

EXHIBIT 9-A

[date]

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, 2012. 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.

Statement on Auditing Standards No. 114 requires the auditor to communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications:

Auditors' Responsibility Under Professional Standards

Our audit of the financial statements of *Monterey Peninsula Water Management District* for the year ended June 30, 2012, was conducted in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe that our audit accomplished that objective.

Our responsibility under auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts has been described to you in our arrangement letter dated May 31, 2012.

Accounting Practices

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

In November 2010, GASB issued Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB's authoritative literature certain accounting and financial reporting guidance included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure, which do not conflict with or contradict GASB pronouncements. As a result, proprietary funds will no longer have to consider pre-1989 FASB or AICPA pronouncements nor will they be permitted to apply "new" FASB pronouncements issued after November 30, 1989. This statement is effective for fiscal years beginning after December 15, 2011. At this time the District is not certain of the effect the adoption of Statement 62 will have on the accompanying financial statements.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. This statement is effective for fiscal years beginning after December 15, 2011. At this time the District is not certain of the effect the adoption of Statement 63 will have on the accompanying financial statements.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows or resources or inflows of resources, certain items were previously reported as assets and liabilities. This statement is effective for fiscal years beginning after December 15, 2012. 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 65 will have on the accompanying financial statements.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. This statement establishes 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 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 net pension liability and a more comprehensive measure of pension expense.

This statement is effective for fiscal years beginning after June 15, 2014. 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 68 will have on the accompanying financial statements.

Recently Issued Auditing Standards

The Auditing Standards Board (ASB) has substantially completed its project to redraft all of the auditing sections in *Codification of Statements on Auditing Standards* (contained in the AICPA Professional Standards). The clarified standards will impact engagements at all phases and are effective for periods ending on or after December 15, 2012.

AU-C Section 600, *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*, addresses special considerations that apply to group audits, in particular those that involve component auditors. The CAWD/PBCSD Wastewater Reclamation Project is a component of the District's group financial statements and is audited by component auditors. Under the provisions of AU-C Section 600 as the Group auditor we will be required to have extensive communication with the component auditor. A partial list of the required areas of communication is as follows:

- The group audit strategy
- The scope of the audit
- Significant events or transactions
- Compliance with ethical requirements, including independence
- Professional competencies
- Supervision and review
- Fraud or suspected fraud
- Component materiality
- Significant risks
- Significant accounts and disclosures
- Accounting estimates
- Litigation and claims
- Related parties and intercompany balances

This increased level of communication will require us as group auditors to have open and frequent communication with the component auditor. Further we will require written responses to provide the information necessary for us as the group auditor to obtain sufficient appropriate audit evidence regarding the financial information of the components to express an opinion about whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

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, 2012 financial statements include the estimate of useful lives of capital assets.

Financial Statement Disclosures

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no significant disclosures that warrant communication to those charged with governance.

Audit Adjustments

Audit adjustments 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.

Significant Issues Discussed with Management

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

Difficulties Encountered in Performing the Audit

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

Letter Communicating Significant Deficiencies and Material Weaknesses

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, 2012, a letter was not required.

Certain Written Communications Between Management and Our Firm

We have requested certain representations from management that are included in the management representation letter dated _____[date].

This report is intended solely for the information and use of the Board of Directors 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 Monterey Peninsula Water Management District.

Very truly yours,

HAYASHI & WAYLAND
ACCOUNTING & CONSULTING, LLP

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

33240/ml

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

Monterey Peninsula Water Management District**AJE**

Year End: June 30, 2012

Adjusting Journal Entries

Date: 7/1/2011 To 6/30/2012

Account No: AJE-01 To AJE-99

Number	Date	Name	Account No	Debit	Credit
AJE-01	6/30/2012	Receivable-bldg repayment (MEMO)	24101505.00		64,732.00
AJE-01	6/30/2012	Payble-bldg repayment (MEMO)	24103800.00	64,732.00	
AJE-01	6/30/2012	Receivable-Bldg Repayment (MEMO)	35101505.00		64,732.00
AJE-01	6/30/2012	Payable-Bldg Repayment (MEMO)	35103800.00	64,732.00	
		To record annual Harris Court activity			
AJE-02	6/30/2012	Unapportioned/Uncollected Taxes Receivable	24101501.00		7,509.00
AJE-02	6/30/2012	Allowance for Uncollectible Taxes	24101502.00	3,487.00	
AJE-02	6/30/2012	Deferred Revenue	24103700.00	38,479.00	
AJE-02	6/30/2012	Deferred Revenue	24103700.00		34,457.00
AJE-02	6/30/2012	Unapportioned/Uncollected Taxes Recievable	26101501.00	3,739.00	
AJE-02	6/30/2012	Allowance for Uncollectible Taxes	26101502.00		4,531.00
AJE-02	6/30/2012	Deferred Revenue	26103700.00	42,578.00	
AJE-02	6/30/2012	Deferred Revenue	26103700.00		41,786.00
AJE-02	6/30/2012	Unapportioned/Uncollectible Taxes Recvbl	35101501.00		10,715.00
AJE-02	6/30/2012	Allowance for Uncollectible Taxes	35101502.00	6,601.00	
AJE-02	6/30/2012	Deferred Revenue	35103700.00	38,392.00	
AJE-02	6/30/2012	Deferred Revenue	35103700.00		34,278.00
		To allocate taxes receivable and allowance to actual			
AJE-03	6/30/2012	Investment in fixed assets	41014900.00		958,840.00
AJE-03	6/30/2012	CIP-ASR Well Phase 2	41102562.00	958,840.00	
		To capitalize ASR Well 2			
AJE-04	6/30/2012	CASH CHECKING - 1ST NATIONAL O&M	10040.00	31.00	
AJE-04	6/30/2012	PREPAID EXPENSES	10050.00		7,762.00
AJE-04	6/30/2012	CAPITAL EQUIPMENT O&M	22128.00		12,530.00
AJE-04	6/30/2012	CIP - CATHODIC PROTECTION	22132.00		57,714.00
AJE-04	6/30/2012	PBCSD SCADA	22146.00	24.00	
AJE-04	6/30/2012	MPWMD BILLING SOFTWARE	22147.00		17,385.00
AJE-04	6/30/2012	CIP-PBCSD WIN-911 ALARM	22148.00		5,233.00
AJE-04	6/30/2012	CIP-CAWD SCADA UPGRADE	22149.00		76,117.00
AJE-04	6/30/2012	WATER RESALE RIGHTS	22950.00	168,957.00	
AJE-04	6/30/2012	ACCUM. AMORT.-WATER RIGHT	22955.00		8,095.00
AJE-04	6/30/2012	A/P - MPWMD	29040.00		52,991.00
AJE-04	6/30/2012	AMORTIZATION EXPENSE	29700.00	8,095.00	
AJE-04	6/30/2012	INTEREST INCOME-COUNTY	55000.00		31.00
AJE-04	6/30/2012	SUBSIDY FROM PBCo	55200.00		265,060.00
AJE-04	6/30/2012	LESS: MCWMD FEES	58990.00	52,991.00	
AJE-04	6/30/2012	PBCSD INSURANCE	72100.00		819.00
AJE-04	6/30/2012	DISTRIBUTION - PERMITS	75300.00	8,579.00	
AJE-04	6/30/2012	BOND CARRYING COSTS	99900.00	265,060.00	
		To record reclamation audit adjustments			

Monterey Peninsula Water Management District

AJE-1

Year End: June 30, 2012

Adjusting Journal Entries

Date: 7/1/2011 To 6/30/2012

Account No: AJE-01 To AJE-99

Number	Date	Name	Account No	Debit	Credit
				1,725,317.00	1,725,317.00
		Net Income (Loss)	(1,388,128.00)		

Monterey Peninsula Water Management District**RJE**

Year End: June 30, 2012

Reclassification Journal Entries

Date: 7/1/2011 To 6/30/2012

Number	Date	Name	Account No	Debit	Credit
RJE-01	6/30/2012	Tax Administration fee	248075.00		
RJE-01	6/30/2012	TAX ADMINISTRATION FEE	268075.00		
RJE-01	6/30/2012	Tax Administration Fee	358075.00		
RJE-01	6/30/2012	Property Tax Revenue	24106110.00		
RJE-01	6/30/2012	INTEREST-MTY CTY TAXES	24106915.00		
RJE-01	6/30/2012	Property Tax Revenue	26106110.00		
RJE-01	6/30/2012	Interest Monterey County	26106915.00		
RJE-01	6/30/2012	Property Tax Revenue	35106110.00		
RJE-01	6/30/2012	Interest Monterey County	35106915.00		
		To reclassify property tax interest and tax administration to the proper accounts/funds. RG			
RJE-02	6/30/2012	Computer Equipment	41102150.00	392,040.00	
RJE-02	6/30/2012	Accum.Depre-Computer Equip	41102151.00		22,869.00
RJE-02	6/30/2012	Santa Margarita Test Injection Well	41102550.00	681,143.00	
RJE-02	6/30/2012	ASR Well -Phase 1	41102560.00		681,143.00
RJE-02	6/30/2012	Database Programming-WDD	41102565.00		392,040.00
RJE-02	6/30/2012	Accum. Deprec. Database-WDD	41102566.00	22,869.00	
		to reclassify fixed assets and accum depr done last year.			
RJE-03	6/30/2012	Computer Equipment	41102150.00	17,386.00	
RJE-03	6/30/2012	Database Programming-PBRP (completed 2/1/11)	41102567.00		17,386.00
		To remove CIP-Database Programming to Computer equipment			
RJE-04	6/30/2012	Santa Margarita Test Injection Well	41102550.00	2,724,063.00	
RJE-04	6/30/2012	ASR Well -Phase 1	41102560.00		2,724,063.00
		To tie FA to prior year			
RJE-05	6/30/2012	Tax Administration fee	248075.00	7,004.00	
RJE-05	6/30/2012	TAX ADMINISTRATION FEE	268075.00	5,078.00	
RJE-05	6/30/2012	Tax Administration Fee	358075.00	5,013.00	
RJE-05	6/30/2012	Property Tax Revenue	24106110.00		6,902.00
RJE-05	6/30/2012	INTEREST-MTY CTY TAXES	24106915.00		102.00
RJE-05	6/30/2012	Property Tax Revenue	26106110.00		5,004.00
RJE-05	6/30/2012	Interest Monterey County	26106915.00		74.00
RJE-05	6/30/2012	Property Tax Revenue	35106110.00		4,940.00
RJE-05	6/30/2012	Interest Monterey County	35106915.00		73.00
		To allocate tax and admin fee out of property tax revenue			
RJE-06	6/30/2012	Reserve for Prepaid Expense	26104060.00	1,009.00	
RJE-06	6/30/2012	Conservation Fund Balance	26104100.00		1,009.00
RJE-06	6/30/2012	Reserv. for Prepaid Expenses	35104060.00	3,865.00	
RJE-06	6/30/2012	Capital Projects Fund Balance	35104100.00		3,865.00

Monterey Peninsula Water Management District

RJE-1

Year End: June 30, 2012

Reclassification Journal Entries

Date: 7/1/2011 To 6/30/2012

Number	Date	Name	Account No	Debit	Credit
		To adjust prepaid reserve to actual			
				3,859,470.00	3,859,470.00
		Net Income (Loss)	(1,388,128.00)		

Monterey Peninsula Water Management District**PBC**

Year End: June 30, 2012

Prepared by Client Journal Entries

Date: 7/1/2011 To 6/30/2012

Account No: PBC-01 To PBC-99

Number	Date	Name	Account No	Debit	Credit
PBC-01	6/30/2012	Accum. Depr.-Ofc. Equip	41102101.00		3,238.00
PBC-01	6/30/2012	Accum Deprec. - 5 Harris Ct	41102106.00		52,263.00
PBC-01	6/30/2012	Accum. Depr-Computer Equip	41102151.00		102,069.00
PBC-01	6/30/2012	Accum. Depr-Transport. Equip	41102201.00		11,647.00
PBC-01	6/30/2012	Accum. Depr-Project Equip	41102301.00		5,948.00
PBC-01	6/30/2012	Accum. Deprec. Fish Hatchery	41102501.00		4,976.00
PBC-01	6/30/2012	Less Accumulated Depreciation-SM Test Injectic	41102551.00		25,610.00
PBC-01	6/30/2012	Accum. Deprec. ASR Well Phase 1	41102561.00		90,802.00
PBC-01	6/30/2012	Investment in fixed assets	41104900.00	296,553.00	
		To post current year depreciation expense.			
PBC-02	6/30/2012	Computer Equipment	41102150.00		31,541.00
PBC-02	6/30/2012	Accum. Depr-Computer Equip	41102151.00	31,254.00	
PBC-02	6/30/2012	Project equipment	41102300.00		190.00
PBC-02	6/30/2012	Accum. Depr-Project Equip	41102301.00	190.00	
PBC-02	6/30/2012	Monitoring Stations	41102450.00		5,585.00
PBC-02	6/30/2012	Accum. Depr. Monitoring Stns	41102451.00	5,585.00	
PBC-02	6/30/2012	Fish Hatchery-Sleepy Hollow	41102500.00		3,100.00
PBC-02	6/30/2012	Accum. Deprec. Fish Hatchery	41102501.00	3,100.00	
PBC-02	6/30/2012	Investment in fixed assets	41104900.00	287.00	
		To record scrapped assets at year-end			
PBC-03	6/30/2012	A/R CAE ASR: SSD Middle Sch.	24101415.00	125,226.00	
PBC-03	6/30/2012	CAW-ASR Reimbursement	24105800.01		125,226.00
		Record CAW A.R - SSD middle School ASR Well #1 - PBC			
PBC-04	6/30/2012	A/R CAE ASR: SSD Middle Sch.	24101415.00	91,852.00	
PBC-04	6/30/2012	CAW-ASR Reimbursement	24105800.01		91,852.00
		Record CAW AR - Santa Margarita Test Inject Well			
PBC-05	6/30/2012	Reimbursements Receivable	26101300.00	42,372.00	
PBC-05	6/30/2012	CAW-Conservation	26105800.07		42,372.00
		Record CAW A/R - Conservation reimbursable invoiced			
PBC-06	6/30/2012	ASR Well -Phase 1	41102560.00	681,143.00	
PBC-06	6/30/2012	Investment in fixed assets	41104900.00		681,143.00
		To reclass Capital expenditures for ASR projects			
PBC-07	6/30/2012	GIS-Software	24027515.10		5,783.00

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

Year End: June 30, 2012

Prepared by Client Journal Entries

Date: 7/1/2011 To 6/30/2012

Account No: PBC-01 To PBC-99

Number	Date	Name	Account No	Debit	Credit
PBC-07	6/30/2012	Computer equipment & programs	24029160.00	5,783.00	
PBC-07	6/30/2012	GIS-Software	26027515.10		1,991.00
PBC-07	6/30/2012	Computer equipment & programs	26029160.00	1,991.00	
PBC-07	6/30/2012	GIS-Software	35027515.10		1,707.00
PBC-07	6/30/2012	Computer equipment & programs	35029160.00	1,707.00	
		To reclassify & capitalize Computer Software upgrades			
PBC-08	6/30/2012	Current Year OPEB Cost	24107160.00	124,393.00	
PBC-08	6/30/2012	Current Year OPEB Cost	26107160.00	39,363.00	
PBC-08	6/30/2012	Current Year OPEB Cost	35107160.00	48,331.00	
PBC-08	6/30/2012	Net OPEB Obligation	51103820.00		212,087.00
		To accrue current OPEB obligation			
				1,499,130.00	1,499,130.00
		Net Income (Loss)	(1,388,128.00)		