

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, CA
Board of Directors Meeting
Agenda
July 20, 2015 at 1:30 p.m.

1. Call to Order, Flag Salute and Roll Call

2. Adoption and Adjustment of Agenda

3. Public Comment

Members of the public may address the Board at this time concerning items relating to any matter within the Agency's jurisdiction. To comment on specific agenda items, please complete a speaker's request form and hand it to the board secretary.

4. Consent Calendar:

If any board member requests that an item be removed from the Consent Calendar, It will be removed so that it may be acted upon separately.

- A. Approval of the Minutes of the Regular Board Meeting, July 6, 2015* (Page 2)
- B. Approval of the Minutes of the Engineering Workshop, July 13, 2015* (Page 6)

5. Reports (Discussion and Possible Action)

- A. General Manager's Report
 - 1. Operations Report
 - 2. General Agency Updates
- B. General Counsel Report
- C. Directors' Reports

6. New Business (Discussion and Possible Action)

- A. Consideration of CSDA Board Election* (Page 8)
- B. Consideration of Audit Engagement Letter FY 2015-2016* (Page 13)
- C. Discussion on Potential Radio Show – KMET 1490* (Page 21)
- D. Consideration of Revised MOU for SGPRWA* (Page 29)

7. Topics for Future Agendas

8. Announcements

- A. San Gorgonio Pass Regional Water Alliance, July 22, 2015
 - 1. Technical Committee at 4:30 p.m. – Banning City Hall Conference Room
 - 2. Regular Board Meeting at 6:00 p.m. – Banning City Council Chambers
- B. Finance and Budget Workshop, **Thursday**, July 23, 2015 at 1:30 p.m.
- C. Special Board Meeting – Public Hearing, Facility Capacity Fee
 - Date:** Monday, July 27, 2015
 - Location:** SGPWA Board Meeting Room
1210 Beaumont Avenue, Beaumont
 - Time:** 7:00 p.m.

9. Closed Session (1 Item)

- A. Public Employee Performance Evaluation (Government Code Section 54957)
Title: General Manager

10. Adjournment

***Information included in Agenda Packet**

(1) Materials related to an item on this Agenda submitted to the Board of Directors after distribution of the agenda packet are available for public inspection in the Agency's office at 1210 Beaumont Avenue, Beaumont during normal business hours. (2) Pursuant to Government Code section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than seventy-two (72) hours prior to the meeting will be available for public inspection at the Agency's office, located at 1210 Beaumont Avenue, Beaumont, California 92223, during regular business hours. When practical, these public records will also be made available on the Agency's Internet Web site, accessible at www.sgpwa.com (3) Any person with a disability who requires accommodation in order to participate in this meeting should telephone the Agency (951 845-2577) at least 48 hours prior to the meeting in order to make a request for a disability-related modification or accommodation.

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, California 92223
Minutes of the
Board of Directors Meeting
July 6, 2015

Directors Present: John Jeter, President
 Bill Dickson, Vice President
 Mary Ann Melleby, Treasurer
 Blair Ball, Director
 Ron Duncan, Director
 Leonard Stephenson, Director

Staff Present: Jeff Davis, General Manager
 Jeff Ferré, General Counsel
 Tom Todd, Finance Manager
 Cheryle Rasmussen, Executive Assistant

1. **Call to Order, Flag Salute and Roll Call:** The meeting of the San Gorgonio Pass Water Agency Board of Directors was called to order by Board President John Jeter at 1:30 p.m., July 6, 2015 in the Agency Boardroom at 1210 Beaumont Avenue, Beaumont, California. Director Dickson led the Pledge of Allegiance to the flag. *President Jeter requested a roll call.*

<u>Roll Call:</u>	Present	Absent
Director Stephenson	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Director Ball	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Director Melleby	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Director Duncan	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Director Dickson	<input checked="" type="checkbox"/>	<input type="checkbox"/>
President Jeter	<input checked="" type="checkbox"/>	<input type="checkbox"/>

A quorum was present.

2. **Adoption and Adjustment of the Agenda:** *President Jeter asked if there were any adjustments to the agenda.* There being none the agenda was adopted as presented.
3. **Public Comment:** *President Jeter asked the members of the public for comments.* Patsy Reeley, a resident of Cherry Valley, expressed her concerns on a recent newspaper article that Caltrans intends to plant more than one million square feet of freeway landscaping through Riverside that will be irrigated with overhead sprinklers, resulting in 155,620 gallons of potable water per day. The project would draw an additional 39,000 gallons a day in the first year while the plants are getting established. She requested that the Board submit an objection letter to Governor Brown. No other members of the public requested to speak at this time.
4. **Consent Calendar:**
 - A. Approval of the Minutes of the Regular Board Meeting, June 15, 2015
 - B. Approval of the Minutes of the Finance and Budget Workshop, June 22, 2015
 - C. Approval of the Finance and Budget Workshop Report, June 22, 2015

Director Dickson moved, seconded by Director Duncan, to approve the consent calendar as presented. Motion carried 6-0.

5. Reports:

A. General Manager's Report:

(1) Operations Report: None given.

(2) General Agency Updates: **(a) Independent Audit Association:** General Manager Davis stated that at the last board meeting he was asked about the specific purpose of contracting with IAA, as Metropolitan (Met) Water District already contracts its own auditing firm to audit DWR. He stated that Met is very specific on issues they ask its auditor to review. Whereas the IAA provides all SWC the opportunity to direct them in what it is they wish to have audited. **(b) EBX 2 Update:** 1) General Manager Davis stated that the final major contract, the Completion Contract, was let a few months ago; it is a lengthy contract. DWR is partnering with the contractor (Ames) and they meet periodically to discuss issues, goals, objectives, etc. The contract will go into 2017, however most of the construction work will be completed by the end of 2016; online date – sometime in 2017. 2) Currently a fourth pump is being installed at the Cherry Valley Pump Station. 3) The Proportional Use Facility Factors (PUFFs) have been finalized. The outcome - SBVMWD will be paying about 65%, and the Agency will be paying about 35%. 4) A tour of EBX 2 will take place in the fall. **(c) Upcoming Special Board Meeting:** General Manger Davis asked for input from the Board on the date and time of a Special Board Meeting for the upcoming Public Hearing for the Facility Capacity Fee. The Board requested that the meeting take place on July 27th at 7:00 p.m. General Manager Davis will contact the consultants to make sure that they are available for the requested date and time. **(d) Vacancy Interviewing Dates - Discussion:** General Manager Davis asked for input from the Board as to their preference on whether or not they wish to interview candidates at a special or regular board meeting. He also asked for input on having one or two meetings. It was the Board's preference to interview all of the candidates at one special board meeting. General Manager Davis will provide proposed dates to hold the special meeting at the upcoming July 20th Board meeting.

B. General Counsel Report: General Counsel Ferré reported to the Board on the following: **1) Santa Ana Sucker Decision:** The Ninth U.S. Circuit Court of Appeals has ruled that federal wildlife agencies retain the discretion to designate additional land as critical habitat. General Counsel Ferré provided information on the implications of the ruling. He stated that Best Best & Krieger is requesting that the US Supreme Court take up this case. General Counsel Ferré will continue to keep the Board updated on this issue. **2) SB 88:** SB 88 was adopted recently granting the State Board authority to force the consolidation of water purveyors that do not have a water supply with other agencies that do have water supplies. SB 88 also clarifies the amounts that a water purveyor can impose fines for violations of water conservation rules. **3) AB 1:** This bill was recently passed and would prohibit a city, county, or land use agency from imposing a fine should a landowner's lawn go brown during a period for which the Governor has issued a proclamation of a state of emergency based on drought conditions. **4) Proposition 218:** Two California Appellate Court decisions reached different conclusions regarding whether a groundwater pumping charge is a property-related fee subject to Prop 218. The California Supreme Court will now take up this matter. **5) Water Rights:** It has been understood that if you had a pre-1914 water right it meant that you would not be subject to regulations imposed by the State Water Resources Control Board. The State Board has now imposed restrictions and cutbacks on the use of water, based on the drought situation. A number of water districts that have pre-1914 water rights have been told that

they are in violation. There have been a number of court cases filed by water purveyors dealing with this issue, stating that they are not subject to State Board regulations as they have a pre-1914 water right.

C. Directors Reports: (1) Director Stephenson reported on the following: a) Director Stephenson attended the Water Education Foundation Bay Delta Tour, which took place June 24-26. He gave a briefing on the subjects that were address during the tour. Director Stephenson was impressed by a scale model that was built by the U.S. Army Corps of Engineers; it is an acre in size and was built in the 1960s. The model provides a unique opportunity for individuals that are interested in the San Francisco Bay and the Bay-Delta, to view the complete Bay-Delta system at a glance. It is open to the public and is located in Sausalito, CA. b) Director Stephenson acknowledged General Manager Davis for a job well done at the State of the Supply event that was held on June 26th. He stated that although he did not attend he had received feedback and was told that the presentation was well-received. **(2) Director Melleby** reported on the following: a) Director Melleby attended the State of the Supply event and stated that the room was filled to capacity and that the presentation was very informative. She thanked General Manager Davis and staff for providing a top-notch event. b) Director Melleby reported on the SGPRWA meeting that was held on June 24. The Alliance approved a revised MOU, which will be submitted to participating members (including the Agency) for approval and signatures. Additionally, the Alliance will be issuing invoices to participating members in the amount of \$500 for its yearly contribution. **(3) Directors Duncan, Dickson and Jeter** commended staff on the State of Supply event.

6. New Business: (Discussion and Possible Action)

A. Consideration of CSDA Board Election: A copy of the staff report and Candidate statements were included in the agenda packet. General Manager Davis stated that the Agency is a member of the CSDA. The CSDA is having an election for its Board and there is one board seat open for the southern network; two individuals are running for the seat. He asked the Board if they wished to elect either one of the candidates to the CSDA Board of Directors. It was the consensus of the Board to table this item to the July 20th Board meeting. Motion carried 6-0.

B. Consideration of General Fund Budget: A staff report and material related to the General Fund budget were included in the agenda packet. General Manager Davis stated that discussion on the General Fund budget had taken place in several Finance and Budget workshops. He reviewed the General Fund budget material with the Board. After discussion, Director Dickson made a motion, seconded by Director Duncan, to approve the 2014-2015 General Fund budget, as recommended by the Board at the June Finance and Budget workshop. 0.

C. Consideration of Authorization to Procure a New Agency Vehicle: General Manager Davis stated that although he is authorized to purchase this vehicle without board approval, he included this item in the agenda for the sake of transparency. The current vehicle has been in operation for over seven years, has over 110,000 miles, and was involved in an accident last year. He requested from the Board authorization to purchase the new vehicle. After discussion, Director Ball made a motion, seconded by Director Stephenson, for staff to maintain the current vehicle for another year. Motion failed 2-4. Director Dickson made a motion, seconded by President Jeter, authorizing

staff to purchase a new vehicle at a net cost not to exceed \$48,000. Motion passed 4-2, with Directors Ball and Stephenson opposed.

D. Discussion Regarding Reduction in Number of Board Members: President Jeter called upon Patsy Reeley, a resident of Cherry Valley, for her comments on this item. Mrs. Reeley expressed her condolences on the passing of Director Morris. She felt that this is a good time to reduce the board from seven to five members. Director Dickson made a motion, seconded by President Jeter, to table this item until staff does the necessary research to find out what is involved (time & cost) in working this through the legislature. General Manager Davis reviewed the information that was provided to him the last time that the board had considered reducing the number of board members in 2012. After discussion, President Jeter withdrew his second, Director Dickson withdrew his motion. Director Ball made a motion, seconded by Director Melleby to pass Resolution No. 2015-04. *President Jeter requested a roll call:*

<u>Roll Call:</u>	<u>Present</u>	<u>Absent</u>
Director Stephenson	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Director Ball	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Director Melleby	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Director Duncan	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Director Dickson	<input checked="" type="checkbox"/>	<input type="checkbox"/>
President Jeter	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Motion passed 6-0.

7. Topics for Future Agendas: President Jeter requested an update on the flume. There were no other topics for future agendas given at this time.

8. Announcements: *President Jeter reviewed the following announcements:*

- A. Engineering Workshop, July 13, 2015 at 1:30 p.m.
- B. Regular Board Meeting, July 20, 2015 at 1:30 p.m.
- C. San Gorgonio Pass Regional Water Alliance, July 22, 2015
 1. Technical Committee at 4:30 p.m. – Banning City Hall Conference Room
 2. Regular Board Meeting at 6:00 p.m. – Banning City Council Chambers
- D. Finance and Budget Workshop, Thursday, July 23, 2015 at 1:30 p.m.

9. Adjournment: *President Jeter adjourned the meeting at 2:52 p.m.*

DRAFT – SUBJECT TO BOARD APPROVAL

Jeffrey W. Davis, Secretary of the Board

SAN GORGONIO PASS WATER AGENCY
1210 Beaumont Avenue, Beaumont, CA 92223
Minutes of the
Board of Directors Engineering Workshop
July 13, 2015

Directors Present: John Jeter, President
Blair Ball, Director
Bill Dickson, Vice President
Ron Duncan, Director
Mary Ann Melleby, Director
Leonard Stephenson, Director

Staff Present: Jeff Davis, General Manager
Jeff Ferre, General Counsel

1. Call to Order, Flag Salute and Roll Call. The Engineering workshop of the San Gorgonio Pass Water Agency Board of Directors was called to order by President John Jeter at 1:30 p.m., July 13, 2015 in the Agency Board room at 1210 Beaumont Avenue, Beaumont, California. Director Dickson led the Pledge of Allegiance to the flag. A quorum was present. President Jeter turned the meeting over to Vice President Dickson, Chair of the Engineering Committee.

2. Public Comment. No member of the public wished to speak at this time.

3. Presentation on State Water Contractors Habitat Restoration Plan. A copy of a Power Point presentation was included in the agenda package and General Manager Davis reviewed the presentation with the Board. The presentation summarized a joint effort by the Department of Water Resources and the State and Federal Water Contractors Authority (SWFCA) to develop an agreement under which SWFCA could construct fish habitat and sell it to DWR to meet the terms of export permits. It was noted that SWFCA could do this less expensively than DWR. The thrust of the presentation was that Contractors may be asked later this year to pre-fund SWFCA so that an initial habitat restoration could be made and be sold to DWR. The funds from the sale would be used to create additional habitat. This is the concept of the agreement being developed between DWR and SWFCA.

4. Presentation on Sustainable Groundwater Management Act. General Manager Davis made a presentation developed by DWR for the California Water Commission. It summarized current actions by DWR to implement the Sustainable Groundwater Management Act (SGMA). General Manager Davis noted that this represented actions at a snapshot in time and additional activities

would take place in the months to come. He noted that he no longer believes the Agency will attempt to revise the boundaries of the San Gorgonio Subbasin.

5. Announcements:

- A. Regular Board Meeting, July 20, 2015 at 1:30 pm.
- B. San Gorgonio Pass Regional Water Alliance, July 22, 2015
 - 1. Technical Committee at 4:30 pm – Banning City Hall Conference Room
 - 2. Regular Board Meeting at 6:00 pm – Banning City Council Chambers.
- C. Finance and Budget Workshop, Thursday, July 23, 2015 at 1:30 pm.
- D. Special Board Meeting – Public Hearing, Facility Capacity Fee
 - Date: Monday, July 27, 2015
 - Location: SGPWA Board Meeting Room
1210 Beaumont Avenue, Beaumont
 - Time: 7:00 pm

- 6. Adjournment:** Chairman Dickson adjourned the meeting at 2:09 p.m.

DRAFT – SUBJECT TO BOARD APPROVAL

Jeffrey W. Davis, Secretary to the Board

MEMORANDUM

TO: Board of Directors

FROM: General Manager

RE: Election of California Special District Association (CSDA) Board Member

DATE: July 20, 2015

Summary:

The purpose of this proposed Board action is to determine if the Board wishes to vote in the Board election of the California Special District Association (CSDA). If so, the Agency would have to return a ballot no later than August 7. The Board tabled this item at the July 6 Board meeting.

Background:

The Agency joined the CSDA a few years ago. CSDA has a number of programs, including seminars and workshops for elected Board members of special districts. The organization also keeps its members notified of issues in Sacramento that impact them.

Detailed Report:

CSDA is separated into six networks, each of which has three seats on the CSDA Board of Directors. One of the seats in the Southern Network is up for election this year. There are two candidates for the position. Information on each candidate is presented in the agenda package. The Board is free to vote for either of the candidates, or neither candidate.

Fiscal Impact:

There is no fiscal impact to voting for a CSDA director.

Relationship to Strategic Plan:

There is no direct relationship to the strategic plan.

Recommendation:

Staff has no recommendation.



**California Special
Districts Association**
Districts Stronger Together

CALIFORNIA SPECIAL DISTRICTS ASSOCIATION

2015 BOARD ELECTIONS

MAIL BALLOT INFORMATION

Dear Member:

A mail ballot has been enclosed for your district's use in voting to elect a representative to the CSDA Board of Directors in your Network for Seat A. Each of CSDA's six (6) networks has three seats on the Board. Each of the candidates is either a board member or management-level employee of a member district located in your network. Each Regular Member (district) in good standing shall be entitled to vote for one (1) director to represent its network.

We have enclosed the candidate information for each candidate who submitted one. Please vote for **only one** candidate to represent your network in Seat A and be sure to sign, date and fill in your member district information. If any part of the ballot is not complete, the ballot will not be valid and will not be counted.

Please utilize the enclosed return envelope to return the completed ballot. Ballots must be received at the CSDA office at 1112 I Street, Suite 200, Sacramento, CA 95814 by **5:00pm on Friday, August 7, 2015**.

If you do not use the enclosed envelope, please mail in your ballot to:

California Special Districts Association
Attn: 2015 Board Elections
1112 I Street, Suite 200
Sacramento, CA 95814

Please contact Charlotte Lowe toll-free at 877.924.CSDA or charlottel@csga.net with any questions.



Candidate statement Southern network Seat A

Jo MacKenzie

PROVEN EXPERIENCE LEADING SPECIAL DISTRICTS

It would be an honor to continue serving special districts on the CSDA Board of Directors.

I am committed to building on the present foundation of CSDA's educational programs and legislative and public outreach, so that CSDA continues to be recognized as the voice of all special districts. My enthusiasm, commitment, and comprehensive knowledge of special districts and LAFCO, along with my years of experience, will help me to be of service to your district as a member of the CSDA Board of Directors.

Representing the Southern Network, I will bring to the organization years of experience in local government and a strong understanding of how the California Special Districts Association can best serve its members.

I have served as CSDA President, Treasurer and the Chair of Legislative Committee. I know the commitment and time it takes to be an effective board member. A flexible schedule is paramount to being a successful Director. I have attended all board of director and assigned committee meetings, read through a myriad of legislation in order to relate to the Advocacy and Public Affairs Department what impact I think such legislation may have on districts' ability to provide local services

I have completed CSDA's Special District Leadership Academy which is a requirement to serve on the CSDA Board. Under my leadership, my district, Vista Irrigation District, has obtained the Special District Leadership Foundation District of Distinction Designation and the District Transparency Certificate of Excellence.

I believe it is important to the continued success and growth of CSDA that the Board of Directors remain committed to its mission: to provide legislative advocacy education and member services for all special districts.

Your District's vote will be greatly appreciated!

CANDIDATE STATEMENT FOR GLORIA A. DIZMANG

In December of 2011, I was sworn in as a Director of the Palmdale Water District Board. I knew little about water but I had agreed to serve an agency that was fairly beaten up—legally, economically, and in the area of morale. PWD was engaged in three lawsuits with the City of Palmdale. We had dropped in our credit rating and could no longer receive loans/grants. The employees were split into two warring camps.

Today, we are on our way to a stable and professional future, due to the actions of the new Board, on which I serve. This is what we have achieved:

- Low and consistent rate increases improved our credit to the point that we issued an \$8.5 million revenue bond for infrastructure.
- Provided a legal water rate assistance program for seniors.
- Settled all lawsuits with the City of Palmdale.
- Developed a Customer Care program to assist our rate-payers.
- Replaced 80% of our infrastructure from the 1950s.
- Reordered the organizational chart, without lay-offs, for more efficiency.
- Developed and implemented educational programs for our rate-payers. (top contender in ACWA's Best in Blue)
- Developed and continue to offer an intern program to train young people in the basic facets of the water industry.

As part of our Board, I was a leading member to move in these directions.

I believe my background in education can be of assistance in the CSDA. My experience in the area looks small in comparison to others who have served on many boards and in many organizations. Nevertheless, I can see things with a different perspective and am not afraid to speak up and to actively support change.

I would be honored to receive your vote. Thank you.

MEMORANDUM

TO: Board of Directors
FROM: General Manager
RE: Engagement of Auditor for FY 2014-2015
DATE: July 20, 2015

Summary:

Each year the Agency hires an accounting firm to audit its books. With our fiscal year ending last month, it is time to engage our auditor for this year. Staff recommends retaining the accounting firm of Ahern Adcock Devlin, who performed the Agency's audit the last three years.

Background:

By California law, public agencies (with a few exceptions) must be audited every year. Each year, the Agency begins its audit in August and it is typically completed in October. A final report is made to the Board at that time.

Detailed Report:

One of the key responsibilities of the Board of Directors is to ensure that all Agency expenditures are in line with adopted policies, that adequate policies exist to cover the collection, management, and expenditure of tax funds, and that all funds are properly accounted for. Thus, the auditor is hired by the Board and reports directly to the Board. Staff works with the auditor during the audit to provide information and answer questions, but the ultimate authority for all Agency financial activities is the Board of Directors.

Fiscal Impact:

It is anticipated that the cost of this year's audit will be slightly more than last year's audit (approximately \$20,550). This is included in the Agency's proposed general fund budget.

Recommendation:

Staff recommends that the Board of Directors authorize the President to sign the engagement letter with Ahern Adcock Devlin, thus engaging that firm to perform the fiscal year 2014-2015 Agency audit.

Michael R. Adcock, CPA
Shannon M. Carlson, CPA
Linda S. Devlin, CPA
Andrew Steinke, CPA

Of Counsel
Thomas E. Ahern, CPA
Nora L. Teasley, CPA

A California Limited Liability Partnership
Certified Public Accountants



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California Society of
Certified Public Accountants

June 29, 2015

To the Board of Directors
Attn: Mr. Thomas W. Todd, Jr., Finance Manager
San Geronio Pass Water Agency
1210 Beaumont Avenue
Beaumont, CA 92223

We are pleased to confirm our understanding of the services we are to provide San Geronio Pass Water Agency (the "Agency") for the years ended June 30, 2015 and 2016. We will audit the financial statements of the business-type activities, including the related notes to the financial statements, which comprise the basic financial statements of the Agency as of and for the years ended June 30, 2015 and 2016. 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 Agency'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 Agency'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. The following RSI is required by United States of America generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited: Management's Discussion and Analysis.

We have also been engaged to report on supplementary information other than RSI that accompanies the Agency's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole:

- 1) Organizational information
- 2) Schedule of officers, directors, and management
- 3) Schedule of insurance coverage

Audit Objective

The objective of our audit is the expression of an opinion as to whether your financial statements are fairly presented, in all material respects, in conformity with United States of America generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such an opinion. We will issue a written report upon completion of our audit of the Agency's financial statements. Our report will be addressed to Board of Directors of the Agency. 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 or add emphasis-of-matter or other-matter paragraphs. If our opinion on the financial statements is other than unmodified, we will discuss the reasons with management in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or may withdraw from this engagement.

Management Responsibilities

Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with United States of America generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Management is also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the written representation letter that 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.

You are 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 government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Management responsibilities include informing us of managements' knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, regulators, or others. In addition, management is responsible for identifying and ensuring that the government complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with United States of America generally accepted accounting principles. Management agrees to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. Management also agrees to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Management responsibilities include acknowledging to us in the representation letter that (1) management is responsible for presentation of the supplementary information in accordance with GAAP; (2) that management believes the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) management has disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. Management agrees to assume all management responsibilities for any nonattest services we provide; oversee the service by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with United States of America generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from the Agency's attorneys as part of the engagement, and they may bill the Agency for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the Agency 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. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Agency's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Other Services

We will also assist in preparing the financial statements of the Agency in conformity with United States of America generally accepted accounting principles based on information provided by you.

Engagement Administration, Fees, and Other

We understand that management will prepare schedules requested by us and will also prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

Linda S. Devlin, CPA is the engagement partner and is responsible for supervising the engagement and authorizing the signing of the reports. We expect to begin our audit in mid-August each year and anticipate issuing our report in the third week of September each year. With the exception of the current year (2015), due to the first time recording of pension liabilities which may take longer due to the complex nature of the transactions. **These dates will not be met if we do not receive all of the documentation we request prior to the inception of the audit or if management delays our start date.** We will inform management of any changes in dates as the audit progresses if we do not have the necessary information at the onset of the engagement.

~~Our audit engagement ends on delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.~~

Management is responsible for evaluating the adequacy and results of the services performed and accepting responsibility for results. Management is also responsible for establishing and maintaining internal controls, including monitoring ongoing activities.

It is our policy to keep workpapers related to this engagement for ten years. It is managements' responsibility to retain and protect the Agency's original records for possible future use, including potential examination by any government or regulatory agencies.

Our fee for this work will be at a discount of our regular hourly rates for the individuals involved, plus direct out-of-pocket expenses. Payments for services are due when rendered and interim billings may be submitted as work progresses and expenses are incurred. Invoices for our services are generally sent out on a monthly basis. We estimate that our fee for the service described above for the year ended June 30, 2015 will approximate \$20,755 for the audit and out-of-pocket expenses will be billed separately. Our fee for the year ended June 30, 2016 will be adjusted to, but shall not exceed, the Consumer Price Index for All Urban Consumers for the Los Angeles/Riverside/Orange County areas on a calendar year basis. The calendar year prior to the applicable fiscal year will be the calendar year used for these calculations. The fee estimate is based on anticipated cooperation from the Agency's personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with management and arrive at a new fee estimate before we incur the additional costs. This may be necessary due to the pension disclosure addition for the year ended June 30, 2015.

Billings become delinquent if not paid within 30 days of the invoice date. A late charge of 1.0 percent per month will be added to delinquent account balances. Furthermore, if billings are past due in excess of 60 days, we reserve the right to stop all work until the Agency's account is brought current, or withdraw from this engagement. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. The Agency will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket cost through the date of termination.

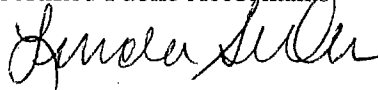
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In the event of a dispute over fees for our engagement, we mutually agree to try in good faith to resolve the dispute through mediation by selecting a third-party to help us reach an agreement. If we are unable to resolve the fee dispute through mediation, client and accountant agree to submit to a resolution by arbitration in accordance with the rules of the American Arbitration Association. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that in the event of a dispute over fees, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury and instead we are accepting the use of arbitration for resolution.

We appreciate the opportunity to be of service to the Agency and believe this letter accurately summarizes the significant terms of our engagement. If any member of the board or management has any questions, please let us know. If the forgoing is accepted, please sign this letter in the space provided and return it to us.

Very truly yours,

Ahern • Adcock • Devlin LLP
Certified Public Accountants



By: Linda S. Devlin, CPA

APPROVED:

By: _____

Date: _____