

Comprehensive Annual Financial Report



5 Harris Court, Bldg G, Monterey CA 93940
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EXHIBIT 24-A

HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

**MONTEREY PENINSULA WATER
MANAGEMENT DISTRICT**

Monterey, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2015

Prepared by:

Administrative Services Division

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MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

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**INTRODUCTORY
SECTION**

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December 14, 2015

Board of Directors
Monterey Peninsula Water Management District
Monterey, California

It is a pleasure to submit the Monterey Peninsula Water Management District's (MPWMD or District) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. The CAFR gives an assessment of the District's financial condition, informs readers about District services, gives details of infrastructure replacement projects, discusses current issues, and provides financial and demographic trend information.

The California Government Code requires an annual independent audit of MPWMD's financial statements by a Certified Public Accountant (CPA). The District's financial statements have been audited by Hayashi Wayland, Certified Public Accountants (auditor). The auditor's opinion is included in the financial section of this CAFR.

This CAFR is believed to be accurate in all material respects, and is presented in a manner designed to fairly set forth the financial position, the changes in financial position, and cash flows for the District. All disclosures necessary to enable the reader to gain the maximum understanding of the District's financial activity have been included. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. While the independent auditors have expressed an unqualified ("clean") opinion that MPWMD's financial statements are presented in conformity with generally accepted accounting principles (GAAP), responsibility for both the accuracy of the presented data and completeness and fairness of the presentation, including all disclosures, rests with the District.

Profile of the District

The District is a special district created in 1977 by the California Legislature and ratified by local voters in 1978. The District has four primary responsibilities. The first is to augment and manage development of potable water supplies and the delivery of this water to users in the Monterey Peninsula area. The second is to promote water conservation. The third is to promote water reuse and reclamation of storm and waste water. The fourth is to protect the environmental quality of the Monterey Peninsula area's water resources.

The District has an authorized staff of 27 full-time employees providing services within its jurisdiction. The District is made up of the following sections consisting of: General Manager's Office, Administrative Services, Planning & Engineering, Water Resources, and Water Demand Division.

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Governance

MPWMD is a public agency (special district) governed by a seven member Board of Directors (Board), five elected from District's voter divisions, one member of the Monterey County Board of Supervisors, and one elected official or chief executive officer appointed by a committee comprised of mayors from jurisdictions within the District boundaries. The elected board members serve staggered four-year terms. Annually, a Chair and Vice Chair are chosen among the Board members. MPWMD operates under a Board-Manager form of government. The Board of Directors appoints the General Manager who is responsible for the administration of the District. The General Manager organizes and directs District activities in accordance with the Board's policies.

The Board meets in a regular session on the third Monday of each month. Regular meetings are held at 7:00 p.m. at the Monterey Peninsula Water Management District, Conference Room, 5 Harris Court, Building G, Monterey, California. Board meetings are open to the public.

Budget Process

Annually, the District prepares and adopts an operating budget and updates its five-year Capital Improvement Program (CIP). Both serve as the District's financial planning and fiscal control. Budgets are adopted on a basis consistent with governmental GAAP. Budgetary controls are set at the department level and are maintained to ensure compliance with the budget approved by the Board of Directors. The District's budget is a detailed operating plan that identifies estimated costs in relation to estimated revenues. The budget includes the projects, services and activities to be carried out during the fiscal year and the estimated revenue available to finance these operating and capital costs. The budget represents a process wherein policy decisions made by the Board of Directors are adopted, implemented and controlled. Budget control is maintained through the use of project codes and account appropriations. Actual expenditures are then compared to these appropriations on a monthly basis. The General Manager or the Administrative Services Manager/CFO has the discretion to transfer appropriations between activities. Board approval is required for any overall increase in appropriations or changes to the Capital Improvement Program. Additionally, a mid-year budget adjustment is prepared and presented to the District's Board for adoption.

Economic Condition and Outlook

In Water Year 2014, 12,244 AF of water were legally available in the Carmel River and Seaside Groundwater Basins to serve California American Water (Cal-Am) customers within the District. Similarly, approximately 4,710 AF of water were assumed to be available to serve non-Cal-Am users extracting water from the Carmel Valley Aquifer and the Seaside Basin.

However, because of legal and regulatory constraints, MPWMD estimates that the long-term water supplies available to Cal-Am's customers in the future will be reduced to approximately 6,750 acre-feet per year (AFY). This assumes that Cal-Am will retain rights to produce 774 AFY from Seaside Groundwater sources (restored to 1,474 in 25 years), 94 AFY from the Sand City Desalination Facility, 2,000 AFY from Aquifer Storage and Recovery, and 3,376 AFY from Carmel River sources. In 2013, the State granted Cal-Am an additional 1,488 AFY of Carmel River diversions, subject to meeting instream flow requirements. MPWMD estimates a long-term yield of about 500 AFY from this diversion right.

California's water supply continues to be a concern caused by drought over several years. This concern together with the legal and regulatory constraints has increased interest in conservation and new water sources. The District has led the area in its conservation efforts and will continue to

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make strides in this area. The District is also working on providing new water sources to its customers. The District is currently working with the Monterey Regional Water Pollution Control Agency on the Pure Water Monterey (PWM), which will introduce recycled water to California American Water's distribution systems. In addition, the District has made continued progress on the Monterey Peninsula Water Supply Project working jointly with Cal-Am.

Major Initiatives

During the current fiscal year, the District continued, completed or initiated a number of significant projects, which include the following:

Aquifer Storage Recovery (ASR) - District planned for expansion of the Phase 1 facility and completed construction activities at the Phase 2 facility during the year. Despite critically dry conditions, 113 acre feet (AF) were injected in December 2014. Since inception of the ASR program, a total of 4,884 AF has been diverted from the Carmel River for storage and subsequent recovery.

Pure Water Monterey - The District provided the majority of funding and provided services for environmental and permitting work on this innovative water recycling plant for serving a portion of the Peninsula's potable supply, working in partnership with the Monterey Regional Water Pollution Control Agency.

Monterey Peninsula Water Supply Project - The District has made continued progress on the Monterey Peninsula Water Supply Project working jointly with Cal-Am, the Monterey Peninsula Regional Water Authority, and other parties.

The District is also a participant in the Carmel Area Wastewater District/Pebble Beach Community Services District Wastewater Reclamation Project (the Project), which is a cooperative effort that involves the Carmel Area Wastewater District, the Pebble Beach Community Services District and the Pebble Beach Company. The project did not create a new or separate legal entity, therefore the Project is included as a Proprietary (Enterprise) Fund of the District, the issuer of the Certificates of Participation which financed the project. The Project's financial statements were audited by Marcello & Company.

More financial information is available under Management Discussion and Analysis included in the Financial Section.

Internal Control

District management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the District are protected from loss, theft or misuse. The internal control structure also ensures adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District's internal control structure is designed to provide reasonable assurances that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Investment Policy

The Board of Directors annually adopts an Investment Policy that conforms to California State Law, District ordinances and resolutions, prudent money management and the "prudent person" standards. The objectives of the Investment Policy are safety, liquidity and yield. District funds are normally invested in the State Treasurer's Local Agency Investment Fund (LAIF), Certificates of Deposits, and Money Market accounts.

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Risk Management

The District is a member of the Special District Risk Management Authority (SDRMA). The purpose of SDRMA is to arrange and administer risk management programs for the pooling of self-insured losses, and the purchase of excess insurance and workers' compensation coverage.

District Revenues

District's major funding sources are: Property Taxes, Water Supply Charge, Mitigation Revenue, Project Reimbursements, Grants, and others. Property tax allocations are collected and remitted by the County of Monterey. Water Supply Charge is levied by the District on property tax bills and are collected and remitted by the County of Monterey. Mitigation Revenue is paid for by the California American Water Company ratepayers. Project reimbursements are mostly collected from the California American Water Company ratepayers.

District Expenses

District's expenses and expenditures are classified into the following major categories: Salaries, Employee Benefits and Other Personnel, Project Expenditures, Operating Expenditures, Professional Fees, Capital Outlay, and Debt Service.

Independent Audit

State Law and Bond covenants require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Hayashi Wayland, CPAs has conducted the audit of the District's financial statements. The audit was conducted in accordance with auditing standards generally accepted in the United States of America. The firm's report has been included in the financial section of this report.

Other References

More information is contained in the District's management discussion and analysis and the notes to the basic financial statements found in the financial section of this report.

Acknowledgements

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that these staff members contribute to the service of the District's customers. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of the Monterey Peninsula Water Management District's fiscal policies.

Respectfully submitted,

David J. Stoldt
General Manager

Suresh Prasad
Administrative Services manager/
Chief Financial Officer

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**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
ORGANIZATION CHART
FY 2014 - 2015**

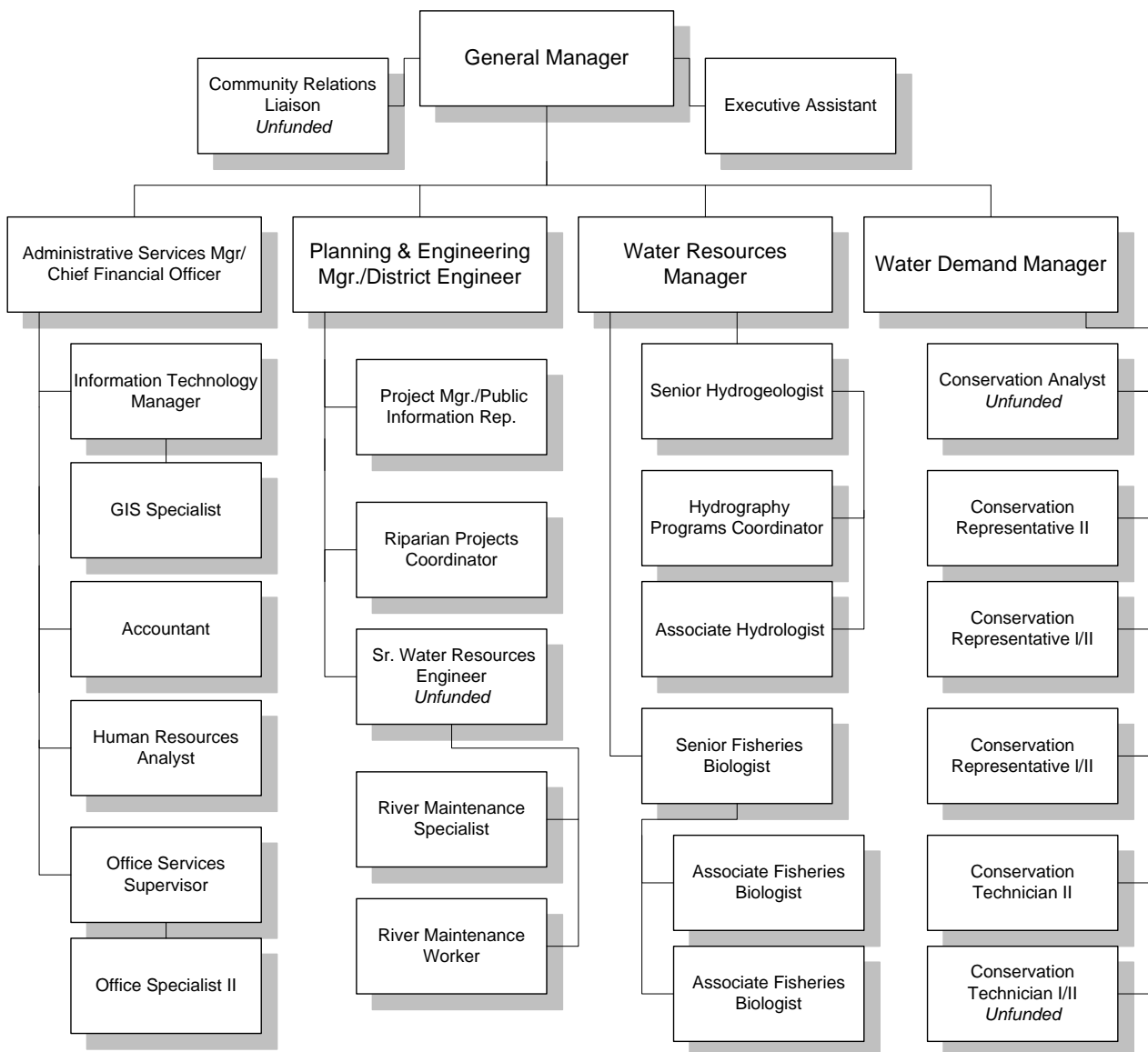


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MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

June 30, 2015

Board of Directors

Chair – Division 3	Kristi Markey
Vice Chair – Division 4	Jeanne Byrne
Director – Division 1	Brenda Lewis
Director – Division 2	Andrew Clarke
Director – Division 5	Robert S. Brower, Sr.
Director – Mayoral Representative	David Pendergrass
Director – Monterey County	
Board of Supervisors Representative	David Potter

Executive Staff

General Manager	David J. Stoldt
Administrative Services Manager/CFO	Suresh Prasad
Planning & Engineering Manager	Larry Hampson
Water Resources Manager	Joe Oliver
Water Demand Manager	Stephanie Locke
Executive Assistant	Arlene Tavani

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**FINANCIAL
SECTION**

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INDEPENDENT AUDITORS' REPORT

**Board of Directors
Monterey Peninsula Water Management District
Monterey, California**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the **Monterey Peninsula Water Management District** as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express our opinions on these financial statements based on our audit. We did not audit the financial statements of the CAWD/PBCSD Wastewater Reclamation Project (the proprietary fund) which statements reflect 79% of the total assets (See Note 2). Those statements were audited by Marcello & Company whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the proprietary fund, is based solely on the report of Marcello & Company. We conducted our audit 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 assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of the **Monterey Peninsula Water Management District** as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10, the Budgetary Comparison Schedules on pages 47 through 50, the Schedule of Funding Progress of Other Post Employment Benefits on page 51, the Schedule of Proportionate Share of the Net Pension Liability on page 52 and the Schedule of Contributions on page 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the **Monterey Peninsula Water Management District's** basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

_____ [date]

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MONTEREY PENINSULA WATER MANAGEMENT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) JUNE 30, 2015

This section of the Monterey Peninsula Water Management District's (the District) annual financial report presents a discussion and analysis of the District's performance during the fiscal year ended June 30, 2015. Please read it in conjunction with the District's financial statements, which follow this section.

The District was created by the California Legislature in 1977 and ratified by local voters in 1978. The District has four primary responsibilities. The first is to augment and manage development of potable water supplies and the delivery of this water to users in the Monterey Peninsula area. The second is to promote water conservation. The third is to promote water reuse and reclamation of storm and waste water. The fourth is to protect the environmental quality of the Monterey Peninsula area's water resources, including the protection of instream fish and wildlife resources.

The District is also a participant in the Carmel Area Wastewater District/Pebble Beach Community Services District Wastewater Reclamation Project (the Project), which is a cooperative effort that also involves the Carmel Area Wastewater District, the Pebble Beach Community Services District and the Pebble Beach Company. The cooperative effort did not create a new or separate legal entity. Therefore, the Project is included as a Proprietary (Enterprise) Fund of the District, the issuer of the Certificates of Participation which financed the project.

FINANCIAL HIGHLIGHTS

- The assets of the governmental activities of the District exceeded its liabilities at the close of the year ending June 30, 2015 by \$1.0 million (net position). However, \$3.7 million is net investment in capital assets.
- The assets of the business-type activities of the District exceeded its liabilities at the close of the year ending June 30, 2015, by \$22.7 million (net position). However, \$25.1 million is net investment in capital assets.
- A prior period adjustment in the amount of \$4.0 million was made to reduce beginning net position due to the implementation of GASB 68 and 71.
- The District's total governmental activities net position decreased by approximately \$208 thousand for the year ended June 30, 2015. The decrease in net position can mostly be attributed to the groundwater replenishment project, capital outlay and capitalized project expenditures. Depreciation expenses for the year were \$283,920.
- The District's total business-type activities net position increased by approximately \$1.5 million for the year ended June 30, 2015. The increase in net position can mostly be attributed to deferral of capital projects included in the current year water rates. Amortization expenses for the year were \$1,589,847.
- Capital outlay and capitalized project expenditures of \$748,328 consisted mostly of funds expended to construct an additional injection well for the District's Aquifer Storage & Recovery Project, routine computer equipment upgrades and upgrades to the reclamation project.
- There was not an operating subsidy from Pebble Beach Company because of a new agreement with the Independent Golf Club Users whereby the expense of total debt service (principal and interest) is built into the cost of water.

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OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the notes to the basic financial statements, and required supplementary information.

The financial statements provide both long-term and short-term information about the District's financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by required supplementary information that further explains and supports the information in the financial statements.

The District's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statement of Activities. All assets and liabilities associated with the operation of the District are included in the Statement of Net Position.

Government-wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Net Position combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements include all the governmental activities of the District. The governmental activities of the District include conservation, mitigation and water supply. The business-type activity includes the water reclamation project.

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide detail information about the most significant funds, not the District as a whole. The District, like other special districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's funds are segregated into two categories: governmental funds and proprietary funds. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

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OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Governmental Funds – The District’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District’s general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s projects. Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the government-wide financial statements. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate the comparison between governmental funds and government-wide statements.

The District maintains three individual governmental funds. Information is presented separately in the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances for the Water Supply Fund, Conservation Fund, and the Mitigation Fund, all of which are considered to be major funds.

Proprietary Fund – The District maintains one type of proprietary fund, the enterprise fund. Proprietary funds are reported using the accrual basis of accounting. Enterprise funds are used to report the same functions presented as business-type activity in the government-wide financial statements but provide more detail and additional information. The District uses an enterprise fund to account for the CAWD/PBCSD Wastewater Reclamation Project.

The fund financial statements can be found on pages 14 through 20 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 42 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District’s progress in funding its obligation to provide pension and other post employment benefits (OPEB) to its employees. Required supplementary information can be found on pages ____ to ____ of this report.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

This Statement of Net Position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position. Net position is reported in three categories: Net Investment in capital assets, Restricted and Unrestricted. Unrestricted assets are funds available for future operational and capital expenditures.

GASB 68 and 71 were implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation.

Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<u>Assets</u>						
Current and Other Assets	\$ 6,516,467	\$ 7,861,865	\$ 2,492,345	\$ 2,114,906	\$ 9,008,812	\$ 9,976,771
Capital Assets – Net	<u>5,451,642</u>	<u>5,424,002</u>	<u>42,757,564</u>	<u>44,019,129</u>	<u>48,209,206</u>	<u>49,443,131</u>
Total Assets	<u>11,968,109</u>	<u>13,285,867</u>	<u>45,249,909</u>	<u>46,134,035</u>	<u>57,218,018</u>	<u>59,419,902</u>
Deferred outflows of resources	<u>436,241</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>436,241</u>	<u>–</u>
<u>Liabilities</u>						
Current Liabilities	1,651,496	2,792,438	2,926,691	2,917,576	4,578,187	5,710,014
Long-Term Liabilities	<u>8,826,075</u>	<u>5,253,822</u>	<u>19,664,000</u>	<u>22,016,000</u>	<u>28,490,075</u>	<u>27,269,822</u>
Total Liabilities	<u>10,477,571</u>	<u>8,046,260</u>	<u>22,590,691</u>	<u>24,933,576</u>	<u>33,068,262</u>	<u>32,979,836</u>
Deferred inflows of resources	<u>881,246</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>881,246</u>	<u>–</u>
<u>Net Position</u>						
Net Investment in Capital Assets	3,765,812	3,703,618	25,157,565	24,719,129	28,923,377	28,422,747
Restricted	220,330	219,136	1,274,491	874,410	1,494,821	1,093,546
Unrestricted (deficit)	<u>(2,940,609)</u>	<u>1,316,853</u>	<u>(3,772,838)</u>	<u>(4,393,080)</u>	<u>(6,713,447)</u>	<u>(3,076,227)</u>
Total Net Position	<u>\$ 1,045,533</u>	<u>\$ 5,239,607</u>	<u>\$ 22,659,218</u>	<u>\$ 21,200,459</u>	<u>\$ 23,704,751</u>	<u>\$ 26,440,066</u>

The District's assets exceeded its liabilities by approximately \$23.7 million at the end of the current year, which is a decrease of approximately 10.3 % since June 30, 2014.

Capital assets decreased due to depreciation/amortization of \$1,873,767 and dispositions of \$108,486 offset by capital additions of \$748,328.

Deferred outflow of resources and deferred inflow of resources increased due to implementing GASB 68 and 71.

Long-term liabilities increased due to an increase in the OPEB obligation and recognition of the net pension liability offset by current year payments on long-term debt.

Unrestricted net position decreased due to a prior period adjustment in the amount of \$4.0 million offset by the change in net position, described below.

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Change in Net Position

GASB 68 and 71 were implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program Revenue:						
Charges for Services	\$ 8,044,609	\$ 9,044,326	\$ 5,379,027	\$ 5,420,240	\$ 13,423,636	\$ 14,464,566
Operating Grants	169,214	602,499	-	-	169,214	602,499
General Revenues:						
Property Taxes	1,689,619	1,582,796	-	-	1,689,619	1,582,796
Investment Income	26,092	20,042	25,504	26,185	51,596	46,227
Miscellaneous	<u>39,507</u>	<u>56,653</u>	<u>-</u>	<u>-</u>	<u>39,507</u>	<u>56,653</u>
Total Revenues	<u>9,969,041</u>	<u>11,306,316</u>	<u>5,404,531</u>	<u>5,446,425</u>	<u>15,373,572</u>	<u>16,752,741</u>
Expenses:						
Conservation	2,538,647	2,269,696	-	-	2,538,647	2,269,696
Mitigation	2,348,049	2,463,838	-	-	2,348,049	2,463,838
Water Supply	5,290,834	8,075,379	-	-	5,290,834	8,075,379
Water sales	<u>-</u>	<u>-</u>	<u>3,945,772</u>	<u>3,904,961</u>	<u>3,945,772</u>	<u>3,904,961</u>
Total Expenses	<u>10,177,530</u>	<u>12,808,913</u>	<u>3,945,772</u>	<u>3,904,961</u>	<u>14,123,302</u>	<u>16,713,874</u>
Change in Net Position	(208,489)	(1,502,597)	1,458,759	1,541,464	1,250,270	38,867
Net Position - Beginning of Year	<u>1,254,022</u>	<u>6,742,204</u>	<u>21,200,459</u>	<u>19,658,995</u>	<u>22,454,481</u>	<u>26,401,199</u>
Net Position - End of Year	<u>\$ 1,045,533</u>	<u>\$ 5,239,607</u>	<u>\$ 22,659,218</u>	<u>\$ 21,200,459</u>	<u>\$ 23,704,751</u>	<u>\$ 26,440,066</u>

Governmental activities decreased the District's net position by approximately \$208 thousand. Key elements resulting in the net decrease are as follows:

- Project expenditures of about \$5.4 million, consisting mainly of additional work for the Aquifer Storage & Recovery Project, groundwater replenishment project, alternate desalination project, local water supply project, and various minor project expenditures contributed to the decrease.
- Capital outlay of approximately \$117,000, mostly routine computer equipment upgrades, added to the decrease.
- Depreciation expense of approximately \$284,000 added to the decrease.

EXHIBIT 24-A

HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

In fiscal year 2014-2015, the District did not receive an operating subsidy for the Reclamation Project from Pebble Beach Company because of the new agreement with the Independent Golf Club Users whereby the expense of total debt service (principal and interest) is built into the cost of water. Business-type activities increased the District's net position by approximately \$1.5 million. Key elements resulting in the net increase are as follows:

- Net water sales were 0.08% higher than budget and 0.4% higher than the prior year. The Project has been impacted by drought conditions in California, however, it was able to continue to supply 100% of the water used.
- Total operating expenses were 3.8% higher than the prior year and 8.5% below budget. Several of the largest cost centers were below or at budget. The budget estimated an operating cost per acre foot (AF) of \$2,366 along with \$3,008 per AF in allocated non-operating costs for a total of \$5,374 per AF. Actual costs per AF averaged \$5,372 per AF which exceeded the prior year actual of \$5,217. The increase is primarily centered in treatment plant operations. During the past year the District purchased two full sets of used reverse osmosis membranes that have greatly improved performance.
- The Reclamation Project has incurred a deficit from the inception of the project due primarily to the cost of the borrowing (debt service and carrying costs) on the Certificates of Participation (COPs) and construction cost for the project expansion. This year with the implementation of the new amended Construction & Operation Agreement the intent is to budget for a break even position. The budgeted costs of operations, capital, and debt service are all incorporated into the cost of water.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's capital assets, net of accumulated depreciation/amortization, at June 30, 2015 totaled \$48.2 million as shown below. This amount represents a net decrease, including additions and disposals, net of depreciation/amortization, of approximately \$1.2 million or 2.5% from June 30, 2014.

	Capital Assets (Net of Depreciation/Amortization)	
	<u>2015</u>	<u>2014</u>
Governmental Activities:		
Office Equipment	\$ 2,377	\$ 3,613
Computer Equipment	412,757	361,070
Transportation Equipment	24,502	32,218
Project Equipment	4,440	6,833
Building and Improvements	1,185,856	1,238,868
ASR Facilities	3,815,748	3,773,036
Fish Rearing Facility	<u>5,962</u>	<u>8,364</u>
	<u>\$ 5,451,642</u>	<u>\$ 5,424,002</u>

EXHIBIT 24-A

HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

	<u>2015</u>	<u>2014</u>
Business-type Activities:		
Water resale rights	\$ 42,491,783	\$ 43,910,643
Construction in progress	<u>265,781</u>	<u>108,486</u>
	<u>\$ 42,757,564</u>	<u>\$ 44,019,129</u>
Total	<u>\$ 48,209,206</u>	<u>\$ 49,443,131</u>

Debt Administration

The District has an installment purchase agreement with a balance of \$3,808,358 at June 30, 2015. Retirements were made in the amount of \$78,059.

The District has variable rate demand certificates of participation with a balance of \$17,600,000 at June 30, 2015. Retirements were made in the amount of \$1,700,000.

The District has a payable to Pebble Beach Company for bond carrying costs with a balance of \$4,416,000 at June 30, 2015. Retirements were made in the amount of \$552,000.

The balance of the District's debt relates to liabilities for compensated absences, other post employment benefits and pension expenses.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements.

The Water Supply Fund is the chief operating fund of the District. It accounts for all financial resources except those required to be accounted for in another fund. This fund accounts for financial resources to be used for the acquisition of or construction of major capital facilities (other than those financed by Proprietary Funds and Special Assessments).

The Special Revenue Funds are used to account for specific revenue sources for which expenditures are restricted by law or regulation to finance particular activities of the District. The Conservation Fund accounts for financial resources used to fund water conservation activities mandated by District legislation including permit issuance and enforcement, jurisdictional water allocations, and public water conservation education. This includes the Toilet Replacement Refund Program, which decreases water demand on the Carmel River. The Mitigation Fund accounts for financial resources used to finance work along the Carmel River carried out pursuant to the Mitigation Program designed to ameliorate impacts identified in the District's Allocation Program Environmental Impact Report.

At the end of the current fiscal year, the District's governmental funds reported a total fund balance of \$5,116,899. The Water Supply Fund has a fund balance of \$3,511,567, the Conservation Fund has a fund balance of \$1,143,900 and the Mitigation Fund has a fund balance of \$461,432.

EXHIBIT 24-A

HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

During the current fiscal year, the fund balance of the District's Water Supply Fund decreased \$380,545, the Conservation Fund increased \$57,202 and the Mitigation Fund increased \$129,459. The increases in the Conservation Fund and the Mitigation Fund are due to revenues and other financing sources exceeding expenditures primarily due to deferment of some expenditures to next fiscal year.

The District's uses an enterprise fund to account for the CAWD/PBCSD Wastewater Reclamation Project. At the end of the current fiscal year, the District's enterprise fund reported a net position of \$22,659,218.

During the current fiscal year, the net position of the District's enterprise fund increased \$1,458,759.

BUDGET HIGHLIGHTS/VARIANCES

The District's budget projected expenditures for the governmental funds of \$11.9 million. The District finished the budget year with expenditures of \$10.2 million, which was \$1.7 or 14.4% less than budgeted. The difference was mostly attributable to Aquifer Storage Recovery Project, Monterey Peninsula Desalination Project, and other reimbursement projects being \$1.5 million under budget due to deferral of projects to next fiscal year.

The District's budget projected operating revenues for the governmental funds of \$10.2 million. The District finished the budget year with operating revenues of \$10.0 million, which was \$300 thousand or 2.9% less than budgeted. The difference was mostly attributable to project reimbursements being approximately \$0.1 million under budget and grants revenue being approximately \$0.3 million under budget.

An annual budget is adopted by the Reclamation Management Committee (RMC) for management purposes. Budget information is reported to the RMC and adjustments to the budget may only be made by resolution of the committee.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In developing the fiscal year 2015–2016 budget, the staff and management had to consider a number of factors that would impact the District's economy and finances. The 2015–2016 budget was developed and balanced using previously accumulated fund balance. This was accomplished by sustaining most expenditure levels and structuring permit and other processing fees collected by the District to fully recover service costs. The fiscal year 2015-2016 budget assumes continued collection of Water Supply Charge revenue derived from individual property owners and Mitigation Program revenue derived from Cal-Am ratepayers.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to Suresh Prasad, Administrative Services Manager/Chief Financial Officer, Monterey Peninsula Water Management District, 5 Harris Ct., Bldg. G, Monterey, California 93940.

EXHIBIT 24-A

HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>2015 Total</u>
ASSETS:			
Cash and cash equivalents	\$ 645,376	\$ 243,115	\$ 888,491
Investments	4,456,232	-	4,456,232
Receivables, net	1,194,529	974,697	2,169,226
Prepaid expenses and deposits	-	42	42
Restricted reserves	220,330	1,274,491	1,494,821
Capital assets, net:			
Water rights	-	42,491,783	42,491,783
Nondepreciable	-	265,781	265,781
Depreciable	<u>5,451,642</u>	<u>-</u>	<u>5,451,642</u>
Total assets	<u>11,968,109</u>	<u>45,249,909</u>	<u>57,218,018</u>
DEFERRED OUTFLOWS OR RESOURCES –			
PERS contributions	<u>436,241</u>	<u>-</u>	<u>436,241</u>
LIABILITIES:			
Accounts payable	1,260,719	574,691	1,835,410
Accrued liabilities	63,497	-	63,497
Long-term debt:			
Due within one year	327,280	2,352,000	2,679,280
Due in more than one year	<u>8,826,075</u>	<u>19,664,000</u>	<u>28,490,075</u>
Total liabilities	<u>10,477,571</u>	<u>22,590,691</u>	<u>33,068,262</u>
DEFERRED INFLOWS OF RESOURCES –			
Deferred pension adjustments	<u>881,246</u>	<u>-</u>	<u>881,246</u>
NET POSITION:			
Net investment in capital assets	3,765,812	25,157,565	28,923,377
Restricted for debt service	220,330	1,136	221,466
Restricted for capital replacement	-	1,273,355	1,273,355
Unrestricted (deficit)	<u>(2,940,609)</u>	<u>(3,772,838)</u>	<u>(6,713,447)</u>
Total net position	<u>\$ 1,045,533</u>	<u>\$ 22,659,218</u>	<u>\$ 23,704,751</u>

See Notes to Basic Financial Statements.

EXHIBIT 24-A

HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		2015 Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
FUNCTIONS/PROGRAMS:						
Governmental activities:						
Conservation	\$ 2,538,647	\$ 1,584,188	\$ 5,750	\$ (948,709)	\$ –	\$ (948,709)
Mitigation	2,348,049	2,236,455	163,464	51,870	–	51,870
Water supply	5,290,834	4,223,966	–	(1,066,868)	–	(1,066,868)
Total governmental activities	10,177,530	8,044,609	169,214	(1,963,707)	–	(1,963,707)
Business-type activities – water sales	3,945,772	5,379,027	–	–	1,433,255	1,433,255
Total business-type activities	3,945,772	5,379,027	–	–	1,433,255	1,433,255
Total	\$ 14,123,302	\$ 13,423,636	\$ 169,214	(1,963,707)	1,433,255	(530,452)
GENERAL REVENUES:						
Taxes				1,689,619	–	1,689,619
Investment earnings				26,092	25,504	51,596
Miscellaneous				39,507	–	39,507
Total general revenues				1,755,218	25,504	1,780,722
CHANGE IN NET POSITION				(208,489)	1,458,759	1,250,270
NET POSITION – BEGINNING OF YEAR (AS RESTATED)				1,254,022	21,200,459	22,454,481
NET POSITION – END OF YEAR				\$ 1,045,533	\$ 22,659,218	\$ 23,704,751

See Notes to Basic Financial Statements.

EXHIBIT 24-A

HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT**BALANCE SHEET – GOVERNMENTAL FUNDS**

JUNE 30, 2015

(WITH SUMMARIZED TOTALS FOR JUNE 30, 2014)

	Water Supply	Conservation	Mitigation	2015 Total	2014 Total
ASSETS:					
Cash and cash equivalents	\$ 224,287	\$ 375,861	\$ 45,228	\$ 645,376	\$ 1,032,749
Investments	3,859,201	727,066	(130,035)	4,456,232	4,696,986
Receivables, net	377,918	172,894	643,717	1,194,529	1,912,994
Due from other funds	-	-	-	-	2,201,211
Restricted reserves	<u>220,330</u>	<u>-</u>	<u>-</u>	<u>220,330</u>	<u>219,136</u>
Total assets	<u>4,681,736</u>	<u>1,275,821</u>	<u>558,910</u>	<u>6,516,467</u>	<u>10,063,076</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES:					
Liabilities:					
Accounts payable	1,110,041	79,101	71,577	1,260,719	2,412,850
Accrued liabilities	27,086	10,510	25,901	63,497	52,292
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,201,211</u>
Total liabilities	<u>1,137,127</u>	<u>89,611</u>	<u>97,478</u>	<u>1,324,216</u>	<u>4,666,353</u>
Deferred Inflows –					
Deferred tax revenue	<u>33,042</u>	<u>42,310</u>	<u>-</u>	<u>75,352</u>	<u>85,940</u>
Total deferred inflows	<u>33,042</u>	<u>42,310</u>	<u>-</u>	<u>75,352</u>	<u>85,940</u>
Fund balances:					
Assigned:					
Insurance/litigation	171,354	11,906	66,740	250,000	250,000
Capital equipment	47,666	44,533	139,801	232,000	244,900
Flood/drought emergencies	-	-	328,944	328,944	443,944
Unassigned	<u>3,292,547</u>	<u>1,087,461</u>	<u>(74,053)</u>	<u>4,305,955</u>	<u>4,371,939</u>
Total fund balances	<u>3,511,567</u>	<u>1,143,900</u>	<u>461,432</u>	<u>5,116,899</u>	<u>5,310,783</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 4,681,736</u>	<u>\$ 1,275,821</u>	<u>\$ 558,910</u>		
Amounts reported in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds				5,451,642	5,424,002
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds				75,352	85,940
Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore, are not reported in the funds				(445,005)	-
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds				<u>(9,153,355)</u>	<u>(5,581,118)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES				<u>\$ 1,045,533</u>	<u>\$ 5,239,607</u>

See Notes to Basic Financial Statements.

EXHIBIT 24-A

HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2014)

	<u>Water Supply</u>	<u>Conservation</u>	<u>Mitigation</u>	<u>2015 Total</u>	<u>2014 Total</u>
REVENUES:					
Property taxes	\$ 1,689,619	\$ –	\$ –	\$ 1,689,619	\$ 1,582,796
Water supply charge	3,327,701	–	–	3,327,701	3,412,207
User fees	–	7,853	87,468	95,321	93,931
Connection charges, net of refunds	159,250	–	–	159,250	223,625
Permit fees	–	158,476	35,133	193,609	240,079
Project reimbursements	712,002	1,439,904	–	2,151,906	3,283,666
Investment income	20,199	3,540	2,353	26,092	20,042
Legal fee reimbursements	–	2,637	–	2,637	18,441
Recording fees	–	11,340	–	11,340	15,061
Mitigation revenue	–	–	2,127,410	2,127,410	1,801,800
Miscellaneous	12,112	800	12,618	25,530	23,151
Grants	–	5,750	163,464	169,214	602,499
Total revenues	<u>5,920,883</u>	<u>1,630,300</u>	<u>2,428,446</u>	<u>9,979,629</u>	<u>11,317,298</u>
EXPENDITURES:					
Personnel:					
Salaries	790,486	536,083	976,498	2,303,067	2,251,991
Employee benefits and other personnel	295,699	250,413	399,038	945,150	1,025,642
Services and supplies:					
Project expenditures	3,373,391	1,510,205	541,395	5,424,991	8,204,396
Operating expenditures	344,266	127,345	205,709	677,320	521,327
Professional fees	284,904	69,421	126,230	480,555	449,740
Capital outlay	38,752	28,352	50,117	117,221	107,340
Debt service:					
Principal	78,059	–	–	78,059	75,215
Interest and other charges	147,150	–	–	147,150	143,921
Total expenditures	<u>5,352,707</u>	<u>2,521,819</u>	<u>2,298,987</u>	<u>10,173,513</u>	<u>12,779,572</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>568,176</u>	<u>(891,519)</u>	<u>129,459</u>	<u>(193,884)</u>	<u>(1,462,274)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	–	948,721	–	948,721	1,249,529
Transfers out	<u>(948,721)</u>	<u>–</u>	<u>–</u>	<u>(948,721)</u>	<u>(1,249,529)</u>
Total other financing sources (uses)	<u>(948,721)</u>	<u>948,721</u>	<u>–</u>	<u>–</u>	<u>–</u>
NET CHANGE IN FUND BALANCES	<u>(380,545)</u>	<u>57,202</u>	<u>129,459</u>	<u>(193,884)</u>	<u>(1,462,274)</u>
FUND BALANCES – BEGINNING OF YEAR	<u>3,892,112</u>	<u>1,086,698</u>	<u>331,973</u>	<u>5,310,783</u>	<u>6,773,057</u>
FUND BALANCES – END OF YEAR	<u>\$ 3,511,567</u>	<u>\$ 1,143,900</u>	<u>\$ 461,432</u>	<u>\$ 5,116,899</u>	<u>\$ 5,310,783</u>

See Notes to Basic Financial Statements.

EXHIBIT 24-A

HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

NET CHANGE IN FUND BALANCES	\$	(193,884)
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Amounts reported in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:

Capitalized project expenditures	\$	194,339	
Capital outlay	\$	117,221	
Depreciation expense	\$	<u>(283,920)</u>	27,640

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds. (10,588)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, neither transaction has any effect on net position. In the current period these amounts are:

Principal payments on long-term debt		78,059
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Compensated absences	\$	(38,905)	
OPEB costs	\$	(200,776)	
Current year pension cost difference	\$	<u>129,965</u>	<u>(109,716)</u>

CHANGE IN NET POSITION	\$	<u>(208,489)</u>
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See Notes to Basic Financial Statements.

EXHIBIT 24-A

HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
STATEMENT OF NET POSITION – PROPRIETARY FUND
(CAWD/PBCSD WASTEWATER RECLAMATION PROJECT)
JUNE 30, 2015
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2014)

	<u>2015</u>	<u>2014</u>
ASSETS:		
Cash and investments	\$ 243,115	\$ 649,266
Accounts receivable – water sales	961,391	577,074
Accounts receivable – other	13,306	14,156
Prepaid expenses	42	–
Cash restricted for:		
Debt service	1,136	1,137
Capital replacements	1,273,355	873,273
Capital assets, net:		
Water resale rights	42,491,783	43,910,643
Construction-in-progress	<u>265,781</u>	<u>108,486</u>
Total assets	<u>45,249,909</u>	<u>46,134,035</u>
LIABILITIES:		
Accounts payable – trade	69,451	40,109
Accounts payable – affiliates	505,240	625,467
Due to Pebble Beach Company:		
Due within one year	552,000	552,000
Due in more than one year	3,864,000	4,416,000
Certificates of participation:		
Due within one year	1,800,000	1,700,000
Due in more than one year	<u>15,800,000</u>	<u>17,600,000</u>
Total liabilities	<u>22,590,691</u>	<u>24,933,576</u>
NET POSITION:		
Net investment in capital assets	25,157,565	24,719,129
Restricted for debt service	1,136	1,137
Restricted for capital replacements	1,273,355	873,273
Unrestricted (deficit)	<u>(3,772,838)</u>	<u>(4,393,080)</u>
Total net position	<u>\$ 22,659,218</u>	<u>\$ 21,200,459</u>

See Notes to Basic Financial Statements.

EXHIBIT 24-A

HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION – PROPRIETARY FUND
(CAWD/PBCSD WASTEWATER RECLAMATION PROJECT)
FOR THE YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2014)

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES –		
Water sales	\$ <u>5,379,027</u>	\$ <u>5,420,240</u>
OPERATING EXPENSES:		
Plant costs	1,579,090	1,552,973
Distribution costs	300,204	253,426
General and administration	151,341	150,140
Potable water	5,247	4,188
Amortization	<u>1,589,847</u>	<u>1,585,572</u>
Total operating expenses	<u>3,625,729</u>	<u>3,546,299</u>
Operating income (loss)	<u>1,753,298</u>	<u>1,873,941</u>
NON-OPERATING REVENUES (EXPENSES):		
Water entitlement (withdrawals)	–	(15,276)
Investment earnings	25,504	26,185
Bank charges	(8,151)	(325)
MPWMD fee	(60,509)	(60,745)
Bond carrying costs	(211,044)	(234,629)
Interest expense – COP	(9,914)	(15,345)
Interest expense – PBCo	<u>(30,425)</u>	<u>(32,342)</u>
Total non-operating revenue (expenses)	<u>(294,539)</u>	<u>(332,477)</u>
CHANGE IN NET POSITION	<u>1,458,759</u>	<u>1,541,464</u>
NET POSITION – BEGINNING OF YEAR	21,200,459	19,658,995
NET POSITION – END OF YEAR	\$ <u>22,659,218</u>	\$ <u>21,200,459</u>

See Notes to Basic Financial Statements.

EXHIBIT 24-A

HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
(CAWD/PBCSD WASTEWATER RECLAMATION PROJECT)
FOR THE YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2014)

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 4,995,560	\$ 6,302,552
Cash payments for operating expenses	<u>(2,187,316)</u>	<u>(1,614,025)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,808,244</u>	<u>4,688,527</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash paid out – water entitlement (withdrawals)	–	(15,276)
Payment to PBCo-advance reimbursements	–	(1,641,213)
Water resale rights – capital additions	(328,284)	(290,199)
Interest expense	(40,339)	(47,688)
Bond carrying and interest expenses	(211,044)	(234,954)
Principal paid on PBCo debt	(552,000)	(552,000)
Principal payments on certificates of participation	<u>(1,700,000)</u>	<u>(1,700,000)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,831,667)</u>	<u>(4,481,330)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Other cash receipts	<u>(8,151)</u>	<u>–</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>(8,151)</u>	<u>–</u>
CASH FLOWS FROM INVESTING ACTIVITIES –		
Investment earnings	<u>25,504</u>	<u>26,185</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>25,504</u>	<u>26,185</u>
INCREASE (DECREASE) IN CASH AND INVESTMENTS	<u>(6,070)</u>	<u>233,382</u>
CASH AND INVESTMENTS, BEGINNING OF YEAR	<u>1,523,676</u>	<u>1,290,294</u>
CASH AND INVESTMENTS, END OF YEAR	<u>\$ 1,517,606</u>	<u>\$ 1,523,676</u>

EXHIBIT 24-A

HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
(CAWD/PBCSD WASTEWATER RECLAMATION PROJECT)
FOR THE YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2014)
(Continued)

	<u>2015</u>	<u>2014</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ 1,753,298	\$ 1,873,941
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:		
Amortization	1,589,847	1,585,572
(Increase) decrease in:		
Receivables	(383,467)	–
Prepaid expenses	(42)	943,056
Increase (decrease) in – Accounts payable	<u>(151,392)</u>	<u>346,702</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,808,244</u>	<u>\$ 4,749,271</u>
RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION:		
Cash and investments	\$ 243,115	\$ 649,266
Restricted cash	<u>1,274,491</u>	<u>874,410</u>
Total	<u>\$ 1,517,606</u>	<u>\$ 1,523,676</u>

See Notes to Basic Financial Statements.

EXHIBIT 24-A

HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Abbreviations Used:

CAW	California–American Water Company
CAWD	Carmel Area Wastewater District
COP	Certificates of participation
O&M	Operations and maintenance
PBCo.	Pebble Beach Company
PBCSD	Pebble Beach Community Services District
Project	CAWD/PBCSD Wastewater Reclamation Project

Description of the Reporting Entity:

The Monterey Peninsula Water Management District was created by Chapter 527, Statutes of 1977 (Assembly Bill No. 1329) of the California Legislature, on September 2, 1977. The District was created to provide integrated management of ground and surface water supplies, and to exercise regulatory control over the collection, storage, distribution, and delivery of water and wastewater within its jurisdiction including, but not limited to, such functions as management and regulation of the use, reuse, reclamation and conservation of water, and bond financing of public works projects. Water service is principally supplied by other entities, but the District has the power to acquire public or private water systems. The District also has the power to levy and collect real estate taxes. Operations were commenced during the fiscal year beginning July 1, 1978.

The District has a seven-member board of directors. Five directors are elected every four years on a staggered basis. Of the other two directors, one must be a member of the Monterey County Board of Supervisors and the other must be a chief executive officer, mayor, or member of the governing body of a city member unit. The Board of Directors has continuing oversight responsibility for the District.

The geographic jurisdiction of the District approximates the Monterey Peninsula and the Carmel River watershed including all of the cities (except Marina) and the unincorporated communities therein.

The accompanying financial statements conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies used by the District:

EXHIBIT 24-A

HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation and Accounting:

Government-Wide and Fund Financial Statements – The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Conservation, Mitigation or Water Supply) or identifiable activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity, and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function) is normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc.).

Separate fund based financial statements are provided for governmental funds. The District has one proprietary fund. Major individual governmental funds are reported as separate columns in the fund financial statements. The major governmental funds are the water supply, conservation, and mitigation fund. The District has no non-major funds.

The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

Measurement Focus and Basis of Accounting – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period.

EXHIBIT 24-A

HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property taxes that have been levied and are due on or before year-end are recognized as revenue if they have been collected within sixty days after year-end. Water supply charges due for the current year are considered available and are, therefore, recognized as revenues even though a portion of the user fees may be collected in the subsequent year. Connection charges and permit fees are considered to be measurable when they have been collected and are recognized as revenue at that time. Investment earnings are recorded as earned since they are measurable and available.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences, are recognized only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Proprietary fund level financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from producing and delivering water. Operating expenses include the cost of sales, general and administrative expenses, and amortization of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Operating revenue comes from sales of reclaimed water. Other revenue comes primarily from the subsidy by PBCo. and from sales of water entitlements.

The following major funds are used by the District:

Governmental Funds:

The following is a description of the Governmental Funds of the District:

- a. *Conservation Fund*, accounts for financial resources used to fund water conservation activities mandated by District legislation including permit issuance and enforcement, jurisdictional water allocations, and public water conservation education. This includes the Toilet Replacement Refund Program which decreases water demand on the Carmel River.
- b. *Mitigation Fund*, accounts for financial resources used to finance work along the Carmel River carried out pursuant to the Mitigation Program designed to ameliorate impacts identified in the District's Allocation Program Environmental Impact Report.
- c. *Water Supply Fund*, accounts for financial resources used to fund for acquisition or construction of major capital facilities (other than those financed by Proprietary Funds, and Special Assessments), support for staff relative to water supply, and other water supply related activities.

EXHIBIT 24-A

HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund:

The following is a description of the Proprietary Fund of the District:

Enterprise Fund, accounts for the activity of the CAWD/PBCSD Wastewater Reclamation Project.

Cash Equivalents – The District considers all highly liquid assets which have a term of less than ninety days to maturity as cash equivalents.

Restricted Assets – Certain cash and investments of the Reclamation Project are classified as restricted because their uses are limited by commitments made by the Project to the purchasers of the Certificates of Participation. Construction project cash is in an escrowed account for receipt of water entitlement sales by PBCo., who is entitled to reimbursements for its cash advances for phase II construction costs. Certain cash and investments of the District are classified as restricted because their uses are limited by commitments made by the District to the purchaser of the Aquifer Storage and Recovery Project.

Pooled Cash – Cash accounts (Reclamation) which essentially operate as demand deposit accounts are maintained by the Monterey County Treasurer’s Office. Available cash balances are controlled and invested by the County Treasurer in pooled investment funds in order to provide safety, liquidity and high investment returns for all funds. Interest earnings from these funds are generally credited to the District’s account on a quarterly basis.

The Monterey County Treasurer’s Investment policy is in compliance with Section 53635 of the Government Code of the State of California which permits investments in certain securities and participation in certain investment trading techniques or strategies.

Investments – Resolution 83-17, adopted September 12, 1983, authorized investment of the District’s monies with the State Treasurer for deposit in the Local Agency Investment Fund (LAIF). Money in the fund is invested by the State Treasurer to realize the maximum return consistent with prudent treasury management. All earnings of the fund, less a reimbursement of management costs incurred not to exceed one quarter of one percent of earnings, are distributed to the contributing agencies in their relative shares each quarter. The balances of funds in LAIF are stated at market value.

EXHIBIT 24-A

HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The types of investments the District may purchase are not limited by legal or contractual provisions, but the Board has established policies on investments and has so directed their investment managers.

The Project does not have a specific investment policy but generally follows the guidelines of the County of Monterey's Investment Policy. All funds invested are managed to meet the guidelines stated in both California Code Section 53600, et. seq. and the County's investment policy.

Receivables and Deferred Inflows of Resources – Receivables are amounts due representing revenues earned or accrued in the current period. Receivables which have not been remitted within 60 days subsequent to year end are offset by deferred inflows of resources, and accordingly have not been recorded as revenue in the governmental fund. When the revenue becomes available, the revenue is recognized in the governmental fund. Deferred inflows are detailed on the Balance Sheet.

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. The allowance is based on an assessment of the current status of individual accounts. At June 30, 2015, the allowance was estimated to be zero.

Prepaid Expenses – Prepaid expenses are capitalized and amortized ratably over the period of benefit.

Capital Assets – Property, facilities, and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed fixed assets are recorded at estimated fair market value at the time received. Capital assets are defined by the District as assets with an estimated useful life in excess of one year and an initial, individual cost of more than \$1,000 for equipment and \$5,000 for land, facilities, and improvements.

Property, facilities, and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

Equipment	3 to 20 Years
Building and improvements	5 to 39 Years
Monitoring stations	5 to 10 Years
ASR facilities	30 to 40 Years
Fish rearing facility	5 to 40 Years
Leasehold improvements	10 to 40 Years

Water Resale Rights – Proceeds from the issuance of the Certificates of Participation were used to construct facilities for wastewater reclamation and distribution. The District does not own these facilities, but instead owns the rights to the reclaimed water for resale. The Project capitalizes the costs incurred in order to obtain these water rights in accordance with generally accepted accounting principles for intangible assets. As a result, capital outlay and construction period interest incurred have been capitalized into this account. These rights are presented net of accumulated amortization.

Amortization – The water resale rights are amortized using the straight-line method over the expected useful life of the reclamation plant which is forty years.

EXHIBIT 24-A

HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences – The District accrues vested liabilities for vacation and sick pay. Permanent employees are vested after one year of full-time employment.

Tier 1 – Employees hired before July 2013.

Vacation accrues at the rate of 10 days per year for the first year of employment, 15 days per year for two to five years of employment, 20 days per year for six to fifteen years of employment, and 22 days per year after fifteen years. Total accruals are limited to 60 days vacation per employee. Sick leave accrues at the rate of 12 days each year. After an employee leaves District employment, they are paid up to 75 days of accrued sick leave.

Tier 2 – Employees hired after July 2013.

Vacation accrues at the rate of 10 days per year for the first to three years of employment, 15 days per year for four to eight years of employment, and 20 days per year after eight years of employment. Total accruals are limited to 45 days vacation per employee. Sick leave accrues at the rate of 12 days each year. After an employee leaves District employment, they are paid up to 30 days of accrued sick leave.

Paid time off is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Interfund Activity – During the course of operations, transactions occur between individual funds that result in amounts owed between funds, which are classified as “due to/from other funds.” Eliminations have been made on the government-wide statements for amounts due to/from within the governmental funds.

Long-Term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Debt payable are reported net of the applicable debt premium or discount. Debt issuance costs are recognized in the current period.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financial sources. Premiums received on debt issuance are reported

EXHIBIT 24-A

HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Long-term liabilities of all Proprietary Funds, including any general obligation bonds to be repaid by those funds, are accounted for in the respective funds.

Pensions – For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District’s California Public Employees’ Retirement System (CalPERS) plans and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position – The Statement of Net Position presents the Districts assets and liabilities with the difference reported as net position. Net position is reported in three categories.

- *Net Investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* results when constraints placed on net positions use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. At the present time there are no such restrictions.
- *Unrestricted* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources, as they are needed.

Fund Balances – Fund balance classifications are based primarily on the extent to which the District is bound to honor constraints on the use of resources reported in each governmental fund.

The District reports the following classifications:

- *Nonspendable* – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form, such as prepaid expenses and long term receivables or (b) legally or contractually required to be maintained intact, such as a trust that must be retained in perpetuity.
- *Restricted* – Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

EXHIBIT 24-A

HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *Committed* – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by the Board. Committed amounts cannot be used for any other purpose unless the Board removes those constraints by taking some type of action (passage of a resolution). Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the Board. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions or enabling legislation.
- *Assigned* – Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purpose, but are neither restricted nor committed. Intent is express by (a) the General Manager or (b) the Board. The Board has the authority to remove or change the assignment of the funds with a simple majority vote.
- *Unassigned* – This fund balance is the residual classification. It is also used to report negative fund balances in other governmental funds.

When restricted and other fund balance resources are available for use, it is the District's policy to use restricted resources first, followed by committed, assigned and unassigned amounts, respectively.

The Board has not yet established a formal policy for defining funds as committed or assigned. Until a formal policy is adopted, funds which were previously presented as unreserved, designated are being presented as assigned. All other funds which do not meet the definition of non-spendable or restricted are presented as unassigned.

Property Taxes – The County is responsible for the assessment, collection, and apportionment of property taxes for all taxing jurisdictions, including the District. Secured property taxes for each year ended June 30 are payable in equal installments, November 1 and February 1, and become delinquent on December 10 and April 10, respectively. The lien date is January 1 of each year. Property taxes are accounted for as collected and remitted by the County in the Governmental Funds. Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid on August 31.

The term "Unsecured" refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed.

Property tax revenues are recorded in governmental funds as receivables and deferred revenues at the time the tax levy is billed. Current year revenues are those collected within the current period or soon enough thereafter to pay current liabilities, generally within sixty days of year-end. No allowance is provided for delinquent taxes as the lien is considered an enforceable legal obligation.

EXHIBIT 24-A

HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permit Fees – Permit fee revenue is recorded as permits are issued. The District is required to refund permit fees if the permit is not used or to grant an extension of time upon a reasonable request. If a refund is issued, the refunded party also relinquishes any water rights associated with the permit. It is the District's policy to record such refunds as they become payable.

Income Taxes – Monterey Peninsula Water Management District is a California local governmental unit and is exempt from both Federal and State income taxes.

Use of Estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.

Reclassifications – Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation.

Comparative Financial Information – The financial statements include certain prior-year summarized comparative information in total but not by activities or fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Subsequent Events – Subsequent events have been evaluated through _____[date], which is the date the financial statements were available to be issued.

Effects of New Pronouncements – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* and in November 2013, they issued 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.

EXHIBIT 24-A

HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

NOTE 2. THE CAWD/PBCSD WASTEWATER RECLAMATION PROJECT

The CAWD/PBCSD Reclamation Project (the Project) is a cooperative effort involving the District, the Carmel Area Wastewater District (CAWD), the Pebble Beach Community Services District (PBCSD), and the Pebble Beach Company (PBCo.). This cooperative effort did not create a new or separate legal entity. Therefore, the Project is a proprietary (enterprise) fund of the District, the issuer of the Certificates of Participation which financed the Project's first construction project.

The statements of the Project were audited by Marcello & Company whose report has been furnished to us.

The Project provides treated wastewater to irrigate golf courses and open space areas in Pebble Beach, which freed up potable water previously used for irrigation. The original Project involved the construction of a new tertiary treatment plant and laboratory facilities located on the site of the existing CAWD secondary wastewater treatment plant, the construction of a new reclaimed distribution system, including a 2.5 million gallon storage tank and irrigation system improvements. Construction of the original Project began in January 1993 and was completed in October 1994. The Project assets are owned principally by CAWD and PBCSD, and consist primarily of the following: Assets owned by CAWD: (1) a new tertiary treatment plant, (2) secondary process improvements, (3) new laboratory facilities, (4) a reclaimed water pump station, (5) related computer equipment and, (6) a small portion of the reclaimed water pipeline. Assets owned by PBCSD: (1) approximately seven miles of reclaimed water distribution system pipeline, (2) the Forest Lake Reservoir, (3) a 2.5 million gallon storage tank, (4) a potable water pump station, and (5) a reclaimed water booster pump station. The tertiary treatment plant produces water which meets Title 22 standards specified by the California Department of Health Services, which is a quality acceptable for human contact.

The original Project was financed by Certificates of Participation (COP) which were executed and delivered at the direction of the District in December 1992 in the amount of \$33,900,000. The District provided the funds necessary to construct and operate the Project and then obtained ownership of the reclaimed water for the purpose of resale. PBCo. guaranteed payment of construction costs of the Project as well as any operating deficiencies. The debt obligations incurred by the District to finance the project constitute limited obligations of the District, payable solely from the net operating revenues generated by the sale of reclaimed water produced by the Project and, if such reclaimed water revenues are insufficient, from payments on a Bond Letter of Credit provided by Wells Fargo Bank (the credit bank) through a reimbursement agreement between PBCo. and the credit bank. PBCo. pays the letter of credit fees, as well as principal and interest payments on debt obligations as needed, as a subsidy to the Project.

As the Project does not own the capital assets, the value earned for the capital expenditures incurred is reflected on the books of the Project as water resale rights, an intangible asset.

The activities of the Project are overseen by a five member management committee containing two representatives from the CAWD board, two from the PBCSD board and one from PBCo.

Subsequent to the completion of the original facilities, the Project has been expanded to increase the quantity and quality of reclaimed water. The expanded project utilizes Forest Lake Reservoir located in Pebble Beach which provides 115 million gallons of storage capacity. The Reservoir is filled with reclaimed water during winter months when there is excess production

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HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

NOTE 2. THE CAWD/PBCSD WASTEWATER RECLAMATION PROJECT (Continued)

at the treatment plant. The stored water is used during summer months when the daily irrigation demand exceeds treatment plant production capacity. PBCSD purchased the Reservoir from California-American Water Company in 1998 and rehabilitated to meet State Water Resources Division of Safety of Dams requirements. The rehabilitated construction of the Reservoir was completed in March 2006. The construction costs of approximately \$13 million were financed by the sale of Pebble Beach Company water entitlements.

The Microfiltration/Reverse Osmosis (MF/RO) phase of the project (phase II), located at the CAWD plant site, began design in 2006 and construction was completed in 2009. The intent of the MF/RO phase is to reduce the sodium content of the tertiary reclaimed water from 150 mg/l to less than 55 mg/l to reduce the stress on the golf greens and eliminate the need for flushing the courses with potable water. The design capacity for the MF/RO is 1.5 million gallons with an expected blend of 80% MF/RO water and 20% MF water. The cost of the MF/RO phase was approximately \$20 million.

The cost of the Expanded Project was financed through the sale of water entitlements owned by PBCo. to residential property owners within the Pebble Beach community, currently at \$250,000 per acre foot, which is subject to change. At June 30, 2015, approximately \$27 million had been raised through these sales and interest. The funds from the sales were deposited in a restricted escrow account where they were invested in short-term federal government securities before being spent for the Expanded Project. All projects costs in excess of those raised through the sale of Water Entitlements are paid for by PBCo.

NOTE 3. CASH AND INVESTMENTS

Cash and Cash Equivalents – Balances in cash and cash equivalents consist of bank accounts insured by the Federal Depository Insurance Corporation (FDIC) or Securities Investment Protection Corporation (SIPC) or collateralized by the pledging institution under the California Government Code.

Restricted Reserves – The District has established a reserve fund as required by the installment agreement. The remaining proceeds of the \$33,900,000 in Certificates of Participation issued for the Project were deposited in various restricted trust and reserve accounts as required by the terms of the issuance.

Custodial Credit Risk-Deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a deposit policy that complies with the California Government Code commencing at Section 53630 (Public Deposits). As of June 30, 2015, \$2,656,011 of the District's bank balances of \$1,069,153 were exposed to custodial credit risk as uninsured and collateralized by the pledging bank's trust department not in the District's name.

The difference between bank balances and the carrying amounts (book value) represents outstanding checks and deposits in transit.

Custodial Credit Risk – Investments – Custodial credit risk is the risk that in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not

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NOTE 3. CASH AND INVESTMENTS (Continued)

contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Concentration of Credit Risk – The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

Investments – The District's investments consist of obligations of the United States government and its agencies and instrumentalities, municipal obligations, corporate obligations, certificates of deposit, money market accounts, and the State Treasurer's Local Agency Investment Fund. All investments are recorded at fair market value. The California Government code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal 110% of the total amount deposited by public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The investment of state pooled funds is governed by state law, by policies adopted by the Pooled Money Investment Board (PMIB) and by accepted norms for prudent fiduciary management of investments. PMIB funds may be invested in a wide range of interest bearing securities, such as Treasury notes, prime commercial paper, certain California municipal and agency obligations, highly rated corporate bonds, obligations of such agencies as FannieMae, and negotiable certificates of deposit. Also allowed are time deposits in California banks, savings and loans, and credit unions that have not less than a "satisfactory" CRA rating. The value of each participating dollar equals the fair value divided by the amortized cost. The District's fair value of the position in the pool is the same as the value of the pool shares.

Investments at June 30, 2015 consisted of the following:

Governmental activities:	
Local Agency Investment Fund	\$ 2,194,170
Wells Fargo – fixed income fund	2,250,000
Wells Fargo – money market	<u>12,062</u>
Subtotal Governmental activities	<u>4,456,232</u>
Business-type activities:	
Money market accounts	308,891
Certificates of deposit	879,890
Municipal obligations	<u>85,710</u>
	1,274,491
Less restricted reserves	<u>1,274,491</u>
Subtotal Business-type activities	<u>–</u>
Total Investments	<u>\$ 4,456,232</u>

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HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

NOTE 4. RECEIVABLES

Receivables consist of the following at June 30, 2015:

	<u>Conservation</u>	<u>Mitigation</u>	<u>Water Supply</u>	<u>Total</u>
Governmental activities:				
Property taxes	\$ 42,310	\$ -	\$ 33,042	\$ 75,352
User fees	-	44,912	15,597	60,509
Reimbursements	129,820	598,805	324,771	1,053,396
Interest	724	-	4,508	5,272
	<u>172,894</u>	<u>643,717</u>	<u>377,918</u>	<u>1,194,529</u>
Total Governmental activities	<u>\$ 172,894</u>	<u>\$ 643,717</u>	<u>\$ 377,918</u>	<u>1,194,529</u>
Business-type activities:				
Water sales				381,050
Affiliates (Reclamation)				580,341
Other				<u>13,306</u>
Total Business-type activities				<u>974,697</u>
TOTAL				<u>\$ 2,169,226</u>

NOTE 5. CAPITAL ASSETS

Capital assets experienced the following changes for the year ended June 30, 2015:

	<u>Balance Beginning of Year</u>	<u>Current Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance End of Year</u>
Depreciable assets:				
Equipment:				
Office	\$ 146,117	\$ -	\$ -	\$ 146,117
Computer	944,599	117,221	-	1,061,820
Operating	21,415	-	-	21,415
Transportation	354,280	-	-	354,280
Project	262,669	-	-	262,669
Phone	43,851	-	-	43,851
	<u>1,772,931</u>	<u>117,221</u>	<u>-</u>	<u>1,890,152</u>
Total equipment	1,772,931	117,221	-	1,890,152
Building and improvements	2,028,208	-	-	2,028,208
Monitoring stations	45,214	-	-	45,214
ASR facilities	4,530,530	194,339	-	4,724,869
Fish rearing facility	949,833	-	-	949,833
Leasehold improvements	2,837	-	-	2,837
	<u>9,329,553</u>	<u>311,560</u>	<u>-</u>	<u>9,641,113</u>
Total depreciable assets	<u>9,329,553</u>	<u>311,560</u>	<u>-</u>	<u>9,641,113</u>

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HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

NOTE 5. CAPITAL ASSETS (Continued)

	<u>Balance Beginning of Year</u>	<u>Current Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance End of Year</u>
Less accumulated depreciation for:				
Equipment:				
Office	142,504	1,236	-	143,740
Computer	583,529	65,534	-	649,063
Operating	21,415	-	-	21,415
Transportation	322,062	7,716	-	329,778
Project	255,836	2,393	-	258,229
Phone	<u>43,851</u>	<u>-</u>	<u>-</u>	<u>43,851</u>
Total equipment	1,369,197	76,879	-	1,446,076
Building and improvements	789,340	53,012	-	842,352
Monitoring stations	45,214	-	-	45,214
ASR Facilities	757,494	151,627	-	909,121
Fish rearing facility	941,469	2,402	-	943,871
Leasehold improvements	<u>2,837</u>	<u>-</u>	<u>-</u>	<u>2,837</u>
Total accumulated depreciation	<u>3,905,551</u>	<u>283,920</u>	<u>-</u>	<u>4,189,471</u>
Total depreciable assets, net	<u>5,424,002</u>	<u>27,640</u>	<u>-</u>	<u>5,451,642</u>
Total governmental activities capital assets, net	<u>5,424,002</u>	<u>27,640</u>	<u>-</u>	<u>5,451,642</u>
Business-type activities:				
Nondepreciable assets:				
Construction in progress	<u>108,486</u>	<u>265,781</u>	<u>(108,486)</u>	<u>265,781</u>
Water resale rights	63,422,806	170,987	-	63,593,793
Less accumulated amortization for:				
Water resale rights	<u>19,512,163</u>	<u>1,589,847</u>	<u>-</u>	<u>21,102,010</u>
Total water resale rights, net	<u>43,910,643</u>	<u>(1,418,860)</u>	<u>-</u>	<u>42,491,783</u>
Total business type activities Capital assets, net	<u>44,019,129</u>	<u>(1,153,079)</u>	<u>(108,486)</u>	<u>42,757,564</u>
Total capital assets, net	<u>\$ 49,443,131</u>	<u>\$ (1,125,439)</u>	<u>\$ (108,486)</u>	<u>\$ 48,209,206</u>

Depreciation expense was charged to functions/programs of the District as follows:

Conservation	\$ 39,927
Mitigation	51,242
Water supply	<u>192,751</u>
Total depreciation expense	<u>\$ 283,920</u>

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NOTE 6. TRANSACTIONS WITH AFFILIATES

Through its participation in the CAWD/PBCSD Wastewater Reclamation Project, the District is affiliated with the other organizations involved in the Project.

At June 30, 2015, accounts receivable from these affiliates were as follows:

Receivable from PBCo and affiliated golf courses – Water sales	\$ <u>961,391</u>
Total	\$ <u>961,391</u>

At June 30, 2015, accounts payable to these affiliates were as follows:

Payable to CAWD for operations and maintenance	\$ 117,150
Payable to PBCSD for operations and maintenance	53,884
Payable to MPWMD for salaries and legal	<u>126,638</u>
Total	<u>\$ 297,672</u>

At June 30, 2015, accounts payable to PBCo. were as follows –

Payable to PBCo. for working capital advance reimbursements	\$ <u>207,568</u>
Total	<u>\$ 207,568</u>

NOTE 7. LONG-TERM DEBT

The Variable Rate Demand Certificates of Participation – Wastewater Reclamation Project Series 1992 (COPs) were issued in December 1992 in the amount of \$33,900,000 by the District, and will mature on July 1, 2022. The COPs are in the minimum denomination of \$100,000 or any integral multiple thereof or, during any reset period or on or after the conversion date, in the minimum denomination of \$5,000 or any integral multiple thereof. The COPs bear interest at a variable rate unless the interest rate is converted to a reset rate for a reset period or to a fixed rate to the maturity of the COPs. The variable rate is the rate necessary to produce a par bid if the COPs were sold on the day the rate is computed. The COPs accrued interest at an initial rate of 2.30% per annum at issuance and, thereafter, accrue at a variable rate determined as provided in the Official Statement of the COPs issuance.

Restricted Reserves – A Renewal and Replacement Reserve was established to pay for future major repairs and capital replacements, and is held in a segregated account restricted for its intended purposes. At June 30, 2015, the balance in this account was \$1,273,355.

Security for Repayment – The Project assets have not been pledged to secure payment of the COPs, nor have any other assets of the District. However, pursuant to the Water Purchase Agreement, all net operating revenues from the operations of the Project are irrevocably pledged by the District to the payment of COPs. This pledge constitutes a first lien on the net operating revenues and, subject to application of amounts on deposit therein as permitted in the Water Purchase Agreement, for the payment of the COPs in accordance with the terms of

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NOTE 7. LONG-TERM DEBT (Continued)

the Water Purchase Agreement and of the Trust Agreement. Notwithstanding the foregoing, the District may at any time issue obligations or execute contracts which are secured by a lien subordinate to the pledge of net operating revenues created under the Water Purchase Agreement. A Bond Letter of Credit also guarantees the COPs.

Repayment Schedule – Interest is paid to the holders of the COPs monthly at a variable rate as described above. Pre-determined principal and interest payments per the 1992 COP issue are shown below. Due to the nature of variable rate bonds, interest rates fluctuate weekly as a result of economic market conditions.

At June 30, 2015, the interest rate had dropped to a rate of 0.08% per annum. Interest expense for the year was \$40,339 as compared to the original scheduled interest expense of \$576,700. Consequently, the pre-determined scheduled interest payments column below is presented for information purposes only, based upon the original 1992 COP offering.

Future principal and interest payments are as follows:

<u>Year</u> <u>Ending June 30</u>	<u>Certificates of Participation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,800,000	\$ 576,700	\$ 2,376,700
2017	1,900,000	507,350	2,407,350
2018	2,000,000	434,350	2,434,350
2019	2,100,000	357,700	2,457,700
2020	2,300,000	273,750	2,573,750
2021-2023	<u>7,500,000</u>	<u>281,050</u>	<u>7,781,050</u>
Total	<u>\$ 17,600,000</u>	<u>\$ 2,430,900</u>	<u>\$ 20,030,900</u>

Due Pebble Beach Company – Repayment of \$5,520,000 bond carrying costs incurred by PBCo prior to July 1, 2013, to be reimbursed over the next ten years at \$552,000 per year.

The 2013 Installment Purchase Agreement – The District entered into an Installment Purchase Agreement dated April 25, 2013 along with a sale and transfer agreement and an assignment agreement for the first phase of the Aquifer Storage and Recovery Project (ASR Project). The funds received from this agreement were used to retire the Bank of America line of credit, fund district reserves used to pay for ASR, finance and refinance certain capital improvements, fund a debt service reserve, and pay certain costs of execution and delivery of the Installment Purchase Agreement and related documents. The aggregate principal amount of the installment payments under the installment purchase agreement is \$4,000,000 and will mature on June 30, 2023. Principal and interest payments of \$109,568 are made bi-annually on December 31st and June 30th, beginning June 30, 2013 and continuing until December 31, 2023. The interest rate with respect to the installment payments is 3.6% fixed for 10 years.

Restricted Reserves – A reserve fund was established to ensure adequate funding of the debt service, and is held in a segregated account restricted for its intended purposes. The reserve fund is required to maintain a balance of \$219,136. At June 30, 2015, the balance in this account was \$1,494,821.

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NOTE 7. LONG-TERM DEBT (Continued)

Security for Repayment – The assets of the ASR Project have not been pledged to secure payment of the installment purchase agreement. District Water Supply Charge revenues have been irrevocably pledged for the payment of the installment payments. This pledge constitutes a first and exclusive lien on and security interest in the revenues for the payment of the installment payments and payments of all specified obligations in accordance with the terms of the Installment Purchase Agreement.

Repayment Schedule – Annual debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Installment Purchase Agreement</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 82,885	\$ 136,251	\$ 219,136
2017	85,896	133,240	219,136
2018	89,016	130,120	219,136
2019	92,249	126,887	219,136
2020	95,601	125,226	219,136
2021-2023	<u>3,362,711</u>	<u>1,570,932</u>	<u>4,931,722</u>
Total	<u>\$ 3,808,358</u>	<u>\$ 2,222,656</u>	<u>\$ 6,027,402</u>

Borrowings under the installment purchase agreement are subject to certain financial covenants.

Long-term debt activity for the year ended June 30, 2015 is as follows:

	<u>2014*</u>	<u>Additions</u>	<u>Reductions</u>	<u>2015</u>	<u>Due Within One Year</u>
Governmental activities:					
Installment Purchase Agreement	\$ 3,886,417	\$ –	\$ 78,059	\$ 3,808,358	\$ 82,885
Compensated Absences	691,969	38,905	–	730,874	244,395
OPEB	1,002,732	200,776	–	1,203,508	–
Net pension liability	<u>4,288,821</u>	<u>1,480,708</u>	<u>2,358,914</u>	<u>3,410,615</u>	<u>–</u>
Total Governmental activities	<u>9,869,939</u>	<u>1,720,389</u>	<u>2,436,973</u>	<u>9,153,355</u>	<u>327,280</u>
Business-type activities:					
Due Pebble Beach Company	4,968,000	–	552,000	4,416,000	552,000
COPs	<u>19,300,000</u>	<u>–</u>	<u>1,700,000</u>	<u>17,600,000</u>	<u>1,700,000</u>
Total Business-type activities	<u>24,268,000</u>	<u>–</u>	<u>2,252,000</u>	<u>22,016,000</u>	<u>2,252,000</u>
Total	<u>\$ 34,137,939</u>	<u>\$ 1,720,389</u>	<u>\$ 4,688,973</u>	<u>\$ 31,169,355</u>	<u>\$ 2,579,280</u>

In prior years, the water supply, conservation, mitigation and water supply funds have been used to liquidate compensated absences.

*The beginning balance was changed to reflect the prior period adjustment for the net pension liability.

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NOTE 8. LEASE COMMITMENTS

The District is committed to a license agreement for the land on which the Sleepy Hollow Fishery was constructed. The license agreement calls for a payment of \$1 per year for five years through December 5, 2015.

The District leases various equipment under non-cancelable operating leases. Minimum future lease payments under non-cancelable operating leases for the years ended June 30, are as follows:

2016	\$	11,880
2017		11,880
2018		11,880
2019		<u>11,761</u>
Total	\$	<u>47,401</u>

Rent expense for the year ended June 30, 2015 was \$13,410.

NOTE 9. RISK MANAGEMENT

The District is insured against various risks of loss related to torts, thefts of, damage or destruction of assets; errors and omissions; work-related injuries to employees and natural disasters through participation in a joint venture under a joint powers agreement (JPA) with the Special District Risk Management Authority (SDRMA). The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes. The insurance carried by the District includes policies for workers' compensation, general liability, errors and omissions, and vehicular liability.

There have not been any significant reductions in insurance coverage as compared to the previous year. Settled claims from these risks have not exceeded commercial coverage.

SDRMA was formed under a joint powers agreement pursuant to California Government Code Section 6500 et seq. effective August 1, 1986 to provide general liability, comprehensive/collision liability and property damage, and errors and omissions risk financing for the member districts. SDRMA is administered by a Board of Directors, consisting of one member appointed by the California Special Districts Association and five members elected by the districts participating. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA.

The SDRMA did not have long-term debt outstanding at June 30, 2015, other than claims liabilities and capital lease obligations. The District's share of year-end assets, liabilities and risk margin has not been calculated by the SDRMA.

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NOTE 10. DEFERRED COMPENSATION PLAN

The District has a deferred compensation plan for its eligible employees wherein amounts earned by the employees are paid at a future date. This plan meets the requirements of Internal Revenue Code Section 457. All full-time, regular employees are permitted to participate in the plan beginning on the day of hire.

The employee may elect to make tax deferred contributions up to the limits established by the Internal Revenue Service for this type of plan. The employee is 100% vested in their contributions from the first date of participation. The plan does not provide for District contributions. The participant has a choice of investment options.

The plan is administered by ICMA Retirement Corporation (International City Management Association). The assets of the plan are held in trust, with the District serving as trustee. The plan assets held in the ICMA Retirement Trust are held for the exclusive benefit of the plan participants and their beneficiaries. The assets shall not be diverted to any other purpose. The plan does not permit loans.

The District believes, and the auditors concur, that, since it does not provide investment advice or administer the plan, it does not maintain a fiduciary relationship with the plan. Therefore, the District does not report the plan assets in its financial statements.

NOTE 11. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plans Description – The District provides two defined benefit healthcare plans (the “Retiree Health Plans”). The Retiree Health Plans provide healthcare insurance for eligible retirees and dependants or survivors. Coverage to members of the General Staff Bargaining Unit is provided through the Association of California Water Agencies Health Benefit Authority Anthem Classic Plan, and coverage for the Management Staff Bargaining Unit members and the Confidential

Staff Bargaining Unit members are provided through the Laborer’s Trust Funds for Northern California Special Plan III. The Plans provide for continuation of medical insurance benefits for certain retirees and their dependents or survivors who meet the eligibility criteria established by the District and/or medical care providers. The Plans can be amended by action of the Board of Directors during negotiation of periodic Memorandums of Understanding with the different bargaining units. The Plans do not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plans.

Funding Policy – The contribution requirements of the District are based on a pay-as-you go basis. For the fiscal year ended June 30, 2015, the District paid approximately \$57,182 for retiree health benefits. As of June 30, 2015, the District had eight retirees receiving benefits and 26 active employees eligible to receive benefits in the future. The District currently contributes enough money to the plans to satisfy current obligations on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District’s annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the

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NOTE 11. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

District's annual OPEB cost of the year, the amount actually contributed to the plans, and changes in the District's net OPEB obligation.

Annual required contribution (ARC)	\$ 257,903
Interest on net OPEB obligation	50,137
Adjustment to ARC	<u>(50,082)</u>
Annual OPEB cost (expense)	257,958
Contributions made	<u>(57,182)</u>
Increase in net OPEB obligation	200,776
Net OPEB obligation, beginning of year	<u>1,002,732</u>
Net OPEB obligation, end of year	<u>\$ 1,203,508</u>

Trend Information – The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation were as follows:

Fiscal Year Ending	Annual OPEB Cost	Actual Contribution Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 294,448	\$ 66,658	22.6%	\$ 815,777
2014	\$ 250,679	\$ 63,724	25.4%	\$ 1,002,732
2015	\$ 257,958	\$ 57,182	22.2%	\$ 1,203,508

Funding Status and Funding Progress – As of June 30, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$2,666,140, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plans) for the year ended June 30, 2015 was \$2,146,340, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 124.22%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plans and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plans' assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plans (the plans as understood by the employer and the plans' members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plans' members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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NOTE 11. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

In the June 30, 2015 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include a 5.0% investment rate of return (discount rate) and an annual health care cost trend rate of actual premiums initially (2014), reduced by decrements to an ultimate rate of 4.7% after ten years. The unfunded actuarial liability is being amortized over a closed thirty year period using the level percentage of payroll method. The remaining amortization period at June 30, 2015 was twenty-six years.

NOTE 12. PENSION PLAN

General Information about the Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the District’s Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2015, are summarized as follows:

<u>Hire date</u>	<u>Miscellaneous</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7%	6.250%
Required employer contribution rates	13.532%	6.250%

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance

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NOTE 12. PENSION PLAN (Continued)

any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for the Plan was as follows:

	<u>Miscellaneous</u>
Contributions - employer	\$
Contributions - employee (paid by employer)	\$

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported net pension liability for its proportionate share of the net pension liability of the Plan was \$3,410,615.

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2013 and 2014 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2013	0.05320%
Proportion - June 30, 2014	0.05481%
Change - Increase (Decrease)	(0.00161)%

For the year ended June 30, 2015, the District recognized pension expense of \$306,276. Pension expense is allocated to the functions based on full time equivalents. Pension expense is allocated to the functions based on full time equivalents. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 436,241	\$ -
Difference in proportion	-	7,363
Difference in employer's contributions and the employer's proportionate share of contributions	-	23,067
Net differences between projected and actual earnings on plan investments	<u>-</u>	<u>850,816</u>
Total	<u>\$ 436,241</u>	<u>\$ 881,246</u>

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HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

NOTE 12. PENSION PLAN (Continued)

\$436,241 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended</u> <u>June 30</u>	
2016	\$ (223,983)
2017	\$ (223,983)
2018	\$ (220,576)
2019	<u>\$ (212,704)</u>
	<u>\$ (881,246)</u>

Actuarial Assumptions – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	Based on CalPERS specific Data, using Society of Actuaries Scale BB

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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NOTE 12. PENSION PLAN (Continued)

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017–18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they change their methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100%		

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NOTE 12. PENSION PLAN (Continued)

- (a) An expected inflation of 2.5% used for this period.
- (b) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% Decrease Net Pension Liability	6.50% \$5,506,312
Current Discount Rate Net Pension Liability	7.50% \$3,410,615
1% Increase Net Pension Liability	8.50% \$1,671,385

Pension Plan Fiduciary Net Position – Detailed information about the plan fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 13. CONTINGENT LIABILITIES

Due to the various activities of the District involving the Carmel River, several pending and threatened claims against the District are outstanding. No estimate of the amount of any potential liability to the District can reasonably be made at this time.

NOTE 14. COMMITMENTS AND OTHER CONTINGENCIES

Aquifer Storage and Recovery – As of June 30, 2015 and 2014, the District continued with contracts relating to development of the Water Project Phase I and II ASR facilities. As of June 30, 2015, the District has one outstanding contract with Pueblo Water Resources for a total of \$448,435.

Other contract commitments related to miscellaneous projects and consulting services that are outstanding as of June 30, 2015 total \$36,625.

NOTE 15. BUILDING ACQUISITION

In March 2000, the District purchased a building at 5 Harris Court in Ryan Ranch Office Park for approximately \$1.6 million. The total costs to purchase the land, building, tenant improvements, interior design fee, furnishings and equipment were approximately \$1.9 million. The District purchased the building from monies available in the Mitigation and Water Supply Funds. The District plans to repay the funds over a term of fifteen years, with interest at 5.35%.

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NOTE 16. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to Net Position as follows:

Net Position at June 30, 2014		\$ 26,440,066
Implementation of GASB 68 and 71:		
Net Pension Liability (measurement date)	\$ (4,288,821)	
Deferred outflows – PERS contributions made during fiscal year 2014	<u>303,236</u>	
Prior period adjustment		<u>(3,985,585)</u>
Restated Net Position at June 30, 2014		<u>\$ 22,454,481</u>

NOTE 17. AUTHORITATIVE PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

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 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

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HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

NOTE 17. AUTHORITATIVE PRONOUNCEMENT ISSUED BUT NOT YET ADOPTED (Continued)

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 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.

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HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE, BUDGET AND ACTUAL – WATER SUPPLY
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance With Final Amounts
	Original	Final		
REVENUES:				
Property taxes	\$ 1,500,000	\$ 1,500,000	\$ 1,689,619	\$ 189,619
Water supply charge	3,400,000	3,400,000	3,327,701	(72,299)
Connection charges, net of refunds	175,000	175,000	159,250	(15,750)
Project reimbursements	541,900	626,900	712,002	85,102
Investment income	4,500	4,500	20,199	15,699
Miscellaneous	–	–	12,112	12,112
Total revenues	5,621,400	5,706,400	5,920,883	214,483
EXPENDITURES:				
Personnel:				
Salaries	800,600	803,600	790,486	13,114
Employee benefits and other personnel	308,650	305,150	295,699	9,451
Services and supplies:				
Project expenditures	4,013,000	4,351,700	3,373,391	978,309
Operating expenditures	174,750	360,234	344,266	15,968
Professional fees	269,500	270,200	284,904	(14,704)
Capital outlay	78,150	78,150	38,752	39,398
Debt service:				
Principal	–	–	78,059	(78,059)
Interest and other charges	230,000	230,000	147,150	82,850
Total expenditures	5,874,650	6,399,034	5,352,707	1,046,327
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(253,250)	(692,634)	568,176	1,260,810
OTHER FINANCING SOURCES (USES) –				
Transfers out	(926,550)	(842,250)	(948,721)	106,471
Total other financing sources (uses)	(926,550)	(842,250)	(948,721)	106,471
NET CHANGE IN FUND BALANCE	(1,179,800)	(1,534,884)	(380,545)	1,367,281
FUND BALANCE – BEGINNING OF YEAR	6,279,454	4,111,248	3,892,112	(219,136)
FUND BALANCE – END OF YEAR	\$ 5,099,654	\$ 2,576,364	\$ 3,511,567	\$ 1,148,145

See Notes to Required Supplementary Information.

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HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE, BUDGET AND ACTUAL – CONSERVATION
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance With Final Amounts
	Original	Final		
REVENUES:				
User fees	–	–	7,853	7,853
Permit fees	175,000	175,000	158,476	(16,524)
Project reimbursements	1,066,700	1,582,200	1,439,904	(142,296)
Investment income	4,050	4,050	3,540	(510)
Legal fee reimbursements	15,000	15,000	2,637	(12,363)
Recording fees	–	8,000	11,340	3,340
Grants	–	–	5,750	5,750
Miscellaneous		<u>12,250</u>	<u>800</u>	<u>(11,450)</u>
Total revenues	<u>1,260,750</u>	<u>1,796,500</u>	<u>1,630,300</u>	<u>(166,200)</u>
EXPENDITURES:				
Personnel:				
Salaries	501,000	504,000	536,083	(32,083)
Employee benefits and other personnel	241,150	237,650	250,413	(12,763)
Services and supplies:				
Project expenditures	1,147,500	1,723,500	1,510,205	213,295
Operating expenditures	151,700	151,400	127,345	24,055
Professional fees	108,800	109,200	69,421	39,779
Capital outlay	<u>31,100</u>	<u>31,100</u>	<u>28,352</u>	<u>2,748</u>
Total expenditures	<u>2,181,250</u>	<u>2,756,850</u>	<u>2,521,819</u>	<u>235,031</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(920,500)</u>	<u>(960,350)</u>	<u>(891,519)</u>	<u>68,831</u>
OTHER FINANCING SOURCES (USES) –				
Transfers in	<u>877,400</u>	<u>842,250</u>	<u>(948,721)</u>	<u>106,471</u>
Total other financing sources (uses)	<u>877,400</u>	<u>842,250</u>	<u>(948,721)</u>	<u>106,471</u>
NET CHANGE IN FUND BALANCE	(43,100)	(118,100)	57,202	175,302
FUND BALANCE – BEGINNING OF YEAR	<u>681,770</u>	<u>1,086,698</u>	<u>1,086,698</u>	<u>–</u>
FUND BALANCE – END OF YEAR	<u>\$ 638,670</u>	<u>\$ 968,598</u>	<u>\$ 1,145,900</u>	<u>\$ 175,302</u>

See Notes to Required Supplementary Information.

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HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE, BUDGET AND ACTUAL – MITIGATION
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance With Final Amounts
	Original	Final		
REVENUES:				
User fees	\$ 75,000	\$ 75,000	\$ 87,468	\$ 12,468
Permit fees	56,000	56,000	35,133	(20,867)
Project reimbursement	27,500	–	–	–
Investment income	6,450	6,450	2,353	(4,097)
Recording fees	8,000	–	–	–
Mitigation revenue	1,982,000	2,127,000	2,127,410	410
Grants	618,000	460,800	163,464	(297,336)
Miscellaneous	<u>15,000</u>	<u>53,000</u>	<u>12,618</u>	<u>(40,382)</u>
Total revenues	<u>2,787,950</u>	<u>2,778,250</u>	<u>2,428,446</u>	<u>(349,804)</u>
EXPENDITURES:				
Personnel:				
Salaries	959,800	962,800	976,498	(13,698)
Employee benefits and other personnel	391,400	388,500	399,038	(10,538)
Services and supplies:				
Project expenditures	1,050,500	892,800	541,395	351,405
Operating expenditures	247,150	246,450	205,709	40,741
Professional fees	141,500	142,400	126,230	16,170
Capital outlay	<u>89,750</u>	<u>89,750</u>	<u>50,117</u>	<u>39,633</u>
Total expenditures	<u>2,880,100</u>	<u>2,722,700</u>	<u>2,298,987</u>	<u>423,713</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(92,150)</u>	<u>55,550</u>	<u>129,459</u>	<u>73,009</u>
OTHER FINANCING SOURCES (USES) –				
Transfers in	<u>49,150</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total other financing sources (uses)	<u>49,150</u>	<u>–</u>	<u>–</u>	<u>–</u>
NET CHANGE IN FUND BALANCE	(43,000)	55,550	129,459	73,909
FUND BALANCE – BEGINNING OF YEAR	<u>30,969</u>	<u>331,973</u>	<u>331,973</u>	<u>–</u>
FUND BALANCE – END OF YEAR	<u>\$ (12,031)</u>	<u>\$ 387,523</u>	<u>\$ 461,432</u>	<u>\$ 73,909</u>

See Notes to Required Supplementary Information.

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HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1. BUDGETARY DATA

The District adopts an annual legal budget, which covers the Water Supply Fund (which acts as the District's general fund), Conservation Fund, and Mitigation Fund. All appropriations lapse at fiscal year end and then are rebudgeted for the coming fiscal year. Encumbrance accounting is not used. The budgets are prepared on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

A mid-year budget review is performed and the budget is amended and adopted by the board of directors. The District must approve additional appropriations or interfund transfers not included in the amended budget resolution.

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MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS OF OTHER POST EMPLOYMENT BENEFITS
FOR THE YEAR ENDED JUNE 30, 2015

<u>Fiscal Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
2013	6/30/2012	\$ -	\$ 2,876,883	\$ 2,876,883	0%	\$ 2,159,456	133.22%
2014	6/30/2014	\$ -	\$ 2,666,140	\$ 2,666,140	0%	\$ 2,251,992	118.39%
2015	6/30/2015	\$ -	\$ 2,666,140	\$ 2,666,140	0%	\$ 2,146,340	124.22%

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HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY Last 10 Years*
FOR THE YEAR ENDED JUNE 30, 2015

	<u>2015</u> <u>Miscellaneous</u>
Proportion of the net pension liability	0.05481%
Proportionate share of the net pension liability	\$3,410,615
Covered employee payroll	\$2,339,955
Proportionate Share of the net pension liability as percentage of covered employee payroll	145.76%
Plan's fiduciary net position	\$12,386,568
Plan fiduciary net position as a percentage of the total pension liability	78.41%

Notes to Schedule:

Changes in assumptions. In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

EXHIBIT 24-A

HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
SCHEDULE OF CONTRIBUTIONS Last 10 Years*
FOR THE YEAR ENDED JUNE 30, 2015

	<u>2015</u> <u>Miscellaneous</u>
Contractually required contribution (actuarially determined)	\$ 303,236
Contributions in relation to the actuarially determined contributions	<u>303,236</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 2,246,902
Contributions as a percentage of covered-employee payroll	13.50%

Notes to Schedule:

Valuation date: 6/30/2013

Methods and assumptions used to determine contribution rates:

Single and Agent Employers Example	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	3.50%
Salary increases	4.5%, average, including inflation of 3.0%
Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Retirement age	57 yrs.
Mortality	RP-2000 Healthy Annuitant Mortality Table

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

EXHIBIT 24-A

HAYASHI WAYLAND - PRELIMINARY DRAFT FOR REVIEW & DISCUSSION - SUBJECT TO CHANGE - 12/11/2015

**STATISTICAL
SECTION**

EXHIBIT 24-A

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

Net Position by Component
Last Ten Years
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities										
Net investment in capital assets	\$ 3,765,212	\$ 3,703,618	\$ 3,825,773	\$ 7,626,567	\$ 6,238,660	\$ 5,280,114	\$ 4,702,951	\$ 4,022,151	\$ 3,263,675	\$ 2,417,995
Restricted for debt service	220,330	219,136	219,136	-	-	-	-	-	-	-
Unrestricted (deficit)	(2,940,609)	1,316,853	2,697,295	(1,117,760)	635,049	1,152,363	1,620,154	1,984,225	1,883,275	1,894,405
Total governmental activities net position	\$ 1,044,933	\$ 5,239,607	\$ 6,742,204	\$ 6,508,807	\$ 6,873,709	\$ 6,432,477	\$ 6,323,105	\$ 6,006,376	\$ 5,146,950	\$ 4,312,400
Business-type activities										
Net investment in capital assets	\$ 25,157,565	\$ 24,719,129	\$ 18,794,502	\$ 24,212,463	\$ 24,130,341	\$ 24,178,621	\$ 24,421,926	\$ 22,852,527	\$ 15,676,949	\$ 10,827,801
Restricted for construction project	-	-	15,276	-	-	-	-	-	-	-
Restricted for debt service	1,136	1,137	1,137	1,136	1,136	1,136	1,136	2,755	2,670	2,402
Restricted for capital replacement	1,273,355	873,273	848,080	-	-	-	-	-	-	-
Restricted for expanded project	-	-	-	889,475	891,700	978,528	1,342,540	733,451	6,143,814	8,145,153
Unrestricted (deficit)	(3,772,838)	(4,393,080)	-	250,873	245,551	422,876	493,122	(341,413)	(5,445,716)	(4,963,913)
Total business-type activities net position	\$ 22,659,218	\$ 21,200,459	\$ 19,658,995	\$ 25,353,947	\$ 25,268,728	\$ 25,581,161	\$ 26,258,724	\$ 23,247,320	\$ 16,377,717	\$ 14,011,443
Primary government										
Net investment in capital assets	\$ 28,922,777	\$ 28,422,747	\$ 22,620,275	\$ 31,839,030	\$ 30,369,001	\$ 29,458,735	\$ 29,124,877	\$ 26,874,678	\$ 18,940,624	\$ 13,245,796
Restricted for construction project	-	-	15,276	-	-	-	-	-	-	-
Restricted for debt service	221,466	220,273	220,273	1,136	1,136	1,136	1,136	2,755	2,670	2,402
Restricted for capital replacement	1,273,355	873,273	848,080	-	-	-	-	-	-	-
Restricted for expanded project	-	-	-	889,475	891,700	978,528	1,342,540	733,451	6,143,814	8,145,153
Unrestricted (deficit)	(6,713,447)	(3,076,227)	2,697,295	(866,887)	880,600	1,575,239	2,113,276	1,642,812	(3,562,441)	(3,069,508)
Total primary government net position	\$ 23,704,151	\$ 26,440,066	\$ 26,401,199	\$ 31,862,754	\$ 32,142,437	\$ 32,013,638	\$ 32,581,829	\$ 29,253,696	\$ 21,524,667	\$ 18,323,843

Notes:

Accounting standards require that net assets be reported in three components in the financial statements: Net investment in capital assets; restricted; and unrestricted. Net assets are considered restricted when 1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.

EXHIBIT 24-A

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

Changes in Net Position
Last Ten Years
(accrual basis of accounting)

Expenses (by function)	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities:										
Conservation	\$ 2,538,647	\$ 2,269,696	\$ 1,459,231	\$ 1,112,961	\$ 1,066,511	\$ 912,893	\$ 1,093,863	\$ 870,287	\$ 660,914	\$ 607,429
Mitigation	2,348,049	2,463,838	2,284,450	3,131,325	4,777,577	3,977,038	2,767,714	3,208,565	2,717,456	3,637,375
Water supply	5,290,834	8,075,379	4,191,428	1,200,978	1,291,349	1,404,760	1,349,966	1,199,742	1,041,009	1,092,253
Total Governmental Activities expenses	10,177,530	12,808,913	7,935,109	5,445,264	7,135,437	6,294,691	5,211,543	5,278,594	4,419,379	5,337,057
Business-type activities:										
Water sales	3,945,772	3,828,941	3,434,236	3,793,748	3,664,890	3,691,170	3,881,830	3,500,939	3,239,985	2,659,016
Total business-type activities expenses	3,945,772	3,828,941	3,434,236	3,793,748	3,664,890	3,691,170	3,881,830	3,500,939	3,239,985	2,659,016
Total Primary Government Expenses	14,123,302	16,637,854	11,369,345	9,239,012	10,800,327	9,985,861	9,093,373	8,779,533	7,659,364	7,996,073
Program Revenues (by function)										
Governmental activities:										
Charges for service:										
Conservation	1,584,188	1,374,724	761,990	439,798	717,546	1,286,516	770,659	778,012	622,701	529,792
Mitigation	2,236,455	1,940,728	1,873,902	2,709,894	4,950,900	3,091,862	2,514,073	2,781,238	2,302,956	1,930,183
Water supply	4,223,966	5,728,874	5,523,491	305,849	420,552	603,777	695,933	764,685	693,872	650,852
Operating grants and contributions	169,214	602,499	391,797	165,528	-	-	-	299,870	195,099	1,987
Total governmental activities program revenues	8,213,823	9,646,825	8,551,180	3,621,069	6,088,998	4,982,155	3,980,665	4,623,805	3,814,628	3,112,814
Business-type activities:										
Charges for services -										
Water sales	5,379,027	5,359,496	4,175,379	2,344,688	1,840,264	1,807,929	1,915,828	2,235,363	1,891,131	1,490,644
Total Business-type activities revenue	5,379,027	5,359,496	4,175,379	2,344,688	1,840,264	1,807,929	1,915,828	2,235,363	1,891,131	1,490,644
Total Primary Government Program Revenues	13,592,850	15,006,321	12,726,559	5,965,757	7,929,262	6,790,084	5,896,493	6,859,168	5,705,759	4,603,458
Net (Expenses)/Revenue										
Governmental activities	(1,963,707)	(3,162,088)	616,071	(1,824,195)	(1,046,439)	(1,312,536)	(1,230,878)	(654,789)	(604,751)	(2,224,243)
Business-type activities	1,433,255	1,530,555	741,143	(1,449,060)	(1,824,626)	(1,883,241)	(1,966,002)	(1,265,576)	(1,348,854)	(1,168,372)
Total Primary Net (Expenses)/Revenue	(530,452)	(1,631,533)	1,357,214	(3,273,255)	(2,871,065)	(3,195,777)	(3,196,880)	(1,920,365)	(1,953,605)	(3,392,615)

EXHIBIT 24-A

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

Changes in Net Position
Last Ten Years
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes	1,689,619	1,582,796	1,690,645	1,388,301	1,402,646	1,339,138	1,436,800	1,352,826	1,280,201	1,012,932
Investment earnings	26,092	20,042	11,524	2,080	4,772	11,485	48,260	93,640	119,553	105,177
Miscellaneous	39,507	56,653	62,211	69,200	80,253	71,285	62,547	64,977	43,895	54,698
Gain (loss) on sale of capital assets	-	-	-	(288)	-	-	-	2,772	(4,348)	(5,812)
Special items -										
Transfer of capital assets	-	-	(2,147,054)	-	-	-	-	-	-	-
Total governmental activities	1,755,218	1,659,491	(382,674)	1,459,293	1,487,671	1,421,908	1,547,607	1,514,215	1,439,301	1,166,995
Business-type activities:										
Taxes	-	-	-	-	-	-	-	-	-	-
Investment earnings	25,504	26,185	1,909	36,196	19,518	64,771	42,251	195,441	436,066	498,603
Miscellaneous				3,004	1,436	3,580	-	269	63,449	-
Special items:										
Subsidy, Pebble Beach Company	-	-	1,600,006	1,732,903	1,667,322	1,444,976	1,467,828	2,205,070	1,626,859	2,081,792
Capital contributions (withdrawals)					(176,083)	(995,219)	2,269,395	4,677,468	1,414,462	3,684,392
Withdrawal, Pebble Beach Company			(1,641,213)	-	-	-	-	-		
Water entitlement sales			253,203	293,176	-	687,570	1,197,932	1,056,931		
Water entitlement (withdrawals)		(15,276)	(1,130,000)	(531,000)	-	-				
Total business-type activities	25,504	10,909	(916,095)	1,534,279	1,512,193	1,205,678	4,977,406	8,135,179	3,540,836	6,264,787
Total Primary Government	1,780,722	1,670,400	(1,298,769)	2,993,572	2,999,864	2,627,586	6,525,013	9,649,394	4,980,137	7,431,782
Change in Net Position										
Governmental activities	(208,489)	(1,502,597)	233,397	(364,902)	441,232	109,372	316,729	859,426	834,550	(1,057,248)
Business-type activities	1,458,759	1,541,464	(174,952)	85,219	(312,433)	(677,563)	3,011,404	6,869,603	2,191,982	5,096,415
Total Primary Government	1,250,270	38,867	58,445	(279,683)	128,799	(568,191)	3,328,133	7,729,029	3,026,532	4,039,167
Net position - beginning of year	22,454,481	26,401,199	26,342,754	32,142,437	32,013,638	32,581,829	29,253,696	21,524,667	18,498,135	14,284,676
Net position - end of year	\$ 23,704,751	\$ 26,440,066	\$ 26,401,199	\$ 31,862,754	\$ 32,142,437	\$ 32,013,638	\$ 32,581,829	\$ 29,253,696	\$ 21,524,667	\$ 18,323,843

Notes:

Net position - beginning of the year for the fiscal year ended June 30, 2007 has been restated for a prior period adjustment related to subsidies made by PBCo.

Net position - beginning of the year for the fiscal year ended June 30, 2013 has been restated for a prior period adjustment related to a liability to PBCo. For reimbursement of bond carrying costs.

Net position - beginning of the year for the fiscal year ended June 30, 2015 has been restated for implementation of GASB 68.

EXHIBIT 24-A
MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental Funds:										
Reserved for prepaid expenses	-	-	-	-	-	38,220	87,701	90,533	35,286	26,670
Unreserved, designated:										
Insurance/litigation	-	-	-	-	-	250,000	250,000	250,000	250,000	250,000
Capital equipment	-	-	-	-	-	286,600	183,000	183,000	168,599	168,599
Flood/drought emergencies	-	-	-	-	-	443,944	443,944	443,944	613,944	613,944
Unreserved, undesignated	-	-	-	-	-	937,688	1,322,390	1,602,501	1,381,019	1,399,680
Nonspendable - prepaid expenses	-	-	36,025	39,869	44,743	-	-	-	-	-
Assigned:										
Insurance/litigation	250,000	250,000	250,000	250,000	250,000	-	-	-	-	-
Capital equipment	232,000	244,900	304,100	304,100	304,100	-	-	-	-	-
Flood/drought emergencies	328,944	443,944	443,944	443,944	443,944	-	-	-	-	-
Unassigned	4,305,955	4,371,939	5,738,988	(1,068,682)	475,704	-	-	-	-	-
Total governmental fund balances	<u>\$ 5,116,899</u>	<u>\$ 5,310,783</u>	<u>\$ 6,773,057</u>	<u>\$ (30,769)</u>	<u>\$ 1,518,491</u>	<u>\$ 1,956,452</u>	<u>\$ 2,287,035</u>	<u>\$ 2,569,978</u>	<u>\$ 2,448,848</u>	<u>\$ 2,458,893</u>

Notes: The District implemented GASB 54 during fiscal year 2010/11.

EXHIBIT 24-A
MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

Changes in Fund Balance - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Property Taxes	\$ 1,689,619	\$ 1,582,796	\$ 1,690,645	\$ 1,388,301	\$ 1,402,646	\$ 1,339,138	\$ 1,436,800	\$ 1,352,826	\$ 1,280,201	\$ 1,012,932
Water supply charge	3,327,701	3,412,207	3,400,873	-	-	-	-	-	-	-
User fees	95,321	93,931	1,815,986	1,620,375	3,048,993	2,879,934	2,653,827	2,945,384	2,572,154	2,163,406
Connection charges, net of refunds	159,250	223,625	115,972	194,510	319,728	466,297	481,724	556,370	617,835	622,669
Permit fees	193,609	240,079	277,956	225,616	296,735	278,610	294,053	327,700	319,381	251,930
Project reimbursements	2,151,906	3,283,666	2,562,195	1,423,967	2,426,480	1,247,946	551,393	490,016	109,737	69,072
Investment income	26,092	20,042	11,524	2,080	4,772	11,485	48,260	93,640	119,553	105,177
Legal fee reimbursements	2,637	18,441	32,756	27,136	23,638	22,210	21,832	27,375	22,954	34,391
Recording fees	11,340	15,061	13,785	11,797	11,987	11,735	13,087	11,950	13,947	13,620
Mitigation revenue	2,127,410	1,801,800	-	-	-	-	-	-	6,994	-
Miscellaneous	25,530	23,151	15,670	30,267	44,628	37,340	27,628	29,691	-	6,686
Grants	169,214	602,499	391,797	165,528	-	-	-	299,870	195,099	1,987
Total revenues	<u>9,979,629</u>	<u>11,317,298</u>	<u>10,329,159</u>	<u>5,089,577</u>	<u>7,579,607</u>	<u>6,294,695</u>	<u>5,528,604</u>	<u>6,134,822</u>	<u>5,257,855</u>	<u>4,281,870</u>
Expenditures:										
Personnel:										
Salaries	2,303,067	2,251,991	2,169,046	2,187,165	2,234,522	2,227,947	2,126,151	2,132,613	2,056,208	1,964,878
Employee benefits and other personnel	945,150	1,025,642	1,067,786	1,072,586	1,021,343	964,812	891,777	863,578	830,190	718,251
Services and supplies:										
Project expenditures	5,424,991	8,204,396	3,243,178	2,251,190	3,533,434	2,367,556	1,248,881	1,810,167	1,472,949	501,835
Operating expenditures	677,320	521,327	403,214	505,278	538,162	459,737	491,927	540,220	379,659	493,388
Professional fees	480,555	449,740	508,795	556,393	593,882	560,118	605,498	516,383	413,331	1,418,207
Capital outlay	117,221	107,340	53,145	42,892	73,136	45,108	447,313	150,731	115,563	7,622
Debt Service:										
Principal	78,059	75,215	38,368	-	-	-	-	-	-	-
Interest and other charges	147,150	143,921	41,801	23,333	23,089	-	-	-	-	-
Total expenditures	<u>10,173,513</u>	<u>12,779,572</u>	<u>7,525,333</u>	<u>6,638,837</u>	<u>8,017,568</u>	<u>6,625,278</u>	<u>5,811,547</u>	<u>6,013,692</u>	<u>5,267,900</u>	<u>5,104,181</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(193,884)</u>	<u>(1,462,274)</u>	<u>2,803,826</u>	<u>(1,549,260)</u>	<u>(437,961)</u>	<u>(330,583)</u>	<u>(282,943)</u>	<u>121,130</u>	<u>(10,045)</u>	<u>(822,311)</u>
Other Financing Sources (Uses):										
Transfers in	948,721	-	-	-	-	-	-	-	-	-
Transfers out	(948,721)	-	-	-	-	-	-	-	-	-
Loan proceeds	-	-	4,000,000	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>4,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(193,884)	(1,462,274)	6,803,826	(1,549,260)	(437,961)	(330,583)	(282,943)	121,130	(10,045)	(822,311)
Fund balances, beginning of year	<u>5,310,783</u>	<u>6,773,057</u>	<u>(30,769)</u>	<u>1,518,491</u>	<u>1,956,452</u>	<u>2,287,035</u>	<u>2,569,978</u>	<u>2,448,848</u>	<u>2,458,893</u>	<u>3,281,204</u>
Fund balances, end of year	<u>\$ 5,116,899</u>	<u>\$ 5,310,783</u>	<u>\$ 6,773,057</u>	<u>\$ (30,769)</u>	<u>\$ 1,518,491</u>	<u>\$ 1,956,452</u>	<u>\$ 2,287,035</u>	<u>\$ 2,569,978</u>	<u>\$ 2,448,848</u>	<u>\$ 2,458,893</u>