1965 Placentia Avenue  
Costa Mesa, CA 92627  

RE: Support for Smart Timer Rebate Program Enhancement  

Dear President Dewane,

On behalf of the Orange County Division of the California Apartment Association (CAA), we offer our support for the proposal to increase the smart timer rebate program. This is welcomed news! I respectfully ask for your supporting vote.

As you know, CAA is a non-profit association whose membership owns and manages more than 100,000 residential rental units, many of which are located within the Mesa Water District (MWD) boundaries. We are the definitive voice of the multifamily housing industry in Orange County.

We applaud Mesa Water District for taking proactive steps toward incentivizing residential and commercial property owners to conserve water. Furthermore, we are happy to partner with Mesa Water in finding ways to conserve water during our current drought.

Again, we respectfully seek your support for an enhanced smart timer rebate program. Please continue to contact me if you have any questions or comments related to this request.

Sincerely,

Tommy Thompson  
Executive Director
RECOMMENDATION

Approve a letter of support for the Nomination of Charley Wilson to the Orange County Local Agency Formation Commission Regular Special District Member seat.

The Executive Committee reviewed this item at its April 5, 2016 and recommends approval.

STRATEGIC PLAN

Goal #1: Provide a safe, abundant, and reliable water supply.
Goal #2: Practice perpetual infrastructure renewal and improvement.
Goal #3: Be financially responsible and transparent.
Goal #4: Increase public awareness about Mesa Water® and about water.
Goal #6: Provide outstanding customer service.
Goal #7: Actively participate in regional water issues.

PRIOR BOARD ACTION/DISCUSSION

At the January 20, 2015 Board meeting, the Board designated Director James R. Fisler as Mesa Water’s Independent Special District of Orange County alternate voting representative.

DISCUSSION

The term of office for the Orange County Local Agency Formation Commission (LAFCO) Regular Special District Member (currently held by Commissioner Charley Wilson, President of Santa Margarita Water District) expires on June 30, 2016. The election process for special district seats is governed by Government Code Section 56332 and the Independent Special Districts Selection Committee By-Laws.

The deadline to submit nominations and the Declaration of Qualification to Vote is 3 p.m. on April 11, 2016. At the end of the nomination period, if only one candidate is nominated for a vacant seat, that candidate shall be deemed selected. If two or more candidates are nominated, the Secretary shall prepare and deliver ballots and voting instructions to each eligible district. Ballots will be e-mailed to all special district presiding officers/designees on April 19, 2016 and are due to LAFCO by 3 p.m. on May 27, 2016. The results will be announced on June 6, 2016 and the Oath of office will be administered on July 13, 2016.

FINANCIAL IMPACT

The annual membership dues to ISDOC are $500.00.

ATTACHMENTS

Attachment A: LAFCO Nomination Notice
Attachment B: Draft Letter of Support
March 7, 2016 

Via email: shawnd@mesawater.org

Shawn Dewane, Presiding Officer
Mesa Water District
1965 Placentia Avenue
Costa Mesa, CA 92627-3467

RE: Nomination Period for Orange County LAFCO Special District Seats Election

Dear Mr. Dewane,

The term of office for OC LAFCO's Regular Special District Member (currently held by Commissioner Charley Wilson, President of Santa Margarita Water District) expires on June 30, 2016. The election process for special district seats are governed by Government Code Section 56332 and the Independent Special Districts Selection Committee By-Laws. A timeline of key election events and responsibilities is outline in the Table below:

<table>
<thead>
<tr>
<th>DATE</th>
<th>EVENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 7, 2016</td>
<td>LAFCO Executive Officer emails notification letters with nomination form and Declaration of Qualification to Vote to independent special district presiding officers, special district general managers, and LAFCO chair.</td>
</tr>
<tr>
<td>April 11, 2016 (3 PM)</td>
<td>Deadline for submitting nominations and Declaration of Qualification to Vote for regular special district member to LAFCO by 3:00 p.m.*</td>
</tr>
<tr>
<td>April 11 - 18, 2016</td>
<td>LAFCO develops ballot form.</td>
</tr>
<tr>
<td>April 19, 2016</td>
<td>Ballots emailed to all special district presiding officers/designees.</td>
</tr>
<tr>
<td>May 27, 2016 (3 PM)</td>
<td>Ballots due to LAFCO by 3:00 p.m.</td>
</tr>
<tr>
<td>June 6, 2016</td>
<td>LAFCO staff (or designee) tabulates ballots and announces results.</td>
</tr>
<tr>
<td>July 13, 2016</td>
<td>Oath of office administered (Commission Hearing).</td>
</tr>
</tbody>
</table>

* Pursuant to Government Code §56332 (c)(1), if only one candidate is nominated for a vacant seat, that candidate shall be deemed selected, with no further proceedings.
Nomination Period for Orange County LAFCO Special District Seat Election
March 7, 2016
Page 2 of 54

In accordance with Government Code Section 56332 and the Special District Selection Committee By-Laws, the nomination period for the upcoming expired terms is March 7 through April 11, 2016. If your district chooses to nominate a candidate, the presiding officer must complete the enclosed nomination form and return to the LAFCO Executive Officer by 3:00 p.m. on Monday, April 11, 2016. Nomination forms may be returned by email to cemery@oclafo.org or mailed to the LAFCO offices at 2677 North Main Street, Suite 1050, Santa Ana, CA 92705. Should you have any questions regarding the election process, please contact me or our Commission Clerk, Cheryl-Carter Benjamin at (714) 640-5100.

Sincerely,

Carolyn Emery
Executive Officer

Attachments:
A. 2016 Nomination Form - Regular Special District Member
B. Declaration of Qualification to Vote

cc: Chair, OC LAFCO
Special District General Managers
2016 NOMINATION FORM
Candidate for the Local Agency Formation Commission (LAFCO)

CANDIDATE INFORMATION FOR REGULAR SPECIAL DISTRICT MEMBER:

NAME: ____________________________________________

TITLE: ____________________________________________

DISTRICT: _________________________________________

☐ Check box if resume or statement of qualifications is attached.

SPECIAL DISTRICT SELECTION COMMITTEE MEMBER SUBMITTING NOMINATION
(Must be the presiding officer or a designated alternate board member.)

NAME: ____________________________________________ DATE: __________________________

SIGNATURE: _______________________________________

TITLE: ____________________________________________

DISTRICT: _________________________________________

A resume or other supplemental information about the candidate may be included and will be
distributed with the election ballots. All completed nomination forms and any supplemental
information must be returned to Orange County LAFCO by:

1. Email at: cemery@oclafco.org or
2. Mail at: Orange County LAFCO
   2677 North Main Street, Suite 1050
   Santa Ana, CA 92705; or
3. Fax at: (714) 640-5139, Attn: Carolyn Emery

All forms and supplemental information must be received by LAFCO prior to 3:00 p.m. on
Monday, April 11, 2016. Nomination forms or candidate information received after that deadline
will not be considered.
DECLARATION OF QUALIFICATION TO VOTE

Shawn Dewane, Presiding Officer
Mesa Water District
1965 Placentia Avenue
Costa Mesa, CA 92627-3467
shawn@mesawater.org

I, ___________________________________________,* hereby attest that
__________________________________________**has been authorized by the Board of
__________________________________________to vote in the Orange County Special
District Selection Committee election.

The Board also designated _____________________________***as the alternate
voting member.

Name and Title*: ______________________________________

Signature*: ____________________________________________

Date: ________________________________________________

*Must be signed by either Board President or Board Secretary

**Must be a member of the Board

***Must be a member of the Board

Completed forms must be received by LAFCO prior to 3 PM, Monday, April 11, 2016.
Forms must be delivered to Orange County LAFCO by:

(1) Email at: cemery@oclaufco.org, or
(2) Mail at: Orange County LAFCO
2677 North Main Street, Suite 1050
Santa Ana, CA 92705
Attn: Carolyn Emery, or
(3) FAX at: (714) 640-5139, Attn: Carolyn Emery
April 14, 2016

VIA E-MAIL: cemery@oclafco.org

Orange County LAFCO
2677 North Main Street, Suite 1050
Santa Ana, CA 92705
Attn: Executive Officer Carolyn Emery

Subject: Support of Charley Wilson as a candidate for OC LAFCO’s Regular Special District Member

Dear Orange County LAFCO:

On behalf of Mesa Water District (Mesa Water®), I am writing in support of Charley Wilson as a candidate for the position of Regular Special District Member on the Orange County Local Agency Formation Commission (LAFCO).

Nominated by Santa Margarita Water District, where he currently presides as Board President, Mr. Wilson is an active and dynamic force in providing leadership to the second largest retail water agency in Orange County. Over the past 14 years, he has been instrumental in successfully doubling local storage capacity, expanding recycled water systems, and partnering with local environmental organizations to reduce urban runoff – all efforts which resulted in a safer, more reliable water supply for the more than 150,000 constituents that reside in his service area.

Furthermore, in addition to his position as Board President, Mr. Wilson has served, since 2000, as Chairman of the Southern California Water Committee, a nonprofit, nonpartisan, public education partnership dedicated to informing Southern Californians about our water needs and our state’s water resources.

Additionally, Mr. Wilson’s commitments to community leadership are numerous and varied. He has been involved with Association of California Water Agencies, Orange County Public Facilities Corporation Board, Young Executives of America, Orange County Business Council, Mission Hospital Foundation, Red Cross, YMCA, and the UCLA Alumni Association, among many others.

For these reasons, the Mesa Water® Board believes that Mr. Wilson possesses the proper experience, knowledge, and leadership qualifications to be considered a fitting candidate for the position of Regular Special District Member on the Orange County Local Agency Formation Commission.

Sincerely,

Shawn Dewane
Mesa Water Board President

c: Santa Margarita Water District Board of Directors
Mesa Water Board of Directors
RECOMMENDATION

Receive the presentation.

STRATEGIC PLAN

Goal #4: Increase public awareness about Mesa Water® and about water.
Goal #6: Provide outstanding customer service.

PRIOR BOARD ACTION/DISCUSSION

None.

BACKGROUND

Mesa Water District (Mesa Water®) exceeded its state-mandated conservation goal by achieving over 21 percent conservation from June 2015 through February 2016. The District’s state-assigned goal was 20 percent. Mesa Water® exceeded its conservation goal with uniform volumetric rates that match the cost of service with a consistent price for each unit of water used.

Because outdoor watering remains the highest use of water in the District’s service area, Mesa Water® focused its conservation efforts on reduced watering days and eliminating runoff. The conservation goal was met through broad, consistent public education, water ambassadors in the community, increased customer service, and exemplary community-wide conservation efforts by customers.

Mesa Water’s Board is honored to recognize the conservation efforts of several “Mega Mesa Water Savers”—individuals, businesses, homeowner’s associations, and public agencies who achieved a water savings of 31 to 56 percent during the State’s drought emergency.

FINANCIAL IMPACT

None.

ATTACHMENTS

None.
MEMORANDUM

TO: Board of Directors
FROM: Stacy Taylor, Public & Government Affairs Manager
DATE: April 14, 2016
SUBJECT: Association of California Cities-Orange County Overview

RECOMMENDATION

Receive the presentation.

STRATEGIC PLAN

Goal #4: Increase public awareness about Mesa Water® and about water.
Goal #7: Actively participate in regional water issues.

PRIOR BOARD ACTION/DISCUSSION

At its February 25, 2016 meeting, the Legislative & Public Affairs Committee (LPAC) requested this item be agendized at a future Board meeting.

BACKGROUND

Mesa Water District (Mesa Water®) joined the Association of California Cities-Orange County (ACC-OC) in FY 2016, with continued ACC-OC membership for Mesa Water® budgeted for FY 2017.

During FY 2016, staff has participated in various ACC-OC activities, including Legislative & Regulatory Committee meetings, Water Committee meetings, and the annual Sacramento Advocacy trip jointly hosted by ACC-OC and the Orange County Business Council.

ACC-OC Chief Executive Officer Heather Stratman will present information on the benefits of Mesa Water’s membership in ACC-OC, as well as potential added-value opportunities for the District’s consideration.

FINANCIAL IMPACT

In fiscal year 2016, $5,000 is budgeted; $5,000 of funds have been spent to date.

ATTACHMENTS

None.
MEMORANDUM

TO: Board of Directors
FROM: Paul E. Shoenberger, P.E., General Manager
DATE: April 14, 2016
SUBJECT: Municipal Water District of Orange County Briefing

RECOMMENDATION

Receive the presentation.

STRATEGIC PLAN

Goal #1: Provide a safe and reliable water supply.
Goal #3: Be financially responsible and maintain competitive rates.
Goal #4: Increase public awareness about Mesa Water® and about water.

DISCUSSION

At the request of the Board of Directors, the Municipal Water District of Orange County (MWDOC) has presented briefings since 2003.

The following topics will be covered in MWDOC’s presentation:

- Rate Study
- Reliability Study
- MWD Allocations Update
- MWD Fixed Treatment Charge
- Other

FINANCIAL IMPACT

None.

ATTACHMENTS

None.
MEMORANDUM

TO: Board of Directors
FROM: Paul E. Shoenberger, P.E., General Manager
DATE: April 14, 2016
SUBJECT: Orange County Water District Briefing

RECOMMENDATION

Receive the presentation.

STRATEGIC PLAN

Goal #1: Provide a safe and reliable water supply.
Goal #3: Be financially responsible and maintain competitive rates.
Goal #4: Increase public awareness about Mesa Water® and about water.

DISCUSSION

At the request of the Board of Directors, the Orange County Water District (OCWD) has presented briefings since 2003.

The following topics will be covered in OCWD’s presentation:
- Groundwater Basin Conditions
- Desalination Update
- Basin Production Percentage (BPP) & Replenishment Assessment (RA) Update
- Future of the Green Acres Project (GAP)
- Other

FINANCIAL IMPACT

None.

ATTACHMENTS

None.
MEMORANDUM

TO:        Board of Directors
FROM:     Stacy Taylor, Public & Government Affairs Manager
DATE:    April 14, 2016
SUBJECT: Yorba Linda Water District Request for Amicus Curiae Letter

RECOMMENDATION

Receive the presentation.

STRATEGIC PLAN

Goal #3: Be financially responsible and transparent.
Goal #7: Actively participate in regional water issues.

PRIOR BOARD ACTION/DISCUSSION

The Executive Committee discussed this item at its April 5, 2016 meeting.

BACKGROUND

Yorba Linda Water District (YLWD) is facing a legal challenge to its Prop. 218-approved rates via a Referendum petition, and is requesting assistance from public water agencies in California, including Mesa Water® and others in Orange County, to prepare and file an Amicus Curiae letter. Attached are YLWD’s request and an informational summary of the issues involved. General Manager Shoenberger will provide additional information at the Board meeting.

FINANCIAL IMPACT

None.

ATTACHMENTS

Attachment A: YLWD Request and Information
I. **Yorba Linda Water District** ("District") **HAS BEEN SUED** in Orange County Superior Court by a local political interest group seeking a court order to force the District to honor a referendum petition targeting the District’s September 2015 water rate resolution. *(Ebinger v. Yorba Linda Water District, Orange County Superior Court Case No. 30-2016-00829548)*

II. **CURRENT STATUS:** Petition for Writ of Mandate has been filed and is pending. Petitioner’s application for issuance of an alternative writ of mandate and expedited briefing and hearing schedule has been denied. The hearing (trial) on the Petition is June 13, 2016 at 9:00 a.m. in Department C14 of the Orange County Superior Court.

III. **COURT OPEN TO AMICUS BRIEFS:** In denying the Petitioners’ application for expedited court handling of their challenge to the District’s rates, the trial judge recognized the importance of his ruling on this case of first impression, the possible interest of non-parties in the outcome of the case, the possible desire of non-parties to file amicus curiae papers with the court, and the need for the court to proceed with care in deliberating the case. These indications from the judge seem to invite amici to assist the court in reaching a proper outcome. **Amicus letters must be submitted to the Court by May 16, 2016.** See section VIII below for further instructions.

IV. **WHY THE CASE IS IMPORTANT:**

   A. **Issues presented:** Are water rates established by a county water district subject to referendum under Proposition 218 (Prop 218) or under other applicable law?

   B. **Issues NOT presented:** The Petition neither alleges facts nor seeks relief related to YLWD compliance with the procedural (notice, protest hearing) or substantive (cost of service apportionment) provisions of Prop 218.

   C. **Possible impact of adverse ruling:**

      1. Superior court rulings are not “precedential.” Such rulings are binding only on the parties to the case. However, cases of first impression, like this one, are likely to be appealed. Published appellate cases decisions ARE precedential and binding on non-parties. Fewer than 20% of appeals are successful in overturning trial court rulings. Therefore, a win in this case at the superior court level is important to all water agencies which set water rates.

      2. A ruling adverse to the District at the appellate level would mean that the very low referendum petition threshold (5% of voters casting ballots within the local jurisdiction in the last gubernatorial election) versus the Prop 218 **majority protest of all landowners** will apply to efforts to overturn water rates set by a local
water agency. Water sales revenue stability would be threatened along with water agency ability to cover costs: (1) to provide water services essential to public health and safety; (2) to comply with debt service covenants; and (3) to issue new debt to fund future capital improvements.

V. ROLE OF AMICI: The purpose of amici curiae is not to argue or reargue the facts and law applicable to the specific case before the court; that is the role of the actual parties to the case. The role of amici is to enlighten the court as to the implications and importance of the case to non-parties. Remember, the court is not likely to know anything about the workings or costs of a water utility. An amicus does not become bound (as a party does) by the outcome of the case merely by filing amicus papers with the court. Court rules prohibit parties to the case from underwriting the cost of amici participation in the case.

VI. USEFUL POINTS FOR THE COURT TO HEAR FROM AMICI:

(Remember: The court knows next to nothing about water utility operations.)

A. Water service is essential to community health and safety.

1. The costs to provide water which is safe to drink are not entirely discretionary.

2. The costs to provide adequate and reliable capital infrastructure for water delivery, including for fire suppression purposes, are not entirely discretionary.

B. Need for revenue stability vis-à-vis recent state imposed mandatory reduction in volumetric water sales. Costs to provide water service are not reduced in proportion to reduced sales volume. Examples:

1. Capital costs and debt service

2. Licensed/certified operating staff

3. Water system operations and maintenance, aside from water acquisition, treatment and pumping.

C. Impact of lost revenue on capital financing and capital improvement programs.

D. Impact on water sales revenue from mandatory statewide water conservation regulations. Need to change water rates and/or structures in response.

E. Importance of holding in Mission Springs vs. Verjil to rate stability
VII. BACKGROUND OF YLWD CASE:

A. Allegations stated, and relief requested, in the Petition are limited to compelling the District to comply with the referendum petition.

B. There are no allegations stated or relief requested in regard to the procedural or substantive propriety of District’s rate setting process under Prop 218.

C. Referendum petition timely filed with the District after the District adopted its rate resolution.

D. The District submitted petition to O.C. Registrar of Voters for validation and count. Number of signatures determined to be sufficient to constitute a referendum.

E. District conducted a public hearing conducted concerning whether to repeal the rate resolution or submit the rate resolution for voter approval.

F. Referendum petition rejected by Board of Directors as invalid as applied to the rate resolution.

1. Prop 218 (Article XIII C, sec 3) expressly guarantees voters’ right of initiative in regard to property related fees. Prop 218 does not mention referendum.

2. According to California Constitution Article II, §9 and court cases decided thereunder, referendum not available for “urgency statutes, . . . and statutes providing for tax levies or appropriations”

3. According to Water Code §31007 and Mission Springs case, neither the Board of Directors nor the voters of a County Water District may adopt rates insufficient to cover the costs of the District. The Board of Directors determined, based upon an extensive rate study prepared by an outside independent consultant, that the District’s prior water rates and water rate structure did not generate sufficient revenue to cover costs. Therefore, the voters have no authority, by way of referendum, to repeal the new rate resolution and return the District to a system of water rates insufficient to cover District costs.

4. The referendum process is inconsistent with the Prop 218 invocation of initiative because an initiative would require submission of a new or substitute rate structure sufficient to cover District costs whereas a referendum would, if voters disapprove the new rates, return the District to rates already determined to be insufficient.

5. The referendum process is inconsistent with the Prop 218 requirement that a majority protest of property owners is required to stop an increase in water rates,
VIII. INSTRUCTIONS TO FILE AMICUS CURIAE LETTER:

Please prepare your agency’s Amicus Curiae letter to the court on either agency or legal counsel letterhead. You may address your letter as follows:

Hon. Robert Moss  
Department C-14  
Orange County Superior Court  
700 Civic Center Dr.  
Santa Ana, CA 92701  

RE: Ebinger v. Yorba Linda Water District (Case No. 30-2016-00829548)

Below is a caption page on pleading paper that is stylized as a “notice” to both the court and the parties in the lawsuit that your agency filed and served an amicus letter in support of Respondents, Yorba Linda Water District and Yorba Linda Water District Board of Directors. The caption contains highlighted language that needs to be tailored to your agency and counsel. Your letter and caption should be coordinated through your counsel.

For your convenience, and due to Orange Court Superior Court e-filing requirements, your legal counsel should attach the letter to the caption page and transmit it to the District’s legal counsel (Kidman Law LLP). Kidman Law will attach a proof of service and facilitate the e-filing and service of the Notice with your attached letter. Counsel may contact either Andrew Gagen or Art Kidman at akidman@kidmanlaw.com and agagen@kidmanlaw.com with any questions; otherwise, please submit your letter to these same two email addresses by May 16, 2016. Thank you for your time and support.
Superior Court of the State of California
County of Orange, Central Justice Center

KENT EBINGER, an individual; and
YORBA LINDA TAXPAYERS
ASSOCIATION, a California mutual benefit
corporation,

vs.

YORBA LINDA WATER DISTRICT, a public
entity; YORBA LINDA WATER DISTRICT
BOARD OF DIRECTORS in their respective
official capacities; and DOES I-X, inclusive,

Respondents,

Case No. 30-2016-00829548
Assigned For All Purposes to:
Hon. Robert Moss
Department: C-14

NOTICE OF FILING AMICUS CURIAE LETTER IN SUPPORT OF
RESPONDENTS

Petition Filed: January 12, 2016
Hearing Date: June 13, 2016

TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD:

PLEASE TAKE NOTICE THAT [agency name] hereby files and serves the attached
Amicus Curiae letter in support of Respondents, Yorba Linda Water District and Yorba Linda
Water District Board of Directors. Amicus Curiae respectfully requests that this Court review
and consider the attached letter.

Dated: March 15, 2016

[FIRM NAME]

By:

[Attorney Name]
Attorneys for Amicus Curiae,
[Agency Name]
MEMORANDUM

TO: Board of Directors
FROM: Stacy Taylor, Public & Government Affairs Manager
DATE: April 14, 2016
SUBJECT: SB 814 (Hill) Drought: Excessive Water Use: Urban Retail Water Suppliers

RECOMMENDATION

Oppose SB 814 Drought: Excessive Water Use: Urban Retail Water Suppliers, introduced by Senator Jerry Hill (D-San Mateo), and approve staff to actively advocate against and continue efforts to amend this bill.

The Executive Committee reviewed this item at its April 5, 2016 meeting and recommends approval.

STRATEGIC PLAN

Goal #4: Increase public awareness about Mesa Water® and about water.
Goal #7: Actively participate in regional water issues.

PRIOR BOARD ACTION/DISCUSSION

The Mesa Water® Board adopted the District’s 2016 Legislative Platforms (attached) at its October 22, 2015 workshop.

DISCUSSION

A bill that is currently moving through the legislature is SB 814 Drought: Excessive Water Use: Urban Retail Water Suppliers, by Senator Jerry Hill (D-San Mateo). This bill contains troublesome conceptual and implementational language that, during a Governor-declared drought state of emergency, would:

- Create a new infraction for urban residential excessive water use, thus making criminals out of our customers.
- Compel local urban agencies to set a water budget for excessive water use by each customer, with local agencies determining “excessive” water use by considering all of the below factors (which are mostly tracked by agencies with water budget/allocation-based rates):
  - Average daily use;
  - Full-time occupancy of households;
  - Amount of landscaped land on a property;
  - Rate of evapotranspiration; and,
  - Seasonal weather changes.
• Force local urban agencies to establish a rate structure that includes block tiers, water budgets, penalties for prohibited use, or rate surcharges over and above base rates for excessive water use by residential customers as a method to identify and restrict excessive water use (most, if not all, agencies already include one or more of these measures in an emergency drought ordinance).

• Impose an unfunded state-mandated local program that would impact urban water districts, cities, and counties with higher costs for code enforcement, issuing and tracking water tickets and fines, facilitating a water court and appeals process, and related activities (thus further “punishing” customers with higher costs passed on through the water bill and/or city/county taxes/fees).

Staff has been working on amendments to SB 814 with the ACWA State Legislative Committee, which has an “Oppose Unless Amended” position. Positions taken by urban water agencies in Orange County include:

• Irvine Ranch Water District - Support
• MWDOC - Oppose

SB 814 was amended on March 30, 2016 (attached) and passed out of the Senate Natural Resources & Water Committee by a party-line vote of 7-2. The bill will next go to the Senate Appropriations Committee. Staff recommends that Mesa Water® oppose SB 814.

FINANCIAL IMPACT

None.

ATTACHMENTS

Attachment A: 2016 Legislative Platforms
Attachment B: SB 814 Amended March 30, 2016
Calendar year 2016 marks the second half of California’s two-year (2015-’16) legislative session, with the State legislature slated to reconvene on Monday, January 4, 2016. It is expected that legislative proposals and ongoing discussion of issues from the first year of session will return in 2016, including legislation that could significantly impact Mesa Water District (Mesa Water®).

Implementation of the Sustainable Groundwater Management Act (“SGMA”) - with legislation that passed in 2014, and clean-up legislation that passed in 2015, mandating sustainable groundwater management - will require ongoing monitoring of this and related issues, including streamlined adjudication. Also of interest will be the 2014 Water Bond (“Proposition 1”) project approvals and funding process, as well as the ongoing Bay Delta Conservation Plan which has now been separated into two efforts—California WaterFix, and California EcoRestore.

The State legislature explored several other water industry issues in 2015, including, but not limited to: CEQA reform, desalination, flood management, statewide public goods fee, submetering, water/energy nexus, water district consolidation, water pricing and water rates assistance programs (“lifeline” rates), water quality, water reuse (i.e., recycling, stormwater/urban runoff, etc.) water storage, water use efficiency, and the Waters of the United States (“WOTUS”) rule. These discussions will continue throughout the second year of the legislative session.

Additionally, despite the predicted El Nino, California’s drought is forecast to remain into next year, with probable, and possibly permanent, drought-related legislation and regulations. Listed below for the Board’s consideration are Mesa Water’s proposed legislative platforms for anticipated high-priority public policy issues in 2016 that may be relevant to the District:

- **Water Rates** – Mesa Water® supports local rate-setting control with rate structures, set by publicly-elected boards and councils, that best serve customers and comply with the law. Furthermore, Mesa Water® supports cost-based water rates that:
  - represent the true, full cost of water services, including the cost of District operations and infrastructure funding to ensure water system sustainability; and,
  - harmonize the concepts of conservation and legality, with rates that provide a strong price signal for ratepayers to conserve while also complying with legal mandates (i.e., Article X of the CA Constitution; SB X7-7: The Water Conservation Act of 2009; and, Propositions 13, 26, and 218).

- **Proposition 218 (“Prop 218”)** – Mesa Water® supports Article XIII C and D of the California Constitution (Proposition 218) regarding government service assessments, fees, rates and taxes, specifically:
  - the “2/3 vote” required from the legislature and voters for approval of new levies; and,
  - the “special benefit and proportionality requirements” provision which directly connects the special benefits received with reasonable proportionate costs, and ensures that assessments imposed for property-related (water) services must not exceed the proportional cost of the services attributable to the parcel.
• **Water Rate Assistance Programs (“WRAP”)** – Mesa Water® supports “WRAP” (also called “lifeline” rates) programs that comply with Prop 218 of the California Constitution OR are funded either voluntarily or via nonrestricted/non-water-rates revenues.

• **Orange County Groundwater Basin** – Mesa Water® opposes any potential streamlined process for adjudicating groundwater basins, including the Orange County groundwater basin which is currently managed by the Orange County Water District (OCWD).

• **Proposition 1 (2014 Water Bond)** – Mesa Water® supports Proposition 1 funding for OCWD’s priority projects.

• **Water Desalination** – Mesa Water® supports CalDesal in its desalination advocacy efforts, as well as the local and regional development of cost-effective and environmentally sensitive water desalination projects statewide, including ocean water desalination and the proposed Huntington Beach project, in order to enhance the availability and reliability of local and regional water supply sources, and improve water supply reliability for Orange County, Southern California, and statewide. Mesa Water® supports an increase in the per-project grant funding cap for Proposition 1 desalination grant funds.

• **Water Conservation** – Mesa Water® supports accounting for water resource and supply investments, such as desalination and water recycling, as part of any potential statewide effort to update urban water conservation goals.

• **California Environmental Quality Act (CEQA) Reforms** – Mesa Water® supports the efforts of ACWA in streamlining CEQA to enhance efficiencies and reduce redundancies in the environmental review/permitting process and eliminate unnecessary, costly, and time-consuming litigation and related delays.

• **MWDOC/Met Delta Solution** – Mesa Water® supports the efforts of Municipal Water District of Orange County (MWDOC), Metropolitan Water District of Southern California (Met), and/or Southern California Water Committee (SCWC) to achieve a long-term solution for the Sacramento-San Joaquin River Delta that includes optimal statewide water supply reliability, sustainability and quality, and Delta ecosystem health and restoration for the public benefit.

• **Federal Drought Legislation** – Mesa Water® supports the efforts of ACWA and/or Met in collaborating with U.S. representatives to develop bipartisan federal drought legislation.
Intended by Senator Hill

January 4, 2016

An act to amend Section 6254.16 of the Government Code, and to add Chapter 3.3 (commencing with Section 365) to Division 1 of the Water Code, relating to water.

LEGISLATIVE COUNSEL’S DIGEST

SB 814, as amended, Hill. Drought: excessive water use: urban retail water suppliers.

The California Constitution declares the policy that the water resources of the state be put to beneficial use to the fullest extent of which they are capable, that the waste or unreasonable use or unreasonable method of use of water be prevented, and that the conservation of such waters is to be exercised with a view to the reasonable and beneficial use of the waters in the interest of the people and for the public welfare. Existing law requires the Department of Water Resources and the State Water Resources Control Board to take all appropriate proceedings or actions to prevent waste, unreasonable use, unreasonable method of use, or unreasonable method of diversion of water in this state. Existing law authorizes any public entity, as defined, that supplies water at retail or wholesale for the benefit of persons within the service area or area of jurisdiction of the public entity to, by ordinance or resolution, adopt and enforce a water conservation program to reduce the quantity of water used for the purpose of conserving the water supplies of the public entity. Existing law provides that a violation of a requirement of a water conservation program is a misdemeanor punishable by imprisonment

97
in a county jail for not more than 30 days, or by a fine not exceeding $1,000, or both.

This bill would declare that excessive water use during a state of emergency based on drought conditions by a residential customer, as specified, is prohibited. This bill would require each urban retail water supplier to establish a method to identify and restrict excessive water use. This bill would authorize as a method to identify and restrict excessive water use the establishment of a rate structure that includes block tiers, water budgets, penalties for prohibited uses, or rate surcharges over and above base rates for excessive water use by residential customers. This bill would authorize as a method to identify and restrict excessive water use the establishment of an excessive water use ordinance, rule, or tariff condition that includes a definition of excessive water use, as prescribed, and would make a violation of this excessive water use ordinance, rule, or tariff condition an infraction punishable by a fine of at least $500 per 100 cubic feet of water or per 748 gallons used above the excessive water use threshold established by the urban retail water supplier in a billing cycle. By creating a new infraction, this bill would impose a state-mandated local program.

This bill would provide that these provisions apply only during a period for which the Governor has issued a proclamation of a state of emergency based on drought conditions.

The California Public Records Act requires that public records, as defined, be open to inspection at all times during the hours of a state or local agency and that every person has a right to inspect any public record, with specified exceptions. Existing law prohibits the act from being construed to require the disclosure of certain information concerning utility customers of local agencies, except that disclosure of the name, utility usage data, and the home address of the utility customer who is the subject of the request and who the local agency has determined has used utility services in a manner inconsistent with applicable local utility usage policies is required to be made available.

This bill would revise this exception to require, upon request, the disclosure of the name and utility usage data of a utility customer who a local agency determines has used utility services in a manner inconsistent with applicable local utility usage policies, with the home address of the customer being disclosed only with the customer’s consent. By increasing the duties of local officials, the bill would impose a state-mandated local program.
The California Constitution requires local agencies, for the purpose of ensuring public access to the meetings of public bodies and the writings of public officials and agencies, to comply with a statutory enactment that amends or enacts laws relating to public records or open meetings if that enactment contains findings demonstrating that the enactment furthers the constitutional requirements relating to this purpose.

This bill would make legislative findings to that effect.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.


The people of the State of California do enact as follows:

SECTION 1. Section 6254.16 of the Government Code is amended to read:

6254.16. Nothing in this chapter shall be construed to require the disclosure of the name, credit history, utility usage data, home address, or telephone number of utility customers of local agencies, except that disclosure of name, utility usage data, and the home address of utility customers of local agencies shall be made available upon request as follows:

(a) To an agent or authorized family member of the person to whom the information pertains.

(b) To an officer or employee of another governmental agency when necessary for the performance of its official duties.

(c) Upon court order or the request of a law enforcement agency relative to an ongoing investigation.

(d) Upon determination by the local agency that a utility customer has used utility services in a manner inconsistent with
applicable local utility usage policies, if the home address of the
customer is not disclosed without the customer’s consent.

(e) Upon determination by the local agency that the utility
customer who is the subject of the request is an elected or appointed
official with authority to determine the utility usage policies of the
local agency, provided that the home address of an appointed
official shall not be disclosed without his or her consent.

(f) Upon determination by the local agency that the public
interest in disclosure of the information clearly outweighs the
public interest in nondisclosure.

SEC. 2.
SECTION 1. Chapter 3.3 (commencing with Section 365) is
added to Division 1 of the Water Code, to read:

CHAPTER 3.3. EXCESSIVE RESIDENTIAL WATER USE DURING
DROUGHT

365. (a) The Legislature finds and declares that this chapter
furthers important state policies of encouraging water conservation
and protecting water resources in the interest of the people and for
the public welfare.

(b) For the purposes of this chapter, “urban retail water supplier”
has the same meaning as provided in Section 10608.12.

366. (a) Excessive water use during a state of emergency based
on drought conditions by a residential customer in a single-family
residence or by a customer in a multiunit housing complex in which
each unit is individually metered or submetered by the water
supplier is prohibited.

(b) Each urban retail water supplier shall establish a method to
identify and restrict excessive water use, through one of the
following options:

1. Establishing a rate structure that includes block tiers, water
budgets, penalties for prohibited uses, or rate surcharges over and
above base rates for excessive water use by a residential water
customer.

2. (A) Establishing an excessive water use ordinance, rule, or
tariff condition, or amending an existing ordinance, rule, or tariff
condition, that includes a definition of excessive water use by
single-family residential customers and customers in multiunit
housing complexes in which each unit is individually metered or
submetered and may include a process to issue written warnings

to a customer and perform a site audit of customer water usage

prior to deeming the customer in violation. Excessive water use

shall be measured in terms of either gallons or hundreds of cubic

feet of water used during the urban retail water supplier’s regular

billing cycle. In establishing the definition of excessive use, the

water supplier may consider factors that include, but are not limited

to, all of the following:

(i) Average daily use.

(ii) Full-time occupancy of households.

(iii) Amount of landscaped land on a property.

(iv) Rate of evapotranspiration.

(v) Seasonal weather changes.

(B) A violation of an excessive use ordinance, rule, or tariff

condition established pursuant to subparagraph (A) is an infraction

punishable by a fine of up to five hundred dollars ($500) per

hundred cubic feet of water, or per 748 gallons, used above the

excessive water use threshold established by the urban retail water

supplier in a billing cycle. Any fine imposed pursuant to this

subparagraph shall be added to the customer’s water bill and is

due and payable with that water bill. Each urban retail water

supplier shall have a process for nonpayment of the fine, which

shall be consistent with the water supplier’s existing process for

nonpayment of a water bill.

(C) A violation of an excessive water use ordinance, rule, or

tariff condition where a demonstrable water leak at the residence

occurred and a repair to eliminate that leak is underway shall be

considered as a basis for granting an appeal and shall be considered

for waiver of the charges consistent with the urban retail water

supplier’s excessive water use ordinance and existing policies for

leak adjustments. Other reasonable justifications for excessive

water use shall be considered by the urban retail water supplier

consistent with clause (i) of subparagraph (D).

(D) (i) An urban retail water supplier shall establish a process

for the appeal of a fine imposed pursuant to subparagraph (B)

whereby the customer may contest the imposition of the fine for

excessive water use.

(ii) As part of the appeal process, the customer shall be provided

with an opportunity to provide evidence of a bona fide reason for

the excessive water use, including evidence of a water leak in
accordance with subparagraph (C), a medical reason, or any other reasonable justification for the water use, as determined by the urban retail water supplier.

367. This chapter applies only during a period for which the Governor has issued a proclamation of a state of emergency under the California Emergency Services Act (Chapter 7 (commencing with Section 8550) of Division 1 of Title 2 of the Government Code) based on drought conditions.

SEC. 3. The Legislature finds and declares that Section 1 of this act, which amends Section 6254.16 of the Government Code, furthers, within the meaning of paragraph (7) of subdivision (b) of Section 3 of Article I of the California Constitution, the purposes of that constitutional section as it relates to the right of public access to the meetings of local public bodies or the writings of local public officials and local agencies. Pursuant to paragraph (7) of subdivision (b) of Section 3 of Article I of the California Constitution, the Legislature makes the following findings:

The Legislature finds that it is in the public’s interest to be made aware of excessive water use during a drought in order to help promote water conservation and to protect water resources in the interest of the people and for the public welfare.

SEC. 4. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the costs that may be incurred by a local agency or school district under this act would result from a legislative mandate that is within the scope of paragraph (7) of subdivision (b) of Section 3 of Article I of the California Constitution or because the costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

SEC. 2. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within
the meaning of Section 6 of Article XIII B of the California Constitution.
MEMORANDUM

TO: Board of Directors
FROM: Andrew Hamilton, Chief Financial Officer
DATE: April 14, 2016
SUBJECT: Financial Auditor Selection

RECOMMENDATION

Approve a contract with White Nelson Diehl Evans LLC (WNDE) to perform annual financial audit services for fiscal years ending June 30, 2016, June 30, 2017, and June 30, 2018 with two optional one-year extensions.

The Finance Committee reviewed this item at its March 21, 2016 meeting and asked that it be presented to the Board and include the proposals from all firms.

STRATEGIC PLAN

Goal #3: Be financially responsible and transparent.

PRIOR BOARD ACTION/DISCUSSION

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

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

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

DISCUSSION

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

- White Nelson Diehl Evans
- Lance, Soll & Lunghard
- Vavrinek, Trine, Day & Co.
- The Pun Group
The four proposals were reviewed and evaluated by a selection panel comprised of three individuals: Mesa Water’s Chief Financial Officer, City of Stanton’s Administrative Services Director, and a CPA consultant. All proposals from these firms indicated extensive backgrounds and experience in government audits, accounting and consulting; therefore, the selection panel decided to conduct interviews with all four firms.

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

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

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

Therefore, staff recommends that the Board award the contract for auditing services to White Nelson Diehl Evans.

FINANCIAL IMPACT

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

ATTACHMENTS

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

PROFESSIONAL AUDITING SERVICES PROPOSAL

FOR THE THREE YEARS ENDING JUNE 30, 2018

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

Submitted By:

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants
RFP Subject: Certified Audit on Mesa Water District
For the Three Years Ending June 30, 2018
(With an Option for Each of the Two Years
Ending June 30, 2019 and June 30, 2020)

Name of Proposer: White Nelson Diehl Evans LLP
Certified Public Accountants and Consultants

Local Address: 2875 Michelle Drive, Suite 300
Irvine, CA 92606-5165

Telephone: (714) 978-1300
Fax: (714) 978-7893

Federal Identification Number: 33-0686301

California CPA License Number: PAR 6123

Website: www.wndecpa.com
Email: npatel@wndecpa.com

Contact Persons: Nitin P. Patel, CPA
Engagement Partner

Robert J. Callanan, CPA
Technical Review Partner

Date: February 10, 2016
# Table of Contents

**February 10, 2016**

<table>
<thead>
<tr>
<th>Letter of Transmittal</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Auditing Firm Information</strong></td>
<td>2</td>
</tr>
<tr>
<td><strong>2. Statement of Experience:</strong></td>
<td></td>
</tr>
<tr>
<td>Size and Location of Firm</td>
<td>2</td>
</tr>
<tr>
<td>Strength and Stability of the Firm</td>
<td>3</td>
</tr>
<tr>
<td>Why We Are the Best Qualified Firm</td>
<td>3</td>
</tr>
<tr>
<td>Range of Activities</td>
<td>4</td>
</tr>
<tr>
<td>Licensing and Independence</td>
<td>4</td>
</tr>
<tr>
<td>Participation in “Quality Review” Programs</td>
<td>4</td>
</tr>
<tr>
<td>Education Programs</td>
<td>4 - 5</td>
</tr>
<tr>
<td>Special District Experience</td>
<td>5</td>
</tr>
<tr>
<td>Enterprise Fund Experience</td>
<td>6</td>
</tr>
<tr>
<td><strong>3. Exceptions to Mea Water’s Contract Terms</strong></td>
<td>7</td>
</tr>
<tr>
<td><strong>4. References</strong></td>
<td>7</td>
</tr>
<tr>
<td><strong>5. Proposed Staffing and Project Organization:</strong></td>
<td></td>
</tr>
<tr>
<td>Audit Team Organization Chart</td>
<td>8</td>
</tr>
<tr>
<td>Commitment Related to Personnel</td>
<td>8</td>
</tr>
<tr>
<td>Resumes of Audit Team Personnel</td>
<td>9 - 12</td>
</tr>
<tr>
<td><strong>6. Project Understanding:</strong></td>
<td></td>
</tr>
<tr>
<td>Entities to Be Included in Audit</td>
<td>13</td>
</tr>
<tr>
<td>Reports to Be Issued and Due Dates</td>
<td>13</td>
</tr>
<tr>
<td>Audit Timing</td>
<td>13</td>
</tr>
<tr>
<td>Commitment to Deliver Reports on a Timely Basis</td>
<td>13</td>
</tr>
<tr>
<td><strong>7. Scope of Work - Technical Portion:</strong></td>
<td></td>
</tr>
<tr>
<td>Audits to Be in Accordance with GAAS and Other Requirements</td>
<td>14</td>
</tr>
<tr>
<td>Audit Approach</td>
<td>14 - 16</td>
</tr>
<tr>
<td>Approach to Internal Control</td>
<td>16</td>
</tr>
<tr>
<td>Proposed Audit Schedule</td>
<td>16</td>
</tr>
<tr>
<td>Determining Laws and Regulations Subject to Audit</td>
<td>16</td>
</tr>
<tr>
<td>Method of Sampling</td>
<td>17</td>
</tr>
<tr>
<td>Analytical Procedures</td>
<td>17</td>
</tr>
<tr>
<td>Management Letters</td>
<td>17</td>
</tr>
<tr>
<td>Potential Audit Problems</td>
<td>17</td>
</tr>
<tr>
<td>Retention of and Access to Audit Workpapers</td>
<td>17</td>
</tr>
</tbody>
</table>
7. **Scope of Work - Technical Portion (Continued):**
   - Other Professional Services 18
   - Irregularities and Illegal Acts 18
   - Computer Auditing Capabilities 18
   - Licensing and Independence 19
   - Work Required by District Staff 19 - 20
   - Participation in Professional Organizations 20 - 21
   - Similar Engagements with Other Governmental Entities 22
   - Discussion of Relevant Accounting Issues:
     - GASB Statement No. 72 23
     - GASB Statement No. 73 23
     - GASB Statement No. 74 23
     - GASB Statement No. 75 23
     - GASB Statement No. 76 24
     - GASB Statement No. 77 24
     - GASB Statement No. 78 24
     - GASB Statement No. 79 25

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

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

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

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

To Mr. Andrew Hamilton:

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

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

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

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

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

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

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

Very truly yours,

WHITE NELSON DIEHL EVANS LLP

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

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

Address: 2875 Michelle Drive, Suite 300
Federal Tax ID Number: 33-0686301
Type of Business: Limited Liability Partnership
Website: http://www.wndecpa.com
Telephone: (714) 978-1300
Fax: (714) 978-7893

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

Nitin P. Patel's Email npatel@wndecpa.com
Robert J. Callanan's Email rcallanan@wndecpa.com

2. STATEMENT OF EXPERIENCE

SIZE AND LOCATION OF THE FIRM

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

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

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

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

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

WHY WE ARE THE BEST QUALIFIED FIRM

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

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

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

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

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

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

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

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

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

LICENSING AND INDEPENDENCE

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

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

PARTICIPATION IN “QUALITY REVIEW” PROGRAMS

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

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

EDUCATION PROGRAMS

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

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

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

SPECIAL DISTRICT EXPERIENCE

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

Borrego Water District
Calleguas Municipal Water District
Chino Basin Desalter Authority
Chino Basin Regional Financing Authority
Costa Mesa Sanitary District
Cypress Recreation and Park District
Downey Cemetery District
El Toro Water District
Grossmont Healthcare District
Heber Public Utilities District
Inland Empire Regional Composting Authority
Inland Empire Utilities Agency
La Habra Heights County Water District
La Puente Valley County Water District
Laguna Beach County Water District
Lake Elsinore and San Jacinto Joint Powers Authority
Las Virgenes Municipal Water District
Leucadia Wastewater District
Midway City Sanitary District
Monterey Peninsula Regional Park District

Olivenhain Municipal Water District
Orange County Development Authority - Eco-Rapid Transit
Orange County Vector Control District
Orchard Dale Water District
Otay Water District
Padre Dam Municipal Water District
Pico Water District
Placentia Library District
Rancho California Water District
Rincon del Diablo Municipal Water District
Rowland Water District
Santa Ana Watershed Project Authority
South Coast Water District
South County Regional Wastewater Authority
Sunset Beach Sanitary District
Surfside Colony Stormwater
Drainage District
Surfside Community Services District
Vallecitos Water District
Valley Wide Recreation and Park District
Ventura Port District
Yorba Linda Water District
**ENTERPRISE FUND EXPERIENCE**

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

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

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

4. REFERENCES

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

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

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

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

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

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

(4) Scope of work performed includes the following: audit of the financial statements, preparation of the financial statements, and preparation of the state controller’s report.
COMMITMENT RELATED TO PERSONNEL

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

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

Licensing
Certified Public Accountant in California since 1988

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

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

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

CSMFO Report Reviewer for Award Program.


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

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

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

Cities (Continued):
  Stanton
  West Hollywood
  Westminster

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

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

Position
Engagement/Technical Review Partner

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

Licensing
Certified Public Accountant in California since 1993

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

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

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

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


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

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

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

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

**Position**
Senior Audit Manager

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

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

**Professional Organizations**
California Society of Certified Public Accountants (CSCPA)

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

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

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

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

Position
Audit Supervisor

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

Licensing
Certified Public Accountant in California since July 2013

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

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

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

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

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

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

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

ENTITIES TO BE INCLUDED IN AUDIT

Mesa Water District
Mesa Water District Improvement Corporation

REPORTS TO BE ISSUED AND DUE DATES

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

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

AUDIT TIMING

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

- Entrance conference with key District staff. Discussion of any prior audit concerns and the performance of interim work. Completed By
  - Week of April 18
- Interim audit fieldwork
  - April 25 - 29
- Exit conference interim
  - May 6
- Detailed Audit Plan
  - June 30
- Entrance conference for final fieldwork
  - Week of August 8
- Final audit fieldwork
  - August 15 - August 26
- Exit conference year-end
  - September 9
- Draft Reports (to be prepared by District)
  - October 17
- Deliver Final Reports
  - November 30

COMMITMENT TO DELIVER REPORTS ON A TIMELY BASIS

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

AUDITS TO BE IN ACCORDANCE WITH GAAS AND OTHER REQUIREMENTS

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

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

AUDIT APPROACH

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

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

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

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

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

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

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

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

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

3. Final Audit Work (Continued):

Our work may include (Continued):

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

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

APPROACH TO INTERNAL CONTROL

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

PROPOSED AUDIT SCHEDULE

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

DETERMINING LAWS AND REGULATIONS SUBJECT TO AUDIT

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

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

ANALYTICAL PROCEDURES

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

MANAGEMENT LETTERS

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

POTENTIAL AUDIT PROBLEMS

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

RETENTION OF AND ACCESS TO AUDIT WORKPAPERS

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

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

IRREGULARITIES AND ILLEGAL ACTS

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

COMPUTER AUDITING CAPABILITIES

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

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

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

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

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

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

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

WORK REQUIRED BY DISTRICT STAFF

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

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

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

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

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

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

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

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

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

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

PARTICIPATION IN PROFESSIONAL ORGANIZATIONS

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

AICPA

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

GFOA, GASB and FASB

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

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

CSMFO

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

CSCPA

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

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

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

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

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

GASB STATEMENT NO. 72

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

GASB STATEMENT NO. 73

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

GASB STATEMENT NO. 74

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

GASB STATEMENT NO. 75

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

GASB STATEMENT NO. 76

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

GASB STATEMENT NO. 77

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

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

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

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

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

GASB STATEMENT NO. 78

GASB Statement No. 78, “Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans”, is effective for periods beginning after December 15, 2015. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.
GASB STATEMENT NO. 79

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

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

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

<table>
<thead>
<tr>
<th>District</th>
<th>Mr.</th>
<th>Phone</th>
<th>Phone</th>
<th>Phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calleguas Municipal Water District</td>
<td>Dan Smith</td>
<td>805-579</td>
<td>805-579-7132</td>
<td></td>
</tr>
<tr>
<td>Chino Basin Desalter Authority</td>
<td>Michael Chung</td>
<td>909-218</td>
<td>909-218-3230</td>
<td></td>
</tr>
<tr>
<td>Chino Basin Regional Financing Authority</td>
<td>Javier Chagoyen-Lazara</td>
<td>909-993</td>
<td>909-993-1675</td>
<td></td>
</tr>
<tr>
<td>Cypress Recreation and Park District</td>
<td>Matt Burton</td>
<td>714-229</td>
<td>714-229-6718</td>
<td></td>
</tr>
<tr>
<td>Grossmont Healthcare District</td>
<td>Tom Saiz</td>
<td>619-825</td>
<td>619-825-5050</td>
<td></td>
</tr>
<tr>
<td>Heber Public Utilities District</td>
<td>Graciela Lopez</td>
<td>760-353</td>
<td>760-353-9040</td>
<td></td>
</tr>
<tr>
<td>Inland Empire Regional Composting Authority</td>
<td>Suresh Malkani</td>
<td>909-993</td>
<td>909-993-1899</td>
<td></td>
</tr>
<tr>
<td>Inland Empire Utilities Agency</td>
<td></td>
<td>794-322</td>
<td>794-322-2264</td>
<td></td>
</tr>
<tr>
<td>La Habra Heights County Water District</td>
<td>Tammy Wagstaff</td>
<td>562-697</td>
<td>562-697-6769</td>
<td></td>
</tr>
<tr>
<td>La Puente Valley County Water District</td>
<td>Greg Galindo</td>
<td>626-330</td>
<td>626-330-2126</td>
<td></td>
</tr>
<tr>
<td>Laguna Beach County Water District</td>
<td>Robert Westphal</td>
<td>949-494</td>
<td>949-494-1041</td>
<td></td>
</tr>
<tr>
<td>Lake Elsinore &amp; San Jacinto</td>
<td>Karen Williams</td>
<td>951-354</td>
<td>951-354-4231</td>
<td></td>
</tr>
<tr>
<td>La Jolla Wastewater District</td>
<td>Paul Bushee</td>
<td>760-753</td>
<td>760-753-0155</td>
<td></td>
</tr>
<tr>
<td>Midway City Sanitary District</td>
<td>Robert Housley</td>
<td>714-893</td>
<td>714-893-3553</td>
<td></td>
</tr>
<tr>
<td>Monterey Peninsula Regional Park District</td>
<td>Kelly McCullough</td>
<td>831-372</td>
<td>831-372-3196</td>
<td></td>
</tr>
<tr>
<td>Olivenhain Municipal Water District</td>
<td>Rainy Selamat</td>
<td>760-753</td>
<td>760-753-6466</td>
<td></td>
</tr>
<tr>
<td>Orange County Development Authority - Eco-Rapid Transit</td>
<td>Michael R. Kodama</td>
<td>562-663</td>
<td>562-663-6850</td>
<td></td>
</tr>
<tr>
<td>Orange County Mosquito and Vector Control District</td>
<td>Sea Shelton</td>
<td>714-740</td>
<td>714-740-4141</td>
<td></td>
</tr>
<tr>
<td>Orchard Dale Water District</td>
<td>Ronald S. Richard</td>
<td>562-641</td>
<td>562-641-0114</td>
<td></td>
</tr>
<tr>
<td>Padre Dam Municipal Water District</td>
<td>Karen Jassoy</td>
<td>619-448</td>
<td>619-448-3111</td>
<td></td>
</tr>
<tr>
<td>Pico Water District</td>
<td>Mark Grejeda</td>
<td>562-692</td>
<td>562-692-3756</td>
<td></td>
</tr>
<tr>
<td>Placentia Library District</td>
<td>Yesenia Baltierra</td>
<td>714-528</td>
<td>714-528-1906</td>
<td></td>
</tr>
<tr>
<td>Rancho California Water District</td>
<td>Kathleen Naylor</td>
<td>951-296</td>
<td>951-296-6918</td>
<td></td>
</tr>
<tr>
<td>Rincon del Diablo Municipal Water District</td>
<td>Trish Berge</td>
<td>760-745</td>
<td>760-745-5522</td>
<td></td>
</tr>
<tr>
<td>Rowland Water District</td>
<td>Sean Henry</td>
<td>562-697</td>
<td>562-697-1726</td>
<td></td>
</tr>
<tr>
<td>South County Regional Wastewater Authority</td>
<td>Christina Turner</td>
<td>408-846</td>
<td>408-846-0750</td>
<td></td>
</tr>
<tr>
<td>Sunset Beach Sanitary District</td>
<td>Chris Montana</td>
<td>562-493</td>
<td>562-493-9932</td>
<td></td>
</tr>
<tr>
<td>Surfside Colony Stormwater Drainage District</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surfside Community Services District</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valley Wide Recreation and Park District</td>
<td>Sam Goep</td>
<td>951-654</td>
<td>951-654-1505</td>
<td></td>
</tr>
<tr>
<td>Ventura Port District</td>
<td>Gloria Adkins</td>
<td>805-654</td>
<td>805-654-8538</td>
<td></td>
</tr>
<tr>
<td>Yorba Linda Water District</td>
<td>Delia Lugo</td>
<td>714-701</td>
<td>714-701-3040</td>
<td></td>
</tr>
</tbody>
</table>
LIST OF SPECIAL DISTRICT ENGAGEMENTS

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

<table>
<thead>
<tr>
<th>Client Name</th>
<th>Period of Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrego Water District</td>
<td>2006-2013</td>
</tr>
<tr>
<td>Calleguas Municipal Water District</td>
<td>2015-Present</td>
</tr>
<tr>
<td>Chino Basin Desalter Authority</td>
<td>2011-Present</td>
</tr>
<tr>
<td>Chino Basin Regional Financing Authority</td>
<td>2015-Present</td>
</tr>
<tr>
<td>Costa Mesa Sanitary District</td>
<td>2005-2014</td>
</tr>
<tr>
<td>Cypress Recreation and Park District</td>
<td>2012-Present</td>
</tr>
<tr>
<td>Downey Cemetery District</td>
<td>1987-2013</td>
</tr>
<tr>
<td>El Toro Water District</td>
<td>2008-2013</td>
</tr>
<tr>
<td>Grossmont Healthcare District</td>
<td>2011-Present</td>
</tr>
<tr>
<td>Heber Public Utilities District</td>
<td>2014-Present</td>
</tr>
<tr>
<td>Inland Empire Regional Composting Authority</td>
<td>2011-Present</td>
</tr>
<tr>
<td>Inland Empire Utilities Agency</td>
<td>2011-Present</td>
</tr>
<tr>
<td>La Habra Heights County Water District</td>
<td>2002-Present</td>
</tr>
<tr>
<td>La Puente Valley County Water District</td>
<td>1986-Present</td>
</tr>
<tr>
<td>Laguna Beach County Water District</td>
<td>2002-Present</td>
</tr>
<tr>
<td>Lake Elsinore and San Jacinto Joint Powers Authority</td>
<td>2013-Present</td>
</tr>
<tr>
<td>Las Virgenes Municipal Water District</td>
<td>2007-2013</td>
</tr>
<tr>
<td>Leucadia Wastewater District</td>
<td>2010-Present</td>
</tr>
<tr>
<td>Midway City Sanitary District</td>
<td>2012-Present</td>
</tr>
<tr>
<td>Monterey Peninsula Regional Park District</td>
<td>2015-Present</td>
</tr>
<tr>
<td>Municipal Water District of Orange County</td>
<td>2007-2011</td>
</tr>
<tr>
<td>Olivenhain Municipal Water District</td>
<td>2009-Present</td>
</tr>
<tr>
<td>Orange County Development Authority - Eco-Rapid Transit</td>
<td>2015-Present</td>
</tr>
<tr>
<td>Orange County Vector Control District</td>
<td>2013-Present</td>
</tr>
<tr>
<td>Orchard Dale Water District</td>
<td>2012-Present</td>
</tr>
<tr>
<td>Otay Water District</td>
<td>2009-2013</td>
</tr>
<tr>
<td>Padre Dam Municipal Water District</td>
<td>2009-Present</td>
</tr>
<tr>
<td>Pico Water District</td>
<td>2010-Present</td>
</tr>
<tr>
<td>Placentia Library District</td>
<td>2015-Present</td>
</tr>
<tr>
<td>Puente Basin Water Agency</td>
<td>2005-2011</td>
</tr>
<tr>
<td>Rancho California Water District</td>
<td>2012-Present</td>
</tr>
<tr>
<td>Rincon del Diablo Municipal Water District</td>
<td>2015-Present</td>
</tr>
<tr>
<td>Rowland Water District</td>
<td>2007-Present</td>
</tr>
<tr>
<td>Santa Ana Watershed Project Authority</td>
<td>2013-Present</td>
</tr>
<tr>
<td>South Coast Water District</td>
<td>2011-2014</td>
</tr>
<tr>
<td>South County Regional Wastewater Authority</td>
<td>2013-Present</td>
</tr>
<tr>
<td>Sunset Beach Sanitary District</td>
<td>1986-Present</td>
</tr>
<tr>
<td>Surfside Colony Stormwater Drainage District</td>
<td>2010-Present</td>
</tr>
<tr>
<td>Surfside Community Services District</td>
<td>2010-Present</td>
</tr>
<tr>
<td>Vallecitos Water District</td>
<td>2010-2015</td>
</tr>
<tr>
<td>Valley Wide Recreation and Park District</td>
<td>1986-Present</td>
</tr>
<tr>
<td>Ventura Port District</td>
<td>2011-Present</td>
</tr>
<tr>
<td>Walnut Valley Water District</td>
<td>2002-2011</td>
</tr>
<tr>
<td>Yorba Linda Water District</td>
<td>2008-Present</td>
</tr>
</tbody>
</table>

Substantially all of the above engagements were performed through the firm's Irvine office.
ATTACHMENT II

RESULTS OF OUTSIDE QUALITY REVIEW
System Review Report

July 22, 2015

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

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

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

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

Heidenreich & Heidenreich, CPAs, PLLC
ATTACHMENT III

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

Firm Name: White Nelson Diehl Evans LLP

Address: 2875 Michelle Drive, Suite 300

City Irvine State CA Zip Code 92606

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

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

Name of Authorized Representative: Nitin P. Patel

Signature of Authorized Representative: [signature]

Date: 2/4/2016
MESA WATER DISTRICT

PROPOSAL TO PROVIDE
PROFESSIONAL AUDITING SERVICES

Focused on YOU

WWW.LSLLCPAS.COM  714-672-0022
MesaWater
DISTRICT®

PROPOSAL FOR
PROFESSIONAL AUDITING SERVICES

Prepared by:

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

LSL
CPAs AND ADVISORS

Contact Person:

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

February 10, 2016
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letter of Transmittal</td>
<td>1</td>
</tr>
<tr>
<td>1. Auditing Firm Information</td>
<td>3</td>
</tr>
<tr>
<td>2. Statement of Experience</td>
<td>3</td>
</tr>
<tr>
<td>Years of Service and Office Locations</td>
<td>3</td>
</tr>
<tr>
<td>Size of Firm and Size of Governmental Audit Staff</td>
<td>4</td>
</tr>
<tr>
<td>Range of Activities</td>
<td>4</td>
</tr>
<tr>
<td>GFOA Award Programs</td>
<td>5</td>
</tr>
<tr>
<td>Federal Single Audits</td>
<td>5</td>
</tr>
<tr>
<td>New GASB Pronouncements</td>
<td>5</td>
</tr>
<tr>
<td>Demonstrated Track Record</td>
<td>5</td>
</tr>
<tr>
<td>Why LSL is the Best Choice</td>
<td>6</td>
</tr>
<tr>
<td>Peer Review</td>
<td>6</td>
</tr>
<tr>
<td>Disciplinary Action</td>
<td>6</td>
</tr>
<tr>
<td>Independence</td>
<td>6</td>
</tr>
<tr>
<td>3. Exceptions to Mesa Water’s Contract Terms</td>
<td>7</td>
</tr>
<tr>
<td>4. References</td>
<td>7</td>
</tr>
<tr>
<td>5. Proposed Staffing and Project Organization</td>
<td>8</td>
</tr>
<tr>
<td>Assigned Personnel</td>
<td>8</td>
</tr>
<tr>
<td>Education and Training Program Provided</td>
<td>8</td>
</tr>
<tr>
<td>Resumes of Personnel</td>
<td>8</td>
</tr>
<tr>
<td>Bryan S. Gruber, CPA, Engagement Partner</td>
<td>9</td>
</tr>
<tr>
<td>Deborah A. Harper, CPA, Concurring Partner</td>
<td>11</td>
</tr>
<tr>
<td>Brandon T. Young, CPA, Audit Manager</td>
<td>13</td>
</tr>
<tr>
<td>Ryan C. Domino, Audit Senior</td>
<td>15</td>
</tr>
<tr>
<td>6. Project Understanding</td>
<td>16</td>
</tr>
<tr>
<td>7. Scope of Work – Technical Portion</td>
<td>17</td>
</tr>
<tr>
<td>Independence</td>
<td>17</td>
</tr>
<tr>
<td>License to Practice in California</td>
<td>17</td>
</tr>
<tr>
<td>Engagements Similar to Mesa Water District</td>
<td>17</td>
</tr>
<tr>
<td>Specific Audit Approach</td>
<td>18</td>
</tr>
<tr>
<td>Segment 1 – Planning and Obtaining an Understanding</td>
<td>18</td>
</tr>
<tr>
<td>Planning</td>
<td>18</td>
</tr>
<tr>
<td>Understanding the internal control structure over the financial statements</td>
<td>18</td>
</tr>
<tr>
<td>Segment 2 – Financial Audit Testing</td>
<td>19</td>
</tr>
<tr>
<td>Analytical Procedures</td>
<td>19</td>
</tr>
<tr>
<td>Drawing Audit Samples</td>
<td>20</td>
</tr>
</tbody>
</table>
MESA WATER DISTRICT
PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

TABLE OF CONTENTS

Segment 2 – Financial Audit Testing (Continued) ....................................................... 20
  Exit Conference ........................................................................................................... 20
Segment 3 – Conclusion ............................................................................................... 20
  Estimated Time Line ................................................................................................. 21

Determining Laws and Regulations Subject to Audit Test Work .................................. 21
Identification of Anticipated Potential Audit Problems ............................................... 21
  Single Audit Compliance changes .............................................................................. 21

8. Proposed Consts/BidSheet (Separate Sealed Envelope)

Appendices

  Appendix A – List of Clients ..................................................................................... 22
  Appendix B – Peer Review ....................................................................................... 24
  Appendix C – Example PBC List .............................................................................. 25
February 10, 2016

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

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

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

The following services will be performed:

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

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

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

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

Very truly yours,


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

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

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

2. Statement of Experience

Years of Service and Office Locations

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

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

Size of Firm and Size of the Firm Governmental Audit Staff

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

Local government expertise is led by the following partners:

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

Range of Activities

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

Financial Auditing:
Governmental Entities
Federal Single Audits

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

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

GFOA Award Programs

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

Federal Single Audits

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

New GASB Pronouncements

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

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

Demonstrated Track Record

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

Why LSL is the Best Choice

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

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

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

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

Peer Review

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

Disciplinary Action

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

Independence

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

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

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

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

4. References

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

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

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

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

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

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

**Assigned Personnel**

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bryan S. Gruber, CPA</td>
<td>Engagement Partner (field partner)</td>
</tr>
<tr>
<td>Deborah A. Harper, CPA</td>
<td>Concurring Partner (quality control)</td>
</tr>
<tr>
<td>Brandon T. Young, CPA</td>
<td>Audit Manager</td>
</tr>
<tr>
<td>Ryan C. Domino</td>
<td>Audit Senior</td>
</tr>
</tbody>
</table>

**1 to 2 additional staff**

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

**Education and Training Program Provided**

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

**Resumes of Personnel**

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

Resumes of personnel are as follows:
RESUMES OF PERSONNEL

BRYAN S. GRUBER, CPA
PARTNER

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

License: Certified Public Accountant – California 2008

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

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

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

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

Orange County Water District
Monterey Water Pollution Control
City of Palm Springs
Six Basins Watermaster
Three Valleys Municipal Water
City of Burbank
San Diego County Water
City of Oceanside
City of Solana Beach
City of Santa Cruz
City of Vista
City of San Carlos

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

Bryan S. Gruber, CPA, Partner (Continued)

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

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

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

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

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

DEBORAH A. HARPER, CPA
CONCURRING PARTNER

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

License: Certified Public Accountant – California 2005

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

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

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

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

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

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

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

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

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

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

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

BRANDON T. YOUNG, CPA
AUDIT MANAGER

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

License: Certified Public Accountant – California 2014

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

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

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

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

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

Mr. Young has also served the following engagements:

<table>
<thead>
<tr>
<th>City of Burbank</th>
<th>City of Cathedral City</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Coronado</td>
<td>City of Indian Wells</td>
</tr>
<tr>
<td>City of Vista</td>
<td>City of Brea</td>
</tr>
<tr>
<td>City of San Carlos</td>
<td>City of Manhattan Beach</td>
</tr>
<tr>
<td>City of Walnut</td>
<td>City of Emeryville</td>
</tr>
<tr>
<td>City of Irvine</td>
<td>Three Valleys Municipal Water District</td>
</tr>
<tr>
<td>City of La Quinta</td>
<td>Orange County Fire Authority</td>
</tr>
<tr>
<td>City of Laguna Niguel</td>
<td></td>
</tr>
</tbody>
</table>
RESUMES OF PERSONNEL (Continued)

RYAN C. DOMINO
AUDIT SENIOR

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

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

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

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

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

The following services will be performed including anticipated deliverables:

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

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

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

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

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

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

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

Independence

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

License to Practice in California

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

Engagements Similar to Mesa Water District


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

7. Scope of Work – Technical Portion (Continued)

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

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

**Specific Audit Approach**

The services will be divided into three segments.

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

**Planning**

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

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

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

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

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

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

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

Segment 2 – Financial Audit Testing:

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

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

Analytical Procedures

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

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

Drawing Audit Samples

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

Exit Conference

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

Segment 3 – Conclusion:

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

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

*Estimated time line*

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

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

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

*Determining Laws and Regulations Subject to Audit Test Work*

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

*Identification of Anticipated Potential Audit Problems*

**Single Audit Compliance changes**

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

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

LSL also provides an annual GASB and Accounting update to all local governments in California, which will address these changes.
<table>
<thead>
<tr>
<th>Client</th>
<th>Contact Person</th>
<th>Service Code</th>
<th>Year</th>
<th>Telephone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agoura Hills</td>
<td>Ms. M. Brodsky, Finance Manager</td>
<td>F</td>
<td>1</td>
<td>818-597-7500</td>
</tr>
<tr>
<td>* Azusa</td>
<td>Mr. S. Paragas, Finance Director</td>
<td>F</td>
<td>18</td>
<td>626-812-5291</td>
</tr>
<tr>
<td>Banning</td>
<td>Ms. M. Green, Accounting Manager</td>
<td>F</td>
<td>16</td>
<td>951-922-3118</td>
</tr>
<tr>
<td>Bell</td>
<td>Ms. Shelly Lin, Interim Finance Director</td>
<td>F</td>
<td>3</td>
<td>323-588-6211</td>
</tr>
<tr>
<td>Big Bear Lake</td>
<td>Ms. K. Ent, Director of Admin. Services</td>
<td>F</td>
<td>17</td>
<td>909-806-5831</td>
</tr>
<tr>
<td>* Brea</td>
<td>Mr. L. Squire, Financial Services Manager</td>
<td>F</td>
<td>3</td>
<td>714-990-7683</td>
</tr>
<tr>
<td>Burbank</td>
<td>Ms. Cindy L. Girado, Financial Services Dir</td>
<td>F</td>
<td>4</td>
<td>818-238-6487</td>
</tr>
<tr>
<td>Canyon Lake</td>
<td>Mr. T. Shea, Finance Director</td>
<td>F</td>
<td>19</td>
<td>909-244-2655</td>
</tr>
<tr>
<td>* Cathedral City</td>
<td>Mr. K. Biersack, Fiscal Officer</td>
<td>F</td>
<td>5</td>
<td>760-770-0378</td>
</tr>
<tr>
<td>* Chino Hills</td>
<td>Ms. J. Lancaster, Finance Director</td>
<td>F</td>
<td>17</td>
<td>909-394-2600</td>
</tr>
<tr>
<td>* Chula Vista</td>
<td>Mr. P. Davis, Assistance Finance Director</td>
<td>F</td>
<td>2</td>
<td>619-691-5250</td>
</tr>
<tr>
<td>* Claremont</td>
<td>Mr. A. Pirrie, Acting Finance Director</td>
<td>F</td>
<td>10</td>
<td>909-399-5460</td>
</tr>
<tr>
<td>Coachella Valley Association of Governments</td>
<td>Mr. G. Leong, Director of Administrative Services</td>
<td>F</td>
<td>1</td>
<td>760-346-1127</td>
</tr>
<tr>
<td>* Coachella Valley Water District</td>
<td>Ms. Kay Godbye, Finance Director</td>
<td>F</td>
<td>2</td>
<td>760-398-2661</td>
</tr>
<tr>
<td>* Corona</td>
<td>Ms. Kerry Eden, Finance Director</td>
<td>F</td>
<td>4</td>
<td>951-736-2315</td>
</tr>
<tr>
<td>Coronado</td>
<td>Ms. L. Silver, Finance Director</td>
<td>F</td>
<td>6</td>
<td>619-522-7300</td>
</tr>
<tr>
<td>* Cucamonga Valley Water District</td>
<td>Mr. Chad Brintley, Finance Officer</td>
<td>F</td>
<td>3</td>
<td>909-453-7453</td>
</tr>
<tr>
<td>* Diamond Bar</td>
<td>Ms. Donna Honeywell, Finance Director</td>
<td>F</td>
<td>4</td>
<td>909-830-7011</td>
</tr>
<tr>
<td>Dixon</td>
<td>Ms. J. Michaels-Aguilar, Finance Director</td>
<td>F</td>
<td>1</td>
<td>707-676-7000x108</td>
</tr>
<tr>
<td>* Downey</td>
<td>Ms. M. Lee, Finance Manager</td>
<td>F</td>
<td>2</td>
<td>562-904-7262</td>
</tr>
<tr>
<td>Duarte</td>
<td>Ms. K. Petersen, Finance Director</td>
<td>F</td>
<td>8</td>
<td>626-357-7931</td>
</tr>
<tr>
<td>* Emeryville</td>
<td>Ms. M. Oberg, Finance Director</td>
<td>F</td>
<td>11</td>
<td>510-596-4952</td>
</tr>
<tr>
<td>* Escondido</td>
<td>Ms. J. Ryan, Asst Finance Director</td>
<td>F</td>
<td>5</td>
<td>760-839-4338</td>
</tr>
<tr>
<td>* Fullerton</td>
<td>Ms. J. James, Director of Admin. Services</td>
<td>F</td>
<td>3</td>
<td>714-738-8522</td>
</tr>
<tr>
<td>* Glendora</td>
<td>Ms. E. Stoddard, Accounting Manager</td>
<td>F</td>
<td>11</td>
<td>626-914-2328</td>
</tr>
<tr>
<td>Grand Terrace</td>
<td>Ms. C. Fortune, Finance Director</td>
<td>F</td>
<td>2</td>
<td>909-824-6621</td>
</tr>
<tr>
<td>Greater Los Angeles Vector Control</td>
<td>Mr. K. Bayless, District Manager</td>
<td>F</td>
<td>5</td>
<td>662-758-6501</td>
</tr>
<tr>
<td>Hidden Hills</td>
<td>Ms. C. Paglia, City Clerk</td>
<td>F</td>
<td>29</td>
<td>818-869-9281</td>
</tr>
<tr>
<td>Imperial Beach</td>
<td>Mr. M. McGrane, Finance Director</td>
<td>F</td>
<td>11</td>
<td>619-628-1361</td>
</tr>
<tr>
<td>* Indian Wells</td>
<td>Mr. K. McCarthy, Finance Director</td>
<td>F</td>
<td>3</td>
<td>760-346-2489</td>
</tr>
<tr>
<td>* Irvine</td>
<td>Ms. D. Mullally, Manager of Fiscal Services</td>
<td>F</td>
<td>4</td>
<td>949-724-0037</td>
</tr>
<tr>
<td>* Irwindale</td>
<td>Ms. E. Carreon, Finance Director</td>
<td>F</td>
<td>19</td>
<td>626-430-2221</td>
</tr>
<tr>
<td>* La Mirada</td>
<td>Ms. M. Pasquali, Finance Manager</td>
<td>F</td>
<td>11</td>
<td>562-943-0138</td>
</tr>
<tr>
<td>* La Quinta</td>
<td>Ms. R. Conrad, Finance Director</td>
<td>F</td>
<td>8</td>
<td>760-777-7150</td>
</tr>
<tr>
<td>* Laguna Niguel</td>
<td>Mr. S. Eriandson, Finance Director</td>
<td>F</td>
<td>4</td>
<td>949-362-4358</td>
</tr>
<tr>
<td>Lawndale</td>
<td>Mr. K. Louis, Director of Finance/City Treasurer</td>
<td>F</td>
<td>3</td>
<td>310-973-3246</td>
</tr>
<tr>
<td>Los Alamitos</td>
<td>Mr. J. Al-Imam, Administrative Director/Treasurer</td>
<td>F</td>
<td>1</td>
<td>861-431-3538x222</td>
</tr>
<tr>
<td>Malibu</td>
<td>Ms. R. Feidman, Finance Director</td>
<td>F</td>
<td>11</td>
<td>310-456-2489</td>
</tr>
<tr>
<td>Manhattan Beach</td>
<td>Mr. B. Moe, Finance Director</td>
<td>F</td>
<td>12</td>
<td>310-802-5553</td>
</tr>
<tr>
<td>* Monrovia</td>
<td>Mr. M. Akbarado, Director of Admin. Services</td>
<td>F</td>
<td>14</td>
<td>963-923-5150</td>
</tr>
<tr>
<td>Monterey Regional Water Pollution Control Agency</td>
<td>Ms. T. Hannah, Chief Financial Officer</td>
<td>F</td>
<td>1</td>
<td>831-645-4623</td>
</tr>
<tr>
<td>* Oceanside</td>
<td>Ms. T. Ferro, Finance Director</td>
<td>F</td>
<td>2</td>
<td>760-435-3383</td>
</tr>
<tr>
<td>* Ontario</td>
<td>Ms. D. Nunes, Director of Fiscal Services</td>
<td>F</td>
<td>18</td>
<td>909-395-2352</td>
</tr>
<tr>
<td>* Orange</td>
<td>Mr. W. Kolow, Finance Director</td>
<td>F</td>
<td>4</td>
<td>714-744-2225</td>
</tr>
<tr>
<td>Orange County Fire Authority</td>
<td>Mr. Jim Ruane, Finance Manager</td>
<td>F</td>
<td>4</td>
<td>714-573-6304</td>
</tr>
<tr>
<td>Orange County Sanitation District</td>
<td>Mr. L. Tyler, Director of Finance</td>
<td>F</td>
<td>3</td>
<td>714-593-7550</td>
</tr>
<tr>
<td>Orange County Water District</td>
<td>Mr. R. Fick, Chief Financial Officer</td>
<td>F</td>
<td>3</td>
<td>714-370-3271</td>
</tr>
<tr>
<td>Palm Springs</td>
<td>Ms. G. Kiehl, Finance Director</td>
<td>F</td>
<td>5</td>
<td>760-323-8229</td>
</tr>
<tr>
<td>Palos Verdes Estates</td>
<td>Mr. R. Morealle, Finance Director</td>
<td>F</td>
<td>4</td>
<td>310-378-0383</td>
</tr>
<tr>
<td>* Pasadena</td>
<td>Mr. R. Ridley, Controller</td>
<td>F</td>
<td>1</td>
<td>626-744-7497</td>
</tr>
<tr>
<td>Placentia</td>
<td>Mr. Michael Nguyen, Finance Services Manager</td>
<td>F</td>
<td>1</td>
<td>714-993-8136</td>
</tr>
<tr>
<td>* Pomona</td>
<td>Ms. P. Chamberlain, Finance Director</td>
<td>F</td>
<td>3</td>
<td>909-620-2355</td>
</tr>
<tr>
<td>* Rancho Cucamonga</td>
<td>Ms. T. Layne, Finance Officer</td>
<td>F</td>
<td>37</td>
<td>909-989-1851</td>
</tr>
<tr>
<td>* Redlands</td>
<td>Ms. T. Kundig, Director of Finance</td>
<td>F</td>
<td>5</td>
<td>909-798-7543</td>
</tr>
<tr>
<td>Rolling Hills</td>
<td>Mr. T. Shea, Finance Director</td>
<td>F</td>
<td>6</td>
<td>310-377-1521</td>
</tr>
<tr>
<td>San Carlos</td>
<td>Mr. R. Mendenhall, Acting Admin Svcs Dir</td>
<td>F</td>
<td>4</td>
<td>850-802-4221</td>
</tr>
<tr>
<td>* San Diego County Water Authority</td>
<td>Mr. Rich Green, Controller</td>
<td>F</td>
<td>9</td>
<td>619-522-6500</td>
</tr>
<tr>
<td>* San Dimas</td>
<td>Mr. Michael O'Brien, Finance Director</td>
<td>F</td>
<td>54</td>
<td>909-394-5200</td>
</tr>
<tr>
<td>San Juan Water District</td>
<td>Ms Kate Montana, Finance Manager</td>
<td>F</td>
<td>2</td>
<td>919-701-0115</td>
</tr>
<tr>
<td>San Marino</td>
<td>Ms. L. Bailey, Finance Director</td>
<td>F</td>
<td>22</td>
<td>626-300-0700</td>
</tr>
<tr>
<td>* Santa Barbara</td>
<td>Mr. B. Samario, Finance Director</td>
<td>F</td>
<td>4</td>
<td>805-897-1978</td>
</tr>
<tr>
<td>* Santa Cruz</td>
<td>Mr. M. Pimentel, Director of Finance</td>
<td>F</td>
<td>3</td>
<td>831-420-5050</td>
</tr>
</tbody>
</table>
# LSL Listing of Current Government Audit Clients

<table>
<thead>
<tr>
<th>Client</th>
<th>Contact Person</th>
<th>Service Code</th>
<th>Year</th>
<th>Telephone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Santa Fe Springs</td>
<td>Mr. J. Gomez, Director of Finance and Administrative Services</td>
<td>F, S</td>
<td>2</td>
<td>562-868-0511</td>
</tr>
<tr>
<td>Seal Beach</td>
<td>Ms. V. Beatley, Finance Director</td>
<td>F, S</td>
<td>4</td>
<td>562-431-2527</td>
</tr>
<tr>
<td>Six Basins</td>
<td>Mr. L. Stahlhöfer, Controller</td>
<td>F</td>
<td>3</td>
<td>949-420-3030</td>
</tr>
<tr>
<td>Solona Beach</td>
<td>Ms. M. Berkut, Finance Manager</td>
<td>F</td>
<td>5</td>
<td>858-720-2463</td>
</tr>
<tr>
<td>South Gate</td>
<td>Ms. J. Acosta, Finance Director</td>
<td>FS</td>
<td>6</td>
<td>323-583-5524</td>
</tr>
<tr>
<td>South Pasadena</td>
<td>Mr. D. Batt, Acting Finance Director</td>
<td>F</td>
<td>12</td>
<td>626-403-7250</td>
</tr>
<tr>
<td>Thousand Oaks</td>
<td>Mr. J. Adams, Finance Director</td>
<td>F, S</td>
<td>7</td>
<td>805-449-2235</td>
</tr>
<tr>
<td>Three Valleys Water District</td>
<td>Mr. R. Hansen, General Manager</td>
<td>F</td>
<td>7</td>
<td>909-626-4631</td>
</tr>
<tr>
<td>Vista</td>
<td>Mr. D. Nielsen, Finance Manager</td>
<td>F</td>
<td>6</td>
<td>760-639-6170 x1023</td>
</tr>
<tr>
<td>Walnut</td>
<td>Ms. Marie Santos, Finance Manager</td>
<td>F</td>
<td>43</td>
<td>909-595-7543</td>
</tr>
<tr>
<td>Wildomar</td>
<td>Mr. G. Nordquist, Finance Director</td>
<td>F</td>
<td>6</td>
<td>951-677-7751</td>
</tr>
</tbody>
</table>

**Service Codes:**
- F - Financial Audit
- S - Single Audit
- I - Internal Audit
- * - Participated in the GFOA Award Programs and has received or anticipates receiving outstanding awards
November 13, 2013

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

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

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

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

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

Prior to our arrival

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

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

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

4. General ledger detail transaction journal

5. Review our confirmation log and make any updates?

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

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

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

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

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

3. Copy of GFOA comments, if received.

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

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

6. Copy of the most recent investment policy.

7. Current (updated) capital asset listing.

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

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

10. Access to the following items:
    - Journal Entries
    - Daily cash receipts
    - Check registers
    - Payroll registers
    - Utility billing registers
    - Computer System (for inquiries only)
    - Quarterly payroll tax returns
Please provide the following information in ELECTRONIC FORMAT:

<table>
<thead>
<tr>
<th>Description</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>General ledger detail from the interim trial balance date to June 30th</td>
<td>Prior to Start of Fieldwork</td>
</tr>
<tr>
<td>Copy of your latest investment policy, if one has been adopted since our interim fieldwork. Bank, investment and fiscal agent account reconciliations and statements for June of the current audit year and July of the following fiscal year. Copy of your GASB 31 adjustment (i.e., investments booked to fair value) and supporting schedules, if applicable.</td>
<td>During Fieldwork</td>
</tr>
<tr>
<td>Supporting schedules for the various receivable and prepaid balances.</td>
<td>During Fieldwork</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td></td>
</tr>
<tr>
<td>Interest Receivable</td>
<td></td>
</tr>
<tr>
<td>Taxes Receivable</td>
<td></td>
</tr>
<tr>
<td>Grants Receivable</td>
<td></td>
</tr>
<tr>
<td>Loans Receivable</td>
<td></td>
</tr>
<tr>
<td>Notes Receivable</td>
<td></td>
</tr>
<tr>
<td>Due From Other Governments</td>
<td></td>
</tr>
<tr>
<td>Prepaids</td>
<td></td>
</tr>
<tr>
<td>Property tax analysis/reconciliation that ties to the General Ledger.</td>
<td></td>
</tr>
<tr>
<td>Adjustment report for the current audit year. Reconciliation of Utility Billing Accounts Receivable to the General Ledger for the month of June. Unbilled receivable analysis/reconciliation: If done by the system automatically, provide a detail description of the methodology used to calculate this accrual. If manually prepared, provide schedule with supporting documentation of accrual, such as billing registers and journal entry. Customer Deposits reconciliation from the utility billing software: # of Total Utility Billing Customers AR aging report as of June 30</td>
<td>During Fieldwork</td>
</tr>
<tr>
<td>Provide us with access to an inventory listing as of fiscal year end showing quantity on hand, unit costs and total inventory valuation. If the listing does not agree to the general ledger, please provide us with an explanation of the variances.</td>
<td>During Fieldwork</td>
</tr>
<tr>
<td>Capital asset listing for year end. The listing should be sub-totaled by asset type and by governmental and proprietary funds. Listing of capital asset additions and access to supporting documentation (e.g., invoices, calculations, etc.), subtotaled same as above. Listing of capital asset deletions and any adjustments; and access to supporting documentation (e.g., listing of surplus equipment, board minutes, information regarding sales proceeds, costs, accumulated depreciation, any gain or loss, etc.), subtotaled same as above. Depreciation reports showing depreciation expense for the year (by function) and the accumulated depreciation at year end (by asset type), subtotaled same as above. Listing of construction in progress additions and deletions. Detail listing of land held for resale which reconciles to your general ledger. Please include date purchased and fund recorded in.</td>
<td>During Fieldwork</td>
</tr>
</tbody>
</table>
Check registers for the period subsequent to year end through the date of our fieldwork.

- Access to supporting schedules for the various payable and other liability balances.
  - Accounts Payable
  - Deposit Payable
  - Due to Other Governments
  - Unearned Revenue
  - Other Accrued Liabilities
- Please provide us with your “cut-off” date used for recording your payables.

/roll and Related Liabilities
- Payroll registers that support the payroll payable accrual.
- Leave benefits registers that support your compensated absences accrual calculations.
  - Provide short and long term allocation for compensated absences.
  - Identify which functions (e.g., general government, public safety, etc.) the change in compensated absences should be recorded to on the government-wide statements.
- PERS - # of covered employees for PERS, by plan
- OPEB - # of covered employees for Other Post Employment Benefits (OPEB), by plan (if have different plans).
- Provide Actuarial for PERS Retirement Plan(s) AND OPEB (if applicable).
- Total pension expense by employee portion AND employer portion paid as of June 30th.
- List of terminated employees for the current audit year and date of termination.
  - 941(Federal) and DE-6(State) quarterly reports, and any applicable reconciliation to the G/L.

Long Term Debt
- Schedule that identifies all long-term debt items with the account numbers that are used for the principal and interest payments for each debt item.
- Listing of new bond issuances, new leases, new loans and any bond defeasances.
- Listing of any debt covenant and restriction requirements by debt instrument.
  - Provide support of compliance (either third party report or certification).
- Official statements and amortization schedules for any new bond issues.
- Lease agreements and amortization schedules for any new capital leases.
- Agreements and amortization schedules for any new notes payable.
- A schedule that identifies any debt for which the District is not obligated (e.g., special assessment debt, mortgage revenue bonds, etc.). Also provide us with the outstanding principal balances as of year end (for footnote disclosure).
- A schedule that identifies any defeased bond debt and the outstanding principal balances as of year end (for footnote disclosure).
- For any new debt that is issued, provide us with a calculation that computes and amortizes issuance costs, premiums/discounts and gains/losses on defeasances during the current year.
  - Interest payable calculation

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

Position
- Supporting documentation for any adjustments to opening fund balance
- Detail of restricted net position

Grants
- For all Federal grants received during the fiscal year, provide us with copies of the applicable sections of the grant agreement and/or award letter that identifies the grantor name, grant name, award amount and period covered.
- Access to reimbursement requests, drawdowns and grant reconciliations.
- Completed SEFA
- Completed Schedule of Nonfederal expenditures

During Fieldwork
During Fieldwork
During Fieldwork
During Fieldwork
During Fieldwork
During Fieldwork
During Fieldwork
During Fieldwork
During Fieldwork
During Fieldwork
During Fieldwork
During Fieldwork
During Fieldwork
During Fieldwork
During Fieldwork
During Fieldwork
During Fieldwork
During Fieldwork
During Fieldwork
10 days prior to audit
10 days prior to audit
Related party transactions
LSL has identified the following related parties: ________________________________

Please indicate any others that we are unaware of.

Please provide information on related party transactions that may include:
- Sale, purchase, exchange, or leasing of property
- Receiving or furnishing of goods, services, or facilities
- Transfer or receipt of income or assets
- Maintenance of bank balances as compensating balances for the benefit of another

Have any related parties been indebted to the District or had receivables from the District (not including advances with component units)

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

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

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

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

Submitted by:

VAVRINEK, TRINE, DAY & CO., LLP

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

Contact:

Roger E. Alfaro
ralfaro@vtdepa.com

February 9, 2016

VAVRINEK, TRINE, DAY & COMPANY, LLP
Certified Public Accountants
Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 1 – Firm Information/Transmittal Letter</td>
<td>1</td>
</tr>
<tr>
<td>Section 2 – Statement of Experience</td>
<td></td>
</tr>
<tr>
<td>1. Firm’s Qualifications and Experience</td>
<td>3</td>
</tr>
<tr>
<td>2. Record of Substandard Audit Work Affirmation</td>
<td>5</td>
</tr>
<tr>
<td>3. Firm’s Experience - List of Municipal Clients Served by VTD</td>
<td>6</td>
</tr>
<tr>
<td>4. Firm’s Experience</td>
<td>7</td>
</tr>
<tr>
<td>5. Independent Standards of the GAO Affirmation</td>
<td>7</td>
</tr>
<tr>
<td>Section 3 – Exceptions to the District’s Contract Terms</td>
<td>8</td>
</tr>
<tr>
<td>Section 4 – References</td>
<td>9</td>
</tr>
<tr>
<td>Section 5 – Proposed Staffing &amp; Project Organization</td>
<td></td>
</tr>
<tr>
<td>1. Engagement Team</td>
<td>11</td>
</tr>
<tr>
<td>2. Organization Resumes</td>
<td>11</td>
</tr>
<tr>
<td>Section 6 – Project Understanding</td>
<td>16</td>
</tr>
<tr>
<td>Section 7 – Scope of Work – Technical Portion</td>
<td></td>
</tr>
<tr>
<td>1. Independence Standards of GAO</td>
<td>17</td>
</tr>
<tr>
<td>2. Licensed Certified Public Accountants</td>
<td>17</td>
</tr>
<tr>
<td>3. Similar Engagements</td>
<td>17</td>
</tr>
<tr>
<td>4. Project Management</td>
<td>17</td>
</tr>
<tr>
<td>5. Complete Work Plan/Project Description</td>
<td>18</td>
</tr>
<tr>
<td>6. Proposed Audit Approach/Plan</td>
<td>20</td>
</tr>
<tr>
<td>7. Identification of Potential Audit Issues</td>
<td>24</td>
</tr>
<tr>
<td>8. Use of EDP Software</td>
<td>24</td>
</tr>
<tr>
<td>9. Assisting Local Governmental Units in Obtaining the Government</td>
<td>25</td>
</tr>
<tr>
<td>Financing Officers Association Award</td>
<td>25</td>
</tr>
<tr>
<td>10. Proposed Timeline</td>
<td>25</td>
</tr>
<tr>
<td>Appendix A – Peer Review Report</td>
<td>26</td>
</tr>
</tbody>
</table>
February 9, 2016

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

Ladies and Gentlemen:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Very truly yours,

[Signature]

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

1. Firm’s Qualifications

_Vavrinek, Trine, Day & Co. LLP – VTD_

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

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

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

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

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

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

1. Firm’s Qualifications, (Continued)

*Professional Associations*

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

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

*Laguna Hills and Rancho Cucamonga Office*

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

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

The ranges of activities performed by our firm include:

- **Governmental auditing and consulting** - VTD currently provides services to more than 300 governmental agencies throughout California, including but not limited to Whittier Utility Authority, Yucaipa Valley Water District, Beaumont-Cherry Valley Water District, Municipal Water District of Orange County, Sacramento County Water Agency, Sacramento Area Sewer District, Sacramento Regional County Sanitation District, Montara Water and Sanitary District, and Glendale Water and Power.
- **Financial Institutions** - VTD currently provides auditing services to more than 70 independent banks throughout California. Our financial institutional clients have assets ranging from $50 million to in excess of $3 billion dollars.
- **Manufacturing, Retail and Distribution** - VTD currently provides auditing services to many commercial companies in California, Nevada and Arizona.
- **Tax Compliance** - Our commitment to our clients includes offering professional tax preparation and planning services. Each of our offices have tax partners with a complete tax practice to meet the needs of our clients.
- **Not for Profit** - VTD provides services to over one hundred not-for-profit entities.
- **Healthcare** - VTD provides auditing services to large governmental and not-for-profit healthcare providers.
Section 2 – Statement of Experience

1. Firm’s Qualifications, (Continued)

Quality Control

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

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

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

We also undergo period inspections by the PCAOB.

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

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

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

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

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

**CITIES**
- City of Alameda
- City of Brentwood
- City of Chico
- City of Concord
- City of Dana Point
- City of Davis
- City of Fairfield
- City of Folsom
- City of Foster City
- City of Glendale
- City of Gonzales
- City of Grand Terrace
- City of Greenfield
- City of Huntington Park
- City of Huntington Beach
- City of La Palma
- City of Laguna Beach
- City of Laguna Niguel
- City of Lake Forest
- City of Los Altos
- City of Monte Sereno
- City of Napa
- City of Palmdale
- City of Paramount
- City of Placentia
- City of Pleasanton
- City of Rancho Mirage
- City of Rancho Palos Verdes
- City of Rohnert Park
- City of Roseville
- City of Sacramento
- City of San Jacinto
- City of San Leandro
- City of San Ramon
- City of Santa Clara
- City of Saratoga
- City of South Gate
- City of South Lake Tahoe
- City of Suisun City
- City of Temecula
- City of Walnut Creek
- City of Whittier

**COUNTY GOVERNMENTS**
- County of Orange
- County of Placer
- County of Riverside
- County of Sacramento
- County of San Bernardino
- County of San Diego
- County of Sonoma
- County of Ventura
- County of Yolo

**WATER AGENCIES**
- Beaumont Cherry Valley Water District
- Elsinore Valley Municipal Water District
- Helix Water District
- Montara Water and Sanitary District
- Monterey Regional Water Pollution Control Agency
- Municipal Water District of Orange County
- Reclamation District #2035
- Sacramento County Water Agency
- Sacramento Groundwater Authority
- Santa Clara Water District
- Suisun-Solano Water Authority
- Yolo-Davis Clean Water JPA
- Yuba City Water District

**FIRST 5 COMMISSIONS**
- Contra Costa First 5 Commission
- First 5 Sacramento
- Fresno First 5 Commission
- Los Angeles First 5 Commission
- Orange County Children's & Families Commission
- Riverside First 5 Commission
- San Bernardino First 5 Commission
- Sonoma First 5 Commission
- Yolo First 5 Commission

**POWER AGENCIES**
- Alameda Municipal Power
- Glendale Water and Power
- Marin Energy Authority
- Silicon Valley Power

**TRANSPORTATION/TRANSIT AGENCIES**
- Capital Southeast Connector JPA
- High Desert Connector JPA
- Omnitrans
- Orange County Transportation Authority
- Sacramento Area Council of Governments
- San Joaquin Regional Rail Commission
- Santa Clara Valley Transportation Authority
- SR 91 Express Lanes
- Ventura County Transportation Commission
- Solano County Transportation Authority

**OTHER AGENCIES**
- Sacramento County Airport System
- Sacramento Solid Waste Fund
- Yolo County Habitat JPA
- Yolo Solano Air Quality District
- East Bay Regional Park District

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

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

4. Our Experience

VTD's Government Practice Group has professionals that are fully devoted to audits similar to the District. As we have noted VTD has significant experience auditing municipal and special purpose governments. The key components to our success include consistency of properly trained staff, assignment of staff with experience, timely communication in all aspects of the audit, planning, and understanding how to structure each audit to ensure efficiencies are achieved.

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

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

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

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

Our commitment to client service

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

5. VTD meets the independence standards of the GAO

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

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

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

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

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

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

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

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

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

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

- Scope of Work
- Annual Financial Report

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

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

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

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

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

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

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

1. Engagement Team

   The engagement team for the proposed audit services will include:

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

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

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

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

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

   o **Seniors / Staff to be assigned**

2. Organizational Resumes

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

**Mr. Roger Alfaro, CPA**
Audit Partner

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

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

2. Organizational Resumes, (Continued)

Mr. Roger Alfaro, CPA
Audit Partner (Continued)

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

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

FIRST 5 COMMISSIONS

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>First 5 Contra Costa</td>
<td></td>
<td></td>
</tr>
<tr>
<td>First 5 Los Angeles</td>
<td></td>
<td></td>
</tr>
<tr>
<td>First 5 Orange County</td>
<td></td>
<td></td>
</tr>
<tr>
<td>First 5 Placer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>First 5 Riverside</td>
<td></td>
<td></td>
</tr>
<tr>
<td>First 5 Sacramento</td>
<td></td>
<td></td>
</tr>
<tr>
<td>First 5 San Bernardino</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

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

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

2. Organizational Resumes, (Continued)

Mr. David Showalter, CPA
Audit Partner

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

<table>
<thead>
<tr>
<th>CITIES</th>
<th>COUNTY GOVERNMENTS</th>
<th>UTILITIES</th>
<th>FINANCING AUTHORITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Glendale</td>
<td>County of Yolo</td>
<td>Orange County Waste and Recycling</td>
<td>Sacramento County Public Financing Authority</td>
</tr>
<tr>
<td>City of Palmdale</td>
<td>County of San Bernardino</td>
<td>Sacramento Area Sewer District</td>
<td>Sacramento Tobacco Securitization Authority/Corp</td>
</tr>
<tr>
<td>City of Folsom</td>
<td>County of Sacramento</td>
<td>Sacramento County Solid Waste</td>
<td>Inland Empire Public Facilities Corporation</td>
</tr>
<tr>
<td>City of Lake Forest</td>
<td>County of Riverside</td>
<td>Sacramento Regional County Sanitation District</td>
<td>Sacramento Sanitation Districts Financing Authority</td>
</tr>
<tr>
<td>City of Covina</td>
<td>County of Orange</td>
<td>Alameda Municipal Power</td>
<td></td>
</tr>
<tr>
<td>City of Malibu</td>
<td></td>
<td>Glendale Water and Power</td>
<td></td>
</tr>
<tr>
<td>City of Davis</td>
<td></td>
<td>Elsinore Valley Municipal Water District</td>
<td></td>
</tr>
<tr>
<td>City of Riverside</td>
<td></td>
<td>Davis-Woodland Water Treatment JPA</td>
<td></td>
</tr>
<tr>
<td>City of Walnut Creek</td>
<td>Arrowhead Regional Medical Center</td>
<td>Ventura County Medical Center</td>
<td>Sacramento County Public Financing Authority</td>
</tr>
<tr>
<td>City of Concord</td>
<td>Verdugo Hills Hospital</td>
<td></td>
<td>Sacramento Tobacco Securitization Authority/Corp</td>
</tr>
<tr>
<td>City of Fairfield</td>
<td>Gateways Hospital and Mental Health Center</td>
<td>Riverside County Regional Medical Center</td>
<td>Inland Empire Public Facilities Corporation</td>
</tr>
<tr>
<td>City of South Lake Tahoe</td>
<td>Modoc Medical Center</td>
<td></td>
<td>Sacramento Sanitation Districts Financing Authority</td>
</tr>
<tr>
<td>City of La Palma</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Area of Specialization
Governmental Audits of Counties, Cities, Redevelopment Agencies, Public Utilities, Transportation Agencies, Special Districts, Hospitals, Non-profits, OMB A-133 Single Audits

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

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

2. Organizational Resumes, (Continued)

Ms. Jessica Andersen, CPA
Audit Manager

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

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

<table>
<thead>
<tr>
<th>CITIES</th>
<th>OTHER AGENCIES</th>
<th>TRANSIT AGENCIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Anaheim</td>
<td>Orange County Cemetery District</td>
<td>Orange County Transportation Authority</td>
</tr>
<tr>
<td>City of Dana Point</td>
<td>Municipal Water District of Orange County</td>
<td>(TDA/Meaure M)</td>
</tr>
<tr>
<td>City of Huntington Beach</td>
<td>California Insurance Pool Authority</td>
<td>San Bernardino Associated Governments</td>
</tr>
<tr>
<td>City of Laguna Beach</td>
<td>First 5 Riverside</td>
<td>(TDA/Meaure I)</td>
</tr>
<tr>
<td>City of Long Beach</td>
<td>Western Riverside County Regional Conservation Authority</td>
<td>Morongo Basin Transit Authority</td>
</tr>
<tr>
<td>City of Whittier</td>
<td>Elsinore Valley Municipal Water District</td>
<td></td>
</tr>
<tr>
<td></td>
<td>County of Orange Tobacco Settlement Fund</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COUNTRIES</th>
<th>OTHER AGENCIES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>County of Orange</td>
<td>Orange County Development Agency/Successor Agency</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Orange County Waste &amp; Recycling</td>
<td></td>
</tr>
<tr>
<td></td>
<td>California State University System (System-wide and campus)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Port of Long Beach</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Electric and Water Utilities - City of Anaheim</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Redevelopment Agency - City of Anaheim</td>
<td></td>
</tr>
</tbody>
</table>

**Area of Specialization**
Governmental Audits of Cities, Counties, RDA Successor Agencies, Enterprise Funds, Transportation Agencies, Special Districts, OMB A-133 Single Audits

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

**Continuing Education**
Various governmental accounting courses offered by the American Institute of Certified Public Accountants, California Society of CPAs and In-House Courses:
- Audit Risk Assessment
- Fraud Risk Assessment
- OMB A-133/Super Circular Updates
- Yellow Book: Government Auditing Standards
- Internal control documentation and testing
- Accounting and Auditing Updates, including the clarity standards
- New GASB Pronouncements
Section 5 – Proposed Staffing & Project Organization

2. Organizational Resumes, (Continued)

Ms. Renita Dukes, CPA
Audit Supervisor

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

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

CITIES
City of Paramount*
City of Palmdale

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

COUNTIES
County of Los Angeles

TRANSIT AGENCIES
San Bernardino Association of Governments (TDA/Measure I Audits)

First 5 San Bernardino

* Include Water Enterprise funds

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

Professional Affiliations
American Institute of Certified Public Accountants

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

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

**Overview of the Audits**

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

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

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

1. VTD meets the independence standards of the GAO

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

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

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

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

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

3. Engagements similar to Mesa Water District

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

4. Project Management

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

5. Complete Work Plan/Project Description

Overview of the Audits

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

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

Proposed segmentation of the engagement by staff

<table>
<thead>
<tr>
<th></th>
<th>Pre-Audit Planning</th>
<th>Interim Audit</th>
<th>Final Audit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partner</td>
<td>1</td>
<td>7</td>
<td>10</td>
<td>18</td>
</tr>
<tr>
<td>Manager</td>
<td>1</td>
<td>10</td>
<td>13</td>
<td>24</td>
</tr>
<tr>
<td>Supervisor</td>
<td>3</td>
<td>23</td>
<td>32</td>
<td>58</td>
</tr>
<tr>
<td>Senior</td>
<td>3</td>
<td>23</td>
<td>32</td>
<td>58</td>
</tr>
<tr>
<td>Staff</td>
<td>3</td>
<td>20</td>
<td>27</td>
<td>50</td>
</tr>
<tr>
<td>Paraprofessional</td>
<td>-</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>11</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>84</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>115</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>210</td>
</tr>
</tbody>
</table>

Level of staff and number of hours assigned to each segment

<table>
<thead>
<tr>
<th></th>
<th>Partner</th>
<th>Manager</th>
<th>Supervisor</th>
<th>Senior</th>
<th>Staff</th>
<th>Clerical</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Annual Financial Statement Audit</td>
<td>18</td>
<td>24</td>
<td>38</td>
<td>58</td>
<td>50</td>
<td>2</td>
<td>210</td>
</tr>
</tbody>
</table>

Audit Hours by Area

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

6. Our Proposed Audit Approach/Plan

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

The key characteristics of our engagement approach are:

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

**Project Management – Overall Audits**

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

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

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

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

Stage 1. Planning

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

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

Stage 2. Risk Assessment

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

1. Obtain an understanding of the entity and its environment and its risks and material compliance requirements. VTD will refer to the District’s prior year financial statements, annual budget document, municipal code and other relevant documentation to assist with our understanding of the District’s business environment and risks. VTD will also conduct inquiry with key individuals within the District who are responsible for executing the District’s strategic plan.
2. Obtain an understanding of the entity’s internal controls. VTD will refer to the District’s organizational charts, budget, written policies and procedures financial accounting systems to assist with our understanding of internal controls. VTD will also perform inquiry, observation, inspection and walk-throughs of key internal controls to ensure these key controls are properly designed and implemented.
3. Preliminary analytical review, determination of preliminary materiality levels.
4. Analysis of know misstatements, if any.
5. Consideration of risk of material misstatement at the individual account balance, class of transactions and disclosure level.
6. Assessing the risks of material misstatement at both the financial statement and relevant assertion levels.
7. Assess the risk of material noncompliance with laws and regulations that have a direct and material effect on the financial statements.

Stage 3. Preparation of the overall audit plan

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

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

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

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

We will also prepare:

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

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

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

Stage 4, the Interim Audit

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

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

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

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

Stage 4, the Interim Audit, (Continued)

This understanding will be accomplished through the use of:

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

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

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

Our focus will also involve:

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

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

Stage 4, the Interim Audit, (Continued)

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

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

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

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

Stage 5, the Final Audit

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

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

Stage 6, the Reporting Phase

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

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

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

Communication

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

6. Our Proposed Audit Plan, (Continued)

Management letters

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

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

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

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

7. Identification of Potential Audit Issues

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

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

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

8. Use of EDP Software in the engagement

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

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

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

10. Proposed Timeline

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

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

Peer Review Report

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

Yanari Watson Mcgaughey P.C.

Dale M. Yanari (1947-2004) • Randy S. Watson • G. Lance Mcgaughey • Don W. Gruenler
Financial Consultants/Certified Public Accountants

System Review Report

May 22, 2015

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

We have reviewed the system of quality control for the accounting and auditing practice of Vavrinek, Trine, Day & Co., LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended December 31, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants.

As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm’s compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

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

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

Yanari Watson Mcgaughey P.C.

Yanari Watson Mcgaughey P.C.

9250 East Cortella Avenue, Suite 450
Greenwood Village, Colorado 80112-3647
(303) 792-3020
Fax (303) 792-5155
Web site: www.ywmcpa.com
TECHNICAL PROPOSAL

MESA WATER DISTRICT
COSTA MESA, CALIFORNIA

Proposal to Perform Professional Auditing Services

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

FEBRUARY 10, 2016
# TABLE OF CONTENTS

Transmittal Letter ...................................................................................................................................................... 1  

**SECTION I** – Auditing Firm Information..................................................................................................................... 3  

**SECTION II** – Statement of Experience ......................................................................................................................... 4  

The Pun Group, LLP ........................................................................................................................................................ 4  
Staff Consistency ......................................................................................................................................................... 4  
Most Recent External Quality Control Review .................................................................................................. 5  
Federal or State Desk Review ............................................................................................................................................ 6  
Disciplinary Action........................................................................................................................................................ 6  
Quality Control ......................................................................................................................................................... 7  
Professional Development .............................................................................................................................................. 7  

**SECTION III** – Exceptions to Mesa Water’s Contract Terms .......................................................................................... 8  

**SECTION IV** – References ................................................................................................................................................... 9  
Firm Municipal Clients ...................................................................................................................................................... 10  

**SECTION V** – Proposed Staff and Project Organization .................................................................................................. 11  

Engagement Team ......................................................................................................................................................... 11  
Engagement Team Resumes ............................................................................................................................................... 12  

**SECTION VI** – Project Understanding .................................................................................................................................... 16  

**SECTION VII** – Scope of Work - Technical Portion ........................................................................................................ 18  

Independence ......................................................................................................................................................... 18  
License to Practice in California .............................................................................................................................................. 18  
Specific Audit Approach and Methodology ................................................................................................ 19  
Level of Staff and number of hours to be assigned to each proposed segment of the Engagement .......... 20  
Proposed Segmentation of the Engagement ........................................................................................................ 20  
Extent Statistical Sampling is to be Used in this Engagement and the Sample Size ................................................. 20  
Approach to be take in Determining Audit Samples for Purposes of Compliance Testing ................................................. 21  
Type and Extent of Analytical Procedures to be Used in the Engagement .............................................................. 21  
Approach to be taken to gain and document an understanding of the District’s internal control structure .................................................. 21  
Approach to be taken in determining laws and regulations that will be subject to audit test work ................. 21  
Approach to be taken in drawing audit samples for purposes of tests of compliance ......................................................... 21  
Identification of Anticipated Potential Audit Problems ........................................................................................................ 22  
Commitment to Government Finance and/or Accounting ................................................................................................. 22  
Client Training Seminar ................................................................................................................................................ 23  
Sample of Statements and Schedules to be Provided by Client ........................................................................................ 23  

Benefits of Choosing The Pun Group, LLP ................................................................................................................. 24  
Thank you ................................................................................................................................................................. 24  

**APPENDICES:**

Proof of Insurance ........................................................................................................................................................ 27  
Sample of PBC List .................................................................................................................................................. 28
February 10, 2016

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

Dear Sir/Madam:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sincerely,

The Pun Group, LLP  
Certified Public Accountants and Business Advisors

[Signature]

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

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

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

Business/Company Website Address:
www.pungroup.com

Type of Business/Company:
Limited Liability Partnership

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

The Pun Group, LLP

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

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

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

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

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

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

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

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

Staff Consistency

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

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

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

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

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

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

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

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

Disciplinary Action

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

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

**Quality-Control System**

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

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

**Professional Development**

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

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

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

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

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

The Firm has reviewed the Sample Professional Services Agreement (Appendix B) and will execute it with no exceptions, if selected. Executed Appendix C “RFP and Professional Services Agreement Acceptance Form” follows:

APPENDIX C
RFP AND PROFESSIONAL SERVICES AGREEMENT ACCEPTANCE FORM

Firm Name: The Pun Group, LLP

Address: 200 East Sandpointe Ave, Suite 600

City Santa Ana State CA Zip Code 92707

Telephone: (949) 777-8800 Fax: (949) 777-8850

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

Name of Authorized Representative: Paul J. Kaymark, CPA

Signature of Authorized Representative:

Date: February 10, 2016
MESA WATER DISTRICT
Proposal to Perform Professional Auditing Services

SECTION IV – REFERENCES

The following five clients are examples of some of the engagements that are similar to the requirements in the District’s proposal. Additional references are available upon request. Please feel free to contact these governmental agencies to learn more about their experiences working with us.

Reference No. 1

Governmental Client Name: Casitas Municipal Water District
Contact Individual: Ms. Denise Collin
Address: 1055 Ventura Avenue, Oak View, CA 93022
Year: 2015 - Present
Description of Services Provided:
- Audit of the Basic Financial Statements and CAFR Presentation
- Similar District with Camping and Recreation Facilities
GFOA’s Certificate of Achievement for Excellence in Financial Reporting: Yes

Reference No. 2

Governmental Client Name: Trabuco Canyon Water District
Contact Individual: Ms. Cindy Byerrum, Treasurer
Address: 32003 Dove Canyon Drive, Trabuco Canyon, CA 92679
Year: 2015 - Present
Description of Services Provided:
- Audit and preparation of the Basic Financial Statements

Reference No. 3

Governmental Client Name: El Toro Water District
Contact Individual: Ms. Neely Shahbakht
Address: 24251 Los Alisos Blvd., Lake Forest, CA 92630
Year: 2014 - Present
Description of Services Provided:
- Audit of the Basic Financial Statements and CAFR preparation
- Quarterly Agreed-Upon Procedures Engagement
GFOA’s Certificate of Achievement for Excellence in Financial Reporting: Yes

Reference No. 4

Governmental Client Name: Palmdale Water District
Contact Individual: Mr. Dennis Hoffmeyer
Address: 2029 East Avenue "Q", Palmdale, CA 93550
Year: 2014 - Present
Description of Services Provided:
- Audit and preparation of the Basic Financial Statements

Reference No. 5

Governmental Client Name: West County Wastewater District
Contact Individual: Mr. Dean Prater, CPA
Address: 2910 Hilltop Drive, Richmond, CA 94806
Year: 2015 - Present
Description of Services Provided:
- Audit of the Basic Financial Statements and CAFR Presentation
GFOA’s Certificate of Achievement for Excellence in Financial Reporting: Yes
MESA WATER DISTRICT
Proposal to Perform Professional Auditing Services

Firm Municipal Clients

The Pun Group, LLP has performed numerous audits of governmental organizations subject to financial and compliance audits. These audits were performed in accordance with auditing standards generally accepted in the United States, Government Auditing Standards, OMB Circular A-133 and its Compliance Supplement (when applicable), Office of the State Controller’s Minimum Audit Requirements and Reporting Guidelines for California Special Districts. A list of current engagements is as follows:

AT THE PUN GROUP, LLP WE WORK TOGETHER WITH OUR CLIENTS TO ADDRESS A VARIETY OF CHALLENGES LIKE:

- Reporting and Compliance Requirements
- Risk and Internal Controls
- Operational Transformation
- Technology Consulting

GFOA CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING:

100% of our clients that have submitted their reports to the GFOA have received the Certificate of Excellence.

UNPARALLELED PARTNERS SUPPORT:

Hands-on partner involvement always available to address our client’s needs and answer questions.

OUR SERVICES INCLUDE:

- Financial statement audits
- Performance audits
- Single audit (OMB Circular A-133)
- Employee benefit plan audits
- Internal controls evaluations

Special Districts:
- Altadena Library District
- Antelope Valley State Water Contractors Association
- Barstow Heights Community Services District
- Big Bear City Airport District
- Big Bear City Community Services District
- Bodega Bay Fire Protection District
- Casitas Municipal Water District
- Desert Recreation District
- Desert Recreation Foundation
- Diablo Water District
- East Orange County Water District
- El Toro Water District
- Encinitas Ranch Golf Authority
- Fallbrook Healthcare District
- Las Virgenes Municipal Water District
- Las Virgenes-Triunfo JPA
- Marina Coast Water District
- Menlo Park Fire Protection District
- Newport Coast Elementary School District
- North Count Fire Protection District
- North County Dispatch JPA
- North of the River Municipal Water District
- Orange County Coastkeeper
- Palmdale Water District
- Palos Verdes Library District
- Port of Hueneme - Oxnard Harbor District
- Rancho Santa Fe Fire Protection District
- Riverside County Flood Control and Water Conservation District
- San Diego Coastkeeper
- San Dieguito Water District Audit
- San Mateo Mosquito and Vector Control District
- South Bay Regional Public Communications Authority
- Southwestern Community College District
- Stallion Springs Community Services District
- The Farm Mutual Water Company
- Trabuco Canyon Water District
- Valley Sanitary District
- West County Agency
- West County Wastewater District
- West Valley Water District
- Wilmington Cemetery District

Cities/Towns:
- City of Arvin
- City of Arcadia
- City of Bradbury
- City of Calexico
- City of Carpinteria
- City of Cerritos
- City of Chula Vista
- City of Clearlake
- City of Clovis
- Town of Danville
- City of Desert Hot Springs
- City of Encinitas
- City of Fairfield
- City of Gardena
- City of Hemet
- City of Hermosa Beach
- City of Huntington Beach
- City of Industry
- City of Lakewood
- City of Monterey Park
- City of Morro Bay
- City of National City
- City of Placerville
- City of Poway
- City of Ridgecrest
- City of San Bernardino
- City of Solana Beach
- City of Shafter
- City of Stockton

Health Centers:
- Alliance Medical Center
- Anderson Valley Health Clinic
- Centro Medico Community Clinic
- Desert Hot Springs Health and Wellness Foundation
- Family Health Centers of San Diego
- Industry Convalescent Hospital
- Marin City Health and Wellness Center
- McCloud Healthcare Clinic
- Mountain Valleys Health Centers
- Redwood Coast Medical Services
- Shingletown Medical Center
- Tulare Community Health Clinic
- United Health Centers of San Joaquin Valley

Transportation Agencies/Authorities:
- Gold Coast Transit
- San Diego Metropolitan Transit System
- Shasta Regional Transportation Agency
- Ventura County Railroad Company, LLC
- Ventura County Transportation Commission
SECTION V – PROPOSED STAFF AND PROJECT ORGANIZATION

Engagement Team

The Engagement Team is carefully chosen to provide the District with all services needed to successfully complete the audit. The Engagement and Concurring Partners are personally involved in the audit, and the Engagement Team has significant experience in governmental auditing. Our broad experience and technical capabilities allow us to provide technical support, interpret findings, and offer effective solutions to any issues.

The personnel assigned to this engagement are fully qualified to perform an effective and efficient audit of the District, and their extensive experience will be invaluable to the audit process. Our professionals are familiar with the complexities of governmental accounting, auditing, and financial reporting, including but not limited to, all GASB pronouncements, the Single Audit Act, Uniform Guidance (formerly OMB Circular A-133), and fund operations.

If the Firm changes key personnel for reasons other than those specified in the Proposal, we will provide the District with written notification and will only be changed with the express prior written permission of the District.

Audit personnel may be replaced only by those with similar or better qualifications and experience. Resumes for key Engagement Team members follow.

The personnel assigned to this engagement are fully qualified to perform an effective and efficient audit of the District, and their extensive experience will be invaluable to the audit process. Our professionals are familiar with the complexities of governmental accounting, auditing, and financial reporting, including but not limited to, all GASB pronouncements, the Single Audit Act, Uniform Guidance (formerly OMB Circular A-133), and fund operations.

If the Firm changes key personnel for reasons other than those specified in the Proposal, we will provide the District with written notification and will only be changed with the express prior written permission of the District.

Audit personnel may be replaced only by those with similar or better qualifications and experience. Resumes for key Engagement Team members follow.
Paul J. Kaymark is an Audit Partner with the Governmental and Not-for-Profit Practice of The Pun Group, LLP. Prior to joining our firm, Paul spent over twenty-years with KPMG, McGladrey and CZF CPA being part of the governmental and not-for-profit audit services practice.

Paul has also provided significant other services to various governmental and not-for-profit entities. In these engagements, he has been involved in the strategic planning processes, design and implementation of policies and procedures manuals and operational and organizational reviews of accounting departments. He has also been involved in the implementation of performance management budgeting and planning processes, financial reviews, trend analysis, cash management practices and utility rate setting.

**EDUCATION**

- BS Degree in Business Administration, emphasis in Accountancy from California State University, Long Beach.
- *Licensed by the State of California*

**PROFESSIONAL & CIVIC AFFILIATIONS**

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Certified Public Accountants (CalCPA)
- Member, Government Finance Officers Association (GFOA)
- Member, California Society of Municipal Finance Officers (CSMFO)
- GFOA Certificate for Excellence in Financial Reporting – Reviewer

**PROFESSIONAL EXPERIENCE**

- Altadena Library District
- Barstow Heights Community Services District
- Big Bear City Community Services District
- Big Bear City Airport District
- Bodega Bay Fire Protection District
- Casitas Municipal Water District
- Desert Recreation Foundation
- Desert Recreation District
- Diablo Water District
- East Orange County Water District
- El Toro Water District
- Festival of Arts of Laguna Beach
- Festival of Arts of Laguna Beach
- Gold Coast Transit
- Mountain Meadows Community Services District
- North County Dispatch JPA
- North County Fire Protection District
- North of the River Municipal Water District
- Orange County Coastkeeper
- Palmdale Water District
- Palos Verdes Library District
- Port of Hueneme - Oxnard Harbor District
- Public Agencies Self Insurance System
- Rancho Santa Fe Fire Protection District
- San Diego Coastkeeper
- San Mateo Mosquito and Vector Control District
- South Bay Regional Public Communications Authority
- Stallion Springs Community Services District
- The Farm Mutual Water Company
- Trabuco Canyon Water District
- County of Ventura (Local Transportation Fund)
- Ventura County Railroad Company, LLC
- West County Agency
- West County Wastewater District
- Wilmington Cemetery District

**CONTINUING PROFESSIONAL EDUCATION**

- Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: Uniform Guidance (formerly OMB Circular A-133)
  - Financial Accounting Standards Board Annual Updates
  - Statement on Standards for Accounting and Review Services Updates

- Has met the current CPE educational requirements to perform audits of governmental agencies.
Gary M. Caporicci has more than forty years of diversified business experience, including a specialization in audit and management consulting for government organizations. Gary’s clients include public and private universities and colleges, city and county governments, state agencies, joint power authorities, healthcare agencies, transportation agencies, and special districts. Known for his expertise in the areas of construction and government, Gary wrote the AICPA audit guides on these topics, and he has authored many audit and accounting courses for professional groups, as well as academic institutions. He frequently speaks and lectures at many professional organizations, governmental seminars, and conferences held by industry associations, other accounting firms, and universities. In addition, he authors white papers for the California Committee on Municipal Accounting.

Prior to working with the Firm, Gary founded his own accounting practice. He also spent eleven years with a “Big Eight” professional services firm, where he was an Audit Manager and gained broad experience in a wide range of industries such as government, construction, manufacturing, mutual funds, and insurance. Prior to that, Gary held a consultant position with a “Big Four” practice and was Vice President of a national insurance and financial services company.

In 2015 Gary Caporicci was appointed to the State Retirement Advisory Committee by the State Controller.

EDUCATION

✓ BS Degree in Accounting and Finance from the Armstrong University

*Licensed by the State of California

PROFESSIONAL & CIVIC AFFILIATIONS

✓ Member and Instructor, American Institute of Certified Public Accountants (AICPA)
✓ Member, Author and Instructor, California Society of Certified Public Accountants (CalCPA)
✓ Past Chair, CalCPA Governmental Accounting and Auditing Committee
✓ Chair and Speaker, CalCPA Governmental Accounting and Auditing State Conferences
✓ Member, CalCPA Council
✓ Chair, California Committee on Municipal Accounting (CCMA)
✓ Member, Government Finance Officers Association (GFOA)
✓ Member, California Society of Municipal Finance Officers (CSMFO)
✓ Member, Governmental Accounting Standards Board (GASB),
✓ Member, Deposit and Investment Risks Disclosure Task Force (GASB No. 40)
✓ National Reviewer and Speaker, Government Finance Officers Association
✓ Adjunct Professor, National University
✓ Past Member, Texas Governmental Accounting and Auditing Committee
✓ GFOA Certificate for Excellence in Financial Reporting – Reviewer

CONTINUING PROFESSIONAL EDUCATION

✓ Author and instructor of various municipal accounting courses offered by CalCPA Education Foundation and local universities including:
  o Governmental and Nonprofit Annual Update
  o Government Auditing Standards
  o GASB Basic Financial Statements for State and Local Governments
  o Single Audits: Uniform Guidance (formerly OMB Circular A-133)
✓ Has met the current CPE educational requirements to perform audits of governmental agencies.
Melissa Ochoa, CPA*
Engagement Manager

Melissa Ochoa is a Manager in The Pun Group, LLP’s Assurance division. Melissa has over fifteen years of accounting and auditing experience working with governmental agencies, not-for-profit entities, and private for profit entities. Melissa also has particular expertise in conducting financial audits under GAO Yellow Book standards and compliance audits in accordance with Uniform Guidance (formerly OMB Circular A-133).

Melissa has performed audits and other attestation services for several governmental agencies throughout California including: special districts, airports, financing authorities, water, sewer, flood and sanitation districts. She has assisted these clients with publishing their Comprehensive Annual Financial Reports in compliance with GASB Statement No. 34.

Ms. Ochoa develops training materials and shares her expertise internally with other Firm professionals. Melissa is a frequent speaker at in-house seminars on topics related to government auditing standards and Single audits.

EDUCATION
- BA Degree in Business Administration, Emphasis in Accounting, from California State University, Fullerton
  *Licensed by the State of California

PROFESSIONAL & CIVIC AFFILIATIONS
- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Certified Public Accountants (CalCPA)
- Member, Member of Government Finance Officers Association (GFOA)
- Member, California Society of Municipal Finance Officers (CSMFO)

RELEVANT PROJECT EXPERIENCE

| Altadena Library District | Antelope Valley State Water Contractors Assoc. |
| Barstow Heights Community Services District | Big Bear City Airport District |
| Big Bear City Community Services District | Bodega Bay Fire Protection District |
| Casitas Municipal Water District | Desert Recreation District |
| Desert Recreation Foundation | Diablo Water District |
| East Orange County Water District | El Toro Water District |
| Festival of Arts of Laguna Beach | Festival of Arts of Laguna Beach |
| Gold Coast Transit | Mountain Meadows Community Services District |
| North County Dispatch JPA | North Count Fire Protection District |
| North of the River Municipal Water District | Orange County Coastkeeper |
| Palmdale Water District | Palos Verdes Library District |
| Port of Hueneme - Oxnard Harbor District | Public Agencies Self Insurance System |
| Rancho Santa Fe Fire Protection District | San Diego Coastkeeper |
| San Mateo Mosquito and Vector Control District | South Bay Regional Public Communications Authority |
| Stallion Springs Community Services District | The Farm Mutual Water Company |
| Trabuco Canyon Water District | County of Ventura (Local Transportation Fund) |
| Ventura County Railroad Company, LLC | West County Agency |
| West County Wastewater District | Wilmington Cemetery District |

CONTINUING PROFESSIONAL EDUCATION
- Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: Uniform Guidance (formerly OMB Circular A-133)
  - Financial Accounting Standards Board Annual Updates
  - Statement on Standards for Accounting and Review Services Updates
- Has met the current CPE educational requirements to perform audits of governmental agencies.
Frances Kuo is a Senior Manager in The Pun Group, LLP’s Assurance division. Frances has over ten years of accounting and auditing experience working with governmental agencies, not-for-profit entities, and employee benefit plans. Frances also has particular expertise in conducting financial audits under GAO Yellow Book standards and compliance audits in accordance with Uniform Guidance (formerly OMB Circular A-133).

Frances has performed audits and other attestation services for several municipalities throughout California including cities, counties, redevelopment agencies, public financing authorities, housing authorities, transportation agencies, and special Districts. She has assisted these clients with publishing their Comprehensive Annual Financial Reports in compliance with GASB Statement No. 34.

Ms. Kuo is the in-house instructor who provides training, both theoretical and on-the-job training, to lower level staff. She has developed training materials on the risk based audit approach, GASB Statement No. 34 reporting, Single Audits, and employee benefit plan audits.

**EDUCATION**

- BS Degree in Business Administration, Emphasis in Accounting, from the University of California, Riverside
- BA Degree in Economics from the University of California, Riverside

*Licensed by the State of California, Arizona and Virginia.

**PROFESSIONAL & CIVIC AFFILIATIONS**

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Certified Public Accountants (CalCPA)
- Member, California Society of Municipal Finance Officers (CSMFO)

**RELEVANT PROJECT EXPERIENCE**

<table>
<thead>
<tr>
<th>City of Arcadia</th>
<th>City of Bradbury</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Cerritos</td>
<td>City of Carpinteria</td>
</tr>
<tr>
<td>City of Desert Hot Springs</td>
<td>City of Gardena</td>
</tr>
<tr>
<td>City of Huntington Park</td>
<td>City of Huntington Beach</td>
</tr>
<tr>
<td>City of Hermosa Beach</td>
<td>City of Hemet</td>
</tr>
<tr>
<td>City of Industry</td>
<td>City of Monterey Park</td>
</tr>
<tr>
<td>City of Ridgecrest</td>
<td>Conejo Recreation and Park District</td>
</tr>
<tr>
<td>Las Virgenes Municipal Water District</td>
<td>Marina Coast Water District</td>
</tr>
<tr>
<td>Mountains Recreation and Conservation Authority</td>
<td>San Diego Transit Corporation Retirement Plan</td>
</tr>
<tr>
<td>Tulare Community Health Clinic</td>
<td>San Diego Metropolitan Transit System</td>
</tr>
<tr>
<td>San Diego Association of Governments</td>
<td>Southwestern Community College District</td>
</tr>
<tr>
<td>Valley Sanitary District</td>
<td>Shanghai Jiao Tong University Foundation of America</td>
</tr>
</tbody>
</table>

**CONTINUING PROFESSIONAL EDUCATION**

- Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: Uniform Guidance (formerly OMB Circular A-133)
  - Financial Accounting Standards Board Annual Updates
  - Statement on Standards for Accounting and Review Services Updates
- Has met the current CPE educational requirements to perform audits of governmental agencies.
SECTION VI – PROJECT UNDERSTANDING

Mesa Water District is requesting an opinion as to the fair presentation of its basic financial statements in accordance with generally accepted accounting principles (GAAP) and applicable laws and regulations. These audits are to be performed in accordance with all applicable and generally accepted auditing standards, including, but not limited to, the following:

- Generally accepted auditing standards as set for by the American Institute of Certified Public Accountants.
- The standards applicable to financial audits contained in the most current version of the Generally Accepted Government Auditing Standards (Yellow Book), issued by the Comptroller General of the United States.
- The provisions of the Single Audit Act.
- The provisions of U.S. Office of Management and Budget (OMB) Uniform Guidance (formerly known as Circular A-133), Audits of State and Local Governments and Non-Profit Organizations and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.
- Minimum audit requirements and reporting guidelines for special Districts pursuant to California Code of Regulation, State Controller, Subchapter 5, 1131.2 "Minimum Audit Requirements and Reporting Guidelines for Special Districts."

The Firm will:

- Perform an audit on all debt issues, to review both accounting treatment and compliance with the bond covenants. We understand Mesa Water® may require assistance with pension accounting and accounting for Other Post-Employment Benefits (OPEB) and GASB statements 68, 71 and 75. We have assigned Gary Caporicci, our GASB Implementation Specialist, who is appointed to the State Retirement Advisory Committee by the State Controller, in assisting the District in the implementation of GASB’s new Pension Standards.
- Prior to recording, all auditor adjusting journal entries will be discussed and explained to the CFO and the CPA who oversees the annual audit. The entries will be in a format that shows the lowest level of posting detail required for the District to enter the data into the general ledger.
- Issue a report on the fair presentation of the financial statements in conformity with generally accepted accounting principles, including an opinion of the fair presentation of the supplementary schedule of expenditures of federal awards in relation to the audited financial statements (if applicable).
- Issue a report on compliance and internal control over financial reporting based on an audit of the financial statements.
- Prepare a report or memorandum on Internal Control and prepare a Management Letter addressing all deficiencies noted including items not considered significant deficiencies or material weaknesses (i.e. immaterial findings). In this report, the Firm will also communicate any reportable conditions found during the audit and indicate whether they are also material weaknesses.
- Keep the District informed of any new state and federal developments affecting municipal finance and reporting standards.
- If requested, the engagement team will examine other reports or perform other services as required. Additional work will not conflict with the primary responsibilities of the services required. Additional time and fees will be negotiated based on the scope of the services requested.
- Make an immediate, written report to the District of all irregularities and illegal acts or indications of illegal acts of which they become aware to the following:
The Firm will insure that the General Manager and/or CFO is informed of each of the following:

- The auditor’s responsibility under generally accepted auditing standards
- Significant accounting policies
- Management judgments and accounting estimates
- Significant audit adjustments
- Other information in documents containing audited financial Statements
- Disagreements with management
- Management consultation with other accountants
- Major issues discussed with management prior to retention
- Difficulties encountered in performing the audit

The Firm will provide periodic reports to Mesa’s Finance Committee and present the final report(s) to the Board of Directors at an evening meeting.


The Firm will retain, at its own expense, all working papers and reports for a minimum of (7) seven years, unless the District notifies the Firm in writing of the need to extend the retention period. Upon request, the Firm will make working papers available to the Mesa Water District and the following parties or their designees:

- The District's Chief Financial Officer.
- Parties designated by the Federal or state governments or by the District as part of an audit quality review process.
- Auditors or entities of which the District is a sub recipient of grant funds.

The Firm will also comply with reasonable requests from successor auditors and allow them to review working papers that relate to matters of continuing accounting significance.
SECTION VII – SCOPE OF WORK - TECHNICAL PORTION

Independence

The Pun Group, LLP (the “Firm”) requires all employees to adhere to strict independence standards in relation to the Firm’s clients. These independence standards exceed, in many instances, the standards promulgated by the American Institute of Certified Public Accountants (AICPA).

The Pun Group, LLP certifies that it is independent of Mesa Water District (the “District”). The Firm meets independence requirements defined by the United States Government Accountability Office’s (U.S. GAO’s) Government Auditing Standards, and the American Institute of Certified Public Accountants (AICPA).

The Firm has had no professional relationships involving the District for the past five (5) years.

The Firm will give the Mesa Water District written notice of any professional relationships entered into during the period of the agreement.

License to Practice in California

The Firm and all key professional staff are licensed by the State of California to practice as Certified Public Accountants, and meet the Continuing Professional Education requirements under U.S. GAO’s Government Auditing Standards to perform the proposed audits.
Specific Audit Approach and Methodology

Our primary objective for the proposed audit is to examine the District’s financial statements and express our opinions on their fairness of presentation, in accordance with generally accepted accounting principles. Other objectives that will benefit the District include the following:

- To offer beneficial observations and recommendations about policies and procedures for accounting and operating controls.
- To identify opportunities to make District operations more efficient and reduce costs.
- To perform the audit efficiently and effectively, so disruption to office operations is minimized.
- To provide continuing advisory services to help the District implement recommendations.
- To meet these objectives at no additional cost to the District.
- The Firm will engage in statistical sampling, compliance tests, and substance testing throughout the audit engagement process, as a part of the Firm’s specific audit approach.

The Engagement Team will perform the audit in accordance with the Firm’s quality-control procedures, which include following standard audit programs, careful planning, using industry-standardized software for auditing and internal control documentation, and welcoming an objective review of audit work.

The Firm supplies portable computers and second monitors to the onsite staff members.

Our audit approach emphasizes careful planning, open communication, and proper assignment of responsibilities. This method ensures that audit requirements will be met with minimal disruption of the District’s daily operations, and that the audit will proceed efficiently with full understanding between the Engagement Team and the District.

The Firm will perform all services described on Section IV – Project Understanding of this proposal, utilizing the following audit approach and methodology:

1. Level of staff and number of hours to be assigned to each proposed segment of the engagement

We understand that the District is looking for value in the professional relationship they have with their auditors. Value comes from the knowledge, experience, and dedication that the auditing firm employs. We stress “employ” because all of the knowledge and expertise shown on paper will not benefit you unless it is applied. This application equates to time spent. We have developed an hours plan that we feel will accomplish the objectives of the District and meet your particular needs. We will utilize the information you have shared with us and our experience over the years auditing other governmental entities including agencies of a similar size and nature to develop an effective and efficient plan for all major areas.

Total Hours:

<table>
<thead>
<tr>
<th>Staff Classification Performing Work</th>
<th>Estimated Hours Annually</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partners</td>
<td>30</td>
</tr>
<tr>
<td>Managers</td>
<td>60</td>
</tr>
<tr>
<td>Senior Accountants</td>
<td>70</td>
</tr>
<tr>
<td>Staff Accountants</td>
<td>80</td>
</tr>
<tr>
<td><strong>Total Annual Hours:</strong></td>
<td><strong>240</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hours by Audit Phase</th>
<th>Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase I - Planning</td>
<td>24</td>
</tr>
<tr>
<td>Phase II - Interim</td>
<td>96</td>
</tr>
<tr>
<td>Phase III - Year End</td>
<td>96</td>
</tr>
<tr>
<td>Phase IV - Reporting</td>
<td>24</td>
</tr>
<tr>
<td><strong>Total Annual Hours:</strong></td>
<td><strong>240</strong></td>
</tr>
</tbody>
</table>

MESA WATER DISTRICT
Proposal to Perform Professional Auditing Services
2. Proposed Segmentation of the Engagement and Timeline

The audit will be performed in four phases:

**Initial Planning Meeting** | Entrance Conference: First Week of April each year

The Engagement Partner and Manager will meet with District’s Management to get up to speed with District policies and procedures, establish any specific requirements Management may have, identification of unique transactions, implementation of new GASB pronouncements, and develop the audit work plan for the engagement.

**Interim** | Exit Conference: Last Week of April each year

The Engagement Team—including the Engagement Partner—will assess accounting policies adopted by the District, obtain an understanding of the District and its operating environment, review internal controls on all significant transaction classes, perform walkthroughs and/or tests of internal control, perform preliminary analytical procedures, evaluate Single Audit compliance (if needed), identify any audit issues, and prepare confirmation correspondence. The Engagement Team and District Management will establish expectations including responsibilities and assignments for the year-end audit, and will hold a progress status meeting at the end of the Interim phase.

**Year-End** | Detailed Audit Plan: First Week of September; Exit Conference: Last Week of September

The Engagement Team—including the Engagement Partner—will conduct audit procedures on account balances in the general ledger, finish confirmation procedures, perform preliminary analytical procedures, search for unrecorded liabilities, perform substantive analytical review procedures, complete work on compliance with Federal Assistance, and conclude fieldwork. The Engagement Team and District Management will hold an exit conference at the end of the Year-End phase.

**Reporting** | Draft copies of reports will be provided in by Mid-October; Final reports and management letter will be provided no later than Mid-November of each year.

The Firm will review and prepare audit reports and perform quality control procedures in accordance with the Quality Control Standards issued by the AICPA. We will also review reports for compliance with GFOA reporting guidelines at no additional cost. Any comments will be issued in a letter to Management. At the District’s request, the Engagement Partner, Concurring Partner, and Managers will present the audit to the District’s governing body.

The Firm will complete the audit fieldwork and issue all reports within the established timeframe, assuming no internal or external (CalPERS GASB No. 68 Reporting) District circumstances delay the audit.

3. Extent Statistical Sampling is to be Used in this Engagement and the Sample Size

In our audit approach, statistical sampling is used in conjunction with our skilled judgment and knowledge of each situation. The population size and assurance level needed from any given test will determine the sample size used in our testing.
4. **Approach to be taken in Determining Audit Samples for Purposes of Compliance Testing**

To test compliance, we follow the AICPA’s *Audit Sampling Considerations of Uniform Guidance (formerly OMB Circular A-133) Compliance Audits*. We will select an appropriate sample size based on our professional judgment and knowledge. Any deviations from control and compliance requirements will be documented.

5. **Type and Extent of Analytical Procedures to be Used in the Engagement**

We use analytical procedures during the interim phase to set up expectations for the year-to-date results and balances and compare them with *budgeted* and prior-year amounts. This allows us to forecast year-end amounts, reducing the workload during the year-end phase and allowing us to focus on areas of concern.

We also use trend and ratio analysis to identify any uncertain or unusual events. In order to perform these analysis, our firm performs a survey of special agencies and develops benchmarks on certain key financial indicators, such as cost of services to tax revenues ratios, average general fund balance, capital assets, debt per capital, general fund unassigned fund balance to total general fund expenditures, etc.

Our staff members have the knowledge and experience to effectively use analytical procedures to the District’s benefit.

6. **Approach to be taken to gain and document an understanding of the District’s internal control structure**

Audit risk assessment will be established by an internal control review, combined with the Engagement Team’s understanding of the District’s operations and accounting software. Using the Committee of Sponsoring Organizations (COSO) Framework, staff members will evaluate the District’s processes and identify any control deficiencies. These diagnostic review procedures allow the Engagement Team to evaluate the District’s systems and controls and to provide constructive feedback to District Management.

The Engagement Team will perform a walkthrough of the District’s accounting systems, including processes for financial reporting, revenue recognition and cash receipts, purchasing/contract management and cash disbursements, and payroll and related liabilities, etc. Auditors will document the process with a flowchart or narrative summary.

7. **Approach to be taken in determining laws and regulations that will be subject to audit test work**

The Firm stays continually up to date with audit requirements—including new regulations, compliance supplements, state guidelines, and pertinent contracts—to ensure that we conduct audits in accordance with applicable laws and regulations. We test transactions for compliance with the Single Audit Act, California Government Code, GANN Appropriations Limit, provisions of applicable grant guidelines, requirements of local measures, etc.

For example, the Single Audit Act requires that we determine which grants to include in our audit and select transactions from those grants for detailed testing. While most transactions are tested as part of the Interim phase, we cannot determine which grants to test for the Single Audit until the Year-End phase of audit.

Our compliance audits of cash, investments, debt covenants, and other areas are performed in accordance with the California Government code, which has many provisions and regulations covering investments.

8. **Approach to be taken in drawing audit samples for purposes of tests of compliance**

To test compliance, we follow the AICPA’s *Audit Sampling Considerations of Circular A-133 Compliance Audits*. We will select an appropriate sample size based on our professional judgment and knowledge. Any deviations from control and compliance requirements will be documented.
9. Identification of Anticipated Potential Audit Problems

While we do not expect any problems with the audit, we will carefully investigate and monitor the following common problem areas:

- **Investments:**
  - Compliance with GASB 31 and GASB 34
  - Authorization and approval process for District investments
  - Controls to assure District compliance with investment limitations and types of specific investments
  - Monitoring by the District of its investments

- **Financial Reporting:**
  - CAFR compliance with current reporting and disclosure requirements issued by GASB
  - CAFR eligibility for financial reporting conformance awards issued by GFOA
  - Compliance with the various GASBs in effect, especially the implementation of GASB 68 and 71 related to pension accounting
  - Compliance with infrastructure obligations and regulatory provisions

- **Internal Control Structure:**
  - District's internal control functions and compliance with proper internal control philosophies
  - Computer-system processes and controls, and adequacy of the control environment

Over the period of this proposal, several new GASB pronouncements will become effective. The Engagement Team will pay specific attention to the following new and upcoming pronouncements, and any others that become effective during the proposal period, in order to determine proper implementation procedures:

- **GASB 68** – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27
- **GASB 69** – Government Combinations and Disposals of Government Operations
- **GASB 71** – Pension Transition for Contributions Made Subsequent to the Measuring Date
- **GASB 74** – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans
- **GASB 75** – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions
- **GASB 76** – The Hierarchy of Generally Accepted Account Principles for State and Local Governments
- **GASB 77** – Tax Abatement Disclosures

**Commitment to Government Finance and/or Accounting**

The Firm strongly believes and applies the following guidelines to educate employees, providing them with the necessary skills to meet the solicitation requirements:

Professional personnel participate in general and industry-specific continuing professional education and professional development activities that enable them to satisfy their professional responsibilities and meet the applicable continuing professional education requirements of the state board of accountancy, other applicable regulatory agencies, the AICPA, and state CPA societies, as applicable.

a. The Firm requires professional personnel to plan their professional development activities considering the requirements of the following:

   ✓ The state board of accountancy.
   ✓ Other applicable regulatory agencies.
   ✓ The AICPA and the state CPA societies.
   ✓ The clients and engagements to which they are or will be assigned.

b. The managing partner, in cooperation with other partners or designated management professionals, evaluates the planning and progress of all professional personnel toward meeting applicable licensure, regulatory, and professional society membership requirements and the needs of the Firm at least annually. In addition, it is the Firm’s policy that all professional personnel comply with the
continuing professional education requirements of the AICPA, State Boards of Accountancy where the Firm is licensed, the AICPA Governmental Audit Quality Center, the AICPA Employee Benefit Plan Audit Quality Center, the AICPA Center for Public Company Audit Firms, the U.S. Government Accountability Office, and other regulatory agencies, when applicable. This information is detailed in the Firm’s Human Resources Policy manual.

c. The Firm encourages professional staff to participate in other professional development activities such as graduate study, membership in professional and trade organizations, service on professional committees, writing for professional publications, and other professional development activities. The Firm encourages these activities as described in the Firm’s Human Resources Policy manual in which such policies are detailed and which also, describes recognition provided for individual accomplishments, such as passing the CPA Exam, attaining an advanced degree, serving with professional organizations, or publishing articles.

d. The Firm receives professional literature that keeps its professional personnel abreast of changes in accounting, auditing and attestation standards and industry-specific standards and developments. The managing partner designates professionals within the Firm to summarize and disseminate information that is relevant to its practice. The Firm informs personnel of recent changes in professional standards, and in areas noted as needing improvement.

All staff meet “Yellow Book” continuing education standards. Additionally, our staff has direct experience for this contract in the following areas:

- Federal Acquisition Regulations
- Uniform Guidance (formerly known as OMB Circular A-133)
- OMB Circular A-87
- OMB Circular A-122
- Firm’s current continuing education policies

The Firm is a proud sponsor of the CSMFO Annual Conference and our Partners have participated as speakers and writers of articles for their publications as well as the CalCPA and AICPA magazines.

**Client Training Seminar**

Every year, the Firm hosts a conference to update governmental clients on new technical accounting and financial issues. The day-long session—held in Clovis, San Diego, Cerritos, and Danville—qualifies for eight hours of CPE with the California Board of Accountancy.

Participants of last year’s training seminar received a high-level examination of numerous technical issues, including the following:

- GASB Updates
  - GASB No. 72 – Fair Value Measurement and Application
  - GASB No. 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68
  - GASB No. 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans
  - GASB No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions
- Uniform Grant Guidance
- Survey of Cities and Counties

Importantly, all of our clients are invited to attend the Pun Group, LLP client training seminar **FREE OF CHARGE**

**Sample of Statements and Schedules to be provided by Client**

A sample of our PBC list can be found on the appendices section of this proposal.
Benefits of Choosing The Pun Group, LLP

The Pun Group, LLP is known for its professionalism, integrity, and ability to guide clients through their unique challenges. Firm policy emphasizes providing personalized client service, so our carefully chosen engagement teams are led by an experienced partner who is directly involved in the work. This philosophy allows us to provide a superior level of service.

We trust that this proposal has given you the information you need about the Firm, the Engagement Team members, overall audit approach, cost-saving measures, and audit fees. We are committed to exceeding your expectations, and we look forward to bringing our experience and expertise to the Mesa Water District and providing you with the excellent level of service that you expect and deserve.

Thank You

Thank you for giving us the opportunity to introduce the Firm and submit our qualifications to provide you with audit services. Please direct inquiries to:

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

Sincerely,

The Pun Group, LLP
Certified Public Accountants and Business Advisors
APPENDICES

✓ Proof of Insurance
✓ Sample of PBC List
This page intentionally left blank.
### MESA WATER DISTRICT

Proposal to Perform Professional Auditing Services

---

**CERTIFICATE OF LIABILITY INSURANCE**

- **Date:** 05/05/2015
- **Producer:** Leavitt Ins Agency San Diego
- **Phone:** 858-259-5800
- **Fax:** 858-259-6069
- **Email:** sandra-bao@leavitt.com

**INSURED:** The Pun Group, LLP
- **Address:** 200 E Sandpointe, #600
- **City:** Santa Ana, CA 92707

**COVERAGES**

<table>
<thead>
<tr>
<th>SUB</th>
<th>TYPE OF INSURANCE</th>
<th>INSURER</th>
<th>LIMITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>GENERAL LIABILITY</td>
<td>Travelers Casualty Ins Co Amer</td>
<td>$2,000,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Argonaut Midwest Insurance Co</td>
<td>$1,000,000</td>
</tr>
</tbody>
</table>

**Disclaimer:** Important: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

**Certificate Number:**

**Revision Number:**

**Certificate Holder:** Evidence of Insurance

**Cancellation:** Should any of the above described policies be cancelled before the expiration date thereof, notice will be delivered in accordance with the policy provisions.

Authorized Representative: Sandra Bao

©1988-2010 ACORD CORPORATION. All rights reserved.

---

**ACORD 25 (2010/05)**

The ACORD name and logo are registered marks of ACORD

27
## MESA WATER DISTRICT
### Proposal to Perform Professional Auditing Services

**Water District Client Assistance Request Package**
**FYE: June 30, 2016**

Please provide the following schedules and information to assist with the audit. These requests will allow us to complete the audit of your financial statements in a timely and efficient manner. We will be basing our audit plan on the assumption that all schedules listed below will be available for our use on the dates indicated. This list is not all-inclusive. We may, and probably will, request other items as our audit progresses. Microsoft Excel and Word formats are preferred, but Adobe and scanned hard copy reports are also helpful. If you have any questions on any of the schedules or if there are areas where we may be of assistance, please feel free to contact us.

**Interim Fieldwork Start Date: 5/4/16**
**Year End Fieldwork Start Date: 9/14 Monday and 9/15 Tuesday**

<table>
<thead>
<tr>
<th>Request Number</th>
<th>Requested Item</th>
<th>Date Requested</th>
<th>Date Expected</th>
<th>Date Received</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budget</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>General</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Most recent chart of accounts, if any changes from chart received at interim.</td>
<td>9/4/2016</td>
<td>9/8/2016</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Most recent roll-ups for the balance sheet and income statements line items, if any changes from list received at interim.</td>
<td>9/4/2016</td>
<td>9/8/2016</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Listing and description of any commitments and contingencies for FY2015-2016 that are required for note disclosure.</td>
<td>9/4/2016</td>
<td>9/8/2016</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Description of subsequent events for note disclosure, if any</td>
<td>9/4/2016</td>
<td>9/8/2016</td>
<td></td>
</tr>
<tr>
<td><strong>Trial Balances</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash and Investments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Accounts Receivable and Other Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>List of accounts opened and closed during FY2015-2016. If there are any, please provide proof of proper authorization provided to the bank</td>
<td>9/4/2016</td>
<td>9/8/2016</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Summary for all restricted cash and investments held by fiscal agents by trustee account at June 30, 2016 (excel)</td>
<td>9/4/2016</td>
<td>9/8/2016</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Trustee statements for all restricted cash and investments held by fiscal agents at June 30, 2016 (PDF)</td>
<td>9/4/2016</td>
<td>9/8/2016</td>
<td></td>
</tr>
<tr>
<td><strong>Investment Policy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>a) credit rating for each investment</td>
<td>9/4/2016</td>
<td>9/8/2016</td>
<td></td>
</tr>
<tr>
<td><strong>Accounts Receivable and Other Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# MESA WATER DISTRICT

## Proposal to Perform Professional Auditing Services

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Date</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>24</td>
<td>Detailed listing of all interest receivable at June 30, 2016</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
<tr>
<td>25</td>
<td>Detailed listing of all other receivables at June 30, 2016, including due from other government</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
<tr>
<td></td>
<td><strong>Prepaid Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>Prepaid expenses and other deposits detail listings as of June 30, 2015 (excel)</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
<tr>
<td></td>
<td><strong>Capital Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>Schedule of beginning balances, additions, deletions, and ending balances of capital assets and accumulated depreciation at June 30, 2016 (excel)</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
<tr>
<td>28</td>
<td>Detailed listing of all additions and deletions for all capital assets during FY2015-2016 (excel)</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
<tr>
<td>30</td>
<td>CIP detail schedule showing by project and with beginning balance, additions, deletions, capitalizations, and ending balance for the year ended June 30, 2016 (excel)</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
<tr>
<td>31</td>
<td>Calculation of gains and losses for all capital assets disposed during FY2015-2016, if any</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
<tr>
<td>32</td>
<td>Listing of amount and description of donated capital assets during FY2015-2016, if any</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
<tr>
<td>33</td>
<td>Listing of any impairments of capital assets during FY2015-2016, if any</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
<tr>
<td>34</td>
<td>Copy of the inventory of capital assets done in FY2015-2016</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
<tr>
<td>35</td>
<td>Supporting documentation for the Water Participation Rights</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
<tr>
<td>36</td>
<td>Supporting documentation for the CIP Projects</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
<tr>
<td></td>
<td><strong>Accounts Payable and Other Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>37</td>
<td>Detailed listing of all accounts payable at June 30, 2016 (excel)</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
<tr>
<td>39</td>
<td>A/P Accrual Detail Listing as of June 30, 2016</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
<tr>
<td>40</td>
<td>Accounts payable check register as of July 1, 2016 through date of fieldwork</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
<tr>
<td>41</td>
<td>Listing and support of all unearned revenues</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
<tr>
<td>42</td>
<td>Listing of all deposits payable as of June 30, 2016 including customer and construction (excel)</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
<tr>
<td></td>
<td><strong>Accrued Payroll and related</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>43</td>
<td>Detailed listing and calculation of all accrued salaries payable at June 30, 2016 (excel)</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
<tr>
<td>44</td>
<td>Payroll registers for pay periods included in accrual and explanations on accrual calculation at June 30, 2016</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
<tr>
<td>45</td>
<td>Form 941s for FY2015-2016 (all quarters) and reconciliations to total annual payroll</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
<tr>
<td>46</td>
<td>List beginning balances, additions, deletions, and ending balances of compensated absences at June 30, 2016 (excel)</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
<tr>
<td>48</td>
<td>Number of retirees and employees eligible to retirement health plan as of June 30, 2016</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
<tr>
<td>49</td>
<td>Amount of OPEB expenditures in FY2015-2016 contributed to the plan (supporting documentation/calculation) and annual OPEB cost calculation</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
<tr>
<td></td>
<td><strong>Long-term liabilities (Debt Related)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50</td>
<td>Long-term debt schedule as of June 30, 2016 (excel)</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
<tr>
<td>51</td>
<td>Copy of all debt agreements</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
<tr>
<td>52</td>
<td>Please provide supporting documents on the District’s compliance with debt covenants.</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
<tr>
<td>53</td>
<td>Schedule of amortization of bond discount</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
<tr>
<td>54</td>
<td>Schedule of accrued interest payable</td>
<td>9/4/2016</td>
<td>9/8/16</td>
</tr>
<tr>
<td></td>
<td><strong>Revenue and Expenses</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

29
<table>
<thead>
<tr>
<th>No.</th>
<th>Description</th>
<th>Date</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>55</td>
<td>Explanation to Revenue and Expenditures over/under budget (items requiring explanations to be provided by PenGroup after receiving FY2015-2016 Revenue and Expenditure Status Report)</td>
<td>9/4/16</td>
<td>9/8/16</td>
</tr>
<tr>
<td>56</td>
<td>Listing of purchased water expense in FY2015-2016</td>
<td>9/4/16</td>
<td>9/8/16</td>
</tr>
<tr>
<td>57</td>
<td>Copy of listing of FY2015-2016 premium payments for workers' comp, general liability, and reinsurance support programs</td>
<td>9/4/16</td>
<td>9/8/16</td>
</tr>
<tr>
<td>58</td>
<td>Copy of FY2015-2016 insurance declarations page showing policy coverage amounts and deductible for general liability, property, inverse condemnation, auto, physical damage, and reinsurance support program</td>
<td>9/4/16</td>
<td>9/8/16</td>
</tr>
<tr>
<td>59</td>
<td>Copy of FY2015-2016 workers compensation policy with ACWA/IPIA</td>
<td>9/4/16</td>
<td>9/8/16</td>
</tr>
</tbody>
</table>
REPORTS AND INFORMATION ITEMS:

16. REPORT OF THE GENERAL MANAGER:
   - March Key Indicators Report
   - Other (no enclosure)
Goal #1: Provide a safe, abundant, and reliable water supply

FY16 Potable Production (Acre Feet)

<table>
<thead>
<tr>
<th>Water Supply Source</th>
<th>FY2016 YTD Actual (AF)</th>
<th>FY2016 YTD Budget (AF)</th>
<th>FY2016 Annual Budget (AF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clear Water</td>
<td>8,355</td>
<td>8,727</td>
<td>11,982</td>
</tr>
<tr>
<td>Amber Water (MWRF)</td>
<td>2,500</td>
<td>1,985</td>
<td>3,378</td>
</tr>
<tr>
<td>Import</td>
<td>83</td>
<td>621</td>
<td>1,000</td>
</tr>
<tr>
<td>CPTP</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Production</strong></td>
<td><strong>10,937</strong></td>
<td><strong>11,333</strong></td>
<td><strong>16,360</strong></td>
</tr>
</tbody>
</table>

YTD actual water production (AF) through March 31, 2016

Water Production by Source - 12 Month Trailing Percent of Acre Feet Produced

![Water Production by Source Chart]

- Clear Water
- Amber
- CPTP
- Imported

Page 1 of 7
Goal #1: Provide a safe, abundant, and reliable water supply

FY16 System Water Quality – This data reflects samples taken in February

<table>
<thead>
<tr>
<th>Distribution System:</th>
<th>Average</th>
<th>Range</th>
<th>MCL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chlorine Residual (mg/L)</td>
<td>1.83</td>
<td>0.25 – 2.97</td>
<td>4</td>
</tr>
<tr>
<td>Compliance</td>
<td></td>
<td>Current RAA = 2.00</td>
<td>RAA</td>
</tr>
<tr>
<td>Coliform Positive %</td>
<td>0</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Compliance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Temperature (°F)</td>
<td>70.1</td>
<td>61 – 80</td>
<td>None</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reservoir I &amp; II:</th>
<th>Average</th>
<th>Range</th>
<th>MCL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chlorine Residual (mg/L)</td>
<td>1.65</td>
<td>1.21 – 1.96</td>
<td>None</td>
</tr>
<tr>
<td>Monochloramine (mg/L)</td>
<td>1.46</td>
<td>1.11 – 1.8</td>
<td>None</td>
</tr>
<tr>
<td>Ammonia (mg/L)</td>
<td>0.36</td>
<td>0.25 – 0.49</td>
<td>None</td>
</tr>
<tr>
<td>Temperature (°F)</td>
<td>70.1</td>
<td>64 – 77</td>
<td>None</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Wells (Treated):</th>
<th>Average</th>
<th>Range</th>
<th>MCL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chlorine Residual (mg/L)</td>
<td>2.45</td>
<td>2.00 – 2.81</td>
<td>None</td>
</tr>
<tr>
<td>Monochloramine (mg/L)</td>
<td>2.22</td>
<td>1.68 – 2.54</td>
<td>None</td>
</tr>
<tr>
<td>Ammonia (mg/L)</td>
<td>0.55</td>
<td>0.41 – 0.68</td>
<td>None</td>
</tr>
<tr>
<td>Temperature (°F)</td>
<td>72.9</td>
<td>65 – 79</td>
<td>None</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MWRF:</th>
<th>Average</th>
<th>Range</th>
<th>MCL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chlorine Residual (mg/L)</td>
<td>2.41</td>
<td>2.18 - 2.78</td>
<td>None</td>
</tr>
<tr>
<td>Monochloramine (mg/L)</td>
<td>2.16</td>
<td>1.98 – 2.3</td>
<td>None</td>
</tr>
<tr>
<td>Ammonia (mg/L)</td>
<td>0.58</td>
<td>0.54 – 0.61</td>
<td>None</td>
</tr>
<tr>
<td>Temperature (°F)</td>
<td>79.5</td>
<td>77 – 82</td>
<td>None</td>
</tr>
<tr>
<td>Color (CU) Compliance</td>
<td>ND</td>
<td>ND</td>
<td>15</td>
</tr>
<tr>
<td>Odor (TON) Compliance</td>
<td>5</td>
<td>2 - 8</td>
<td>3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Water Quality Calls/Investigations:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Calls</td>
<td>13</td>
</tr>
<tr>
<td>Total Investigations (from calls)</td>
<td>4</td>
</tr>
</tbody>
</table>
Goal #2: Practice perpetual infrastructure renewal and improvement

Revenues of Potable Water
(in thousands)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Jul</td>
<td>$2,000</td>
<td>$2,000</td>
<td>$2,000</td>
<td>$2,000</td>
</tr>
<tr>
<td>Aug</td>
<td>$2,300</td>
<td>$2,300</td>
<td>$4,300</td>
<td>$4,300</td>
</tr>
<tr>
<td>Sep</td>
<td>$2,500</td>
<td>$2,500</td>
<td>$6,800</td>
<td>$6,800</td>
</tr>
<tr>
<td>Oct</td>
<td>$2,700</td>
<td>$2,700</td>
<td>$9,500</td>
<td>$9,500</td>
</tr>
<tr>
<td>Nov</td>
<td>$2,900</td>
<td>$2,900</td>
<td>$12,400</td>
<td>$12,400</td>
</tr>
<tr>
<td>Dec</td>
<td>$3,100</td>
<td>$3,100</td>
<td>$15,500</td>
<td>$15,500</td>
</tr>
<tr>
<td>Jan</td>
<td>$3,300</td>
<td>$3,300</td>
<td>$18,800</td>
<td>$18,800</td>
</tr>
<tr>
<td>Feb</td>
<td>$3,500</td>
<td>$3,500</td>
<td>$22,300</td>
<td>$22,300</td>
</tr>
<tr>
<td>Mar</td>
<td>$3,700</td>
<td>$3,700</td>
<td>$26,000</td>
<td>$26,000</td>
</tr>
<tr>
<td>Apr</td>
<td>$3,900</td>
<td>$3,900</td>
<td>$29,900</td>
<td>$29,900</td>
</tr>
<tr>
<td>May</td>
<td>$4,100</td>
<td>$4,100</td>
<td>$34,000</td>
<td>$34,000</td>
</tr>
<tr>
<td>Jun</td>
<td>$4,300</td>
<td>$4,300</td>
<td>$38,300</td>
<td>$38,300</td>
</tr>
</tbody>
</table>

Total YTD $ 15,417 $15,975 $(558) (3.49%)
Goal #3: Be financially responsible and transparent

Actual vs. Budget Capital Spending
(current month actual figures are estimated)
Goal #4: Increase public awareness about Mesa Water® and about water

Web Site Information

<table>
<thead>
<tr>
<th>Web Site Information</th>
<th>February 2016</th>
<th>March 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visits to the web site</td>
<td>5,202</td>
<td>6,314</td>
</tr>
<tr>
<td>Unique visitors (First time to the site)</td>
<td>2,741</td>
<td>3,277</td>
</tr>
<tr>
<td>Average per day</td>
<td>179</td>
<td>203</td>
</tr>
<tr>
<td>Average visit length</td>
<td>2 minutes, 43 seconds</td>
<td>2 minutes, 35 seconds</td>
</tr>
<tr>
<td>Page visited most</td>
<td>Water Conservation Ordinance</td>
<td>Contact</td>
</tr>
<tr>
<td>Second most visited page</td>
<td>Contact</td>
<td>Payment Options</td>
</tr>
<tr>
<td>Third most visited page</td>
<td>Payment Options</td>
<td>Water Conservation Ordinance</td>
</tr>
<tr>
<td>Fourth most visited page</td>
<td>Rates &amp; Fees</td>
<td>Rates &amp; Fees</td>
</tr>
<tr>
<td>Fifth most visited page</td>
<td>Rebates</td>
<td>Board Biographies</td>
</tr>
<tr>
<td>Second most downloaded file</td>
<td>mesa-water-2015-wq-report.pdf</td>
<td>NEW Shaded Division Map</td>
</tr>
<tr>
<td>Most active day of the week</td>
<td>Wednesday</td>
<td>Monday</td>
</tr>
<tr>
<td>Least active day of the week</td>
<td>Sunday</td>
<td>Sunday</td>
</tr>
</tbody>
</table>

Total visits since June 1, 2002 1,096,221

Water Vending Machine Information

<table>
<thead>
<tr>
<th>Vending Machine Location</th>
<th>Vend Measurement</th>
<th>March 2016 Vends</th>
<th>Totals Vends</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mesa Water Office</td>
<td>1 gal</td>
<td>1289</td>
<td>205,493</td>
</tr>
</tbody>
</table>
Goal #5: Attract and retain skilled employees

<table>
<thead>
<tr>
<th>DEPARTMENT:</th>
<th>FY 2016</th>
<th>COMMENTS:</th>
</tr>
</thead>
<tbody>
<tr>
<td>OFFICE OF THE GENERAL MANAGER:</td>
<td>BUDGET</td>
<td>FILLED</td>
</tr>
<tr>
<td>Business Processes</td>
<td>1.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Subtotal</td>
<td>2.00</td>
<td>2.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ADMINISTRATIVE SERVICES:</th>
<th>BUDGET</th>
<th>FILLED</th>
<th>VACANT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Services</td>
<td>4.75</td>
<td>4.75</td>
<td>0.00</td>
</tr>
<tr>
<td>Human Resources</td>
<td>2.00</td>
<td>2.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Subtotal</td>
<td>6.75</td>
<td>6.75</td>
<td>0.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CUSTOMER SERVICES:</th>
<th>BUDGET</th>
<th>FILLED</th>
<th>VACANT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conservation</td>
<td>1.00</td>
<td>1.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Customer Service</td>
<td>8.00</td>
<td>8.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Information Technology</td>
<td>2.00</td>
<td>1.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Subtotal</td>
<td>11.00</td>
<td>10.00</td>
<td>1.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ENGINEERING:</th>
<th>BUDGET</th>
<th>FILLED</th>
<th>VACANT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineering</td>
<td>5.00</td>
<td>5.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Subtotal</td>
<td>5.00</td>
<td>5.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FINANCIAL SERVICES:</th>
<th>BUDGET</th>
<th>FILLED</th>
<th>VACANT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Reporting/ Cash Management/ Purchasing/ Risk Management</td>
<td>4.00</td>
<td>3.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Accounting</td>
<td>3.00</td>
<td>0.00</td>
<td>3.00</td>
</tr>
<tr>
<td>Subtotal</td>
<td>7.00</td>
<td>3.00</td>
<td>4.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PUBLIC AND GOVERNMENT AFFAIRS:</th>
<th>BUDGET</th>
<th>FILLED</th>
<th>VACANT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outreach, Education &amp; Communications</td>
<td>2.00</td>
<td>2.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Subtotal</td>
<td>2.00</td>
<td>2.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>WATER OPERATIONS:</th>
<th>BUDGET</th>
<th>FILLED</th>
<th>VACANT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supervision/Support</td>
<td>5.00</td>
<td>5.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Distribution</td>
<td>10.00</td>
<td>9.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Production</td>
<td>4.00</td>
<td>3.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Water Quality</td>
<td>2.00</td>
<td>2.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Subtotal</td>
<td>21.00</td>
<td>19.00</td>
<td>2.00</td>
</tr>
</tbody>
</table>

<p>| TOTAL BUDGETED POSITIONS: | 54.75 | 47.75 | 7.00 |</p>
<table>
<thead>
<tr>
<th>INTERNS: (0.5 FTE = 1 Intern)</th>
<th>BUDGET</th>
<th>FILLED</th>
<th>VACANT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.50</td>
<td>1.00</td>
<td>0.50</td>
<td></td>
</tr>
<tr>
<td>Subtotal</td>
<td>1.50</td>
<td>1.00</td>
<td>0.50</td>
</tr>
</tbody>
</table>

| TOTAL: | 56.25 | 48.75 | 7.50 |
Goal #6: Provide outstanding customer service

Customer Calls

<table>
<thead>
<tr>
<th>Call Type</th>
<th>FY16 YTD</th>
<th>March 2016</th>
<th>YTD Weekly Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Billing Question</td>
<td>2209</td>
<td>348</td>
<td>57</td>
</tr>
<tr>
<td>Service Requests</td>
<td>2160</td>
<td>302</td>
<td>55</td>
</tr>
<tr>
<td>High Bill</td>
<td>850</td>
<td>68</td>
<td>22</td>
</tr>
<tr>
<td>Payments</td>
<td>2375</td>
<td>342</td>
<td>61</td>
</tr>
<tr>
<td>Late Fee</td>
<td>1173</td>
<td>132</td>
<td>30</td>
</tr>
<tr>
<td>Account Maintenance</td>
<td>569</td>
<td>100</td>
<td>15</td>
</tr>
<tr>
<td>On-Line Bill Pay</td>
<td>1106</td>
<td>130</td>
<td>28</td>
</tr>
<tr>
<td>Water Pressure</td>
<td>36</td>
<td>10</td>
<td>1</td>
</tr>
<tr>
<td>No Water</td>
<td>249</td>
<td>36</td>
<td>6</td>
</tr>
<tr>
<td>Conservation</td>
<td>4537</td>
<td>316</td>
<td>116</td>
</tr>
<tr>
<td>Water Waste</td>
<td>614</td>
<td>54</td>
<td>16</td>
</tr>
<tr>
<td>Other (District info. other utility info. etc.)</td>
<td>3489</td>
<td>421</td>
<td>89</td>
</tr>
<tr>
<td>Rate Increase</td>
<td>20</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Fluoridation</td>
<td>22</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL CUSTOMER CALLS</td>
<td>19409</td>
<td>2266</td>
<td>498</td>
</tr>
<tr>
<td>AVERAGE ANSWER TIME (Seconds)</td>
<td>8</td>
<td>8</td>
<td>8</td>
</tr>
</tbody>
</table>

Online Bill Pay Customers

<table>
<thead>
<tr>
<th>Current Customers Enrolled</th>
<th>FY 2016 YTD</th>
<th>March 2016</th>
<th>YTD Weekly Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>10388</td>
<td>1359</td>
<td>201</td>
<td>35</td>
</tr>
</tbody>
</table>
REPORTS AND INFORMATION ITEMS:

17. DIRECTORS' REPORTS AND COMMENTS:
DIRECTORS' REPORTS (AB 1234) PER CA GOVERNMENT CODE
SECTION 53232.3 (d)
In accordance with CA Government Code 53232.3 (d), the following report identifies the meetings for which Mesa Water Directors received expense reimbursement.

<table>
<thead>
<tr>
<th>James F. Atkinson</th>
<th>Meetings Attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reimbursement Date:</td>
<td>Description, Date</td>
</tr>
<tr>
<td>03/11/16</td>
<td>ACWA Legislative Symposium, 3/8-3/9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fred R. Bockmiller, Jr., P.E.</th>
<th>Meetings Attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reimbursement Date:</td>
<td>Description, Date</td>
</tr>
<tr>
<td>03/21/16</td>
<td>ACWA Energy Committee Meeting, 3/17</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Shawn Dewane</th>
<th>Meetings Attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reimbursement Date:</td>
<td>Description, Date</td>
</tr>
<tr>
<td>N/A</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>James Fisler</th>
<th>Meetings Attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reimbursement Date:</td>
<td>Description, Date</td>
</tr>
<tr>
<td>03/11/16</td>
<td>OCBC Event Parking, 2/18</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ethan Temianka</th>
<th>Meetings Attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reimbursement Date:</td>
<td>Description, Date</td>
</tr>
<tr>
<td>N/A</td>
<td></td>
</tr>
</tbody>
</table>
There are no support materials for this item.