

EXHIBIT 1-C

[DATE]

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

In connection with our audit of the financial statements of Monterey Peninsula Water Management District (the District) as of and for the year ended June 30, 2007, we identified deficiencies in internal control over financial reporting (control deficiencies).

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect financial statement misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affect the entity's ability to authorize, initiate, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

Certain control deficiencies that have been previously communicated to you, in writing, by us or by others within your organization are not repeated herein.

Following are descriptions of other identified control deficiencies that we determined did not constitute significant deficiencies or material weaknesses:

Fixed Asset Tracking

The District currently maintains its property records for depreciation in an excel type program which the Chief Technology Officer keeps up to date. The current system used does not directly integrate with the general ledger. Further, the general ledger and the depreciation

schedules are not reconciled until year-end which takes considerable time by the CFO and accountant to reconcile.

Since property and equipment comprise a significant portion of the District's total assets, we recommend the District consider using a fixed asset module as an aid in accounting for property and equipment transactions. A fixed asset module would help manage the fixed assets and could integrate with the current accounting software to reduce the time spent on reconciling items. If the District determines that this is not practical, we recommend the District consider reconciling the current depreciation schedule to the general ledger on a quarterly basis. Quarterly comparisons of capital expenditures recorded in the general ledger to the depreciation schedules will help ensure that all capital expenditures are entered into the fixed asset detail records. We also recommend as part of the District's reconciliation process, the District develop a procedure to review Project expenditures to ensure that all assets that require capitalization are identified.

Reimbursement Requests

During the current year audit, we reviewed several requests by employees for reimbursement of expenses. We found a couple of expense claim forms that were signed by the preparer but were not reviewed or signed by District personnel for approval.

We recommend the District adopt a policy that all expense reimbursement request forms be reviewed and approved by an appropriate manager to ensure that all reimbursement are for legitimate business expenses.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the District and is not intended to be and should not be used by anyone other than these specified parties.

HAYASHI & WAYLAND
ACCOUNTING & CONSULTING, LLP

By _____
Michael T. Briley, C.P.A.