

EXHIBIT 24-B

December 14, 2015

To the Board of Directors
Monterey Peninsula Water Management District
Monterey, California

We are pleased to present this report related to our audit of the basic financial statements of ***Monterey Peninsula Water Management District*** (the District) for the year ended June 30, 2015. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the District's financial reporting process.

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication with Those Charged with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are, significant and relevant to your responsibility to oversee the financial reporting process.

Our Responsibilities with regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts have been described to you in our arrangement letter dated July 21, 2015.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

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Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the District. Following is a description of significant accounting policies or their application that were either initially selected or changed during the year.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date; an amendment of GASB Statement No. 68*. The primary objective of these Statements is to improve accounting and financial reporting by state and local governments for pensions. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. Note disclosures and required supplementary information requirements about pensions are also addressed. The requirements of these Statements will improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and will enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. The District implemented these Statements in fiscal year 2015. As a result of this implementation, the District reported a prior period adjustment to net position in the amount of \$3,985,585 and recognized a net pension liability and deferred outflows of resources and deferred inflows of resources associated with the pension liability as of June 30, 2015.

Recently Issued Accounting Standards

In June 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement provides guidance for determining a fair value measurement, applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement will enhance fair value application guidance, comparability of financial statements among governments, and related disclosures by providing information on valuation techniques and the impact of fair value measurements on a government's financial position. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015. Earlier application is encouraged. The District has no plan for early implementation of this Statement. At this time the District is not certain of the effect the adoption of Statement No. 72 will have on the accompanying financial statements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans that are within their respective scopes. This Statement improves the usefulness and comparability of information about pensions by establishing a single framework for the presentation of pensions. The provisions of this Statement that are within the scope of Statement No. 67 or 68 are effective for fiscal years beginning after June 15, 2015. The provisions of this Statement that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The District has no plan for early implementation of this Statement. At this time the District

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is not certain of the effect the adoption of Statement No. 73 will have on the accompanying financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaces Statements No. 43 and No. 57 related to postemployment benefits other than pensions, as well as includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, No. 43, and No. 50. Statement No. 74 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The provisions in this Statement are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The District has no plan for early implementation of this Statement. At this time the District is not certain of the effect the adoption of Statement No. 74 will have on the accompanying financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statements No. 45 and No. 57 related to postemployment benefits other than pensions. Statement No. 75 establishes new accounting and financial reporting requirements for OPEB plans. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and will enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. The provisions in this Statement are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The District has no plan for early implementation of this Statement. At this time the District is not certain of the effect the adoption of Statement No. 75 will have on the accompanying financial statements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement supersedes Statement No. 55, related to GAAP hierarchy. The requirements in this Statement will allow governments to apply financial reporting guidance with less variation, which will improve the usefulness and comparability of financial statement information for making decisions and assessing accountability. The provisions in this Statement are effective for reporting periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is encouraged. The District has no plan for early implementation of this Statement. At this time the District is not certain of the effect the adoption of Statement No. 76 will have on the accompanying financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement improve financial reporting by requiring disclosures for essential tax abatement information that is not consistently or comprehensively reported to the public at present. The

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requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The District has no plan for early implementation of this Statement. At this time the District is not certain of the effect the adoption of Statement No. 77 will have on the accompanying financial statements.

Significant or Unusual Transactions

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Alternative Treatments Discussed with Management

We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The significant accounting estimates reflected in the District's June 30, 2015 basic financial statements include useful lives of depreciable assets and the cost of other post employment benefits.

Audit Adjustments

Audit adjustments proposed by us and recorded by the District are shown on the attached "Adjusting Journal Entries," "Reclassification Journal Entries," and "Prepared by Client Journal Entries."

Uncorrected Misstatements

There were no uncorrected misstatements.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

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Significant Issues Discussed with Management

No significant issues arising from the audit were discussed with or were the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Letter Communicating Significant Deficiencies and Material Weaknesses in Internal Control over Financial Reporting

When significant deficiencies and material weaknesses are identified during our audit of the financial statements, we are required to communicate them to you in writing. For the year ended June 30, 2015 a letter was not required.

Other Audit Findings or Issues

Bank Reconciliations

Observation: We noted that many old outstanding checks, some over one year old, are being carried on monthly cash reconciliations. This causes additional time to be spent by the Accountant to reconcile the bank accounts each month.

Recommendation: We recommend that checks that are over one year old be investigated and removed from the bank reconciliation and that the original transaction be reversed in the current year. Research should be done periodically to eliminate large numbers of old items being carried from month to month.

Status: The District is in the process of investigating and removing checks that are over a year old. Staff will periodically monitor and remove any checks that are more than a year old.

Accounting Policies

Observation: GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, issued February 2009, was in effect for the District's fiscal year ending June 30, 2011. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Board has not yet adopted a resolution approving a fund balance policy.

Recommendation: We recommend the District adopt a resolution approving a fund balance policy that provides for formal definitions for the various fund balance categories.

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Status: The District is currently in the process of adopting GASB Statement No. 54. A draft of the resolution with the different fund balance categories has been completed and it is currently waiting for board approval.

Certain Written Communications between Management and Our Firm

We have requested certain representations from management that are included in the management representation letter dated December 14, 2015.

This report is intended solely for the information and use of the Board of Directors the Administrative Committee and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the Monterey Peninsula Water Management District.

Sincerely,

Michael T. Briley, CPA, CGMA
Managing Partner
Hayashi Wayland

33240/ml

Attachments: Adjusting Journal Entries
Reclassification Journal Entries
Prepared by Client Journal Entries

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Monterey Peninsula Water Management District

AJE

Year End: June 30, 2015

Adjusting Journal Entries

Date: 7/1/2014 To 6/30/2015

Account No: AJE-01 To AJE-99

Number	Date	Name	Account No	Debit	Credit	Amount Chg Net Income (Loss)	
Net Income (Loss) Before Adjustments						1,472,899.00	
AJE-01	6/30/2015	Current Year OPEB Cost	24-10-716000 G34G	86,334.00			
AJE-01	6/30/2015	Current Year OPEB Cost	26-10-716000 G34G	48,186.00			
AJE-01	6/30/2015	Current Year OPEB Cost	35-10-716000 G34G	66,256.00			
AJE-01	6/30/2015	Net OPEB Obligation	51-10-382000 51		200,776.00		
		To record adjustment to OPEB liability.		200,776.00	200,776.00	(200,776.00)	1,272,123.00
AJE-02	6/30/2015	Receivable-bldg repayment (MEMO)	24-10-150500 SRF01		75,687.00		
AJE-02	6/30/2015	Payable-bldg repayment (MEMO)	24-10-380000 SRF01	75,687.00			
AJE-02	6/30/2015	Receivable-Bldg Repayment (MEMO)	35-10-150500 CPF01		75,687.00		
AJE-02	6/30/2015	Payable-Bldg Repayment (MEMO)	35-10-380000 CPF01	75,687.00			
		To record Harris Court activity.		151,374.00	151,374.00	0.00	1,272,123.00
AJE-03	6/30/2015	Miscellaneous	24-01-850000 SRF01		1.00		
AJE-03	6/30/2015	Unapportioned/Uncollected Taxes Re	24-10-150100 SRF01		13,555.00		
AJE-03	6/30/2015	Allowance for Uncollectible Taxes	24-10-150200 SRF01				
AJE-03	6/30/2015	Deferred Revenue	24-10-370000 SRF01	13,556.00			
AJE-03	6/30/2015	Unapportioned/Uncollected Taxes Re	26-10-150100 SRF02		22,045.00		
AJE-03	6/30/2015	Allowance for Uncollectible Taxes	26-10-150200 SRF02				
AJE-03	6/30/2015	Deferred Revenue	26-10-370000 SRF02	22,045.00			
AJE-03	6/30/2015	Miscellaneous	35-01-850000 CPF01	1.00			
AJE-03	6/30/2015	Unapportioned/Uncollected Taxes Re	35-10-150100 CPF01	25,012.00			
AJE-03	6/30/2015	Allowance for Uncollectible Taxes	35-10-150200 CPF01				
AJE-03	6/30/2015	Deferred Revenue	35-10-370000 CPF01		25,013.00		
		To record uncollected taxes.		60,614.00	60,614.00	0.00	1,272,123.00
				412,764.00	412,764.00	(200,776.00)	1,272,123.00

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RJE

Year End: June 30, 2015

Reclassification Journal Entries

Date: 7/1/2014 To 6/30/2015

Number	Date	Name	Account No	Debit	Credit	Amount	Chg Net Income (Loss)
Net Income (Loss) Before Adjustments						1,272,123.00	
RJE-01	6/30/2015	Property Tax Revenue	24-10-611000 SRF01				
RJE-01	6/30/2015	Interest-Monterey County Taxes	24-10-691500 SRF01				
RJE-01	6/30/2015	Tax Administration fee	24-80-750000 SRF01				
RJE-01	6/30/2015	Property Tax Revenue	26-10-611000 SRF02	629.00			
RJE-01	6/30/2015	Interest-Monterey County Taxes	26-10-691500 SRF02		629.00		
RJE-01	6/30/2015	TAX ADMINISTRATION FEE	26-80-750000 SRF02				
RJE-01	6/30/2015	Property Tax Revenue	35-10-611000 CPF01	491.00			
RJE-01	6/30/2015	Interest-Monterey County Taxes	35-10-691500 CPF01		491.00		
RJE-01	6/30/2015	Tax Administration Fee	35-80-750000 CPF01				
To allocate tax and admin fee out of property tax revenue.				1,120.00	1,120.00	0.00	1,272,123.00
RJE-02	6/30/2015	Miscellaneous	24-02-850000 SRF01		1.00		
RJE-02	6/30/2015	Computer equipment & programs	24-02-916000 SRF01	1.00			
To adjust capital asset additions to agree to capital outlay.				1.00	1.00	0.00	1,272,123.00
				1,121.00	1,121.00	0.00	1,272,123.00

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Monterey Peninsula Water Management District

PBC

Year End: June 30, 2015

Prepared by Client Journal Entries

Date: 7/1/2014 To 6/30/2015

Account No: PBC-01 To PBC-99

Number	Date	Name	Account No	Debit	Credit	Amount	Chg	Net Income (Loss)
Net Income (Loss) Before Adjustments						1,140,964.00		
PBC-01	6/30/2015	Accum. Depr.-Ofc. Equip	41-10-210100 41		1,236.00			
PBC-01	6/30/2015	Accum Deprec. - 5 Harris Ct	41-10-210600 41		53,012.00			
PBC-01	6/30/2015	Accum. Depr-Computer Equip	41-10-215100 41		65,534.00			
PBC-01	6/30/2015	Accum. Depr-Transport. Equip	41-10-220100 41		7,716.00			
PBC-01	6/30/2015	Accum. Depr-Project Equip	41-10-230100 41		2,393.00			
PBC-01	6/30/2015	Accum. Deprec. Fish Hatchery	41-10-250100 41		2,402.00			
PBC-01	6/30/2015	Accum. Deprec. SM Test Injection	41-10-255100 41		151,627.00			
PBC-01	6/30/2015	Investment in fixed assets	41-10-490000 41	283,920.00				
To record depreciation expense for the current year.				283,920.00	283,920.00	0.00		1,140,964.00
PBC-02	6/30/2015	Rabobank Debt Reserve Fund	35-10-102500 CPF01	1,194.00				
PBC-02	6/30/2015	Interest Income	35-10-691000 CPF01		1,194.00			
To record Rabobank Reserve Fund Interest.				1,194.00	1,194.00	1,194.00		1,142,158.00
PBC-03	6/30/2015	Capital Equipment Reserve	24-10-406500 SRF01	5,500.00				
PBC-03	6/30/2015	Capital Equipment Reserve	24-10-585000 SRF01		5,500.00			
PBC-03	6/30/2015	Capital Equipment Reserve	26-10-406500 SRF02	3,100.00				
PBC-03	6/30/2015	Capital Equipment Reserve	26-10-585000 SRF02		3,100.00			
PBC-03	6/30/2015	Capital Equipment Reserve	35-10-406500 CPF01	4,300.00				
PBC-03	6/30/2015	Capital Equipment Reserve	35-10-585000 CPF01		4,300.00			
To reclassify FY 2014-2015 Use of Reserves (Computer Eq Purchase)				12,900.00	12,900.00	0.00		1,142,158.00
PBC-04	6/30/2015	Flood/Drought Reserve	26-10-407000 SRF02	115,000.00				
PBC-04	6/30/2015	Flood/Drought Reserve	26-10-584000 SRF02		115,000.00			
To reclassify FY 2014-2015 Used of Reserves (Drought Activities)				115,000.00	115,000.00	0.00		1,142,158.00
PBC-05	6/30/2015	Flood/Drought Reserve	24-10-407000 SRF01	115,000.00				
PBC-05	6/30/2015	Flood/Drought Reserve	24-10-584000 SRF01		115,000.00			
PBC-05	6/30/2015	Flood/Drought Reserve	26-10-407000 SRF02		115,000.00			
PBC-05	6/30/2015	Flood/Drought Reserve	26-10-584000 SRF02	115,000.00				
To reclassify Drought Reserve from Fund 24 to Fund 26. (Revised - change in designation - no cash impact)				230,000.00	230,000.00	0.00		1,142,158.00
PBC-06	6/30/2015	Deferred outflows - PERS Contributic	51-10-171000 51	303,236.00				
PBC-06	6/30/2015	Amount to be provided - Pension	51-10-283000 51	3,985,585.00				
PBC-06	6/30/2015	Net Pension Liability	51-10-383000 51		4,288,821.00			
To restate net position for the retroactive effect of implementation of GASB 68. (TAB B)								

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PBC-1

Year End: June 30, 2015

Prepared by Client Journal Entries

Date: 7/1/2014 To 6/30/2015

Account No: PBC-01 To PBC-99

Number	Date	Name	Account No	Debit	Credit	Amount	Chg Net Income (Loss)
				4,288,821.00	4,288,821.00	0.00	1,142,158.00
PBC-07	6/30/2015	Deferred inflows - Actuarial	51-10-271500 51		1,063,520.00		
PBC-07	6/30/2015	Net Pension Liability	51-10-383000 51	1,063,520.00			
		To record deferred inflow for differences between projected and actual earnings on pension plan investments. (TAB F)		1,063,520.00	1,063,520.00	0.00	1,142,158.00
PBC-08	6/30/2015	Deferred inflows - Actuarial	51-10-271500 51		9,992.00		
PBC-08	6/30/2015	Net Pension Liability	51-10-383000 51	9,992.00			
		To record deferred inflow for differences in proportions. (TAB G)		9,992.00	9,992.00	0.00	1,142,158.00
PBC-09	6/30/2015	Deferred inflows - Actuarial	51-10-271500 51		31,717.00		
PBC-09	6/30/2015	Net Pension Liability	51-10-383000 51	31,717.00			
		To record deferred outflow of resources due to the difference between the actual employer contributions made during the measurement period and teh employer's proportionate share per the Risk Pool. (TAB H)		31,717.00	31,717.00	0.00	1,142,158.00
PBC-10	6/30/2015	Deferred outflows - PERS Contributic	51-10-171000 51		303,236.00		
PBC-10	6/30/2015	Net Pension Liability	51-10-383000 51	303,236.00			
		To reclassify prior year contributions that were paid prior to the measurement date that are associated with the net pension liability to be reported in the financial statements of the current year. (TAB C)		303,236.00	303,236.00	0.00	1,142,158.00
PBC-11	6/30/2015	Pension expense - GASB 68	24-02-719200 G34G		187,584.00		
PBC-11	6/30/2015	Pension expense - GASB 68	26-02-719200 G34G		104,698.00		
PBC-11	6/30/2015	Pension expense - GASB 68	35-02-719200 G34G		143,959.00		
PBC-11	6/30/2015	Deferred outflows - PERS Contributic	51-10-171000 51	436,241.00			
		To reclassify current year contributions made after the measurement date. (TAB C)		436,241.00	436,241.00	436,241.00	1,578,399.00
PBC-12	6/30/2015	Pension expense - GASB 68	24-02-719200 G34G	131,699.00			
PBC-12	6/30/2015	Pension expense - GASB 68	26-02-719200 G34G	73,506.00			
PBC-12	6/30/2015	Pension expense - GASB 68	35-02-719200 G34G	101,071.00			
PBC-12	6/30/2015	Deferred inflows - Actuarial	51-10-271500 51	223,983.00			
PBC-12	6/30/2015	Net Pension Liability	51-10-383000 51		530,259.00		
		To record District's share of					

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PBC-2

Monterey Peninsula Water Management District

Year End: June 30, 2015

Prepared by Client Journal Entries

Date: 7/1/2014 To 6/30/2015

Account No: PBC-01 To PBC-99

Number	Date	Name	Account No	Debit	Credit	Amount Chg	Net Income (Loss)
		collective pension expense for the period. (TAB D)		530,259.00	530,259.00	(306,276.00)	1,272,123.00
				7,306,800.00	7,306,800.00	131,159.00	1,272,123.00