

EXHIBIT 10-A



June 3, 2013

Board of Directors/Administrative Committee
Monterey Peninsula Water Management District
P. O. Box 85
Monterey, California 93942

Attention: Suresh Prasad, C.F.O.

The Objective and Scope of the Audit of the Financial Statements

You have requested that we audit the financial statements of the Monterey Peninsula Water Management District (the "District"), which comprise governmental activities, business-type activities, each major fund, the aggregate remaining fund information and required supplementary information as of and for the year-ended June 30, 2013 which collectively comprise the basic financial statements.

We will perform an audit of the District's governmental activities, each major fund, and aggregate remaining fund information as of and for the year ended June 30, 2013, which collectively comprise the basic financial statements. Our audit will include the primary operating fund and you acknowledge that we are the group auditor of the District's basic financial statements as of and for the year ended June 30, 2013. We will not audit the financial statements of the business-type activities (CAWD/PBCSD Wastewater Reclamation Project). Those financial statements will be audited by component auditors.

Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited.

We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

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

The Responsibilities of the Auditor

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the State Controller's "Minimum Audit Requirements for California Special Districts." Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the

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assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements.

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

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

The funds that you have told us are maintained by the District and that are to be included as part of our audit are listed here.

- Mitigation Fund
- Conservation Fund
- Capital Projects Fund

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

Our audit will be conducted on the basis that management, acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
- b. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; and
- c. To provide us with:
 - (1) Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - (2) Additional information that we may request from management for the purpose of the audit; and
 - (3) Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

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

- a. That management has fulfilled its responsibilities as set out in the terms of this letter; and

- b. That it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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

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

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

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

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

Because Hayashi & Wayland Accounting & Consulting, LLP will rely on the District and its management and board of directors/administrative committee to discharge the foregoing responsibilities, the District holds harmless and releases Hayashi & Wayland Accounting & Consulting, LLP, its partners, and employees from all claims, liabilities, losses, and costs arising in circumstances where there has been a knowing misrepresentation by a member of the District's management which has caused, in any respect, Hayashi & Wayland Accounting & Consulting, LLP's breach of contract or negligence. This provision shall survive the termination of this arrangement for services.

The District's Records and Assistance

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

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

The assistance to be supplied by District personnel is described in the attached client participation list, which outlines the specific schedules and analyses that should be completed by District personnel, including the dates when the information should be available to us. The participation list has been discussed with and agreed to by Suresh Prasad, C.F.O. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

If, in connection with our audit, you request us to perform accounting services necessary for the preparation of the financial statements (such as maintaining depreciation schedules, drafting the financial statements, etc.), you agree to designate an appropriate individual to oversee the services, make all management decisions involved in those services, evaluate the adequacy and results of the services, and accept responsibility for the results of the services.

Fees, Costs, and Access to Workpapers

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

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

If any of the aforementioned criteria are not met, then fees may increase. Our fee for the services described in this letter will not exceed \$31,250 for the basic audit unless the scope of the engagement is changed or any of the aforementioned criteria are not met, in which case we will discuss the situation with you before proceeding. Additional fees to comply with recently issued auditing standards AU-C Section 600, *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)* will be in the range of \$1,800 - \$2,500. Accounts not paid within 30 days from the date of the invoice are subject to a .833% monthly finance charge. Accounts remaining unpaid will also be liable for reasonable collection costs.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client in a key position. Accordingly, the District agrees it will compensate Hayashi & Wayland Accounting & Consulting, LLP for any additional costs incurred as a result of the District's employment of a partner or professional employee of Hayashi & Wayland Accounting & Consulting, LLP.

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

Claim Resolution

Any claim arising out of services rendered pursuant to this agreement shall be resolved in accordance with the laws of California. It is agreed by the District and Hayashi & Wayland Accounting & Consulting, LLP or any successors in interest that no claim arising out of services rendered pursuant to this agreement by or on behalf of the District shall be asserted more than two years after the date of the last audit report issued by Hayashi & Wayland Accounting & Consulting, LLP.

If any term or provision of this Agreement is determined to be invalid or unenforceable, such term or provision will be deemed stricken, and all other terms and provisions will remain in full force and effect.

Reporting

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

In addition to our report on the District's financial statements, we will also issue the following report:

The "Annual Report of Financial Transactions of Special Districts" for submission to the State Controller's Office. The responsibility we are to take for the material included in this report will be the same as that we assume for other supplementary information accompanying the financial statements. You acknowledge that you have the final responsibility for this report and, therefore, you should review it carefully before you sign and file it.

This letter constitutes the complete and exclusive statement of agreement between Hayashi & Wayland Accounting & Consulting, LLP and the District, superseding all proposals, oral or written, and all other communications, with respect to the terms of the engagement between the parties.

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

Yours very truly,

HAYASHI & WAYLAND
ACCOUNTING & CONSULTING, LLP

By _____
Michael T. Briley, C.P.A.

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Confirmed on behalf of the District:

Chief Financial Officer

Date