



HAYASHI | WAYLAND

May 1, 2014

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

Attention: Suresh Prasad, C.F.O.

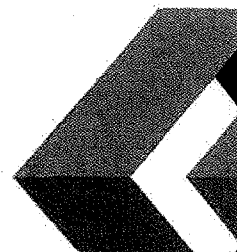
The purpose of this letter is to set your fee expectations regarding the audit(s) for the year(s) ended June 30, 2014 or June 30, 2014, 2015 and 2016. Our fees, like those of other professional service firms, are based on the actual time spent by our staff on behalf of the Monterey Peninsula Water Management District and are measured by standard hourly rates. These rates are based upon the experience levels of professionals assigned to your engagement.

Our fee estimates are based to a large extent on the quality, timeliness, and accuracy of the audit documentation that you and your staff prepare and the number and complexity of adjustments required to your general ledger(s). We will prepare a detailed list of the expected audit documentation which you will need to prepare before beginning the audit(s) (see example attached). The audit documentation will need to be completed prior to fieldwork at which time we perform a review of them in your offices. The following are estimates based upon three scenarios. The different scenarios are described on the next page.

	Scenario A	Scenario B	Scenario C
Audit (*) Single Year – 2014	\$ 36,750	\$ 40,425	Time
Audit (*) 3 Year Engagement:			
2014	\$ 33,750	\$ 37,125	Time
2015	\$ 35,250	\$ 38,775	Time
2016	\$ 36,750	\$ 40,425	Time

* Includes fees for compliance with the group audit standards.

The following scenarios do not include any accounting assistance required to assist you in properly preparing the required audit documentation listed in the "Prepared by Client (PBC) List". The scenarios and estimates also do not include additional time required to reconcile the audit documentation to appropriate detail and/or to the general ledger(s). Additional time will be billed at standard rates. Scenarios A and B below assume that the audit documentation will be completely ready one week before the agreed upon starting dates for the audit(s).



Audit

Scenario A: All audit documentation completely and accurately prepared in an appropriate format by you and your staff one week prior to start of fieldwork. Minimal (less than five) year-end adjusting and/or passed journal entries. No unanticipated issues which would change the scope of our work, (i.e., new complex accounting issues, no new GAAP departures, change in accounting methods or practices, poor financial results which would cause a going concern issue to be addressed, no change in key accounting personnel, the engagement would start on time, etc.). Audit timeline generally followed within a week to 10 days. An example timeline is attached. A final timeline with agreed upon dates will be made a part of the signed engagement letter.

The following are the key audit areas that must be complete and accurate, including proper estimates with adequate support and documented assumptions:

- A Opening Equity must agree to prior year audited financial statements.
- B Receivables and Revenue should be properly recorded and agree to supporting documentation.
- C Property & Equipment should tie out to detailed depreciation schedules and agree to Capital Outlay.

In addition, there should be no significant audit adjustments made (or passed on) in these key areas.

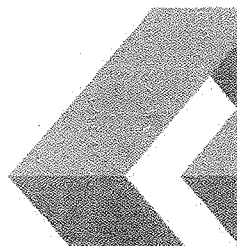
Scenario B: Less than 10 year-end adjusting and/or passed journal entries. A majority of audit documentation completely and accurately prepared in an appropriate format by you and your staff. Significant accounting issues resolved prior to audit. Start date as scheduled.

Scenario C: Numerous adjusting and passed journal entries (>10), incomplete audit documentation, delayed start or significant client delays in the timeline, existence of significant audit and accounting issues.

Sincerely,



Michael T. Briley, CPA
Managing Partner
Hayashi Wayland



**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
PROPOSED TIMELINE**

TIMELINE

July 14, 2014: HW to receive from the District a list of all bank accounts showing:

- Bank name and address
- Account description (i.e. checking, money market, CD)
- Account number (bank#, not G/L#)

July 28, 2014: HW to provide the District with confirmations requiring signatures.

August 1, 2014: HW to receive from the District signed confirmations.

September 19, 2014: HW to electronically receive from the District the preliminary trial balance as of June 30, 2014, "Prepared by Client" schedules and updated internal control forms as detailed on the following page.

September 29, 2014: HW to begin preliminary field work at the District which is anticipated to take approximately 2-3 days assuming all preliminary information requested is ready.

October 1, 2014: HW to receive final trial balance, preliminary reclamation trial balance and State Controller's disk for preparation of the State Controller's report.

October 13, 2014: HW to provide District with State Controller's Report for review. This date and following dates regarding the State Controller's Report are subject to revision if State Controller's office changes their electronic due date to earlier than October 20, 2014. Remaining PBC schedules are due.

October 17, 2014: HW to receive any revisions necessary and approval to file electronically the State Controller's Report. HW to review PBC items.

October 19, 2014: HW to electronically file the State Controller's Report and receive confirmation from the District that the transmittal page and any other required paper documents have been signed and mailed.

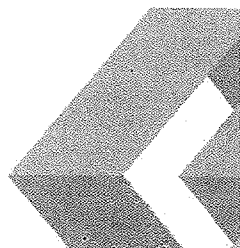
October 20, 2014: HW to perform fieldwork if PBC items have all been prepared.

December 1, 2014: HW to provide initial draft of audited financial statements and management letter to the District (Date to change depending on availability of Reclamation Project final financial statements).

December 15, 2014: HW to receive back from the District, final revisions for draft financial statements, MD&A and management letter.

January 2, 2015: H&W to provide District with final revised drafts to include in packet for upcoming AdCom meeting.

TBD: H&W to attend AdCom meeting to present audit report.



**MONTEREY PENINSUAL WAGTER MAANGEMENT DISTRICT
 PREPARED BY CLIENT (PBC) LIST**

Please provide the following items in electronic format (Microsoft Excel) if possible, and include the reference number in each file name.

Ref #	Request Item	Due Date
Preliminary		
1	Copy of preliminary Trial Balance with Budget numbers (including zero balances) for the year-ended 6/30 in Excel.	9/19
2	Access to Board Minutes and Finance Committee Minutes for the fiscal year through fieldwork.	9/19
3	Updated internal control forms	9/19
4	State Controller's disk	10/1
5	Copy of preliminary Reclamation Trial Balance	10/1
6	Current fiscal year Board Resolutions	9/19
7	Copy of Board Resolution for the Appropriation Limit for the year-ended June 30.	9/19
8	Confirmations - Print/Sign/Mail to Auditors (Salinas Office).	8/1
9	Listing of property additions for the year-ended June 30 in Excel and invoices.	10/1
10	Listing of property disposals for the year-ended June 30 in Excel. Including support for sales proceeds, if applicable.	10/1
11	Cash Disbursement Journal for the year-ended June 30 (in excel)	9/19
12	Cash Receipt Journal for the year-ended June 30 (in excel)	9/19
13	Copies of any correspondence from FEMA/OES	9/19
General		
14	Copy of Final Trial Balance with Budget numbers (including zero balances) for the year-ended 6/30 in Excel.	10/1
15	Copy of MPWMD financial statements by fund (with budget figures) for the fiscal year under audit	10/1
16	General Ledger detail for July 1 - June 30 in Excel.	10/13
17	Copy of the Reclamation financial statements (preliminary & final) for the year-ended June 30.	10/31
18	Copy of amended budget (original and final)	10/13
19	Copies of any new grant contracts for the year-ended June 30.	10/13
20	Detail of District leases and copies of any new leases	10/13
21	List of Board of Directors for the year-ended June 30.	10/13
22	Copy of GASB 45 Valuation Report	10/13
Cash		
23	Copies of monthly bank reconciliations (in excel) and access to bank statements for the year-ended June 30 for all cash accounts.	10/13

24	July bank statements for all cash accounts.	10/13
25	Schedule of bank transfers made between June 15th and July 15th	10/13
Investments		
26	Schedule of investment activity for the year, which reconciles to book value of investments at June 30 (show gain/ (loss) for year, fees for year and interest earned)	10/13
27	Copy of WFB "Investment Summary", "Earnings report" and "Valuation report" for the year-ended June 30.	10/13
Prepaid Expenses		
28	Schedules of prepaids by fund	10/13
Property, Plant and Equipment		
29	Reconciliation of gain (loss) on disposal of equipment (include sales price and date sold).	10/13
30	Depreciation expense report (detailed depreciation schedule) as of and for the year-ended June 30 which agrees to general ledger cost, accumulated depreciation, and depreciation expense.	10/13
Accounts Payable		
31	Accounts Payable Detail Listing (aging) by fund for the year-ended June 30 in Excel and invoices included.	10/13
32	Cash Disbursement Journal for July 1 through September 15 in Excel.	10/13
Accrued Expenses		
33	Detail by employee of salaries payable for the year-ended June 30 in Excel.	10/13
34	Detail by employee of retirement expenses/payable (PERS/OPEB)	10/13
35	Detail by employee vacation, sick and comp payable-(vacation and sick payable by branch for the year-ended June 30 in Excel.	10/13
36	Copy of 457 deferred compensation plan 4th quarter statement	10/13
Debt		
37	Details on debt payments	10/13
Fund Balance		
38	Schedule of Fund Balance Reserve for the year-ended June 30.	10/13
Revenue/Receivables		
39	Copy of report titled 'Water Permits Issued & Associated Fees by Water Company' for the Fiscal Year	10/13
40	Amount of acre-feet permitted during the Fiscal Year for all non-Cal-Am permits-(Gabby)	10/13
41	Detail of A/R as of June 30	10/13
42	Support for Cal-Am rebate A/R	10/13
43	Schedule of grant revenues (which are based on project expenses)	10/13
Expenses		
44	Reconciliation of wages to payroll tax returns	10/13
44	Copies of quarterly payroll tax returns submitted for the fiscal year (form 941)	10/13
45	Schedule of any outstanding commitments	10/13