December xx, 2019

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) as of and for the year ended June 30, 2019. 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. Also included is a summary of recently issued accounting standards that may affect future financial reporting by the District.

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 August 20, 2019. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

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

We have issued a separate communication dated August 20, 2019 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.

EXHIBIT 11-B

Adoption of, or Change in, Accounting Policies
Management has the ultimate responsibility for the appropriateness of the accounting policies used by the District. The District did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period.

Recently Issued Accounting Standards
The GASB has issued the following statements not yet implemented by the District. The District's management has not yet determined the effect these Statements will have on the District's financial statements. However, the District plans to implement the standards by the required dates:

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements in this Statement are effective for fiscal years beginning after June 30, 2019.

In June 2017, GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for fiscal years beginning after June 30, 2020.

In June 2018, GASB issued Statement No. 89 *Accounting for Interest Cost Incurred Before the End of a Construction Period.* The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement established accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In August 2018, GASB issued Statement No. 90 *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61.* The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement established that ownership of majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In May 2019, GASB issued Statement No. 91 *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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.

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 determine and record these accounting estimates. The significant accounting estimates reflected in the District's June 30, 2019 basic financial statements include useful lives of depreciable assets, the cost of other post employment benefits and the pension cost and net pension liability.

Audit Adjustments

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

Uncorrected Misstatements

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

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.

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, 2019 a letter was not required.

Significant Written Communications between Management and Our Firm

We have requested certain representations from management that are included in the management representation letter dated December xx, 2019.

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,

Hayashi Wayland

Attachments: Adjusting Journal Entries
GASB Journal Entries

EXHIBIT 11-B

Monterey Peninsula Water Management District **AJE**

Year End: June 30, 2019
Adjusting Journal Entries
Date: 7/1/2018 To 6/30/2019
Account No: AJE-01 To AJE-99

Number	Date	Name	Account No	Debit	Credit	Amount Chg	Net Income (Loss)
		Net Income (Loss) Before Adjustments				4,268,098.00	
AJE-01	6/30/2019	Unapportioned/Uncollected Taxes Re	24-10-150100 SRF01	16,249.00			
AJE-01	6/30/2019	Deferred Revenue	24-10-370000 SRF01		16,249.00		
AJE-01	6/30/2019	Unapportioned/Uncollected Taxes Re	26-10-150100 SRF02		3,051.00		
AJE-01	6/30/2019	Deferred Revenue	26-10-370000 SRF02	3,051.00			
AJE-01	6/30/2019	Unapportioned/Uncollected Taxes Re	35-10-150100 CPF01	395.00			
AJE-01	6/30/2019	Deferred Revenue	35-10-370000 CPF01		395.00		
		To adjust uncollected taxes and water supply charge per confirm.					
				19,695.00	19,695.00	0.00	4,268,098.00
AJE-02	6/30/2019	A/R Cal-Am	26-10-141600 SRF02		180,196.00		
AJE-02	6/30/2019	CAW-Rebates	26-10-580006 SRF02	180,196.00			
		To reverse accrual of Cal-Am Rebate A/R 6/30/2018.					
				180,196.00	180,196.00	(180,196.00)	4,087,902.00
AJE-03	6/30/2019	Accounts Receivable-Other	24-10-140000 SRF01	16,288.00			
AJE-03	6/30/2019	DAC Grant (Regional Water Mgmt)	24-10-660015 SRF01		16,288.00		
AJE-03	6/30/2019	Accounts Receivable-Other	26-10-140000 SRF02	34,691.00			
AJE-03	6/30/2019	DAC Grant (Regional Water Mgmt)	26-10-660015 SRF02		34,691.00		
		To accrue DAC Grant Conservation Eq Install and Comunity Assessment.					
				50,979.00	50,979.00	50,979.00	4,138,881.00
AJE-04	6/30/2019	Market Value of Assets	24-10-102490 SRF01	16,995.00			
AJE-04	6/30/2019	Market Value of Assets	24-10-102490 SRF01	698.00			
AJE-04	6/30/2019	Unrealized Gain/Loss on Investments	24-10-692590 SRF01		16,995.00		
AJE-04	6/30/2019	Unrealized Gain/Loss on Investments	24-10-692590 SRF01		698.00		
AJE-04	6/30/2019	Market Value of Assets	26-10-102490 SRF02	9,172.00			
AJE-04	6/30/2019	Market Value of Assets	26-10-102490 SRF02	1,822.00			
AJE-04	6/30/2019	Unrealized Gain/Loss on Investments	26-10-692590 SRF02		9,172.00		
AJE-04	6/30/2019	Unrealized Gain/Loss on Investments	26-10-692590 SRF02		1,822.00		
AJE-04	6/30/2019	Market Value of Assets	35-10-102490 CPF01	4,138.00			
AJE-04	6/30/2019	Market Value of Assets	35-10-102490 CPF01	1,037.00			
AJE-04	6/30/2019	Unrealized Gain/Loss on Investments	35-10-692590 CPF01		4,138.00		
AJE-04	6/30/2019	Unrealized Gain/Loss on Investments	35-10-692590 CPF01		1,037.00		
		To record market value of MBS and WF Investments at 6/3019.					
				33,862.00	33,862.00	33,862.00	4,172,743.00
AJE-05	6/30/2019	CIP-SH Facility Upgrade	41-10-256200 41	1,453,456.00			
AJE-05	6/30/2019	Investment in fixed assets	41-10-490000 41		1,453,456.00		
		To capitalize CIP for Sleepy Hollow facility upgrade.					
				1,453,456.00	1,453,456.00	0.00	4,172,743.00

EXHIBIT 11-B

Monterey Peninsula Water Management District **AJE-1**

Year End: June 30, 2019
Adjusting Journal Entries
Date: 7/1/2018 To 6/30/2019
Account No: AJE-01 To AJE-99

Number	Date	Name	Account No	Debit	Credit	Amount Chg	Net Income (Loss)
				1,738,188.00	1,738,188.00	(95,355.00)	4,172,743.00

EXHIBIT 11-B

Monterey Peninsula Water Management District **GASB**
Year End: June 30, 2019
GASB Journal Entries
Date: 7/1/2018 To 6/30/2019
Account No: GASB-00 To GASB-99

Number	Date	Name	Account No	Debit	Credit	Amount Chg	Net Income (Loss)
		Net Income (Loss) Before Adjustments				4,678,820.00	
GASB-01	6/30/2019	Pension expense - GASB 68	24-02-719200 G34G	111,441.00			
GASB-01	6/30/2019	Pension expense - GASB 68	26-02-719200 G34G	78,009.00			
GASB-01	6/30/2019	Pension expense - GASB 68	35-02-719200 G34G	89,153.00			
GASB-01	6/30/2019	Deferred Outflows - PERS Contributic	51-10-171000 51	72,418.00			
GASB-01	6/30/2019	Deferred Outflows - Actuarial	51-10-171500 51		298,530.00		
GASB-01	6/30/2019	Deferred Inflows - Actuarial	51-10-371500 51		140,657.00		
GASB-01	6/30/2019	Net Pension Liability	51-10-383000 51	88,166.00			
		To record adjustment to deferred outflow/inflow of resources and net pension liability.					
				439,187.00	439,187.00	(278,603.00)	4,400,217.00
GASB-02	6/30/2019	Current Year OPEB Cost	24-10-716000 G34G	90,989.00			
GASB-02	6/30/2019	Current Year OPEB Cost	26-10-716000 G34G	63,693.00			
GASB-02	6/30/2019	Current Year OPEB Cost	35-10-716000 G34G	72,792.00			
GASB-02	6/30/2019	Deferred Outflows - OPEB	51-10-172000 51	209,745.00			
GASB-02	6/30/2019	Net OPEB Obligation	51-10-382000 51		437,219.00		
		To record changes in NET OPEB liability and actuarial deferred outflows (inflows).					
				437,219.00	437,219.00	(227,474.00)	4,172,743.00
GASB-03	6/30/2019	Deferred Outflows - PERS Contributic	51-10-171000 51		425,558.00		
GASB-03	6/30/2019	Deferred Outflows - Actuarial	51-10-171500 51	425,558.00			
		To reclass deferred items to agree to opening balances from prior year.					
				425,558.00	425,558.00	0.00	4,172,743.00
				1,301,964.00	**1,301,964.00**	**(506,077.00)**	**4,172,743.00**