

EXHIBIT 6-B

[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, 2014. 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 31, 2014.

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.

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 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 financial statements.

GASB Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68 was issued to address an issue regarding application of the transition provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement amends GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. This Statement will be effective for the year ending June 30, 2015.

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, 2014 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.

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, 2014 a letter was not required.

Other Audit Findings or Issues

Bank Reconciliations

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.

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.

Accounting Policies

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.

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

Certain Written Communications between Management and Our Firm

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

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
Partner
Hayashi Wayland

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

Monterey Peninsula Water Management District

AJE

Year End: June 30, 2014

Adjusting Journal Entries

Date: 7/1/2013 To 6/30/2014

Account No: AJE-01 To AJE-99

Number	Date	Name	Account No	Debit	Credit	Amount Chg Net Income (Loss)	
Net Income (Loss) Before Adjustments						154,363.00	
AJE-01	6/30/2014	Current Year OPEB Cost	24-10-716000 G34G	80,391.00			
AJE-01	6/30/2014	Current Year OPEB Cost	26-10-716000 G34G	50,478.00			
AJE-01	6/30/2014	Current Year OPEB Cost	35-10-716000 G34G	56,086.00			
AJE-01	6/30/2014	Net OPEB Obligation	51-10-382000 51		186,955.00		
To record adjustment to OPEB liability.				186,955.00	186,955.00	(186,955.00)	(32,592.00)
AJE-02	6/30/2014	Receivable-bldg repayment (MEMO)	24-10-150500 SRF01		71,843.00		
AJE-02	6/30/2014	Payble-bldg repayment (MEMO)	24-10-380000 SRF01	71,843.00			
AJE-02	6/30/2014	Receivable-Bldg Repayment (MEMO)	35-10-150500 CPF01		71,843.00		
AJE-02	6/30/2014	Payable-Bldg Repayment (MEMO)	35-10-380000 CPF01	71,843.00			
To record Harris Court activity.				143,686.00	143,686.00	0.00	(32,592.00)
AJE-03	6/30/2014	Unapportioned/Uncollected Taxes Re	24-10-150100 SRF01		13,192.00		
AJE-03	6/30/2014	Allowance for Uncollectible Taxes	24-10-150200 SRF01				
AJE-03	6/30/2014	Deferred Revenue	24-10-370000 SRF01	13,192.00			
AJE-03	6/30/2014	Unapportioned/Uncollected Taxes Re	26-10-150100 SRF02	2,181.00			
AJE-03	6/30/2014	Allowance for Uncollectible Taxes	26-10-150200 SRF02				
AJE-03	6/30/2014	Deferred Revenue	26-10-370000 SRF02		2,181.00		
AJE-03	6/30/2014	Unapportioned/Uncollected Taxes Re	35-10-150100 CPF01	29.00			
AJE-03	6/30/2014	Allowance for Uncollectible Taxes	35-10-150200 CPF01				
AJE-03	6/30/2014	Deferred Revenue	35-10-370000 CPF01		29.00		
To record uncollected taxes.				15,402.00	15,402.00	0.00	(32,592.00)
AJE-04	6/30/2014	Computer equipment & programs	24-02-916000 SRF01		4.00		
AJE-04	6/30/2014	Gas	24-04-791000 SRF01	3.00			
AJE-04	6/30/2014	Transportation equipment	24-04-914000 SRF01	1.00			
AJE-04	6/30/2014	Computer equipment & programs	26-02-916000 SRF02		3.00		
AJE-04	6/30/2014	Gas	26-05-791000 SRF02	3.00			
AJE-04	6/30/2014	Miscellaneous	35-02-850000 CPF01	3.00			
AJE-04	6/30/2014	Computer equipment & programs	35-02-916000 CPF01		3.00		
To adjust Capital Outlay and tie to Fixed Asset additions				10.00	10.00	0.00	(32,592.00)
				346,053.00	346,053.00	(186,955.00)	(32,592.00)

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RJE

Year End: June 30, 2014

Reclassification Journal Entries

Date: 7/1/2013 To 6/30/2014

Number	Date	Name	Account No	Debit	Credit	Amount Chg Net Income (Loss)	
Net Income (Loss) Before Adjustments						(32,592.00)	
RJE-01	6/30/2014	Property Tax Revenue	24-10-611000 SRF01		2,830.00		
RJE-01	6/30/2014	Interest-Monterey County Taxes	24-10-691500 SRF01		180.00		
RJE-01	6/30/2014	Tax Administration fee	24-80-750000 SRF01	3,010.00			
RJE-01	6/30/2014	Property Tax Revenue	26-10-611000 SRF02		13,438.00		
RJE-01	6/30/2014	Interest-Monterey County Taxes	26-10-691500 SRF02		853.00		
RJE-01	6/30/2014	TAX ADMINISTRATION FEE	26-80-750000 SRF02	14,291.00			
RJE-01	6/30/2014	Property Tax Revenue	35-10-611000 CPF01		1,677.00		
RJE-01	6/30/2014	Interest-Monterey County Taxes	35-10-691500 CPF01		106.00		
RJE-01	6/30/2014	Tax Administration Fee	35-80-750000 CPF01	1,783.00			
		To allocate tax and admin fee out of property tax revenue.		19,084.00	19,084.00	0.00	(32,592.00)
RJE-02	6/30/2014	Reserve for Prepaid Expense	24-10-406000 SRF01	2,117.00			
RJE-02	6/30/2014	Fund Balance	24-10-410000 SRF01		2,117.00		
RJE-02	6/30/2014	Reserve for Prepaid Expense	26-10-406000 SRF02	729.00			
RJE-02	6/30/2014	Fund Balance	26-10-410000 SRF02		729.00		
RJE-02	6/30/2014	Reserve for Prepaid Expense	35-10-406000 CPF01	33,178.00			
RJE-02	6/30/2014	Fund Balance	35-10-410000 CPF01		33,178.00		
		To reclassify nonspendable fund balances for prepaids - no prepaids at year-end.		36,024.00	36,024.00	0.00	(32,592.00)
RJE-03	6/30/2014	Capital Equipment Reserve	24-10-406500 SRF01	59,200.00			
RJE-03	6/30/2014	Fund Balance	24-10-410000 SRF01		59,200.00		
		To reclassify 13-14 used of reserves.		59,200.00	59,200.00	0.00	(32,592.00)
RJE-04	6/30/2014	User Fees	26-10-520000 SRF02	1,239.00			
RJE-04	6/30/2014	Recording Fees	26-10-530000 SRF02	22.00			
RJE-04	6/30/2014	Less: Refund Connection Fee	26-10-555000 SRF02		1,239.00		
RJE-04	6/30/2014	Miscellaneous-Other	26-10-591000 SRF02		22.00		
		To reclassify debit balances in revenue accounts for f/s presentation. Amounts immaterial.		1,261.00	1,261.00	0.00	(32,592.00)
				115,569.00	115,569.00	0.00	(32,592.00)

Monterey Peninsula Water Management District

PBC

Year End: June 30, 2014

Prepared by Client Journal Entries

Date: 7/1/2013 To 6/30/2014

Account No: PBC-01 To PBC-99

Number	Date	Name	Account No	Debit	Credit	Amount Chg Net Income (Loss)	
Net Income (Loss) Before Adjustments						(582,530.00)	
PBC-01	6/30/2014	Ground Water Replenishment Proj.	35-04-786010 CPF01	37,778.00			
PBC-01	6/30/2014	Accounts Payable	35-10-310000 CPF01		37,778.00		
To record GWR reimbursement							
				37,778.00	37,778.00	(37,778.00)	(620,308.00)
PBC-02	6/30/2014	Project Reimbursements Receivable	24-10-130000 SRF01	128,978.00			
PBC-02	6/30/2014	IRWMP Grant Reimbursements	24-10-660003 SRF01		128,978.00		
JN00644- PBC 10/23/14. To accrue for the IRWMP grant receivable for invoice #8.							
				128,978.00	128,978.00	128,978.00	(491,330.00)
PBC-03	6/30/2014	Project Reimbursements Receivable	24-10-130000 SRF01	35,270.00			
PBC-03	6/30/2014	IRWMP Grant Reimbursements	24-10-660003 SRF01		35,270.00		
JN00645- PBC 10/23/14. Accrue County IRWMP grant reimbursement receivable.							
				35,270.00	35,270.00	35,270.00	(456,060.00)
PBC-04	6/30/2014	Project Reimbursements Receivable	24-10-130000 SRF01	150,629.00			
PBC-04	6/30/2014	IRWMP Grant Reimbursements	24-10-660003 SRF01		150,629.00		
JN00646- PBC 10/23/14. Accrue IRWMP grant receivable invoice #9.							
				150,629.00	150,629.00	150,629.00	(305,431.00)
PBC-05	6/30/2014	Project Reimbursements Receivable	24-10-130000 SRF01	183,149.00			
PBC-05	6/30/2014	IRWMP Grant Reimbursements	24-10-660003 SRF01		183,149.00		
JN00647- PBC 10/23/14. Accrue IRWMP grant receivable invoice #10.							
				183,149.00	183,149.00	183,149.00	(122,282.00)
PBC-06	6/30/2014	Vacation/sick leave liability	51-10-281000 51	36,441.00			
PBC-06	6/30/2014	Compensated absences: L/T	51-10-381000 51		36,441.00		
JN00648- PBC 10-23-14 To accrue PTO liability for year end.							
				36,441.00	36,441.00	0.00	(122,282.00)
PBC-07	6/30/2014	Project Reimbursements Receivable	24-10-130000 SRF01		128,568.00		
PBC-07	6/30/2014	IRWMP Grant Reimbursements	24-10-660003 SRF01	128,568.00			
JN00628- PBC 10/23/14 Reverse AJE-12 to accrue for receivable							
				128,568.00	128,568.00	(128,568.00)	(250,850.00)
PBC-08	6/30/2014	Project Reimbursements Receivable	35-10-130000 CPF01	16,602.00			
PBC-08	6/30/2014	GWR Project Reimbursements	35-10-580015 CPF01		16,602.00		
JN00642- PBC 10/23/14. Accrue MRWPCA GWR Reimbursement Revenue							
				16,602.00	16,602.00	16,602.00	(234,248.00)

Monterey Peninsula Water Management District

PBC-1

Year End: June 30, 2014

Prepared by Client Journal Entries

Date: 7/1/2013 To 6/30/2014

Account No: PBC-01 To PBC-99

Number	Date	Name	Account No	Debit	Credit	Amount Chg	Net Income (Loss)
PBC-09	6/30/2014	A/R Cal-Am	26-10-141600 SRF02	201,656.00			
PBC-09	6/30/2014	CAW-Conservation	26-10-580007 SRF02		201,656.00		
		JN00643- PBC 10/23/14 Accrue Cal-Am conservation reimbursement		201,656.00	201,656.00	201,656.00	(32,592.00)
				919,071.00	919,071.00	549,938.00	(32,592.00)