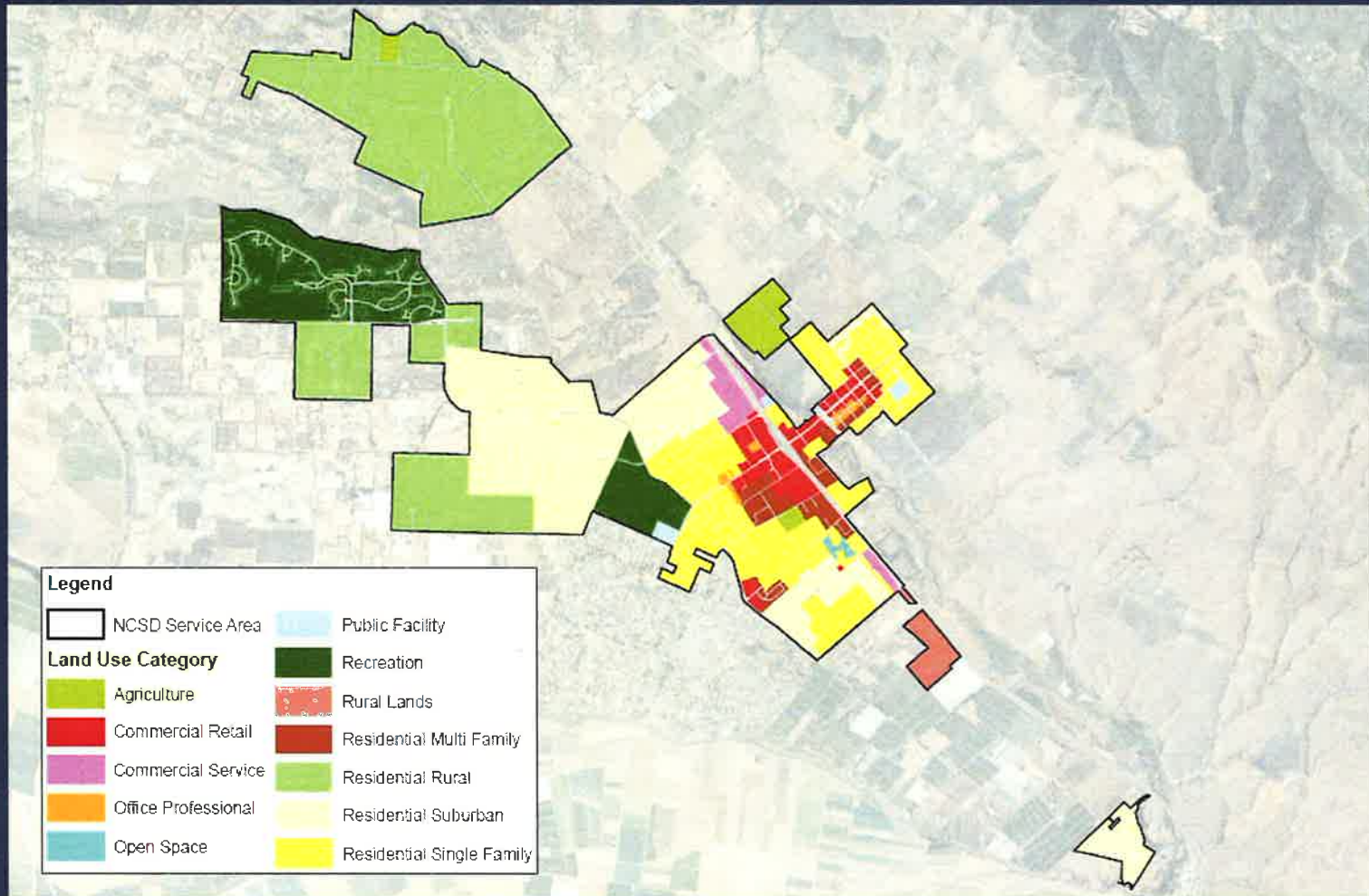


MARCH 13, 2019

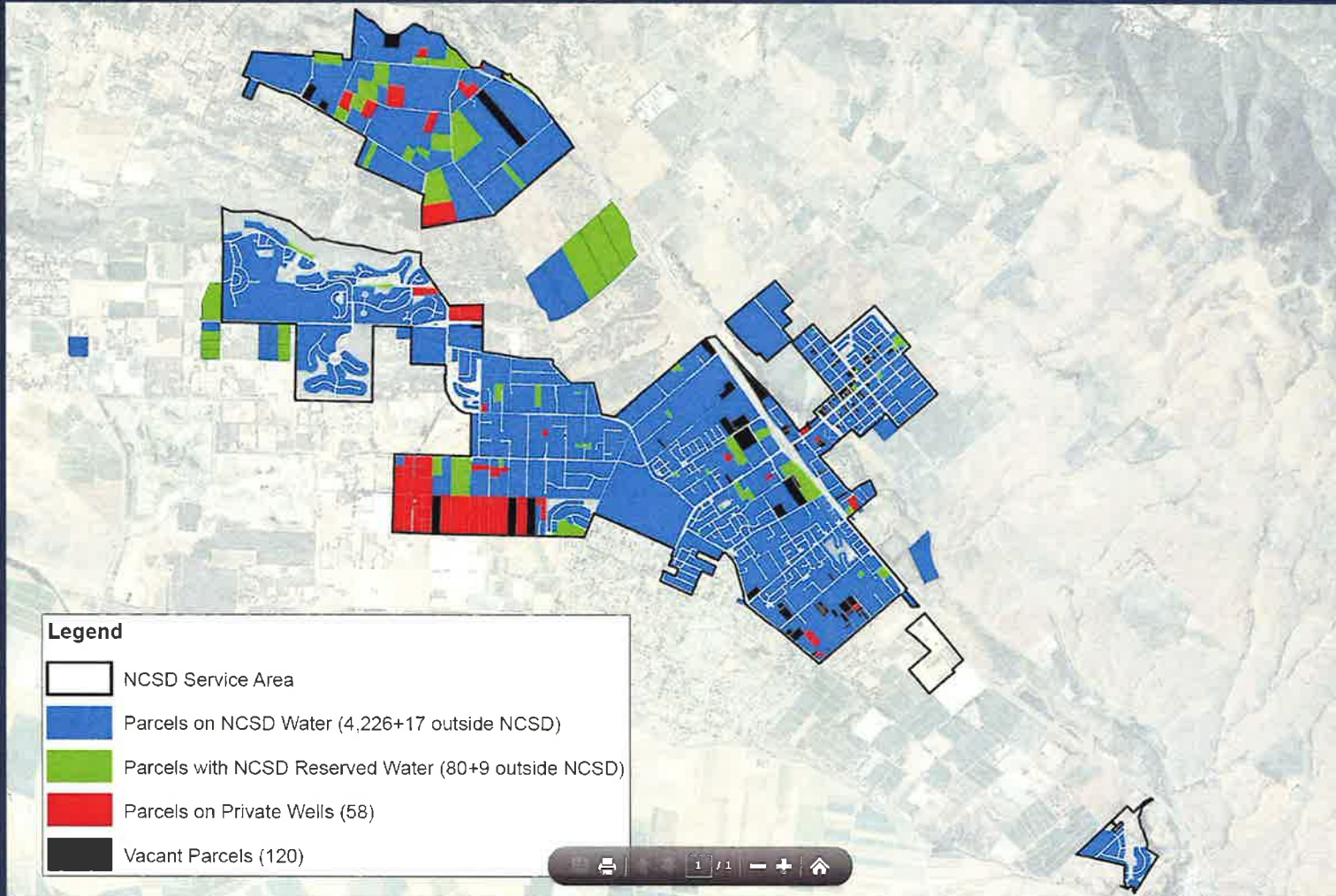
ITEM E-1

ATTACHMENT E

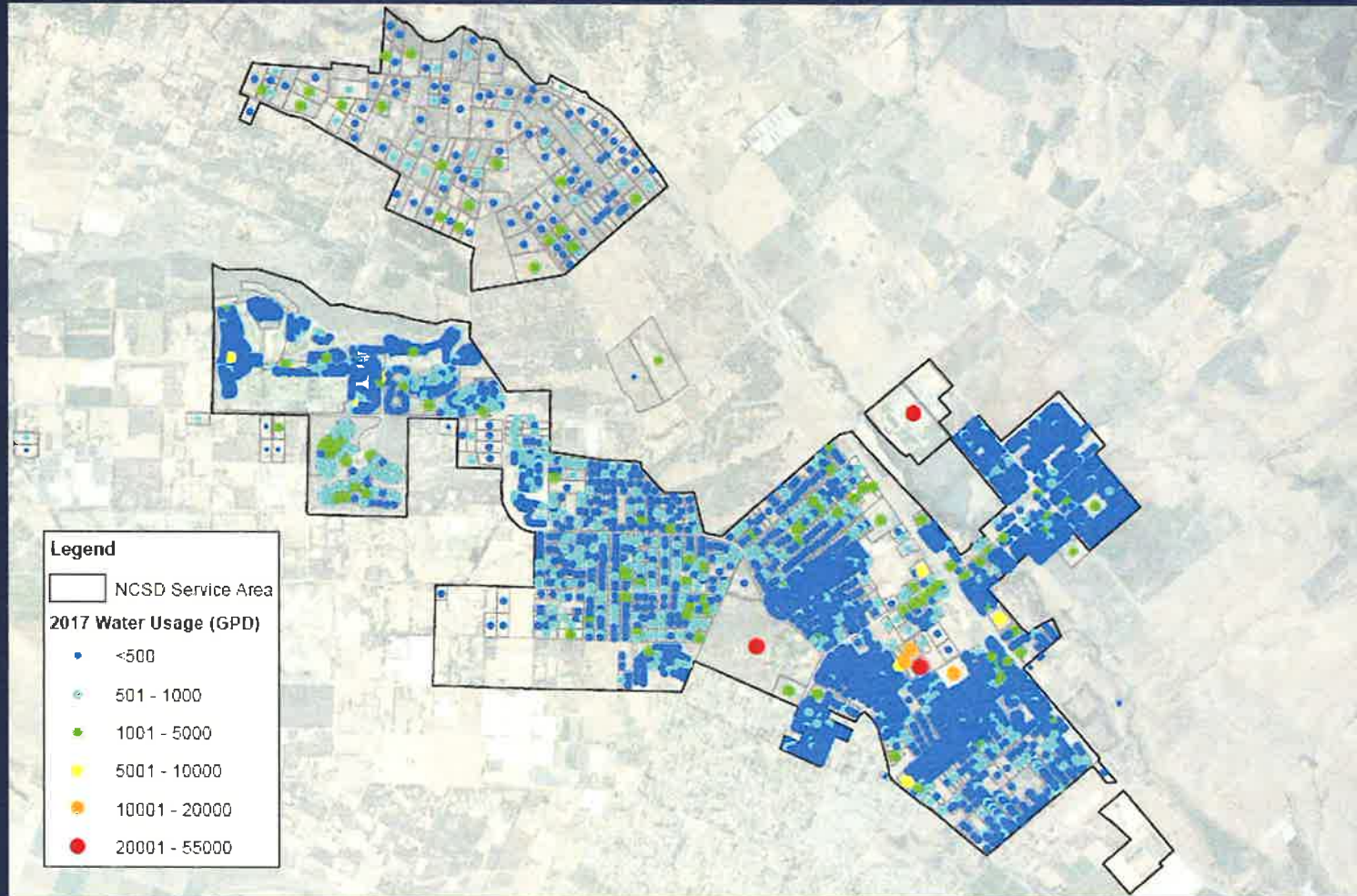
LAND USE MAP



NCSD WATER CUSTOMER MAP



NCSD 2017 WATER USE MAP



NCSD WATER USE 2001 - 2017

Total Water Sold by User Type 2001-2017



2017 WATER USAGE BY TYPE AND ACREAGE

Average Daily Demands based on 2017 Water Information

Land Use Category	GPD (Based on Water Sales)	GPD (Based on Production)	% Total	Acreage	% Total	GPD/Acre (Based on Production)	AFY/Acre
Agriculture	69,546	77,854	4.5%	104	2.6%	-	-
Commercial Retail	70,531	78,957	4.6%	108	2.7%	733	0.82
Commercial Service	14,653	16,403	0.9%	62	1.6%	265	0.30
Multi-Land Use Category	2,293	2,567	0.1%	73	1.9%	35	0.04
Office and Professional	4,959	5,552	0.3%	14	0.4%	398	0.45
Public Facility	6,363	7,123	0.4%	24	0.6%	295	0.33
Recreation	260,009	291,070	16.8%	594	15.1%	490	0.55
Rural Lands	217	243	0.0%	62	1.6%	4	0.00
Residential Multi-Family	173,462	194,185	11.2%	113	2.9%	1,723	1.93
Residential Rural	114,503	128,182	7.4%	1,348	34.3%	95	0.11
Residential Suburban	338,387	378,812	21.9%	889	22.6%	426	0.48
Residential Single Family	492,180	550,977	31.8%	540	13.7%	1,020	1.14
Total (GAL)	1,547,104	1,731,926	100%	3,930	100%		
Total (AFY)	1,733	1,940					

ESTIMATED WATER USAGE FOR PARCELS WITH RESERVED CAPACITY

Land Use Category	Demand	Acreage	GPD/Acre
Commercial Retail	17,256	24	733
Commercial Service	674	3	265
Multi-Land Use Category	114	3	35
Recreation	10,424	21	490
Residential Multi-Family	4,987	3	1,723
Residential Rural	16,605	175	95
Residential Suburban	10,410	24	426
Residential Single Family	12,699	12	1,020
Total (GPD)	73,169	265	
Total (AFY)	82		

ESTIMATED WATER USAGE FOR PARCELS ON PRIVATE WELLS

Land Use Category	Demand	Acreage	GPD/Acre
Commercial Retail	1,364	2	733
Recreation	2,388	5	490
Residential Multi-Family	1,632	1	1,723
Residential Rural	21,189	223	95
Residential Suburban	7,212	17	426
Residential Single Family	5,875	6	1,020
Total (GPD)	39,660	253	
Total (AFY)	44		

ESTIMATED WATER USAGE FOR VACANT PARCELS

Land Use Category	Demand	Acreage	GPD/Acre
Commercial Retail	10,915	15	733
Commercial Service	4,472	17	265
Multi-Land Use Category	1,321	38	35
Office and Professional	1,263	3	398
Public Facility	291	1	295
Residential Multi-Family	8,607	5	1,723
Residential Rural	5,640	59	95
Residential Suburban	4,589	11	426
Residential Single Family	25,910	25	1,020
Total (GPD)	63,009	174	
Total (AFY)	71		

WATER PROJECTION SUMMARY

Description	Current Demand (based on 2017 production values)	Highest Demand (based on 2004 production values)
2017 NCSD Customer Usage	1,940	2,910
Parcels with Reserved NCSD Capacity	82	123
Parcels on Private Wells	44	67
Vacant Parcels within NCSD Service Area	71	106
Total (AFY)	2,137	3,205

Notes: Total production for calendar year 2004 with 2,900 AF

TO: BOARD OF DIRECTORS
FROM: WHITNEY MCDONALD
DISTRICT COUNSEL
REVIEWED: MARIO IGLESIAS
GENERAL MANAGER



AGENDA ITEM
E-2
MARCH 13, 2019

DATE: MARCH 8, 2019

APPROVE REVISED BOARD BY-LAWS AND POLICIES AND DISCUSS BOARD COMPENSATION PROVISIONS

ITEM

Approve Revised Board By-Laws and Policies and Discuss Board Compensation Provisions [RECOMMEND REVIEW AND ADOPT RESOLUTION APPROVING BOARD BY-LAWS AND POLICIES, AND DISCUSS AND PROVIDE DIRECTION TO STAFF REGARDING BOARD COMPENSATION PROVISIONS]

BACKGROUND

Pursuant to Section 17 of the Board By-Laws, the Board By-Laws and Policy shall be reviewed annually at the first regular meeting in February. The review shall be provided by District Counsel and ratified by Board action.

Your Board reviewed the Board By-Laws and Policies at the February 13, 2019, Regular Meeting and directed staff to make a few edits on page 2, Section 2.8. At the February 27, 2019 Regular Meeting, your Board reviewed the edited By-Laws and directed additional revisions to be made. A newly revised version of the Board By-Laws and Policies is attached for your review and approval based on the discussion held on February 27, 2019, and on additional direction provided by the Board Officers.

During the discussion held on February 27, 2019, questions were also raised regarding the Director compensation provisions contained in chapter 9 of the By-Laws. In particular, your Board requested that staff evaluate the history of the compensation limits contained in the By-Laws, including the statutes governing compensation of special district directors. District Counsel provides the following discussion for your consideration.

Laws Governing Board Compensation

The amounts available to compensate special district directors for their participation in district-related meetings and events is governed by Government Code section 61047 (Section 61047).¹ Section 61047 states:

The board of directors may provide, by ordinance or resolution, that each of its members may receive compensation in an amount not to exceed one hundred dollars (\$100) for each day of service.

¹ Section 61047 was enacted in 2004, effective January 1, 2005, as part of the Legislature's reorganization of the laws governing special districts. This section carried forward the \$100 per day and 6 days per month compensation limits included in its predecessor statute, Government Code section 61207, which was last amended in 1982.

A member of the board of directors shall not receive compensation for more than six days of service in a month.

Section 61047 and Government Code section 53232.1 define what may be considered a "day of service" for purposes of providing compensation to directors. The District's policies are consistent with these statutory provisions by providing District Directors with \$100 for every regular meeting, special meeting, or meeting of a standing committee, \$75 for ad hoc committee meetings, and no more than \$100 per day and six days of service per month.

These compensation limits may be increased, however, if certain procedures are followed. Section 61047 provides that the "board of directors, by ordinance adopted pursuant to Chapter 2 (commencing with Section 20200) of Division 10 of the Water Code, may increase the amount of compensation that may be received by members of the board of directors." Like Section 610147, Water Code section 20201 limits compensation paid to directors to \$100 per day, but it also allows this amount to be increased by ordinance. However, Water Code section 20202 limits the increase as follows: "the increase may not exceed an amount equal to 5 percent, for each calendar year following the operative date of the last adjustment, of the compensation which is received when the ordinance is adopted." In addition, the ordinance may authorize compensation for no more than 10 days of service per month.

The Water Code prescribes certain procedures for adoption of the ordinance, including a public hearing, publication of the ordinance, and a sixty-day waiting period before the ordinance becomes effective. As with any ordinance enacted by the District, it would also need to be introduced and then adopted at a subsequent meeting following publication of a summary of the proposed ordinance. Following adoption, the ordinance may be subject to referendum if constituents wish to undo the compensation increase, as addressed in detail in the Water Code. Should your Board wish to increase Director compensation for attendance at meetings or District functions, these procedures and limitations would need to be followed.

Director Compensation Survey

To aid your Board's consideration of the issue of Director compensation, District staff and counsel conducted an informal survey of the other community services districts in San Luis Obispo County. The results of that survey are summarized in Attachment B.

RECOMMENDATION

Staff recommends that your Honorable Board review the Board By-Laws and Policies, propose any additional changes, and by motion and roll call vote, adopt the attached Resolution to approve the revised Board By-Laws and Policies. Staff further recommends that your Board discuss the issue of Director compensation and provide direction to staff regarding future actions.

ATTACHMENT

- A. Resolution with Proposed changes to the Board By-Laws and Policies
- B. Blackline Highlighting Proposed changes to Board By-Laws and Policies
- C. Survey of Director Compensation Offered By Other CSDs in San Luis Obispo County

MARCH 13, 2019

ITEM E-2

ATTACHMENT A

**NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2019-XXXX**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
NIPOMO COMMUNITY SERVICES DISTRICT
ADOPTING AMENDED BOARD BY-LAWS AND POLICIES**

WHEREAS, the Board of Directors of Nipomo Community Services District (District) is committed to providing excellence in legislative leadership; and

WHEREAS, Section 16 of the Board By-Laws and Policies provides for the annual review of the Board By-Laws and Policies by District Legal Counsel; and

WHEREAS, Government Code §61045 requires the Board of Directors to adopt Rules or By-laws governing its proceedings; and

WHEREAS, on February 13, 2019, and February 27, 2019, District Legal Counsel reviewed and presented the District's previously adopted Board By-Laws and Policies and the District Board of Directors instructed staff to return with a revised version for Board adoption; and

WHEREAS, on March 13, 2019, the District Board considered public comment regarding the adoption of the revised Board By-Laws and Policies.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED by the Board of Directors of the Nipomo Community Services District, as follows:

1. The Nipomo Community Services District Board By-Laws and Policies attached hereto as Exhibit "A" are hereby approved and adopted.
2. All prior District Board By-Laws and Policies, Resolutions and Policies of the District that are inconsistent with the Board By-Laws and Policies attached hereto as Exhibit "A" are hereby repealed.

Upon motion of Director _____, seconded by Director _____, on the following roll call vote, to wit:

AYES:
NOES:
ABSENT:
ABSTAIN:

the foregoing resolution is hereby passed and adopted this 13th day of March 2019.

ED EBY, Board President
Nipomo Community Services District

ATTEST:

APPROVED:

MARIO IGLESIAS
General Manager and Secretary to the Board

WHITNEY G. MCDONALD
District Legal Counsel

NIPOMO COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTOR
BOARD BY-LAWS AND POLICIES
EXHIBIT "A"

1. OFFICERS OF THE BOARD OF DIRECTORS

- 1.1 The officers of the Board of Directors are President and Vice President.
- 1.2 The President of the Board of Directors shall serve as chairperson at all Board meetings. He/She shall have the same rights as the other Directors of the Board in voting, introducing motions, resolutions and ordinances, and any discussion of questions that follow said actions.
- 1.3 In the absence of the President, the Vice President of the Board of Directors shall serve as chairperson over all meetings of the Board. If the President and Vice President of the Board are both absent, the remaining Directors present shall select one of themselves to act as chairperson of the meeting.
- 1.4 The President and Vice President of the Board shall be elected annually at the last meeting of each calendar year.
- 1.5 The term of office for the President and Vice President of the Board shall commence on January 1 of the year immediately following their election.

2. MEETINGS

- 2.1 Subject to holiday and scheduling conflicts, regular meetings of the Board of Directors shall commence at 9:00 a.m. on the second and fourth Wednesday of each calendar month in the Board Room at the District Office located at 148 South Wilson, Nipomo, CA. The Board of Directors reserves the right to cancel and/or designate other dates, places, and times for Director Meetings due to scheduling conflicts and holidays.
- 2.2 Special Meetings.

Special meetings may be called by the President or three (3) Directors with a minimum of twenty-four (24) hours public notice. Special meeting agenda shall be prepared and distributed pursuant to the procedures of the Brown Act by the General Manager or the Assistant General Manager in consultation with the President or, in his or her absence, the Vice President or those Directors calling the meeting.
- 2.3 Directors shall attend all regular and special meetings of the Board unless there is good cause for absence.
- 2.4 No action or discussion may be taken on an item not on the posted agenda; provided, however, matters deemed to be emergencies or of an urgent nature may be added to the agenda under the procedures of the Brown Act. Pursuant to the Brown Act:
 - (a) Directors may briefly respond to statements or questions from the public;

NIPOMO COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTOR
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EXHIBIT "A"

- (b) Directors may, on their own initiative or in response to public questions, ask questions for clarification, provide references to staff or other resources for factual information, or request staff to report back at a subsequent meeting;
 - (c) The Board may take action to direct the General Manager to place a matter on a future agenda;
 - (d) Directors may make brief announcements or make a brief report on his/her own activities under the Director Comment portion of the Agenda.
- 2.5 The President, or in his/her absence the Vice President, shall be the presiding officer at District Board meetings. He/She shall conduct all meetings in a manner consistent with the policies of the District. He/She shall determine the order in which agenda items shall be considered for discussion and/or actions taken by the Board. He/She shall vote on all questions, and on roll call votes his/her name shall be called last.
- 2.6 Three (3) Directors of the Board shall constitute a quorum for the transaction of District business. When a quorum is lacking for a regular, adjourned, or special meeting, the President, Vice President, or any Director shall adjourn such meeting; or, if no Director is present, the District Secretary shall adjourn the meeting.
- 2.7 Except as otherwise specifically provided by law, a majority vote of the total membership of the Board of Directors is required for the Board of Directors to take action.
- 2.8 All Directors present at a meeting are expected to vote on all items requiring a vote. A roll call vote shall be taken upon the passage of all ordinances and resolutions, and shall be entered in the minutes of the Board, showing those Directors voting aye, those voting no, those abstaining from voting, and those absent. A roll call vote shall be taken and recorded on any motion not passed unanimously by the Board. A Director abstaining from a vote due to a conflict of interest shall state the reason for the abstention, which shall be reflected in the minutes of the meeting.
- 2.10 Any person attending a meeting of the Board of Directors may record the proceedings with an audio or video recorder or a still or motion picture camera in the absence of a reasonable finding that the recording cannot continue without disruptive noise, illumination, or obstruction of view that constitutes or would constitute a disruption of the proceedings.
- 2.11 All recording devices, including but not limited to, audio or video recorders, still and/or motion picture cameras shall remain stationary and shall be located and operated in plain public view and from behind the public speaker's podium. The President retains the discretion to alter these guidelines, including the authority to require that all audio or video recorders, still and/or motion picture cameras be located in the back of the room.

NIPOMO COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTOR
BOARD BY-LAWS AND POLICIES
EXHIBIT "A"

3. AGENDAS

- 3.1. The General Manager, in cooperation with the Board President, shall prepare the agenda for each regular and special meeting of the Board of Directors. Any Director may call the General Manager and request an item to be placed on the regular meeting agenda no later than 4:30 p.m. twelve calendar days prior to the meeting date. Such a request must be also submitted in writing either at the time of communication with the General Manager or delivered to the office within the next working day.
- 3.2 The following applies to reconsideration of prior Board actions.
- (a) After the passage of 9 months from the effective date of the motion, resolution, or ordinance, the matter may be placed on the agenda pursuant to Section 3.1, above, or other provisions of the Brown Act.
 - (b) Prior to the passage of 9 months, any member of the Board of Directors or the General Manager may request the Board of Directors, by motion, to agree to reconsider a prior Board action at a subsequent meeting of the Board.
 - (c) The President of the Board of Directors, upon a determination that there is a need to take immediate action, may place an item on the agenda for reconsideration.
- 3.3 Comments on agendized items should be held until the appropriate item is called.
- 3.4 Those items on the District Agenda which are considered to be of a routine and non-controversial nature are placed on the "Consent Agenda". These items shall be approved, adopted, and accepted, etc. by one motion of the Board of Directors; for example, approval of Minutes, approval of Warrants, various Resolutions accepting developer improvements, minor budgetary items, status reports, and routine District operations.
- (a) Directors may request that any item listed under "Consent Agenda" be removed from the "Consent Agenda", and the Board will then take action separately on that item. Members of the public will be given an opportunity to comment on the "Consent Agenda"; however, only a member of the Board of Directors can remove an item from the "Consent Agenda". Items which are removed ("pulled") by Directors of the Board for discussion will typically be heard after other "Consent Agenda" items are approved unless the President chooses an earlier or later time.
 - (b) A Director may ask questions on any item on the "Consent Agenda". When a Director has a minor question for clarification concerning a consent item which will not involve extended discussion, the item may be discussed for

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clarification and the questions will be addressed along with the rest of the "Consent Agenda". Directors are encouraged to seek clarifications prior to the meeting if possible.

- (c) When a Director wishes to consider/"pull" an item simply to register a dissenting vote, an abstention or conflict of interest, the Director shall inform the presiding officer that he/she wishes to register a dissenting vote, an abstention or conflict of interest, on a particular item without discussion. The item will be handled along with the rest of the Consent Agenda, and the District Secretary shall register a "no" vote, an abstention or conflict of interest, in the minutes on the item identified by the Director.

4. PREPARATION OF MINUTES AND MAINTENANCE OF RECORDINGS

- 4.1 The minutes of the Board shall be kept by the District Secretary and shall be neatly produced and kept in a file for that purpose, with a record of each particular type of business transacted set off in paragraphs with proper subheads.
- 4.2 The minutes of the Board of Directors shall record the aye and no votes, any abstentions from voting and the reasons stated therefor, and any absences of the members of the Board of Directors for the passage or denial of all ordinances, resolutions, or motions.
- 4.3 The District Secretary shall be required to make a record only of such business as was actually considered by a vote of the Board and, except as provided in Sections 4.4 and 4.6 below, shall not be required to record any remarks of Directors or any other person.
- 4.4 The District Secretary shall attempt to record the names and general place of residence of persons addressing the Board during general public comment.
- 4.5 Any Director may request for inclusion into the minutes brief comments pertinent to an agenda item, only at the meeting in which the item is discussed. In addition, the minutes shall include the names of speakers who provided public comment on each agenda item and a summary of the Directors' reports. Materials submitted with such comments shall be appended to the minutes at the request of the General Manager, District Counsel, the Board President, or any Director.

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EXHIBIT "A"

- 4.6 Whenever the Board acts in a quasi-judicial proceeding such as in assessment matters, the District Secretary shall compile a summary of the testimony of the witnesses.
- 4.7 Any recording of a District meeting made for whatever purpose at the direction of the District shall be subject to inspection pursuant to the California Public Records Act. Consistent with Government Code Section 54953.5(b), the District will maintain the recordings for a 30-day period after the recording. During the 30-day period, the District will provide, without charge, the necessary equipment for inspection of said recordings at the District Office during regular business hours. In addition to the 30-day requirement, the District will maintain the recordings- in accordance with its current Records Retention Policy

5. DIRECTORS

- 5.1 Directors shall prepare themselves to discuss agenda items at meetings of the Board of Directors. Directors are encouraged to seek clarification prior to the meeting, if possible.
- 5.2 Members of the Board of Directors shall exercise their independent judgment on behalf of the interest of the entire District, including the residents, property owners and the public as a whole.
- 5.3 Information may be requested from staff before meetings, within such limitations as required by the Brown Act. Information that is requested shall be distributed through the General Manager, and all Directors will receive a copy of all information being distributed.
- 5.4 Directors shall at all times conduct themselves with courtesy to each other, to staff and to members of the audience present at Board meetings.
- 5.5 Differing viewpoints are healthy in the decision-making process. Individuals have the right to disagree with ideas and opinions, but without being disrespectful to others.
- 5.6 Pursuant to §54952.2 of the Brown Act:
- (a) Except during an open and public meeting, a majority of the Board of Directors shall not use a series of communications of any kind, directly or thru intermediaries, to discuss, deliberate, or take action on any item of business that is within the subject matter of the District.
 - (b) Subsection (a) above shall not be construed as preventing District management staff from engaging in separate conversations or communications with members of the District Board of Directors in order to answer questions or provide information regarding a matter that is within the subject matter jurisdiction of the District, provided that District Staff does not communicate to members of the Board of

NIPOMO COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTOR
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Directors the comments or positions of any other member or members of the Board of Directors.

- 5.7 Directors shall not be prohibited by action of the Board of Directors from citing his or her District affiliation or title in any endorsement or publication, so long as no misrepresentation is made, or implied, about the District's position on an issue.

6. AUTHORITY OF DIRECTORS

- 6.1 The Board of Directors is the unit of authority within the District. Apart from his/her normal function as a part of this unit, a Director has no individual authority. As individuals, Directors may not commit the District to any policy, act, or expenditure.
- 6.2 Directors do not represent any fractional segment of the District but are, rather, a part of the body which represents and acts for the District as a whole.
- 6.3 The primary responsibility of the Board of Directors is the formulation and evaluation of policy. Routine matters concerning the operational aspects of the District are to be delegated to professional staff members of the District.

7. AUTHORITY OF THE GENERAL MANAGER

Pursuant to Government Code §61051, the General Manager shall be responsible for the following:

- 7.1. The implementation of the policies established by the Board of Directors for the operation of the District;
- 7.2 The appointment, supervision, discipline, and dismissal of the District's employees, consistent with the employee relations system established by the Board of Directors;
- 7.3 The supervision of the District's facilities and services;
- 7.4 The supervision of the District's finances.

NIPOMO COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTOR
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8. DIRECTOR GUIDELINES

- 8.1 Directors, by making a request to the General Manager or Assistant General Manager, shall have access to information relative to the operation of the District, including but not limited to statistical information, information serving as the basis for certain actions of Staff, justification for Staff recommendations, etc. If the General Manager or the Assistant General Manager cannot timely provide the requested information by reason of information deficiency, or major interruption in work schedules, workloads, and priorities, then the General Manager or Assistant General Manager shall inform the individual Director why the information is not or cannot be made available.
- 8.2 In handling complaints from residents or property owners within the District, or other members of the public, Directors are encouraged to listen carefully to the concerns, but the complaint should be referred to the General Manager for processing and the District's response, if any.
- 8.3 Directors, when seeking clarification of policy-related concerns, especially those involving personnel, legal action, land acquisition and development, finances, and programming, should refer said concerns directly to the General Manager.
- 8.4 When approached by District personnel concerning a specific District policy, Directors should direct inquiries to the General Manager or Assistant General Manager. The chain of command should be followed. If a Director concludes that a personnel issue is not being adequately addressed in this manner, he/she should refer it to the Board's personnel committee for further consideration, in accordance with District Personnel Policy.
- 8.5 Directors and General Manager should develop a working relationship so that current issues, concerns, and District projects can be discussed comfortably and openly.
- 8.6 When responding to constituent requests and concerns, Directors should respond to individuals in a positive manner and route their questions to the General Manager, or in his/her absence, to the Assistant General Manager.
- 8.7 Directors are responsible for monitoring the District's progress in attaining its goals and objectives, while pursuing its mission.

9. DIRECTOR COMPENSATION

- 9.1 Each Director is authorized to receive one hundred dollars (\$100.00) as compensation for each regular adjourned or special meeting of the Board of Directors attended by him/her.
- 9.2 Each Director appointed to a committee is authorized to receive one hundred dollars (\$100) as compensation for each public meeting of a standing committee attended by him/her.

NIPOMO COMMUNITY SERVICES DISTRICT
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- 9.3 Each Director appointed to an ad hoc committee is authorized to receive seventy-five dollars (\$75.00) as compensation for each ad hoc committee meeting attended by him/her.
- 9.4 In no event shall Director compensation exceed \$100 per day.
- 9.5 Director compensation shall not exceed six full days in any one calendar month.

10. DIRECTOR REIMBURSEMENT

10.1 Subject to the following rules and budgetary limitations, each Director is entitled to reimbursement for their actual and necessary expenses (including the cost of programs and seminars), for his/her attendance at programs, conferences, and seminars that are related to District functions and/or Director development.

- (a) It is the policy of the District to exercise prudence with respect to hotel/motel accommodations. It is also the policy of the District for Directors and staff to stay at the main hotel/motel location of a conference, seminar, or class to gain maximum participation and advantage of interaction with others whenever possible.

If lodging is in connection with a conference or organized education activity, lodging costs shall not exceed the maximum group rate published by the conference or activity sponsor, provided that lodging at the group rate is available to the member of the Board of Directors at the time of booking. If the group rate is not available, the Director shall use lodging that is comparable with the group rate. Personal phone calls, room service, and other discretionary expenditures are not reimbursable.

- (b) Members of the Board of Directors shall use government and group rates offered by a provider of transportation for travel when available. Directors, using his/her private vehicle on District business, shall be compensated at the prevailing IRS per diem mileage rate.
- (c) Any Director traveling on District business shall receive in addition to transportation and lodging expenses, a per diem allowance to cover ordinary expenses such as meals, refreshments, and tips. The amount set for per diem shall be considered fair reimbursement. The per diem shall include \$10.00 for breakfast, \$15.00 for lunch and \$30.00 for dinner, for a daily total of \$55.00.
- (d) All travel and other expenses for District business, conferences, or seminars outside of the State of California shall require

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separate Board authorization, with specific accountability as to how the District shall benefit by such expenditure.

- 10.2 All expenses that do not fall within the reimbursement policy set forth in 10.1, above, shall be approved by the Board of Directors, at a public meeting, before the expense is incurred.
- 10.3 Board members shall submit an expense report on the District form within thirty (30) calendar days after incurring the expense. The expense report shall be accompanied by receipts documenting each expense. Expense reports for mileage, as referenced in Section 10.1(b), shall be submitted no later than the end of each quarter (March, June, September, and December).
- 10.4 Members of the Board of Directors shall provide brief reports on the program, conferences, and seminars attended at the expense of the District at the next regular meeting of the Board of Directors.

11. TRAINING

11.1 Ethics Training

- (a) Pursuant to sections 53234 et seq. of the Government Code, all Directors and designated District personnel shall receive at least 2 hours of ethics training every two years.
- (b) Each newly elected Board Member and designated District personnel shall receive ethics training no later than one year from the first day of service with the District and thereafter shall receive ethics training at least once every two years.

11.2 Harassment Prevention Training

Board members, the General Manager, and supervisors that are designated in the Districts conflict of interest code, shall receive harassment prevention training in accordance with the law.

12. COMMITTEES

12.1 Ad Hoc Committees

The Board President shall appoint such ad hoc committees as may be deemed necessary or advisable by himself/herself and/or the Board. The duties of the ad hoc committees shall be outlined at the time of appointment, and the committee shall be considered dissolved when its final report has been made.

12.2 Standing Committees

- (a) The Board may create standing committees at its discretion. The Board President shall propose and the Board of Directors shall approve standing committee membership.

NIPOMO COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTOR
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- (b) Standing committees shall be advisory committees to the Board of Directors and shall not commit the District to any policy, act or expenditure. Each standing committee may consider District-related issues, on a continuing basis, assigned to it by the Board of Directors. Members of the standing committees shall be appointed by the Board of Directors.
- (c) All standing committee meetings shall be conducted as public meetings in accordance with the Brown Act and Sections 2, 3 and 4 of these By-Laws. Summary notes for each meeting of each committee shall be forwarded to the NCS D Board of Directors as a public record.

13. CORRESPONDENCE DISTRIBUTION POLICY

Time permitting, the following letters and other documents shall be accumulated and delivered to the Board of Directors by Monday of each week and/or with agenda packet.

- 13.1 All letters approved by the Board of Directors and/or signed by the President on behalf of the District, and
- 13.2 All letters and other documents received by the District that are of District-wide concern, as determined by District staff.

14. CONFLICTS AND RELATED POLICY

State laws are in place which attempt to eliminate any action by a Director or the District which may reflect a conflict of interest. The purpose of such laws and regulations is to insure that all actions are taken in the public interest. Laws which regulate conflicts are very complicated. The following provides a brief policy summary of various conflict related laws. Directors are encouraged to consult with District Legal Counsel and/or the FPPC at 1-800-ASK-FPPC (1-800-275-3772), prior to the day of the meeting, if they have questions about a particular agenda item.

14.1 Conflict of Interest

Each Director is encouraged to review the District Conflict Code on an annual basis. The general rule is that an official may not participate in the making of a governmental decision if it is: reasonably foreseeable that the decision will have a material financial effect on the official or a member of his or her immediate family or on an economic interest of the official, and the effect is distinguishable from the effect on the public generally. FPPC regulations related to interests in real property provide that, if the real property in which the Director has an interest is located within 500 feet of the boundaries of the property affected by a decision, that interest is now deemed to be directly involved in the decision.

14.2 Interest in Contracts, Government Code Section 1090

NIPOMO COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTOR
BOARD BY-LAWS AND POLICIES
EXHIBIT "A"

The prohibitions of Government Code Section 1090 provide that the Board of Directors may not contract with any business in which another Director has a financial interest.

14.3 Incompatible Office, Government Code Section 1099

The basic rule is that public policy requires that when the duties of two offices are repugnant or overlap so that their exercise may require contradictory or inconsistent action, to the detriment to the other public interest, their discharge by one person is incompatible with that interest. When a Director is sworn in for such a second office, he/she is simultaneously terminated from holding the first office.

15. CONTINUING EDUCATION

Directors are encouraged to attend educational conferences and professional meetings when the purposes of such activities are to improve District operation. Subject to budgetary constraints, there is no limit to the number of Directors attending a particular conference or seminar when it is apparent that their attendance is beneficial to the District.

16. BOARD BY-LAWS REVIEW POLICY

Subject to 3.1 the Board By-Laws and Policies shall be reviewed annually at the first regular meeting in February. The review shall be provided by District Counsel and ratified by Board action.

17. RESTRICTIONS ON BY-LAWS

The rules contained herein shall govern the Board in all cases to which they are applicable, and in which they are not inconsistent with State or Federal laws.

MARCH 13, 2019

ITEM E-2

ATTACHMENT B

NIPOMO COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTOR
BOARD BY-LAWS AND POLICIES
EXHIBIT "A"

1. OFFICERS OF THE BOARD OF DIRECTORS

- 1.1 The officers of the Board of Directors are President and Vice President.
- 1.2 The President of the Board of Directors shall serve as chairperson at all Board meetings. He/She shall have the same rights as the other Directors of the Board in voting, introducing motions, resolutions and ordinances, and any discussion of questions that follow said actions.
- 1.3 In the absence of the President, the Vice President of the Board of Directors shall serve as chairperson over all meetings of the Board. If the President and Vice President of the Board are both absent, the remaining Directors present shall select one of themselves to act as chairperson of the meeting.
- 1.4 The President and Vice President of the Board shall be elected annually at the last meeting of each calendar year.
- 1.5 The term of office for the President and Vice President of the Board shall commence on January 1 of the year immediately following their election.

2. MEETINGS

- 2.1 Subject to holiday and scheduling conflicts, regular meetings of the Board of Directors shall commence at 9:00 a.m. on the second and fourth Wednesday of each calendar month in the Board Room at the District Office located at 148 South Wilson, Nipomo, CA. The Board of Directors reserves the right to cancel and/or designate other dates, places, and times for Director Meetings due to scheduling conflicts and holidays.
- 2.2 Special Meetings.

Special meetings may be called by the President or three (3) Directors with a minimum of twenty-four (24) hours public notice. Special meeting agenda shall be prepared and distributed pursuant to the procedures of the Brown Act by the General Manager or the Assistant General Manager in consultation with the President or, in his or her absence, the Vice President or those Directors calling the meeting.
- 2.3 Directors shall attend all regular and special meetings of the Board unless there is good cause for absence.
- 2.4 No action or discussion may be taken on an item not on the posted agenda; provided, however, matters deemed to be emergencies or of an urgent nature may be added to the agenda under the procedures of the Brown Act. Pursuant to the Brown Act:
 - (a) Directors may briefly respond to statements or questions from the public;

NIPOMO COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTOR
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- (b) Directors may, on their own initiative or in response to public questions, ask questions for clarification, provide references to staff or other resources for factual information, or request staff to report back at a subsequent meeting;
 - (c) The Board may take action to direct the General Manager to place a matter on a future agenda;
 - (d) Directors may make brief announcements or make a brief report on his/her own activities under the Director Comment portion of the Agenda.
- 2.5 The President, or in his/her absence the Vice President, shall be the presiding officer at District Board meetings. He/She shall conduct all meetings in a manner consistent with the policies of the District. He/She shall determine the order in which agenda items shall be considered for discussion and/or actions taken by the Board. He/She shall vote on all questions, and on roll call votes his/her name shall be called last.
- 2.6 Three (3) Directors of the Board shall constitute a quorum for the transaction of District business. When a quorum is lacking for a regular, adjourned, or special meeting, the President, Vice President, or any Director shall adjourn such meeting; or, if no Director is present, the District Secretary shall adjourn the meeting.
- 2.7 Except as otherwise specifically provided by law, a majority vote of the total membership of the Board of Directors is required for the Board of Directors to take action.
- 2.8 All Directors present at a meeting are expected to vote on all items requiring a vote. A roll call vote shall be taken upon the passage of all ordinances and resolutions, and shall be entered in the minutes of the Board, showing those Directors voting aye, those voting no, those temporarily absent abstaining from voting because of a conflict of interest, and those absent. A roll call vote shall be taken and recorded on any motion not passed unanimously by the Board. Silence shall be recorded as an affirmative vote. A Director abstaining from a vote because of a conflict of interest shall state the reason for the abstention, which shall be reflected in the minutes of the meeting.
- 2.10 Any person attending a meeting of the Board of Directors may record the proceedings with an audio or video recorder or a still or motion picture camera in the absence of a reasonable finding that the recording cannot continue without disruptive noise, illumination, or obstruction of view that constitutes or would constitute a disruption of the proceedings.
- 2.11 All recording devices, including but not limited to-, audio or video recorders, still and/or motion picture cameras shall remain stationary and shall be located and operated in plain public view and from behind the public speaker's podium. The President retains the discretion to alter these guidelines, including the authority to require that all audio or video recorders, still and/or motion picture cameras be located in the back of the room.

NIPOMO COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTOR
BOARD BY-LAWS AND POLICIES
EXHIBIT "A"

3. AGENDAS

- 3.1. The General Manager, in cooperation with the Board President, shall prepare the agenda for each regular and special meeting of the Board of Directors. Any Director may call the General Manager and request an item to be placed on the regular meeting agenda no later than 4:30 p.m. twelve calendar days prior to the meeting date. Such a request must be also submitted in writing either at the time of communication with the General Manager or delivered to the office within the next working day.
- 3.2. The following applies to reconsideration of prior Board actions.
- (a) After the passage of 9 months from the effective date of the motion, resolution, or ordinance, the matter may be placed on the agenda pursuant to Section 3.1, above, or other provisions of the Brown Act.
 - (b) Prior to the passage of 9 months, any member of the Board of Directors or the General Manager may request the Board of Directors, by motion, to agree to reconsider a prior Board action at a subsequent meeting of the Board.
 - (c) The President of the Board of Directors, upon a determination that there is a need to take immediate action, may place an item on the agenda for reconsideration.
- 3.3. Comments on agendized items should be held until the appropriate item is called.
- 3.4. Those items on the District Agenda which are considered to be of a routine and non-controversial nature are placed on the "Consent Agenda". These items shall be approved, adopted, and accepted, etc. by one motion of the Board of Directors; for example, approval of Minutes, approval of Warrants, various Resolutions accepting developer improvements, minor budgetary items, status reports, and routine District operations.
- (a) Directors may request that any item listed under "Consent Agenda" be removed from the "Consent Agenda", and the Board will then take action separately on that item. Members of the public will be given an opportunity to comment on the "Consent Agenda"; however, only a member of the Board of Directors can remove an item from the "Consent Agenda". Items which are removed ("pulled") by Directors of the Board for discussion will typically be heard after other "Consent Agenda" items are approved unless the President chooses an earlier or later time.
 - (b) A Director may ask questions on any item on the "Consent Agenda". When a Director has a minor question for clarification concerning a consent item which will not involve

NIPOMO COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTOR
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extended discussion, the item may be discussed for clarification and the questions will be addressed along with the rest of the "Consent Agenda". Directors are encouraged to seek clarifications prior to the meeting if possible.

- (c) When a Director wishes to consider/"pull" an item simply to register a dissenting vote, an abstention or conflict of interest, the Director shall inform the presiding officer that he/she wishes to register a dissenting vote, an abstention or conflict of interest, on a particular item without discussion. The item will be handled along with the rest of the Consent Agenda, and the District Secretary shall register a "no" vote, an abstention or conflict of interest, in the minutes on the item identified by the Director.

4. PREPARATION OF MINUTES AND MAINTENANCE OF RECORDINGS

- 4.1 The minutes of the Board shall be kept by the District Secretary and shall be neatly produced and kept in a file for that purpose, with a record of each particular type of business transacted set off in paragraphs with proper subheads.
- 4.2 The minutes of the Board of Directors shall record the aye and no votes, any abstentions from voting and the reasons stated therefor, and any absences ~~of~~ taken by the members of the Board of Directors for the passage or denial of all ordinances, resolutions, or motions.
- 4.3 The District Secretary shall be required to make a record only of such business as was actually considered by a vote of the Board and, except as provided in Sections 4.4 and 4.6 below, shall not be required to record any remarks of Directors or any other person.
- 4.4 The District Secretary shall attempt to record the names and general place of residence of persons addressing the Board during general public comment.
- 4.5 Any Director may request for inclusion into the minutes brief comments pertinent to an agenda item, only at the meeting in which the item is discussed. In addition, the minutes shall include the names of speakers who provided public comment on each agenda item and a summary of the Directors' reports. Materials submitted with such comments shall be appended to the minutes at the request of the General Manager, District Counsel, the Board President, or any Director.

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- 4.6 Whenever the Board acts in a quasi-judicial proceeding such as in assessment matters, the District Secretary shall compile a summary of the testimony of the witnesses.
- 4.7 Any recording of a District meeting made for whatever purpose at the direction of the District shall be subject to inspection pursuant to the California Public Records Act. Consistent with Government Code Section 54953.5(b), the District will maintain the recordings for a 30-day period after the recording. During the 30-day period, the District will provide, without charge, the necessary equipment for inspection of said recordings at the District Office during regular business hours. In addition to the 30-day requirement, the District will maintain the recordings- in accordance with its current Records Retention Policy

5. DIRECTORS

- 5.1 Directors shall prepare themselves to discuss agenda items at meetings of the Board of Directors. Directors are encouraged to seek clarification prior to the meeting, if possible.
- 5.2 Members of the Board of Directors shall exercise their independent judgment on behalf of the interest of the entire District, including the residents, property owners and the public as a whole.
- 5.3 Information may be requested from staff before meetings, within such limitations as required by the Brown Act. Information that is requested shall be distributed through the General Manager, and all Directors will receive a copy of all information being distributed.
- 5.4 Directors shall at all times conduct themselves with courtesy to each other, to staff and to members of the audience present at Board meetings.
- 5.5 Differing viewpoints are healthy in the decision-making process. Individuals have the right to disagree with ideas and opinions, but without being disrespectful to others.
- 5.6 Pursuant to §54952.2 of the Brown Act:
- (a) Except during an open and public meeting, a majority of the Board of Directors shall not use a series of communications of any kind, directly or thru intermediaries, to discuss, deliberate, or take action on any item of business that is within the subject matter of the District.
 - (b) Subsection (a) above shall not be construed as preventing District management staff from engaging in separate conversations or communications with members of the District Board of Directors in order to answer questions or provide information regarding a matter that is within the subject matter jurisdiction of the District, provided that District Staff does not communicate to members of the Board of

NIPOMO COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTOR
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EXHIBIT "A"

Directors the comments or positions of any other member or members of the Board of Directors.

- 5.7 Directors shall not be prohibited by action of the Board of Directors from citing his or her District affiliation or title in any endorsement or publication, so long as no misrepresentation is made, or implied, about the District's position on an issue.

6. AUTHORITY OF DIRECTORS

- 6.1 The Board of Directors is the unit of authority within the District. Apart from his/her normal function as a part of this unit, a Director has no individual authority. As individuals, Directors may not commit the District to any policy, act, or expenditure.
- 6.2 Directors do not represent any fractional segment of the District but are, rather, a part of the body which represents and acts for the District as a whole.
- 6.3 The primary responsibility of the Board of Directors is the formulation and evaluation of policy. Routine matters concerning the operational aspects of the District are to be delegated to professional staff members of the District.

7. AUTHORITY OF THE GENERAL MANAGER

Pursuant to Government Code §61051, the General Manager shall be responsible for the following:

- 7.1. The implementation of the policies established by the Board of Directors for the operation of the District;
- 7.2 The appointment, supervision, discipline, and dismissal of the District's employees, consistent with the employee relations system established by the Board of Directors;
- 7.3 The supervision of the District's facilities and services;
- 7.4 The supervision of the District's finances.

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BOARD OF DIRECTOR
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8. DIRECTOR GUIDELINES

- 8.1 Directors, by making a request to the General Manager or Assistant General Manager, shall have access to information relative to the operation of the District, including but not limited to statistical information, information serving as the basis for certain actions of Staff, justification for Staff recommendations, etc. If the General Manager or the Assistant General Manager cannot timely provide the requested information by reason of information deficiency, or major interruption in work schedules, workloads, and priorities, then the General Manager or Assistant General Manager shall inform the individual Director why the information is not or cannot be made available.
- 8.2 In handling complaints from residents or property owners within the District, or other members of the public, Directors are encouraged to listen carefully to the concerns, but the complaint should be referred to the General Manager for processing and the District's response, if any.
- 8.3 Directors, when seeking clarification of policy-related concerns, especially those involving personnel, legal action, land acquisition and development, finances, and programming, should refer said concerns directly to the General Manager.
- 8.4 When approached by District personnel concerning a specific District policy, Directors should direct inquiries to the General Manager or Assistant General Manager. The chain of command should be followed. If a Director concludes that a personnel issue is not being adequately addressed in this manner, he/she should refer it to the Board's personnel committee for further consideration, in accordance with District Personnel Policy.
- 8.5 Directors and General Manager should develop a working relationship so that current issues, concerns, and District projects can be discussed comfortably and openly.
- 8.6 When responding to constituent requests and concerns, Directors should respond to individuals in a positive manner and route their questions to the General Manager, or in his/her absence, to the Assistant General Manager.
- 8.7 Directors are responsible for monitoring the District's progress in attaining its goals and objectives, while pursuing its mission.

9. DIRECTOR COMPENSATION

- 9.1 Each Director is authorized to receive one hundred dollars (\$100.00) as compensation for each regular adjourned or special meeting of the Board of Directors attended by him/her.
- 9.2 Each Director appointed to a committee is authorized to receive one hundred dollars (\$100) as compensation for each public meeting of a standing committee attended by him/her.

NIPOMO COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTOR
BOARD BY-LAWS AND POLICIES
EXHIBIT "A"

- 9.3 Each Director appointed to an ad hoc committee is authorized to receive seventy-five dollars (\$75.00) as compensation for each ad hoc committee meeting attended by him/her.
- 9.4 In no event shall Director compensation exceed \$100 per day.
- 9.5 Director compensation shall not exceed six full days in any one calendar month.

10. DIRECTOR REIMBURSEMENT

10.1 Subject to the following rules and budgetary limitations, each Director is entitled to reimbursement for their actual and necessary expenses (including the cost of programs and seminars), for his/her attendance at programs, conferences, and seminars that are related to District functions and/or Director development.

- (a) It is the policy of the District to exercise prudence with respect to hotel/motel accommodations. It is also the policy of the District for Directors and staff to stay at the main hotel/motel location of a conference, seminar, or class to gain maximum participation and advantage of interaction with others whenever possible.

If lodging is in connection with a conference or organized education activity, lodging costs shall not exceed the maximum group rate published by the conference or activity sponsor, provided that lodging at the group rate is available to the member of the Board of Directors at the time of booking. If the group rate is not available, the Director shall use lodging that is comparable with the group rate. Personal phone calls, room service, and other discretionary expenditures are not reimbursable.

- (b) Members of the Board of Directors shall use government and group rates offered by a provider of transportation for travel when available. Directors, using his/her private vehicle on District business, shall be compensated at the prevailing IRS per diem mileage rate.
- (c) Any Director traveling on District business shall receive in addition to transportation and lodging expenses, a per diem allowance to cover ordinary expenses such as meals, refreshments, and tips. The amount set for per diem shall be considered fair reimbursement. The per diem shall include \$10.00 for breakfast, \$15.00 for lunch and \$30.00 for dinner, for a daily total of \$55.00.
- (d) All travel and other expenses for District business, conferences, or seminars outside of the State of California shall require

NIPOMO COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTOR
BOARD BY-LAWS AND POLICIES
EXHIBIT "A"

separate Board authorization, with specific accountability as to how the District shall benefit by such expenditure.

- 10.2 All expenses that do not fall within the reimbursement policy set forth in 10.1, above, shall be approved by the Board of Directors, at a public meeting, before the expense is incurred.
- 10.3 Board members shall submit an expense report on the District form within thirty (30) calendar days after incurring the expense. The expense report shall be accompanied by receipts documenting each expense. Expense reports for mileage, as referenced in Section 10.1(b), shall be submitted no later than the end of each quarter (March, June, September, and December).
- 10.4 Members of the Board of Directors shall provide brief reports on the program, conferences, and seminars attended at the expense of the District at the next regular meeting of the Board of Directors.

11. TRAINING

11.1 Ethics Training

- (a) Pursuant to sections 53234 et seq. of the Government Code, all Directors and designated District personnel shall receive at least 2 hours of ethics training every two years.
- (b) Each newly elected Board Member and designated District personnel shall receive ethics training no later than one year from the first day of service with the District and thereafter shall receive ethics training at least once every two years.

11.2 Harassment Prevention Training

Board members, the General Manager, and supervisors that are designated in the Districts conflict of interest code, shall receive harassment prevention training in accordance with the law.

12. COMMITTEES

12.1 Ad Hoc Committees

The Board President shall appoint such ad hoc committees as may be deemed necessary or advisable by himself/herself and/or the Board. The duties of the ad hoc committees shall be outlined at the time of appointment, and the committee shall be considered dissolved when its final report has been made.

12.2 Standing Committees

- (a) The Board may create standing committees at its discretion. The Board President shall propose and the Board of Directors shall approve standing committee membership.

NIPOMO COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTOR
BOARD BY-LAWS AND POLICIES
EXHIBIT "A"

- (b) Standing committees shall be advisory committees to the Board of Directors and shall not commit the District to any policy, act or expenditure. Each standing committee may consider District-related issues, on a continuing basis, assigned to it by the Board of Directors. Members of the standing committees shall be appointed by the Board of Directors.
- (c) All standing committee meetings shall be conducted as public meetings in accordance with the Brown Act and Sections 2, 3 and 4 of these By-Laws. Summary notes for each meeting of each committee shall be forwarded to the NCSD Board of Directors as a public record.

13. CORRESPONDENCE DISTRIBUTION POLICY

Time permitting, the following letters and other documents shall be accumulated and delivered to the Board of Directors by Monday of each week and/or with agenda packet.

- 13.1 All letters approved by the Board of Directors and/or signed by the President on behalf of the District, and
- 13.2 All letters and other documents received by the District that are of District-wide concern, as determined by District staff.

14. CONFLICTS AND RELATED POLICY

State laws are in place which attempt to eliminate any action by a Director or the District which may reflect a conflict of interest. The purpose of such laws and regulations is to insure that all actions are taken in the public interest. Laws which regulate conflicts are very complicated. The following provides a brief policy summary of various conflict related laws. Directors are encouraged to consult with District Legal Counsel and/or the FPPC at 1-800-ASK-FPPC (1-800-275-3772), prior to the day of the meeting, if they have questions about a particular agenda item.

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NIPOMO COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTOR
BOARD BY-LAWS AND POLICIES
EXHIBIT "A"

The prohibitions of Government Code Section 1090 provide that the Board of Directors may not contract with any business in which another Director has a financial interest.

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The basic rule is that public policy requires that when the duties of two offices are repugnant or overlap so that their exercise may require contradictory or inconsistent action, to the detriment to the other public interest, their discharge by one person is incompatible with that interest. When a Director is sworn in for such a second office, he/she is simultaneously terminated from holding the first office.

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Directors are encouraged to attend educational conferences and professional meetings when the purposes of such activities are to improve District operation. Subject to budgetary constraints, there is no limit to the number of Directors attending a particular conference or seminar when it is apparent that their attendance is beneficial to the District.

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Subject to 3.1 the Board By-Laws and Policies shall be reviewed annually at the first regular meeting in February. The review shall be provided by District Counsel and ratified by Board action.

17. RESTRICTIONS ON BY-LAWS

The rules contained herein shall govern the Board in all cases to which they are applicable, and in which they are not inconsistent with State or Federal laws.

MARCH 13, 2019

ITEM E-2

ATTACHMENT C

Attachment C

CSD	Pay per Regular or Special Meeting	Pay per Standing Committee Meeting	Pay per Ad Hoc Committee Meetings	Miscellaneous	Maximum per month or day	Citation to Policy or Ordinance
Avila CSD	\$0	\$0	\$0	Policy includes a monthly "Director's Fee," to be established in the annual budget; they have not approved a budget that includes the fee		Policy 4030
Cambria CSD	\$100	\$100	\$100	Day of service also includes: training, conferences, seminars, webinars, negotiation sessions, meetings with professionals for District-related business, other meetings directed by Board	\$600/mo. \$100/day	Bylaws, Reso. 24-2018, § 8

CSD	Pay per Regular or Special Meeting	Pay per Standing Committee Meeting	Pay per Ad Hoc Committee Meetings	Miscellaneous	Maximum per month or day	Citation to Policy or Ordinance
Heritage Ranch CSD	\$100 for the first board or committee meeting attended per month, \$50 for each of the next two Board or Committee meetings attended per month	\$100 for the first board or committee meeting attended per month, \$50 for each of the next two Board or Committee meetings attended per month	Unknown if committees discussed in policy includes Ad Hoc Committees		\$200/mo.	
Nipomo CSD	\$100	\$100	\$75		6 days/mo. \$100/day	Bylaws, Reso. 2018-1468, § 9
Oceano CSD	\$100	\$50	\$50		\$600/mo. \$100/day	Bylaws, Reso. 2012-11, § 8

CSD	Pay per Regular or Special Meeting	Pay per Standing Committee Meeting	Pay per Ad Hoc Committee Meetings	Miscellaneous	Maximum per month or day	Citation to Policy or Ordinance
San Miguel CSD				No stipend paid for a meeting if director fails to arrive for roll call, leaves prior to adjournment, leaves for a period of more than thirty (30) in the middle of that Board meeting, or fails to attend the entire Board meeting (without a Board-approved excused absence). Two unexcused absences forfeits the stipend for the remainder of the fiscal year.	\$100/mo. for attendance at regular Board meetings, ¹ up to 6 meetings per month	Board Members' Handbook, Chapter 4
Templeton CSD	\$150	\$150	\$150		\$600/mo.	Ordinance 2009-1 ²

¹¹ It is unclear whether compensation is paid for each meeting, or if a director is required to attend all meetings held during the month in order to receive the \$100 per month total stipend.

² According to a staff report issued in support of an ordinance enacted in 2007, Templeton CSD relied on Water Code section 20202 to set its compensation at \$150 per meeting, which captured a 5% increase each year since enactment of an earlier ordinance.

TO: BOARD OF DIRECTORS
FROM: MARIO E. IGLESIAS
GENERAL MANAGER
DATE: MARCH 8, 2019

**AGENDA ITEM
E-3
MARCH 13, 2019**

**APPROVE AGREEMENT WITH ROGERS, ANDERSON, MALODY &
SCOTT PROPOSAL FOR 3 YEARS OF AUDITING SERVICES**

ITEM

Approve agreement with Rogers, Anderson, Malody & Scott proposal for 3 years of auditing services. [RECOMMEND APPROVE AGREEMENT]

BACKGROUND

Pursuant to Special District Law, the Board of Directors shall provide for regular audits of the District's accounts and records. An audit is performed on the accounts and records of Nipomo Community Services District every year by an independent Certified Public Accountant (CPA).

The District contracts for auditing services under a three-year contract. With the completion of the June 30, 2018 audit, the three-year contract with Rogers, Anderson, Malody & Scott, LLP (RAMS), Certified Public Accountants is complete. In order to maintain continuity, Staff requested a proposal for RAMS for an additional three years, which is allowed under California Government Code 12410.6(b).

Excerpt from California Government Code Section 12410.6(b):

Commencing with the 2013-14 fiscal year, a local agency shall not employ a public accounting firm to provide audit services to a local agency if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for the local agency for six consecutive years.

On March 6, 2019, the Finance and Audit Committee met and reviewed the proposal from RAMS. Mr. Terry Shea, CPA, attended the meeting via conference call and answered questions from the Finance and Audit Committee. The proposed annual fee for FY 18-19, 19-20 and 20-21 is \$22,000, \$23,000 and \$24,000 respectively. The fee for the previous contract was \$12,000 per year, with no escalation.

The Finance and Audit Committee unanimously agreed to recommend to the Board of Directors to approve the proposal for 3 years of auditing services.

RECOMMENDATION

It is recommended that the Board of Directors approve the agreement with RAMS and direct the General Manager to execute the agreement.

ATTACHMENT

- A. Proposal for Professional Auditing Services

MARCH 13, 2019

ITEM E-3

ATTACHMENT A



***Proposal for Professional
Auditing Services***

***For the fiscal year ending June 30, 2019
(With the option of each of the two subsequent years)***

Submitted by:

ROGERS, ANDERSON, MALODY & SCOTT, LLP

Certified Public Accountants

735 E. Carnegie Drive, Suite 100
San Bernardino, California 92408
(909) 889-0871

January 14, 2019

CONTACT: TERRY P. SHEA, PARTNER

terry@ramscpa.net

ALTERNATE CONTACT PERSON: BRAD A. WELEBIR, PARTNER

bwelebir@ramscpa.net



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

NIPOMO COMMUNITY SERVICES DISTRICT
PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

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Attachment A: Government Clients Served



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

January 14, 2019

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ramscpa.net

Nipomo Community Services District
ATTENTION: Lisa Bognuda,
Finance Director/Assistant General Manager
148 South Wilson Street
Nipomo, CA 93444

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Kirk A. Franks, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jay H. Zercher, CPA (Partner Emeritus)
Phillip H. Waller, CPA (Partner Emeritus)

MANAGERS / STAFF

Jenny Liu, CPA, MST
Seong-Hyea Lee, CPA, MBA
Charles De Simoni, CPA
Gardenya Duran, CPA
Brianna Schultz, CPA
Samuel Singery, CPA
Jing Wu, CPA
Evelyn Morentin-Barcena, CPA
Jin Gu, CPA, MT
Veronica Hernandez, CPA

Dear Ms. Bognuda,

I am pleased to respond, on behalf of Rogers, Anderson, Malody & Scott, LLP, (RAMS) to your request for a proposal regarding professional auditing services. As a recognized industry leader and innovator, our goal for the past 70 years has been to provide honest, accurate, objective results to all of our clients, including governmental organizations such as yours. Our success in this effort is witnessed by both the growth of our firm and the list of long-term clients who trust us.

At RAMS, we are committed to achieving the highest quality audit possible. We understand the complexity of performing governmental audits and that's why we have a *dedicated team of auditors* that possess the specialized knowledge and experience to help ensure compliance and changes in regulations that may impact your organization. We plan and execute our audits in a way that maximizes audit efficiency and effectiveness and provides you the highest quality services.

We are aware that the District has other proposals to consider. We believe that RAMS would be the appropriate choice for the audit engagement for the following reasons, which are provided in more detail in our proposal. Our firm:

- Has an established reputation in the governmental and not-for-profit accounting and auditing community for providing excellent, timely service and high quality reporting to our clients.
- Performs a risk based audit which enables us to focus on key audit areas allowing us to become more efficient resulting in lower audit fees.
- Provides auditing services to over 50 governmental agencies and not-for-profit organizations, including over 35 special districts.
- Understands the audit process, as a whole, can be a stressful experience for you and your staff; we understand that you will have other commitments and your regular workloads during the audit period. We make every effort to ensure the audit process, from the interim fieldwork to the preparation of the required financial reports, will be as trouble-free as possible for you and your staff. We accomplish this through comprehensive planning of the audit and utilizing our staff in the most efficient and effective manner while keeping disruptions and miscommunications to a minimum.
- Has audit team members that are personable and easy to work with. Through open and responsive communication with all parties involved in the audit process, we work to have the most efficient audit possible by minimizing operational distractions of your staff, while maximizing quality service and products.

MEMBERS

American Institute of
Certified Public Accountants

PCPS The AICPA Alliance
for CPA Firms

Governmental Audit
Quality Center

Employee Benefit Plan
Audit Quality Center

California Society of
Certified Public Accountants

STABILITY. ACCURACY. TRUST.

- Provides extensive training and continuing education to all of our audit staff through a combined use of in-house instruction and third-party providers. Our audit team members are experienced with and receive regular training in performing Single Audits in accordance with Federal OMB Uniform Guidance.
- Is committed to helping you meet all reporting/auditing deadlines, resolving any issues encountered during your audit (e.g., accounting or auditing, new pronouncements, etc.), and providing you with quality audit services.
- Has an extensive internal quality control review process to ensure your financial reports meet the highest standards. In addition to the preparation of financial reports by the engagement team and review by the engagement manager, *each report is also examined by 2 partners and 2 professional proofreaders.*
- Has assisted many of our clients with the preparation of their Comprehensive Annual Financial Reports, and all of our clients that have submitted their reports for the Government Finance Officers Association (GFOA) or California Society of Municipal Finance Officers (CSMFO) awards have received the awards. Our participation as a GFOA reviewer also indirectly benefits our clients in the quality review process.
- Is a full service firm, with specialists in auditing, reviews and compilations, tax planning and preparation, as well as business consulting. The diverse experience and accessibility of the professionals in these areas help us to provide a comprehensive approach to a wide variety of needs.
- Believes that our fee estimate and arrangement provides a fair and reasonable cost, commensurate with the experience of the audit team members, to perform the annual audit services for the District.

Our client driven focus, continued commitment to quality and client service and industry expertise has made RAMS one of the most sought after firms in Southern California.

Mr. Shea and Mr. Welebir are authorized to represent the firm, are empowered to submit the bid and authorized to sign a contract with the District. We understand the work to be done as listed in the section of this proposal titled *Services to be provided*. This proposal is a firm and irrevocable offer for sixty (60) days. In addition, we will be committed to meeting any agreed upon time frames.

We can be reached at: 735 E. Carnegie Drive, Suite 100, San Bernardino, CA 92408, (909) 889-0871, terry@ramscpa.net or bwelebir@ramscpa.net.

Thank you for the opportunity to present our proposal qualifications and to serve as independent auditors to the District. We will be committed to exceeding your expectations of an auditor and believe this proposal provides you with information about our firm, the service team members and our customized audit approach. We look forward to having a long and mutually beneficial relationship with the District. Please contact us if you have any questions regarding this proposal.

Respectfully yours,

ROGERS, ANDERSON, MALODY & SCOTT, LLP



Terry P. Shea, CPA
Partner

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Firm Overview

Independence

Rogers, Anderson, Malody & Scott, LLP is independent of the District, and any component units, as defined by general standard number two of the generally accepted auditing standards.

We are also independent of the District, and any component units, as defined by the second general standard for government auditing in the U.S. Government Accountability Office's *Government Auditing Standards* (2011).

License to practice in California

Rogers, Anderson, Malody & Scott, LLP is licensed to practice in the State of California. The key professional staff, which includes the partners, managers, and supervisors, are all certified public accountants licensed to practice in the State of California and are in compliance with all applicable Board of Accountancy standards.

About our firm



RAMS was founded in 1948 and is located at 735 E. Carnegie Drive, Suite 100, San Bernardino, California and offers the full range of services expected of a full service accounting firm. We are one of the oldest and most trusted and respected CPA firms in Southern California, with over 68 years of public practice experience, specializing in governmental agency and not-for-profit organization auditing, accounting and management advisory services. Over *fifteen thousand hours per year* are devoted to this area of our practice, which includes cities, redevelopment successor agencies, water districts, other special districts, not-for-profit corporations and joint power authorities. We

do not use our government accounting and auditing practice as "fill work" for the firm, it is a primary focus of it.

We understand that organizations desire that its auditors have a thorough understanding of the complex accounting and compliance issues confronting entities such as yours. Our firm has a long history of governmental accounting and auditing. Over the years, we have gained valuable experience, acquired in-depth knowledge, and obtained the technical expertise needed for governmental accounting and auditing. This expertise has enabled us to provide exceptional, high quality service and to provide solutions at fees we feel represent our value to our clients. In addition, we use our participation in various industry associations to continuously update our knowledge with respect to issues relating to governmental accounting, auditing and operations. Any insight we gain is immediately passed on to our clients if we feel they will benefit from it.

Our firm has a total staff of thirty-four people, which includes seventeen certified public accountants. The staff consists of five partners, four managers, ten supervisors/senior accountants, eleven staff accountants and four support staff. The audit staff consists of twenty-one members who devote over 80% of their time to municipal engagements. The engagement team assigned to the District's engagement will consist of the following full-time staff: three audit partners, one audit manager, one audit senior and one to two staff auditors. All personnel are located in our San Bernardino office.

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Firm Overview (continued)

Our firm is committed to providing our clients with the highest quality service at the most reasonable fee. The professionals assigned to the District's financial audit have each made providing quality service their priority.

Single audit experience

Most of our clients, and some of our other not-for-profit clients, have been subject to an audit in accordance with OMB Circular A-133. We recently performed single audits for the following entities:

City of Thousand Oaks	City of La Mesa
City of Claremont	City of Mission Viejo
City of Goleta	City of Redondo Beach
City of Hawthorne	Elsinore Valley Water District
City of Fillmore	Community Action Partnership of San Bernardino County
City of Rosemead	University Enterprises Corporation at CSUSB
City of Thousand Oaks	Western Municipal Water District
City of La Verne	

CAFR preparation

We have extensive experience in the preparation of Comprehensive Annual Financial Reports (CAFR). For the fiscal years ended June 30, 2016 and 2017, our staff prepared over 20 CAFR's, and each entity received the Certificate of Achievement for Excellence in Financial Reporting from the GFOA. For the fiscal year ended June 30, 2018, again, our staff prepared over 20 CAFR's for our clients for their submittal to the GFOA. In addition, we have helped many cities and special districts develop their first year's report for submittal. The audit partner on the engagement is also a technical reviewer for the GFOA CAFR award program.

Governmental Audit Quality Center

As a member of the American Institute of CPAs *Governmental Audit Quality Center*, we are committed to adhering to the highest quality standards by voluntarily agreeing to the Center membership requirements, which include designating a partner responsible for the quality of our governmental and not-for-profit audit practice, establishing quality control programs, performing annual internal inspection procedures, and making our peer review report findings publicly available. At RAMS, our goal is to continue to enhance our quality initiatives within our governmental and not-for-profit audit practice to deliver the highest quality audit services possible.

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Firm Overview (continued)

In addition, the Governmental Audit Quality Center provides access to comprehensive resources that will assist us in further enhancing the quality of your audit. The Center membership provides us with timely information on a variety of technical, legislative and regulatory subjects that we can in turn apply to your audit to help ensure compliance with the appropriate standards and changes in regulations which we pass on to our clients.

Range of services

Our firm provides various other services in addition to auditing services to governmental and not-for-profit entities, including:



- Finance director and accounting support services
- Study and evaluation of financial condition and fiscal policies
- Transient Occupancy Tax Agreed Upon Procedures
- Franchise (refuse, cable) Agreed Upon Procedures
- Accounting policies and procedures
- Capital improvement program procedures and policies
- Cash management studies
- Financing and public bond offering assistance
- Franchise agreement assistance (ambulance, cable, television, refuse, etc.)

In addition, the firm provides accounting, auditing, attest and consulting services to for profit and not-for-profit entities. We also provide tax preparation and tax consulting services to individuals, corporations and partnerships.

Engagement quality control

We have an extensive internal quality control review process to ensure your audit meets the highest standards. In addition to the preparation of financial reports by the senior member of the engagement team, each report is reviewed by the engagement manager and is also examined by the engagement partner and the technical review partner, and is proofread by two professional staff. In addition, all audit workpapers are reviewed by the in-charge auditor and the partner in-charge of the engagement.

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Firm Overview (continued)

External quality control review

As a member of the AICPA Private Companies Practice Section, our firm has participated in "Peer Review" since 1993 and has been examined every three years since that date. Participation in this program ensures that all of our engagements meet the standards of the AICPA, the Yellow Book and the California State Board of Accountancy. Throughout our participation in this program, the firm has received pass ratings from the peer reviewers. The latest review below included reviews of specific governmental entities.

During the current review, an independent firm reviewed our policies and procedures and then inspected a representative sample engagement workpapers and reports, including governmental entities and engagements subject to OMB A-133. For the year ended November 30, 2017, our firm received a "pass" rating which indicates our auditing practice is suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with applicable standards. The results provided confirmation that the custom audit approach and procedures we use are technically sound and in compliance with applicable standards.

The firm is not aware of any federal or state desk reviews or field reviews of its audits during the last three years.

Disciplinary action

The firm **has never** had any disciplinary action taken or pending against it with state regulatory bodies or professional organizations, nor has it ever had any pending or settled litigation, civil or criminal investigations.

Our firm does not have a record of substandard work.

In addition to the external quality control review, our firm performs in-house peer reviews over our audit and attest engagements annually.

Equal Opportunity Employer

Our firm is an equal opportunity employer and is committed to providing employment opportunities to all qualified persons regardless of race, color, sex, religion, national origin or handicap. Our staff represents a wide range of cultures and ethnic backgrounds. We provide opportunities for advancement for all staff based on ability, skill and desire to advance.

Grant Bennett Associates

A PROFESSIONAL CORPORATION

Report on the Firm's System of Quality Control

May 15, 2018

To the Partners of Rogers, Anderson, Malody & Scott, 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 Rogers, Anderson, Malody & Scott, LLP (the firm) in effect for the year ended November 30, 2017. 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 (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

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. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

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.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards* including a compliance audit under the Single Audit Act and an audit of an employee benefit plan.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Rogers, Anderson, Malody & Scott, LLP in effect for the year ended November 30, 2017, 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 deficiencies* or *fail*. Rogers, Anderson, Malody & Scott, LLP has received a peer review rating of *pass*.



GRANT BENNETT ASSOCIATES
A PROFESSIONAL CORPORATION
Certified Public Accountants



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NIPOMO COMMUNITY SERVICES DISTRICT
PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Experience Summary

RAMS has extensive experience in performing governmental and special district audits, we currently audit 20 cities and 35 special districts, most of which are water, sewer and sanitation districts. From fiscal year 2003-04 to fiscal year 2010-11 we audited over 90 San Bernardino County Special Districts, several of which included water, sewer and street lighting operations. Please see Attachment A for a list of our current clients. We have detailed our qualifications in the Firm Overview and Personnel sections of this proposal.

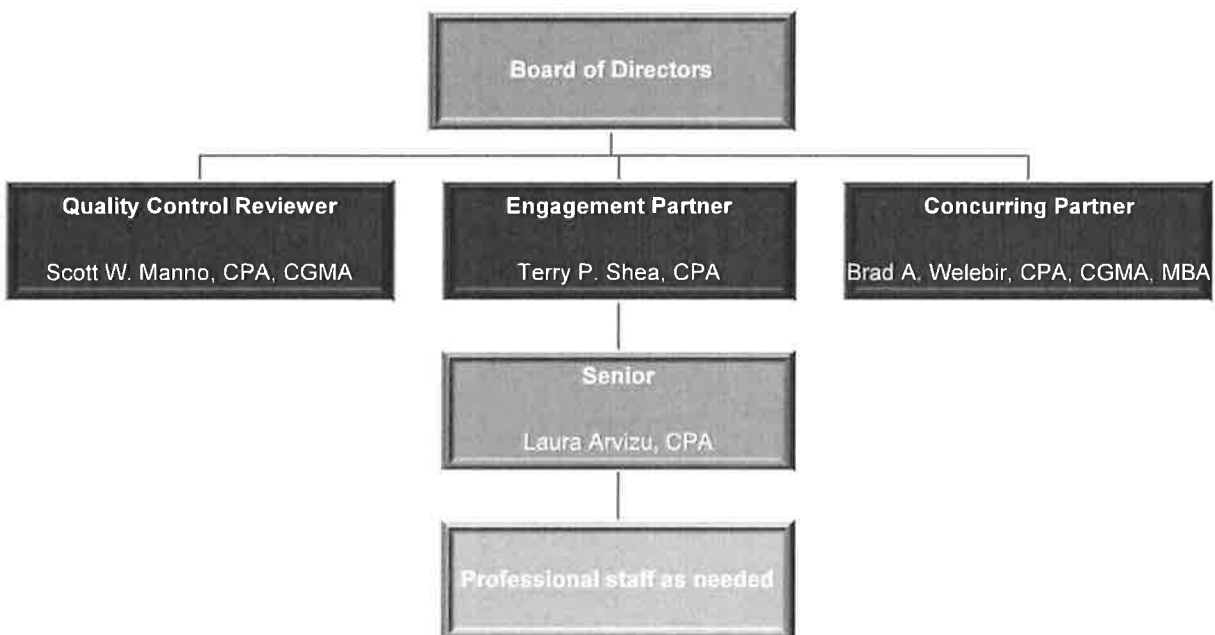
NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Personnel

The quality of service you receive is dependent on the capabilities of the individuals assigned to the engagement, and the manner in which those personnel resources are organized to efficiently focus their abilities on providing you with the requested audit services. These professionals are highly trained and knowledgeable and have a thorough understanding of the environment in which governmental and not-for-profit entities operate. This experience is a critical component in providing the District with an effective and efficient audit.

Our engagement team will provide significant experience coupled with an extensive, practical understanding of governmental and not-for-profit accounting and auditing along with a broad business perspective. Each member will have access to a wide range of technical resources and knowledge bases which will enable them to provide the District with practical observations and effective solutions.



NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Personnel (continued)

Partner and supervisory staff involvement

All partners and supervisory staff are working professionals and are actively and continually involved in all aspects of their engagements. We believe that partner and supervisory staff involvement in all areas of the audit is a key aspect of the overall audit process. This involvement includes being on-site for interim and year-end fieldwork, thus facilitating a proper, efficient and effective audit, with minimal disruption of your staff. In addition, the time spent on-site by the partners and supervisory staff ensures they gain an understanding of the entire District's accounting processes and procedures. This understanding will enable them to evaluate and develop opportunities for efficiency as well as offer practical and functional advice for improving your accounting processes and procedures.

All professionals on this engagement have worked on audits similar in nature to the District's, therefore, the District will not have to train our engagement team.

Staff continuity

Continuity of audit staff is a principal concern with our firm. In order to retain our staff, we offer extremely competitive wages, opportunities for advancement, generous medical packages, a retirement plan, bonus opportunities, as well as educational benefits. Even with the benefits we provide, we realize we may lose staff at any given time. Knowing this, we plan to provide staff continuity from year to year, which is in the best interest of the organization and our firm. Continuity ensures an orderly, efficient, and less disruptive audit experience. Since we cannot guarantee staff will remain with us, principal supervisory and management staff, including engagement partners, managers, other supervisory staff, and specialists, may be changed if those personnel leave the firm or are promoted. However, the District reserves the right to accept or reject replacements.

We believe that due to the significant involvement of the partners on all of our engagements, any staff transition would have a minimal effect on the audit efficiency and effectiveness of subsequent years.

Continuing professional education

Our team of auditor specialists stays current in this highly technical practice area by adhering to the continuing professional education requirements of *Government Auditing Standards* as well as the State Board of Accountancy guidelines. All professionals at our firm participate in continuing professional education (CPE) programs, which are sponsored by various organizations including the Government Finance Officers Association, the American Institute of Certified Public Accountants, the California State Society of Certified Public Accountants, the California Society of Municipal Finance Officers and the Association of Government Accountants. Participation in these programs helps us to ensure that our clients are serviced with the best trained and most proficient government and not-for-profit auditors and accountants available. In addition, we provide in-house training taught by our partners and senior level staff using published resources. All staff are required to attend fraud and ethics training. It is our goal to provide our professional staff continuing education which exceeds the minimum standard of 80 hours over two years.

In accordance with our firm's Quality Control document and *Government Auditing Standards (GAS)*, all staff members who work on audits subject to GAS are required to complete CPE in accordance with GAS standards which require 24 hours directly related to governmental accounting and auditing.

In addition to the required CPE, we also use the following to increase our technical knowledge: view the Governmental Audit Quality Center Annual Webcast Update and other relevant seminars and review monthly publications from the AICPA, the GFOA, and various other resources. We also attend conferences and seminars sponsored by the GFOA, California Society of Municipal Finance Officers and the California Special District Association.

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Personnel (continued)

Assigned personnel

It is our goal to provide you with capable, competent, and personable individuals who offer an extensive background, not only in governmental and not-for-profit accounting and auditing, but also in general business practices. We offer practical solutions, as well as provide technical support. This enables you to stay at the forefront of governmental and not-for-profit accounting and provides you with the support you need in dealing with the complex issues confronting entities such as yours.

In addition, our engagement team has the managerial and supervisory experience to provide the District with a comprehensive audit of the highest quality, while still focusing on personal service. The resumes of the key engagement personnel assigned to the audit are presented near the end of this proposal. The following individuals will be assigned to the engagement for the entire contract period:

Terry P. Shea, CPA – Partner, Engagement Partner

Terry will be the Engagement Partner. As the engagement partner, he will be responsible for overall engagement quality, as well as ensuring that the engagement is performed in the most effective and efficient manner. He will directly oversee all engagement staff while assisting in planning and performing the engagement as well as reviewing all work-papers prepared during the engagement, in addition to all required reports. He has over 37 years of practical, governmental accounting and auditing experience. Terry provides real world experience to all of our governmental engagements. He has gained this experience by serving as interim/contract finance director for several cities over the years. He served as Interim Finance Director for the City of Perris from July 1998 to October 2001. He currently serves as the Contract Finance Director for one city in Riverside County and one in Los Angeles County.

Brad A. Welebir, CPA, CGMA, MBA – Partner, Concurring

Brad is a partner with the firm. He is licensed to practice as a certified public accountant in the State of California. Brad has over 14 years of public accounting experience and has provided accounting, auditing, and consulting services for municipalities, special districts, water agencies, and various nonprofit organizations. As the concurring partner, Brad will work directly with Terry in planning and performing the engagement. In addition, he will provide technical consultation for the engagement team.

Scott W. Manno, CPA, CGMA – Partner, Quality Control Reviewer

Scott will be the Quality Control Reviewer. He is licensed to practice as a certified public accountant in the State of California. He has been in public accounting for 22 years specializing in serving local governments such as yours. Scott also serves as a technical reviewer for the GFOA CAFR Award program.

Laura Arvizu, CPA – Senior Accountant

Laura is a senior accountant with the firm. She has over 3 years' experience in providing accounting and auditing services for municipalities, special districts and various nonprofit organizations. As a senior accountant, she will work closely with the engagement partner and supervisor and be responsible for planning the audit, supervising the staff assigned to the engagement, and performing reviews of all work-papers prepared for the engagement. In addition, she will also be responsible for the preparation of any required reports.

NIPOMO COMMUNITY SERVICES DISTRICT
PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Personnel (continued)

Senior and staff level accountants

All staff employed by us and working on governmental audits are qualified to perform governmental audits. Each staff member is encouraged to take on increased responsibility for engagements previously worked on. This enables our staff to grow on each engagement and allows them to continue to gain the skills and knowledge required to perform the audits.

In summary, we want to emphasize the credentials of the above professionals who will be directly responsible for the quality of service that you will receive. Additionally, our audit team has another attribute that is very important, even though it is intangible -- the professionals assigned to the audits have previously worked together as a multi-disciplined team, thus ensuring a smooth, efficient and effective audit. We are committed to allocating the necessary resources to ensure that we provide continuity of personnel throughout the term of our relationship with the District.

Full engagement team resumes are provided as follows.

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Personnel (continued)

Engagement team resumes



Terry P. Shea, CPA
Engagement Partner

Professional experience

Mr. Shea began his career with Thomas, Byrne and Smith in 1981. He spent five years with the firm primarily working on audits of municipalities, special districts, redevelopment and other governmental agencies. He joined Rogers, Anderson, Malody & Scott, LLP in 1987 where he has completed governmental audits including municipalities and provided financial consulting services for various cities.

Education/licenses

Bachelor of Arts degree from California State University, Fullerton
Certified Public Accountant – State of California

Related professional experience

Partial listing of governmental entities recently served (*includes enterprise fund accounting):

Pine Cove Water District	City of Redondo Beach*	Helix Water District
Crestline Village Water District	Western Municipal Water District	Joshua Basin Water District
Vista Irrigation District	Idyllwild Water District	City of Riverside*
City of Corona*	City of San Jacinto*	City of La Verne*
City of Norco*	Crestline – Lake Arrowhead	City of La Mesa*
City of Mission Viejo*	Water Agency	Jurupa Comm. Services District
Ventura Regional Sanitation District	Yucaipa Valley Water District	S.B. County Special Districts*
	Town of Yucca Valley	

Mr. Shea served as the Interim Finance Director for the City of Perris from July 1998 to October 2001. He currently serves as the Contract Finance Director for one Riverside County city and one Los Angeles County city.

Continuing professional education

Mr. Shea has completed over 120 hours of continuing professional education courses in the past three years, of which, the following select courses are relevant to this engagement:

- ◆ American Institute of Certified Public Accountants, *Foundations in Governmental Accounting*
- ◆ American Institute of Certified Public Accountants, *Governmental and Not-for Profit Conference*
- ◆ California Society of CPAs Education Foundation, *Governmental Auditing Skills*
- ◆ Thomson Reuters, *Audits of State and Local Governments*

Professional affiliations

Mr. Shea is a member of the following professional organizations:

- ◆ American Institute of Certified Public Accountants (AICPA)
- ◆ California Society of Certified Public Accountants (CalCPA)
- ◆ Government Finance Officers Association (GFOA)
- ◆ California Society of Municipal Finance Officers (CSMFO)

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Personnel (continued)



Brad A. Welebir, CPA, CGMA, MBA
Concurring Partner

Professional experience

Mr. Welebir joined Rogers, Anderson, Malody & Scott, LLP in January 2004. He works primarily on audits of governmental agencies, small to mid-sized businesses, and nonprofit organizations. Prior to joining our firm, he worked at Sam's Club, where he was the operations manager and at La Sierra Academy as the accountant.

Education/licenses

Masters of Business Administration – Accounting Emphasis from California State University, Fullerton
Bachelor of Arts in Business Administration from La Sierra University
Certified Public Accountant – State of California
Chartered Global Management Accountant – American Institute of Certified Public Accountants

Related professional experience

Partial listing of governmental entities recently served (*includes enterprise fund accounting):

Western Municipal Water District	Helendale CSD
Crestline Village Water District	Crestline-Lake Arrowhead Water Agency
San Geronio Pass Water Agency	San Bernardino Municipal Water District
West Valley Water District	Valley Water Agency
Big Bear Area Regional Wastewater Agency	Running Springs Water District
Mojave Water Agency	Santa Ana Watershed Project Authority

Continuing professional education

Mr. Welebir has completed over 120 hours of continuing professional education courses in the past three years of which the following select courses are relevant to this engagement:

- ◆ Thomson Reuters, *Audits of State and Local Governments*
- ◆ American Institute of Certified Public Accountants, *Foundations in Governmental Accounting*
- ◆ California Society of CPAs Education Foundation, *Governmental Accounting and Auditing Update*
- ◆ American Institute of Certified Public Accountants, *Applying A-133 to Nonprofit and Governmental Organizations*

Professional affiliations

Mr. Welebir is a member of the following professional organizations:

- ◆ American Institute of Certified Public Accountants (AICPA)
- ◆ California Society of Certified Public Accountants (CalCPA)
- ◆ Government Finance Officers Association (GFOA)
- ◆ California Society of Municipal Finance Officers (CSMFO)

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Personnel (continued)



Scott W. Manno, CPA, CGMA
Quality Control Partner

Professional experience

Mr. Manno began his career with Thomas, Bigbie and Smith in 1995. He spent six years with the firm primarily working on audits of municipalities, special districts and redevelopment agencies as well as various nonprofit organizations. He joined Rogers, Anderson, Malody & Scott, LLP in July 2001. Currently, Mr. Manno serves as a technical reviewer for the GFOA CAFR Award program. Since 2010, Mr. Manno has been serving as a technical volunteer on the California Special Districts Association Audit Committee and is now a member of the Association's fiscal committee providing accounting and fiscal program guidance. Also, Mr. Manno recently did a presentation on fraud at a state conference.

In addition, he is part of the California State Society of Certified Public Accountants Governmental Accounting and Auditing Committee which meets periodically to discuss current events, pronouncements, etc., including the upcoming implementation of GASB 68.

Education/licenses

Bachelor of Science degree from California State University, San Bernardino
 Certified Public Accountant – State of California
 Chartered Global Management Accountant – American Institute of Certified Public Accountants

Related professional experience

Partial listing of governmental agencies recently served:

Western Municipal Water District	Vallecitos Water District	Runnings Springs Water District	Crestline Village Water District
San Bernardino Valley Municipal Water District	San Gorgonio Pass Water Agency	Rincon del Diablo Water District	Twentynine Palms Water District
Pine Cove Water District	Helix Water District	East Valley Water District	Vista Irrigation District
West Valley Water District	Valley Sanitary District	Saticoy Sanitary District	Helendale CSD

Mr. Manno has completed approximately 132 hours of continuing professional education courses over the past three years of which the following select courses are relevant to this engagement:

- ◆ Association of Certified Fraud Examiners, *How to Detect and Prevent Financial Statement Fraud*
- ◆ American Institute of Certified Public Accountants, *Governmental Accounting and Reporting*

Professional affiliations

Mr. Manno is a member of the following organizations:

- ◆ American Institute of Certified Public Accountants (AICPA)
- ◆ California Society of Certified Public Accountants (CalCPA)
- ◆ Association of Certified Fraud Examiners (ACFE)
- ◆ Association of Government Accountants (AGA)
- ◆ Government Finance Officers Association (GFOA)
- ◆ California Special Districts Association (CSDA)
- ◆ California Society of Municipal Finance Officers (CSMFO)

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of Services

Services to be provided

The District desires the auditor to express an opinion on the fair presentation of its financial statements in accordance with Generally Accepted Accounting Principles (GAAP), and Governmental Accounting Standard Board (GASB) practices.

In addition, we shall:

- Prepare the financial statements and related notes of the CAFR.
- Apply certain limited procedures related to Management's Discussion and Analysis and any Required Supplementary Information.
- Provide opinions as to the compliance with the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (OMB Uniform Guidance). We are to provide an "in-relation-to" report on the Schedule of Expenditures of Federal Awards based on the auditing procedures applied during the audit of the financial statements, if Single Audit is required.
- Prepare Management Letter that includes significant and less significant (i.e. reportable and non-reportable) recommendations for improvements to internal control.
- Provide a formal update on new state and national developments affecting the District.

Our audit(s) will be in accordance with:

- Generally Accepted Auditing Standards as promulgated by the American Institute of Certified Public Accountants (AICPA).
- The guidelines set forth in the AICPA's Audit and Accounting Guide, *Audits of State and Local Governments*.
- Government Auditing Standards issued by the Comptroller of the United States of America.
- *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (OMB Uniform Guidance).
- Requirements issued by the State Controller's Office.
- Requirements issued by the State of California.
- Any other requirements as needed.

The Firm will prepare a report to the Board regarding 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 with management prior to retention.
- Difficulties encountered in performing the audit.
- Errors, irregularities, and illegal acts.

All working papers and reports will be retained (at our expense) for a minimum of seven (7) years, unless we are notified by the District of the need to extend that retention period.

We will make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which we become aware to the following:

- District General Manager
- Finance Director
- Board President if Applicable

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of Services (continued)

RAMS engagement approach

Our engagement approach for your audit will be developed using established goals which will enable measurement of the audit process by the engagement partner and supervisor. Our approach involves frequent communication between the partner and the engagement team to ensure that all audit objectives are achieved in accordance with the established goals and that any issues which may arise are communicated and dealt with on a timely basis. Our overall knowledge and expertise in governmental accounting and auditing has allowed us to identify key audit and accounting risks in the government environment. 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.

Our engagement approach has been developed and refined over many years. The backbone of our approach revolves around the following six elements:

- **Knowledge and experience.** We have been auditing governmental entities like the District, both large and small, for over 70 years. This experience has allowed us to gain in-depth knowledge of the governmental environment which in turn allows us to perform a more efficient and effective audit and enables us to perform detailed risk assessment procedures. These risk assessment procedures allow us to identify significant audit risk areas within the District.
- **Oversight.** Professional judgment is not developed overnight. Our partners, managers and supervisors have been deeply involved in governmental audits on a continuous basis for most of their professional careers. By having direct partner and manager oversight, we are able to design audit strategies that result in effective and efficient audits.
- **Timeliness.** Deadlines are not just "dates" to us, they are professional commitments. All required deadlines will be met.
- **Open communication.** Open lines of communication with all parties (the engagement team members and District Management and staff) throughout the audit process helps to eliminate "surprises." Proper planning and proper use of experienced engagement personnel tend to provide for an effective and efficient audit process. Consequently, inefficiencies, disruptions, and lack of understanding are kept to a minimum.
- **Availability.** All engagement team members are available throughout the year for any questions or additional consultation.
- **Cost effectiveness.** Our customized audit approach and procedures and our experienced auditors help to reduce your overall audit costs.

As indicated in the next section of the proposal, the overall objective of the engagement with the District is to conduct an audit of the financial statements in accordance with required auditing standards and the expression of an opinion on those financial statements. Beyond that initial objective, we believe that our engagement approach provides certain other value added characteristics, at no additional cost, that will benefit the District over the long-term:

- All of our audits are designed to be performed in an efficient and effective way to minimize disruption to the office operations.
- We offer practical observations and recommendations relating to internal control issues, implementation of accounting standards and the policies and procedures regarding both.
- We identify opportunities for operating efficiencies which can be used to decrease operating costs of the District.

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of Services (continued)

Audit approach and audit segmentation

The following is a summary of the audit team's audit approach for the District's engagement. The audit will be divided into the following segments:

Segment 1 – Interim testing – planning, pre-audit administration and internal control testing

During this phase of the audit, our principal objectives will be to gather information about the District and its environment, including internal control over financial reporting.

In order to achieve the desired objectives of this phase of the audit, we will:

- Meet with the District's staff in order to determine convenient dates in which we can begin our audit, and to discuss the assistance to be provided by the District's staff.
- Hold brainstorming sessions with engagement team members to discuss the susceptibility of the District's financial statements to material misstatement and fraud.
- Review and evaluate the District's accounting and reporting processes by reviewing the prior year's audit work-papers, any District-prepared documents such as budgets, in-house financial reports, policies and procedures manuals, minutes of board meetings, etc., and by using various analytical procedures. Analytical procedures will enhance our understanding of the District and will help us identify areas that may need further assessment and additional testing.
- Review and retain copies of any pertinent local, state and federal statutes, regulations, or charters that apply to the District.
- Evaluate the design of controls that are relevant to the audit by obtaining a thorough understanding of the District's internal controls over financial reporting and compliance by documenting key internal control components, utilizing questionnaires, walkthroughs, inquiring of the District's personnel, and observing and reviewing key supporting documentation (a more thorough explanation of this process is discussed later in the technical proposal).
- Test controls, if control risk is assessed below the maximum, by selecting a sample of transactions within the audit area being tested and reviewing supporting documentation, and evaluating the completeness of the documentation tested, as well as the adequacy of support and approvals as they appear on the support.
- Document and review with management, any findings noted during the testing of internal controls and provide a preliminary management letter that will include our recommendations for improving any weaknesses in operations. The letter will also include suggestions for improving the efficiency of the District's operations.

This phase of the engagement for the audit will be performed by the senior/supervising accountant and one staff accountant with direct supervision by the audit partner.

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of Services (continued)

Segment 2 – Year end testing – substantive testing

During this phase of the audit, our principal objectives will be to assess the risk of material misstatement at the financial statement level and specific assertions, design overall responses to assessed risks and further audit procedures, perform substantive tests, as needed, and complete the audit and evaluate audit findings, if applicable.

In order to achieve the desired objectives of this phase of the audit, we will:

- Determine whether our testing supports the assessed level of risk initially assigned at the financial statement level and at the assertion level.
- Identify significant risks.
- Develop a detailed audit plan.
- Design substantive tests of account balances, designed and modified specifically for the District's operations and assessed level of risk. Substantive procedures could, depending on our risk assessment, may consist of the following (the list below is not all inclusive):
 - Confirmation of cash and investment balances
 - Testing of cash and investment reconciliations
 - Testing GASB 40 disclosures
 - Testing for compliance with the District's investment policy
 - Testing of interest income allocations to the various funds
 - Analytical review and subsequent receipt testing of significant receivables
 - Evaluate if receivables are valued properly and perform tests of balances in conjunction with the testing of revenues
 - Testing of significant inventory and other asset accounts
 - Testing of additions and deletions to capital assets, including CIP accounts
 - Perform a search for unrecorded liabilities
 - Testing of significant liability and accrued liability accounts
 - Evaluate the support for compensated absences
 - Review the valuation of claims and judgments
 - Testing of long-term debt balances and debt covenants
 - Analytical review of interest expense
 - Testing of net position (net asset) classifications
 - Testing of revenues through either analytical procedures and/or detailed testing
 - Testing of expenses through either analytical procedures and/or detailed testing
 - Payroll testing for compliance with approved salary schedules
 - Review the minutes of the board meetings
 - Review significant contracts, debt issuances, leases and other agreements
 - Review of subsequent events after year end (through the completion of our audit)
 - Testing for significant commitments to be disclosed in the financial statements
 - Confirm with legal counsel any significant legal matters affecting the District's financial position

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of Services (continued)

Segment 3 - Reporting – Report preparation (workpaper review)/audit conclusion

During this phase of the audit, our principal objectives will be to evaluate whether the financial statements, taken as a whole, are free from material misstatement and form an opinion(s) and issue our report.

In order to achieve the desired objectives of this phase of the audit, we will:

- Determine whether, based on our substantive testing and other procedures, the financial statements, taken as a whole, are free of material misstatement. This will provide the basis for our opinion(s).
- Review of all audit workpapers by the engagement partner and manager/supervisor/senior to ensure that the audit was performed in accordance with the required standards (GAAS, GAGAS, etc.).
- Prepare drafts of all required reports by the agreed-upon dates.
- Conduct an independent review of the financial statement draft by the engagement's quality control partner.
- Issue all reports by the agreed-upon dates.

This phase of the engagement will be performed by the audit senior and one staff accountant with direct supervision by the audit partner. In addition, the engagements quality control partner will perform a detailed quality control review of the financial statements.

The above procedures are a general list of procedures to be performed. After our initial review of the District and our detailed risk assessment, we will customize the engagement and gear it towards the needs of the District and the audit itself. In doing so, we will determine which procedures to perform relative to our risk assessment. All of our audits are customized to each entity, helping to ensure a complete, effective, and efficient audit. The foundation of the above approach is based on open communication coupled with a strong knowledge of District operations and detailed planning at the initial stages of the audit.

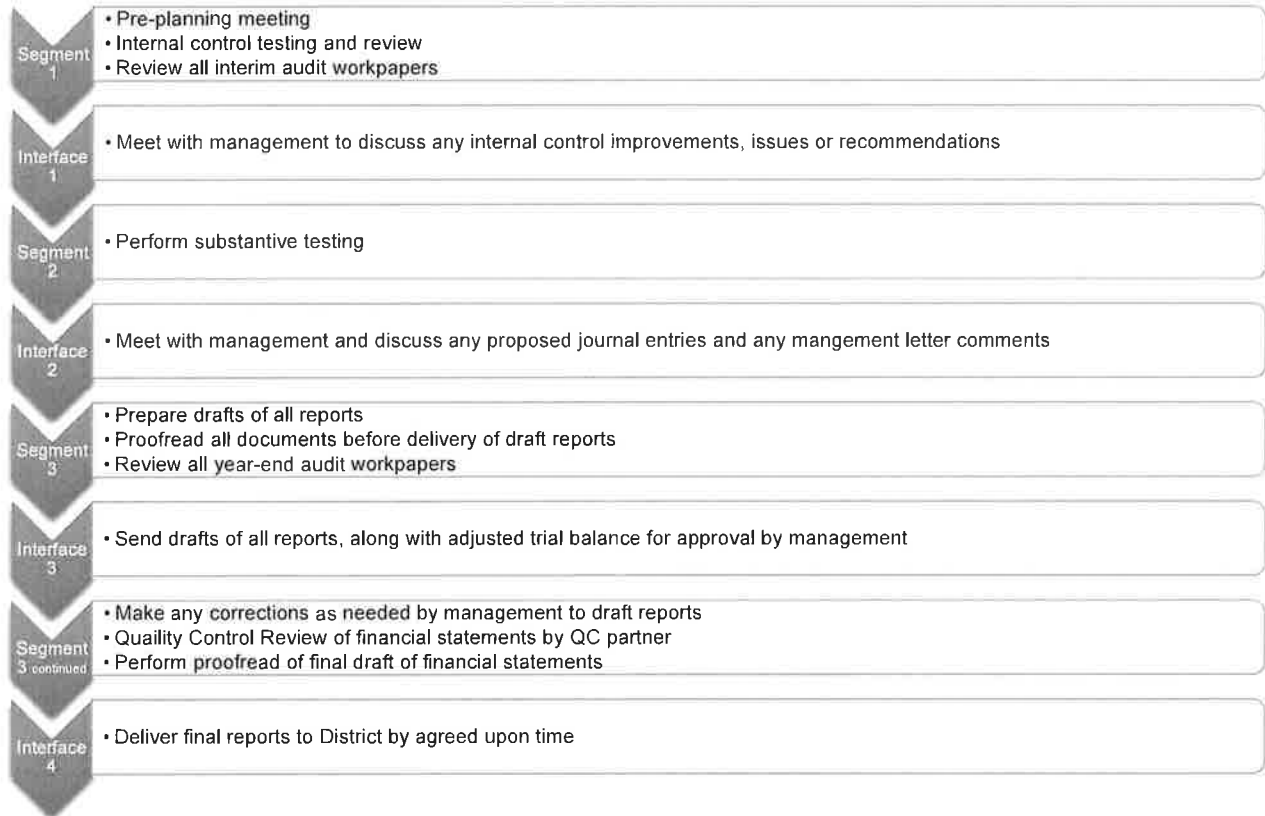
Our firm is dedicated to performing a timely audit engagement. Prior to the start of the audit, we will meet with District staff and decide on adequate timeframes, agreed upon by both the District and us, for the performance of the audit and the release of the financial statements. *We will dedicate the necessary resources to meet any agree upon time frames.*

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of Services (continued)

Below is a flowchart of the major tasks and interfaces between the firm and the District:



NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of Services (continued)

Understanding of internal control over financial reporting

Our approach to obtaining an understanding of the District's internal control over financial reporting will be performed in accordance with professional standards as promulgated by the American Institute of Certified Public Accountants -- our understanding will include the *Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring*. We will use customized procedures which we have developed internally to evaluate your internal control systems. By combining our customized procedures and our detailed knowledge of the District and its environment, we will be able to provide constructive feedback in areas we feel need improvement. In addition to our customized procedures, we will also perform the following:

Control Environment. Through inquiry of the District's personnel, prompted by questionnaires, personal knowledge, and review of the minutes of the District's board meetings, we will obtain an understanding of management's and the District Board's attitudes, awareness and actions concerning the control environment, focusing on the substance of the controls rather than their form.

Risk Assessment. Through inquiry of the District's personnel and the use of questionnaires, we will obtain sufficient knowledge of the District's risk assessment process to understand how management considers risks relevant to financial reporting objectives and decides upon actions to address those risks. This will include understanding how management identifies risks, estimates the significance of these risks, assesses the likelihood of their occurrence, and relates them to financial reporting.

Control Activities. Certain control procedures will be documented during our analysis of the control environment and the accounting system. However, many specific control procedures will still need to be documented that will focus primarily on the District's major transaction cycles. As mentioned above, we will test the District's control procedures on which we intend to rely on for safeguarding assets from unauthorized use or disposition and detecting/preventing unauthorized transactions. Any flow charts, organizational charts and any other manuals, programs, and financial and management information systems will be analyzed during this process.

Information and Communication. Through inquiry of the District's personnel, we will identify the major types of transactions engaged in by the District. We will become familiar with the treatment of those transactions, including how the transactions are initiated, the related accounting records, and the manner of processing the transactions. Finally, we will obtain an understanding of the District's financial reporting process used to prepare financial reports, including the approaches used in making accounting estimates and disclosures.

Monitoring. Through the inquiry of the District's personnel and the use of questionnaires, we will obtain sufficient knowledge of the major types of activities the District uses to monitor internal control over financial reporting. We will also determine how those activities are used to initiate corrective actions.

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of Services (continued)

Sample sizes

Our sample sizes will be determined in accordance with the AICPA's *Audit and Accounting Guide, Audit Sampling*, and will be selected using professional judgment as permitted by SAS No. 111: *Amendment to Statement on Auditing Standards No. 39, Audit Sampling*. Our methods are designed to provide the most audit coverage without expending excess time. Our sample sizes will depend upon our preliminary assessment of control risk, our planned substantive testing and analytical procedures as well as our professional judgement.

Approach in drawing samples for compliance testing

Our approach to be taken in drawing audit samples for purposes of tests of compliance will depend on the number of transactions, the amounts of financial assistance provided (as applicable), and the District's internal controls over the respective programs. Our audits are designed to ensure we will select samples that will provide sufficient evidence of the District's compliance with the laws and regulations that will have a material effect on compliance with laws and regulations.

Computer technology in the audit

Our firm has adopted a paperless audit approach. Using our engagement software, all audit team members are linked to each other using a local router which enables them to share information at an almost real-time speed. In addition, once your trial balances and financial statements are entered into our software, we are able to observe your statements in the field allowing us to notice any variances and address them at your office. With this in mind, we would prefer all audit information in an electronic format, particularly trial balances and general ledgers. If electronic formatting is not available, all audit teams have portable scanners and printers while on location during fieldwork. In addition, we can access our accounting and auditing resources through either a wireless or wired internet connection. We link the CAFR schedules directly to our audit software trial balances, and as result, we can provide the District with fund financial statements almost immediately after importing the trial balances. Additionally, journal entries are easy to post to the CAFR schedules and the risk of data entry error is minimized. We can provide the District with our audited trial balances which show the coding of the CAFR schedules for ease of review for District staff. These reports show each account coded to a specific CAFR line item as well as journal entries posted during the audit.

Analytical procedures

In order to properly utilize analytical procedures, industry background and knowledge are needed. With our firm's long history and qualified staff, we believe we have the necessary knowledge and experience to affectively apply analytical procedures. We will utilize analytical review procedures throughout our audit of the District. During the *interim* phase of our audit, we will compare current and prior year unadjusted balances to determine areas that may need additional analysis; we will also compare current year actual amounts to the District's annual budget. During the *final* phase of our audit, we will perform procedures similar to those mentioned above, as well as compare certain financial ratios for current and prior years. We will also conduct certain "reasonableness" tests. Any significant variances are investigated further through inquiry and other substantive testing as deemed necessary until resolved to our satisfaction. Finally, after we have completed our fieldwork, we will compare current and prior year audited balances, keeping in mind expected relationships obtained from our knowledge of the District and various other entities. In addition, we may choose to use various other analytical techniques such as trend analysis, etc.

Unlike many other firms, we use analytical procedures to supplement our substantive testing, not supplant them.

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of Services (continued)

Approach in determining applicable laws and regulations

We understand the importance of laws and regulations in planning an audit of a local government or not-for-profit entity and design all of our audits to ensure we test transactions for compliance. As part of our audit process, our audit team will obtain an understanding of the laws and regulations that will have a direct and material effect on the District's financial statements. In determining which laws and regulations are applicable to the District's financial statement audit, we will consult the following sources:

- AICPA Audit and Accounting Guide, *Audits of State and Local Governments*
- California Government Code (investments, GANN limit requirements, etc.)
- U.S. Government Accountability Office's *Government Auditing Standards* (The Yellow Book), 2018 Revision
- Applicable contracts/grants/bond documents of the District
- *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (OMB Uniform Guidance)

After consulting the applicable sources, we will design our audit to provide reasonable assurance of detecting material instances of noncompliance while continuing to refer back to the applicable compliance guideline to ensure changes in compliance are not missed.

Evaluation of internal controls and management letter comments

In connection with each audit, a comprehensive review of internal controls over financial reporting will be performed. Our firm uses customized internal control questionnaires, information technology questionnaires and narratives to gain an understanding of the internal control process during the audit process. If we identify any weaknesses and after discussion with the appropriate District staff, we will submit a management comment letter which will identify weaknesses observed during the audit process. The management comment letter will provide our recommendation for correction and we will also provide management with the opportunity to comment on our findings.

There are three classifications of internal control deficiencies. We will work carefully with your staff to ensure the correct classification of any identified internal control deficiencies. The three classifications are as follows:

- *Control deficiency* – a minor internal control deficiency that can be communicated either verbally or in writing to management.
- *Significant deficiency* – a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance, and must be communicated in writing.
- *Material weakness* – a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis, and must be communicated in writing to those charged with governance.

When we prepare internal control recommendations, we obtain a thorough understanding of the specific circumstances surrounding the finding, and discuss the matters with management prior to drafting the letter. We work with your staff to ensure that the recommendation is reasonable and practical to implement.

NIPOMO COMMUNITY SERVICES DISTRICT
PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Scope of Services (continued)

Audit timing

Audit segments	Proposed timing
<p>Segment 1 - Planning, pre-audit administration and internal control testing Provide management with a detailed listing of items needed to perform the audit, including the timing of when items are needed.</p>	<p>May 2019</p>
<p>Meet with management for pre-audit planning, and to obtain an understanding of systems, internal controls, and current-year issues. Perform interim audit fieldwork and tests of internal controls.</p>	<p>August 2019</p>
<p>Segment 2 - Substantive testing Send confirmations of cash, investment, and other accounts as deemed necessary.</p>	<p>July 2019</p>
<p>Perform substantive audit fieldwork.</p>	<p>August 2019</p>
<p>Segment 3 - Report preparation (review)/audit conclusion Present draft of financial statements, audit report, and management letter to senior management.</p>	<p>September 2019</p>
<p>Issuance of auditor reports.</p>	<p>October 2019</p>

NIPOMO COMMUNITY SERVICES DISTRICT
PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Proposed Fees

The annual fee for complete audit services, including all anticipated direct and indirect costs is as follows:

Fiscal Year 2018-19	\$22,000
Fiscal Year 2019-20	\$23,000
Fiscal Year 2020-21	\$24,000
Total Fees	\$69,000

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

References

Entity: **Western Municipal Water District**
Scope of work: Financial Audit/CAFR*/Single Audit
Date: Years ending June 30, 2011 - 2016
Engagement partner: Scott Manno
Hours: 400
Contact person: Mr. Kevin Mascaro, Director of Finance, (951) 571-7100
Address: 14205 Meridian Parkway, Riverside, CA 92508

Entity: **Elsinore Valley Municipal Water District**
Scope of work: Financial Audit/CAFR*
Date: Year ending June 30, 2015 to present
Engagement partner: Scott Manno
Hours: 350 hours
Contact person: Mr. Robert Hartwig, Assistant General Manager, (951) 674-3146
Address: 31315 Chaney Street, Lake Elsinore, CA 92530

Entity: **Crestline-Lake Arrowhead Water Agency**
Scope of work: Financial Audit
Date: Years ending June 30, 1996 - present
Engagement partner: Terry Shea
Hours: 350
Contact person: Ms. Roxanne Holmes, General Manager, (909) 338-1779
Address: 24116 Crest Forest Drive, Crestline, CA 92325

Entity: **Ventura Regional Sanitation District**
Scope of work: Financial Audit/CAFR*
Engagement partner: Mr. Terry Shea
Date: Years ending June 30, 2007 - present
Total hours: 275
Contact person: Ms. Tina Rivera, Director of Finance & Admin, (805) 658-4646,
Address: 1001 Partridge Drive, Suite 150, Ventura, CA 93003

Entity: **Vallecitos Water District**
Scope of work: Financial Audit
Engagement partner: Mr. Scott Manno
Date: Years ending June 30, 2015 to June 30, 2017
Total hours: 250
Contact person: Mr. John Fusco, Finance Manager, (760) 744-0460
Address: 201 Vallecitos De Oro, San Marcos, CA 92069

Entity: **Helendale Community Services District**
Scope of work: Financial Audit
Date: Years ending June 30, 2010 - present
Engagement partner: Mr. Scott Manno
Hours: 250
Contact person: Ms. Kimberly Cox, General Manager (760) 951-0006
Address: 26719 Vista Road #3, Helendale, CA 92342

* = *received GFOA award.

NIPOMO COMMUNITY SERVICES DISTRICT

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

References (continued)

Entity: ***San Bernardino Valley Municipal Water District***
Scope of work: Financial Audit
Date: Years ending June 30, 2004 - present
Engagement partner: Terry Shea
Hours: 225
Contact person: Mrs. Cindy Saks, Finance Manager, (909) 387-9224
Address: 380 East Vanderbilt Way, San Bernardino, CA 92408

Entity: ***Pine Cove Water District***
Scope of work: Financial Audit
Engagement partner: Mr. Terry Shea
Date: Years ending June 30, 2010 - present
Total hours: 200
Contact person: Mr. Jerry Holldber, General Manager, (951) 659-4936
Address: 24917 Marion Ridge Drive, Idyllwild, CA 92519

Entity: ***Big Bear Area Regional Wastewater Agency***
Scope of work: Financial Audit/CAFR*
Engagement partner: Mr. Scott Manno
Date: Years ending June 30, 2012 - present
Total hours: 200
Contact person: Ms. Jennifer McCullar, Finance Manager, (909) 584-4522
Address: 121 Palomino Drive, Big Bear, CA 92314

Entity: ***United Water Conservation District***
Scope of work: Financial Audit/CAFR
Engagement partner: Mr. Terry Shea
Date: Years ending June 30, 2015 to June 30, 2018
Total hours: 260
Contact person: Ms. Erin Gorospe, Senior Accountant (805) 525-4431
Address: 106 North 8th Street, Santa Paula, CA 93060

Entity: ***Rosamond Community Services District***
Scope of work: Financial Audit
Engagement partner: Mr. Terry Shea
Date: Years ending June 30, 2015
Total hours: 240
Contact person: Mr. Brad Rockabrand, Finance Director (661) 256-5812
Address: 3179 35th Street West, Rosamond, CA 93560

GOVERNMENT CLIENTS SERVED

<u>Government Client</u>	<u>Years Served</u>		<u>CSMFO/ GFOA Awards</u>	<u>Successor Agency</u>	<u>Housing Authority</u>
City of El Cajon	06/30/07	to 06/30/18	Yes	Yes	Yes
City of Fillmore	06/30/08	to 06/30/18		Yes	Yes
City of Exeter	06/30/17	to 06/30/18			
City of Woodlake	06/30/17	to 06/30/18			
Town of Yucca Valley	06/30/08	to 06/30/18	Yes	Yes	Yes
City of San Juan Capistrano	06/30/11	to 06/30/15	Yes	Yes	Yes
City of La Verne	06/30/11	to 06/30/17	Yes	Yes	Yes
City of San Jacinto	06/30/11	to 06/30/18		Yes	Yes
City of Twentynine Palms	06/30/11	to 06/30/18	Yes	Yes	Yes
City of Chino	06/30/11	to 06/30/16	Yes	Yes	Yes
City of La Mesa	06/30/11	to 06/30/18		Yes	Yes
City of Rosemead	06/30/11	to 06/30/17	Yes	Yes	Yes
City of Moorpark	06/30/12	to 06/30/17	Yes	Yes	Yes
City of Mission Viejo	06/30/12	to 06/30/15	Yes	Yes	Yes
City of Menifee	06/30/14	to 06/30/17	Yes		
City of San Marcos	06/30/14	to 06/30/18	Yes	Yes	Yes
City of Capitola	06/30/12	to 06/30/17	Yes	Yes	Yes
City of Redondo Beach	06/30/12	to 06/30/16	Yes	Yes	Yes
City of Loma Linda	06/30/13	to 06/30/18	Yes	Yes	Yes
City of Poway	06/30/14	to 06/30/18	Yes	Yes	Yes
City of Sierra Madre	06/30/12	to 06/30/18		Yes	Yes
Successor Agency to the County of SB	06/30/14	to 06/30/18			
City of Hawthorne	06/30/16	to 06/30/18	Yes	Yes	Yes
City of West Covina	06/30/16	to 06/30/18	Yes	Yes	Yes
City of Aliso Viejo	06/30/16	to 06/30/18	Yes	No	No
City of Claremont	06/30/16	to 06/30/18	Yes	Yes	Yes
City of Thousand Oaks		06/30/18	Yes	Yes	Yes
City of South Pasadena		06/30/18	Yes	Yes	Yes
Crestline Village Water District	04/30/96	to 04/30/18			
Crestline-Lake Arrowhead Water	06/30/98	to 06/30/18			
San Bernardino Valley Muni Water Dist	06/30/04	to 06/30/18			
Elsinore Valley Municipal Water District	06/30/15	to 06/30/18	Yes		
Ventura Regional Sanitation District	06/30/07	to 06/30/18	Yes		
Saticoy Sanitary District	06/30/07	to 06/30/18			
Helendale Community Services District	06/30/10	to 06/30/18			
Pine Cove Water District	06/30/10	to 06/30/18			
Western Municipal Water District	06/30/11	to 06/30/16	Yes		
WRCRWA	06/30/11	to 06/30/16			
Vista Irrigation District	06/30/11	to 06/30/16	Yes		
Idyllwild Water District	06/30/11	to 06/30/18			
Vallecitos Water District	06/30/15	to 06/30/18	Yes		
29 Palms Water District	06/30/12	to 06/30/15			
Big Bear Area Regional Wastewater	06/30/12	to 06/30/18	Yes		
Beaumont Basin Watermaster	06/30/13	to 06/30/18			
Mojave Water Agency		06/30/18			

GOVERNMENT CLIENTS SERVED (continued)

<u>Government Client</u>	<u>Years Served</u>	<u>CSMFO/ GFOA Awards</u>	<u>Successor Agency</u>	<u>Housing Authority</u>
Costa Mesa Sanitary District	06/30/15 to 06/30/17	Yes		
Beaumont Cherry Valley Water District	12/31/17			
United Water Conservation Agency	06/30/15 to 06/30/18	Yes		
Inland Empire Resource Cons. District	06/30/04 to 06/30/16			
Rosamond Community Services District	06/30/15 to 06/30/18			
Rossmoor Community Services District	06/30/05 to 06/30/18			
Rim of the World Park & Rec. District	06/30/06 to 06/30/18			
Ventura County Regional Energy	06/30/07 to 06/30/18			
Heartlands Communications Fac Auth	06/30/07 to 06/30/18			
Heartlands Fire Training Authority	06/30/07 to 06/30/18			
Consolidated Fire Agencies	06/30/14 to 06/30/18			
Riverside County Habitat Con. Agency	06/30/15 to 06/30/18			
Santa Ana Watershed Association	12/31/09 to 12/31/18			
SB Fire Training Authority	06/30/10 to 06/30/15			
Capistrano Bay Community Services District	06/30/13 to 06/30/18			
Ventura County Public Fin Authority	06/30/12 to 06/30/18			
Nipomo Community Services District	06/30/16 to 06/30/18	Yes		
SBIAA	06/30/17 to 06/30/18			
West Valley San Bernardino Water District	06/30/17 to 06/30/18			
WRCOG	06/30/17 to 06/30/18	Yes		
San Diego Workforce Partnership	06/30/16 to 06/30/18			
Rubidoux Community Services District	06/30/16 to 06/30/18			
CSUSB - Student Union	06/30/05 to 06/30/18			
CSUSB - Associated Students Inc.	06/30/10 to 06/30/18			
CSUSB - Philanthropic Foundation	06/30/11 to 06/30/18			
CSUSB - University Enterprise Corp.	06/30/11 to 06/30/18			
Running Springs Water District	Accounting support			
Phelan Pinon Hills Community Services District	Accounting support			

TO: BOARD OF DIRECTORS

FROM: MARIO IGLESIAS
GENERAL MANAGER

DATE: March 8, 2019

AGENDA ITEM

F

MARCH 13, 2019

GENERAL MANAGER'S REPORT

ITEM

Standing report to your Honorable Board -- *Period covered by this report is February 24, 2019 through March 9, 2019.*

DISTRICT BUSINESS

Administrative

The District encourages residents to provide reports of any observed water waste. The District keeps an accounting of leak adjustments as a measure of non-revenue water lost to leaks. The table below provides the February data and the cumulative data for these activities.

Office Activities

	Feb-19	Jul-Feb 2019
Reports of water waste followed up on	0	4
Leak Adjustments	3	18
Leak Adjustment Amount	\$430	\$4,971

Water Resources

Table 1. Total Production Acre Feet (AF)

	Feb-19	Jul 18 - Feb 19
Groundwater Production	16.7	598.6
Supplemental Water Imported	<u>70.6</u>	<u>650.4</u>
Total Production	<u>87.4</u>	<u>1,249.0</u>

NCSD imported 70.6 AF of water over the 28 day period in February averaging 570 gallons per minute for a daily total of 821,610 gallons per day. For fiscal year 2018-19 [July-2018 through June-2019] the District must import 800 AF of supplemental water. However, at the current import level, the District could see up to 960 AF for this time period. The District's total production, including groundwater wells and imported water measured at the Joshua Road Pump Station, registered 1,249.0 AF of water for the current fiscal year.

On the following page, Table 2 compares the District's total water production for the month of February and the fiscal year (July 2018 through June 2019) year-end total against those same periods for 2013 (pre-drought production). 2013 is the year the Department of Water Resources ("DWR") designated as the pre-drought production year. The pre-drought production data is included in the monthly water production report and compared to current usage, all of which is submitted by water purveyors statewide to DWR. For February 2019, the community's water conservation effort reached approximately 36% compared to February 2013. The District's year-end conservation effort for fiscal year 2019 will continue to be monitored throughout the year.

Table 2. FY 2019 Total Demand To-date Compared to 2013

	Feb-19	Jul 18 - Feb 19
Total Production (AF) for FY 2018-19	87.4	1,249.0
Total Production (AF) for 2013	<u>136.3</u>	<u>1,582.1</u>
Reduction (AF)	48.9	333.0
Percentage Reduction	35.9%	21.1%

NCSD GW Reduction

The District's purveyor customers, Golden State Water Company and Woodlands Mutual Water Company, each claim 16.66% (cumulatively 33.33%) of the imported water NCSD brings onto the basin through the NSWP. Of the 800 AF minimum imported water from the City of Santa Maria, 266.6 AF will be credited to these two purveyor customers. The credited amount must be added to the District's groundwater pumping total every month to reflect the groundwater pumped by these customers in-lieu of taking imported water from the District. Table 3 below demonstrates the calculus for determining the District's groundwater pumping reduction.

Table 3. NCSD GW Production (NCSD GW Well Production plus Purveyor Credit)

	Feb -18	Jul 18 - Feb 18
NCSD GW Well Production	16.7	598.6
Purveyor Customer Credit (33.3% of Import Water)	<u>23.5</u>	<u>217.2</u>
NCSD Total Calculated GW Production	40.3	815.9
Average GW Production for 2009-2013	<u>122.0</u>	<u>1,648.7</u>
NCSD Percentage of GW Reduction	67%	51%

Taking into consideration the above referenced purveyor customer credit, the District can claim a groundwater pumping reduction of 67% for the month of February compared to the 5-year average from 2009 to 2013 (NMMA-TG assigned comparator). For Fiscal Year 2019, the cumulative groundwater pumping reduction is 51%. At the current Stage IV level of NMMA's Water Shortage Condition and Response Plan, the District has targeted groundwater pumping reduction level of 50% for the year.

Table 4. 2019 Fiscal Year Forecasted Groundwater Pumping

	Feb-19	Jul 18-Jun 19	Target	Over_(Under)	
NCSD GW Well Production	16.7	931.2			
Purveyor Customer Credit (33.3% of Import Water)	<u>23.5</u>	<u>319.7</u>			
NCSD Total Calculated GW Production	40.3	1,250.9	1,266.7	16	AcFt
Average GW Production for 2009-2013	<u>122.0</u>	<u>2,533.4</u>	2,533.4		
NCSD Percentage of GW Reduction	67%	51%	50%		

Table 4 is a forward looking view of the District's groundwater pumping reduction efforts for Fiscal Year 2019. The targeted groundwater pumping reduction is 50%. For future months, March 2019 through June 2019, Fiscal Year 2018 production values from the previous year are used as estimates for future use. Looking at the eight months of actual data, July 2018 through February 2019, and completing the year using last year's monthly data where necessary, the District can forecast an "Over_(Under)" value. By using this method to forecast groundwater pumping into fiscal year 2019, it can be estimated that the District will be 16 acre feet under the groundwater reduction target. Each year trends slightly different depending upon the weather, a major factor that drives consumer water demand. As actual data replaces projected data, the reliability of the table to provide year-end groundwater reduction becomes more reliable and aids staff in recognizing opportunities for shifting water production strategies.

Table 5. FY 2018 v. FY 2019 Groundwater Pumping

	Feb-19	Jul 18-Feb 19	Feb-18	Jul 17-Feb 18
NCSD GW Well Production	16.7	931.2	70.2	652.0
Purveyor Customer Credit (33.3% of Import Water)	23.5	319.7	23.3	196.2
NCSD Total Calculated GW Production	40.3	1,250.9	93.5	848.2
Average GW Production for 2009-2013	122.0	2,533.4	122.0	1,526.7
NCSD Percentage of GW Reduction	67%	51%	23%	44%

Table 5 compares the previous year's groundwater pumping with the current year groundwater pumping for the same time period (July through February). The comparison demonstrates a favorable consumption forecast emerging where demand on groundwater supplies diminished putting the District in a stronger position to reach the target reduction of 50%.

Rainfall Gauge

(Reported in inches)	Nipomo East (Dana Hills Reservoirs)	Nipomo South (Southland Plant)
February 2019 Total	4.54	4.45
July-2018 through Jun-2019 (Seasonal Total)	13.32	11.62
Average Annual Year Rainfall	18	16
Mar 1, 2019 to Mar 7, 2019	2.75	2.33
Total to date	16.07	13.95

Safety Program

None

Other Items and News of Interest

No Items

Supplemental Water Capacity Accounting

The District is not currently accepting applications for new water service.

Supplemental Water Available for Allocation	500 AFY
Supplemental Water Reserved (Will Serve Letter Issued)	-51.2 AFY
Subtotal Net Supplemental Water Available for Allocation	448.8 AFY
Supplemental Water Assigned (Intent-to-Serve Issued)	-45.8 AFY
Total Remaining Supplemental Water Available for Allocation	403.0 AFY

This information is accurate through February 2019.

Connection Report

Nipomo Community Services District
Water and Sewer Connections

END OF MONTH REF

	Jan-19	Feb-19
Water Connections (Total)	4434	4434
Sewer Connections (Total)	3197	3197
New Water Connections	0	0
New Sewer Connection	0	0
Galaxy & PSHH at Orchard and Division Sewer Connections billed to the County	475	475

The Connection Report is current through February.

Meetings (February 24, through March 9)

Meetings Attended (telephonically or in person):

- Feb. 25, Spectrum Communications
- Feb. 25, WSRMP – General Counsel
- Feb. 26, Management Team (Shift Change)
- Feb. 26, Management Team (Budget Prep)
- Feb. 26, Eng/Admin Meeting
- Feb. 27, Rotary
- Feb. 27, Regular NCSD Board Meeting
- Feb. 27, Exec. Team After Board Meeting
- Mar. 1, NMMA-TG
- Mar. 1, Customer Site Review – Red Oak
- Mar. 4, Board Officer Meeting
- Mar. 5, Management Team Meeting
- Mar. 5, Phone System Review – Span Go
- Mar. 5, WSRMP Ad Hoc Committee
- Mar. 6, Rotary

- Mar. 6, Finance and Audit Committee
- Mar. 7, Chamber of Commerce
- Mar. 7, Water Audit – MKN Engineers

Meetings Scheduled (March 10 through March 16):

Upcoming Meetings (telephonically or in person):

- Mar. 12, Management Team (Shift Change)
- Mar. 12, Eng/Admin Meeting
- Mar. 13, Rotary
- Mar. 13, Regular NCSD Board Meeting
- Mar. 13, Exec. Team After Board Meeting

Upcoming Water Resource and Other Meetings

Upcoming Standing Meetings:

- NMMA-TG: April 12th (Friday) @ 10:00 AM, NCSD Board Room
- RWMG: April 3rd @ 10:00 AM, SLO Library (Working Group)
- WRAC: April 3rd @ 1:30 PM, SLO Library
- NMMA Purveyor Meeting: March 28th @ 10:00 AM, NCSD Admin Office
- NCMA/NMMA Managers Meeting: TBA

RECOMMENDATION

Staff seeks direction and input from your Honorable Board

ATTACHMENTS

- A. No Attachments

TO: BOARD OF DIRECTORS

FROM: MARIO IGLESIAS
GENERAL MANAGER

MIG

DATE: MARCH 8, 2019



COMMITTEE REPORTS

ITEM

Review and discuss Committee reports.

BACKGROUND

The following committee meetings were held for which oral reports are being provided:

- Ad Hoc Committee -- Review Water Shortage Response and Management Plan
- Finance and Audit Committee

RECOMMENDATION

It is recommended that your Honorable Board discuss the meeting reports as appropriate.