

# Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2016



(Photo: Carmel River)



5 Harris Court, Bldg G, Monterey CA 93940  
(831) 658-5600 • [www.mpwmd.net](http://www.mpwmd.net)

**MONTEREY PENINSULA WATER  
MANAGEMENT DISTRICT**

**Monterey, California**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2016

Prepared by:

Administrative Services Division

# MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

## Table of Contents

	Page
<b>INTRODUCTORY SECTION:</b>	
Letter of Transmittal	i-v
Certificate of Achievement for Excellence in Financial Reporting	vi
Organization Chart	vii
List of Board of Directors and Executive Staff	viii
<b>FINANCIAL SECTION:</b>	
Independent Auditors' Report	1 – 2
Management's Discussion and Analysis	3 – 11
<b>Basic Financial Statements:</b>	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position	12
Statement of Activities	13
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Position – Proprietary Fund	17
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund	18
Statement of Cash Flows – Proprietary Fund	19 – 20
Notes to Basic Financial Statements	21 – 49
<b>Required Supplementary Information:</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual – Water Supply	50
Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual – Conservation	51
Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual – Mitigation	52
Notes to Required Supplementary Information	53
Schedule of Funding Progress of Other Post Employment Benefits	54
Schedule of Proportionate Share of the Net Pension Liability	55
Schedule of Contributions	56

## Table of Contents (Continued)

### **STATISTICAL SECTION (UNAUDITED):**

#### **Financial Trends:**

Net Position by Component	57
Changes in Net Position	58 – 59
Fund Balances of Governmental Funds	60
Changes in Fund Balance of Governmental Funds	61

#### **Revenue Capacity:**

Assessed Value and Actual Value of Taxable Property – Monterey County	62
Principal Property Taxpayers – Monterey County	63
Major Revenue Sources	64

#### **Debt Capacity:**

Ratio of Outstanding Debt by Type	65
Debt Service Coverage	66

#### **Demographic and Economic Information:**

Demographics and Economic Statistics	67
Principal Employment by Industry – Monterey County	68
Full-time Equivalent Employees by Department	69

#### **Operating Information:**

Water Consumption by Type	70
Customers by Type	71



# INTRODUCTORY SECTION

---



(Photo: Schulte Sign)



December 15, 2016

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, 2016. 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.

## ***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 2015, 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 4,660 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) and the amount of water available from the Seaside Basin to non-Cal-Am users will be reduced by approximately 46 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. In its application to the California Public Utilities Commission for the Monterey Peninsula Water Supply Project, Cal-Am has sought to incorporate replenishment of the Seaside Basin, as well as potential demand for build-out in Pebble Beach, the potential "bounce back" in tourism resulting from economic recovery and utilizing existing visitor-serving capacity, and legal lots of record. Therefore, there is a required demand of 15,296 acre-feet.

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 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)** – MPWMD operated the Phase 1 and Phase 2 facilities in coordination with Cal-Am while diverting 215 acre-feet (AF) of Carmel River Basin water for injection and storage in the Seaside Basin during the hydrologically-dry 2015 water year (WY). Since inception of the ASR program, a total of 4,986 AF has been diverted from the Carmel River for storage and subsequent recovery through the end of WY 2015.

**Pure Water Monterey** – The District led a coalition that includes Salinas Valley growers to expand the project potential in a multi-benefit, multi-regional manner. 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 (MRWPCA).

The MRWPCA certified the Final Environmental Impact Report on Pure Water Monterey, which enables the District to enter into funding agreements for the project and obtain permits.

**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.

**Funding for Desalination** – The District successfully passed SB 936 through the Legislature for financing the project in a manner to reduce impacts on ratepayers, working with Senator Bill Monning and Assembly member Mark Stone. Also provided funding for environmental and permitting work on an alternative desalination facility.

**Proposition 1 Integrated Regional Water Management Program** – The District took the lead for the Monterey Peninsula region in negotiating a draft agreement for sharing Proposition 1 funds in the Central Coast funding area. If approved by all regions, the Monterey Peninsula region would receive \$4.2 million for implementation of projects.

**Water Rights** – In its lead role as local resource manager, the District reviewed a water rights change permit issued by the State Water Resources Control Board for Carmel River diversions that enables a limited amount of new connections to the Cal-Am system. Also, MPWMD continued work on an integrated ground water – surface water GSFLOW/MODFLOW model to update instream flow needs for steelhead in the Carmel River, with a focus on model calibration, data review and input. The model is expected to be completed in mid-2016, and allow the District to model different water supply scenarios and their impacts on the Carmel River.

**State-Mandated Carmel River Mitigation and Stewardship** – Completed a basis of design report for an upgrade for the Sleepy Hollow Steelhead Rearing Facility, which includes construction of a new intake and water supply system. The intent is to protect the facility from changes in river flows due to the



removal of San Clemente Dam and to allow the facility to continue to operate during periods of extreme drought or high flows. The total project cost (design and construction) is estimated at \$2.2 million and will be reimbursed from funds generated by a Settlement Agreement between Cal-Am and the National Marine Fisheries Service (NMFS). The project is scheduled to be completed in 2017.

Conservation – Approved 1,644 rebate applications totaling \$522,388.17 for annual savings of 32.443 acre-feet of water. MPWMD began inspecting building-by-building for compliance with the Non-Residential water efficiency requirements (Rule 143). More than 277 businesses were inspected. All businesses will be verified by late 2016. 2,174 properties were inspected to verify compliance with Water Efficiency Standards (Retrofit Upon Change of Ownership or Use). 682 Water Permits were issued, including 40 Water Permits for Water Entitlement Holders.

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.

### ***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 ratepayers of the California American Water Company. Project reimbursements are mostly collected from the California American Water Company ratepayers.

### ***District Expenses***

District's 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.

### ***Awards***

#### *GFOA Award*

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Monterey Peninsula Water Management District for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2015. This was the first year that the government has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

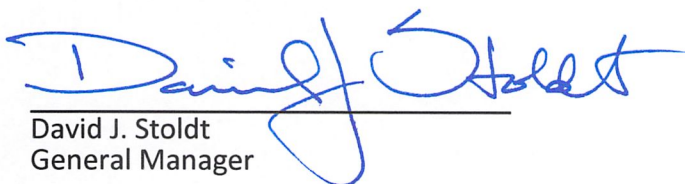
#### *Clair Hill Award*

The District received the Association of California Water Agencies Clair Hill Award for completion of the Pure Water Monterey Demonstration Facility, which was developed jointly with the Monterey Regional Water Pollution Control Agency.

### ***Acknowledgements***

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the District. 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



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

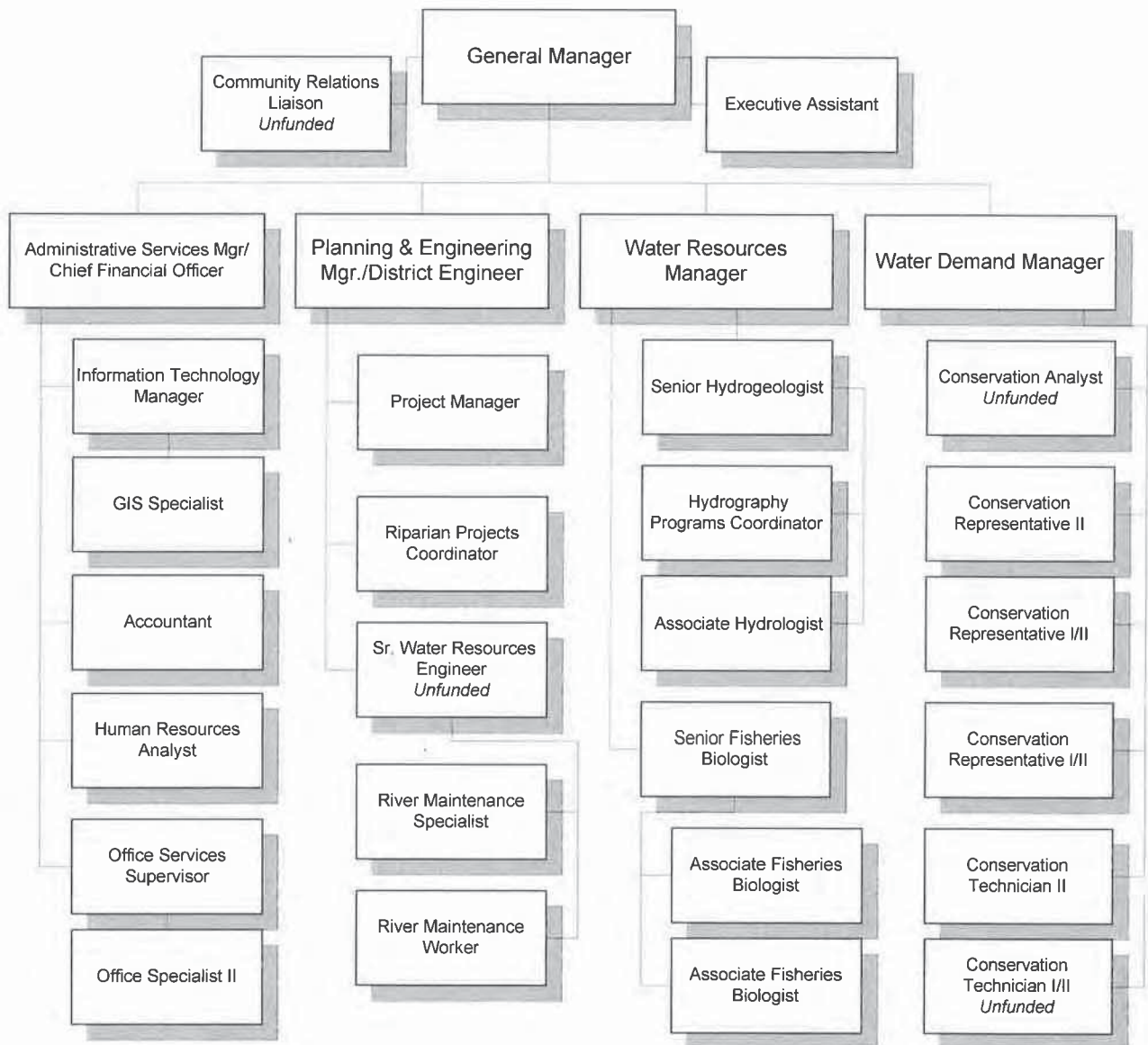
**Monterey Peninsula  
Water Management District  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT  
ORGANIZATION CHART  
FY 2015 - 2016**



**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT**

June 30, 2016

Board of Directors

Chair – Division 4	Jeanne Byrne
Vice Chair – Division 5	Robert S. Brower, Sr.
Director – Division 1	Brenda Lewis
Director – Division 2	Andrew Clarke
Director – Division 3	Molly Evans
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



# FINANCIAL SECTION

---



(Photo: ASR Site I)





## HAYASHI | WAYLAND

### 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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

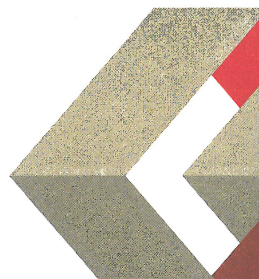
#### ***Management's Responsibility for the Financial Statements***

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 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 81% 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.

### ***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, 2016, 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 11, the Budgetary Comparison Schedules on pages 50 through 53, the Schedule of Funding Progress of Other Post Employment Benefits on page 54, the Schedule of Proportionate Share of the Net Pension Liability on page 55 and the Schedule of Contributions on page 56 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.

December 15, 2016

*Hayashi Wayland*



**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**JUNE 30, 2016**

This section of the Monterey Peninsula Water Management District's (the District) comprehensive annual financial report presents a discussion and analysis of the District's performance during the fiscal year ended June 30, 2016. Please read it in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages i - v of this report and 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 liabilities of the governmental activities of the District exceeded its assets at the close of the year ending June 30, 2016 by \$311 thousand (net position). However, \$3.5 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, 2016 by \$23.9 million (net position). However, \$26.2 million is net investment in capital assets.
- A prior period adjustment in the amount of \$33 thousand was made to reduce beginning net position due to the implementation of GASB 82.
- The District's total governmental activities net position decreased by approximately \$1.3 million for the year ended June 30, 2016. 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 \$310,151.
- The District's total business-type activities net position increased by approximately \$1.2 million for the year ended June 30, 2016. 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 \$1,592,269.
- Capital outlay and capitalized project expenditures of \$1,248,799 consisted mostly of funds expended to construct an additional injection well for the District's Aquifer Storage & Recovery Project, routine computer equipment upgrades, transportation equipment and upgrades to the reclamation project.
- There was not an operating subsidy from Pebble Beach Company because of a new agreement with the Independent Reclaimed Water Users Group (IRWUG) whereby the expense of total debt service (principal and interest) is built into the cost of water.



## 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 deferred outflows of resources and liabilities and deferred inflows of resources, with the difference 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.

## 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 49 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. This section also includes budgetary comparison schedules which compare the budgeted amounts for the fiscal year with the activity for the District’s major governmental funds – the Water Supply Fund, Conservation Fund and Mitigation Fund. Required supplementary information can be found on pages 50 to 56 of this report.



## 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 82 was implemented in fiscal year 2016. Prior year amounts were restated to reflect the implementation.

#### Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Assets</b>						
Current and Other Assets	\$ 4,862,937	\$ 6,516,467	\$ 2,929,762	\$ 2,492,345	\$ 7,792,699	\$ 9,008,812
Capital Assets – Net	<u>5,464,440</u>	<u>5,451,642</u>	<u>41,994,280</u>	<u>42,757,564</u>	<u>47,458,720</u>	<u>48,209,206</u>
Total Assets	<u>10,327,377</u>	<u>11,968,109</u>	<u>44,924,042</u>	<u>45,249,909</u>	<u>55,251,419</u>	<u>57,218,018</u>
Deferred outflows of resources	<u>904,591</u>	<u>369,874</u>	<u>–</u>	<u>–</u>	<u>904,591</u>	<u>369,874</u>
<b>Liabilities</b>						
Current Liabilities	1,517,664	1,651,496	3,828,699	2,926,691	5,346,363	4,578,187
Long-Term Liabilities	<u>9,045,940</u>	<u>8,702,487</u>	<u>17,212,000</u>	<u>19,664,000</u>	<u>26,257,940</u>	<u>28,366,487</u>
Total Liabilities	<u>10,563,604</u>	<u>10,353,983</u>	<u>21,040,699</u>	<u>22,590,691</u>	<u>31,604,303</u>	<u>32,944,674</u>
Deferred inflows of resources	<u>979,012</u>	<u>971,128</u>	<u>–</u>	<u>–</u>	<u>979,012</u>	<u>971,128</u>
<b>Net Position</b>						
Net Investment in Capital Assets	3,454,077	3,765,812	26,194,280	25,157,565	29,648,357	28,923,377
Restricted	220,772	220,330	1,119,639	1,274,491	1,340,411	1,494,821
Unrestricted (deficit)	<u>(3,985,497)</u>	<u>(2,973,270)</u>	<u>(3,430,576)</u>	<u>(3,772,838)</u>	<u>(7,416,073)</u>	<u>(6,746,108)</u>
Total Net Position	<u>\$ (310,648)</u>	<u>\$ 1,012,872</u>	<u>\$ 23,883,343</u>	<u>\$ 22,659,218</u>	<u>\$ 23,572,695</u>	<u>\$ 23,672,090</u>

The District's assets exceeded its liabilities by approximately \$23.6 million at the end of the current year, which is a decrease of approximately .4 % since June 30, 2015.

Capital assets decreased due to depreciation/amortization of \$1,902,420 and dispositions of \$96,865 offset by capital additions of \$1,248,799.

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

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 \$33,000 offset by the change in net position, described below.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

### Change in Net Position

GASB 82 was implemented in fiscal year 2016. Prior year amounts were restated to reflect the implementation.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenue:						
Charges for Services	\$ 7,861,518	\$ 8,044,609	\$ 5,513,758	\$ 5,379,027	\$ 13,375,276	\$ 13,423,636
Operating Grants	334,864	169,214	–	–	334,864	169,214
General Revenues:						
Property Taxes	1,788,896	1,689,619	–	–	1,788,896	1,689,619
Investment Income	48,125	26,092	56,685	25,504	104,810	51,596
Miscellaneous	29,207	39,507	762	–	29,969	39,507
<b>Total Revenues</b>	<b>10,062,610</b>	<b>9,969,041</b>	<b>5,571,205</b>	<b>5,404,531</b>	<b>15,633,815</b>	<b>15,373,572</b>
Expenses:						
Conservation	1,928,518	2,546,486	–	–	1,928,518	2,546,486
Mitigation	2,261,058	2,362,093	–	–	2,261,058	2,362,093
Water Supply	7,196,554	5,301,612	–	–	7,196,554	5,301,612
Water sales	–	–	4,347,080	3,945,772	4,347,080	3,945,772
<b>Total Expenses</b>	<b>11,386,130</b>	<b>10,210,191</b>	<b>4,347,080</b>	<b>3,945,772</b>	<b>15,733,210</b>	<b>14,155,963</b>
<b>Change in Net Position</b>	<b>(1,323,520)</b>	<b>(241,150)</b>	<b>1,224,125</b>	<b>1,458,759</b>	<b>(99,395)</b>	<b>1,217,609</b>
Net Position - Beginning of Year, as restated	<u>1,012,872</u>	<u>1,254,022</u>	<u>22,659,218</u>	<u>21,200,459</u>	<u>23,672,090</u>	<u>22,454,481</u>
<b>Net Position - End of Year</b>	<b>\$ (310,648)</b>	<b>\$ 1,012,872</b>	<b>\$ 23,883,343</b>	<b>\$ 22,659,218</b>	<b>\$ 23,572,695</b>	<b>\$ 23,672,090</b>

Governmental activities decreased the District's net position by approximately \$1.3 million. Key elements resulting in the net decrease are as follows:

- Project expenditures of about \$6.5 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 \$131,000, mostly routine computer equipment upgrades, building upgrades, and transportation equipment added to the decrease.
- Depreciation expense of approximately \$310,000 added to the decrease.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

In fiscal year 2015-2016, the District did not receive an operating subsidy for the Reclamation Project from Pebble Beach Company because of the new agreement with the IRWUG 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 \$1.2 million. Key elements resulting in the net increase are as follows:

- Net water sales were 1.3% higher than budget and 2.5% higher than the prior year. The Project has been impacted by drought conditions in California, however, because of an emergency plant malfunction which entitled the Project to utilize potable water, the Project purchased 24 acre feet (AF) from California American Water Company.
- Total AF sold (both reclaimed and potable) was 2.8% greater than the prior year. The operating component of water sales increased 0.6%. The non-operating or capital component of the rates increased 1.7%.
- Total operating expenses were 20.8% higher than the prior year and 12.1% below budget. Plant operating expenses were 20.5% higher than in fiscal year 2015 and 7.2% over budget. The two most significant causes were (1) the purchase of an additional set of microfiltration modules that were not budgeted, and (2) initiation of a consulting contract to increase the Reverse Osmosis recovery. Distribution costs were 29.8% below budget and 4.7% lower than prior year 2015. Pebble Beach Community Services District (PBCSD) Administrative salaries under budget 16.4%, Utilities 2.9% over budget, and O&M expenses 58.5% under budget (SCADA software costs did not materialize, and Poppy Hills storage tank painting has been rescheduled for 2016-17). Carmel Area Wastewater District (CAWD) and Monterey Peninsula Water Management District (MPWMD) General and Administrative costs were 7.6% higher than in 2015 and 0.2% under budget. Pebble Beach company salaries were 0.4% over budget. MPWMD salaries were 100.6% over budget, or \$11,636 spread across nearly all categories.
- 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. The implementation of the amended Construction & Operation Agreement's 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.

## 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).

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

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 \$3,631,551. The Water Supply Fund has a fund balance of \$1,016,295, the Conservation Fund has a fund balance of \$1,549,288 and the Mitigation Fund has a fund balance of \$1,065,968.

During the current fiscal year, the fund balance of the District's Water Supply Fund decreased \$2,495,272, the Conservation Fund increased \$405,388 and the Mitigation Fund increased \$604,536. 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 \$23,883,343.

During the current fiscal year, the net position of the District's enterprise fund increased \$1,224,125.

## BUDGET HIGHLIGHTS/VARIANCES

**Original budget compared to final budget** – During the year, the District made slight modifications to its water supply original budget. There was a need for slight amendments to increase or decrease either the original estimated revenues or original budgeted appropriations. After careful review of six months revenues and appropriations, modifications were made to the revenue line items based on more accurate projections for the remainder of the year. Appropriations were modified in the same manner based on accurate projections for the next six months. Most of the changes occurred in the project expenditures part of the budget. Generally, the movement of the appropriations between departments was not significant. Total appropriations were increased from the original budget by \$508,050.

**Final budget compared to actual results** – The District's budget projected expenditures for the water supply fund of \$8.6 million. The District finished the budget year with expenditures of \$7.3 million, which was \$1.3 or 14.8% less than budgeted. The difference was mostly attributable to Aquifer Storage Recovery Project, Monterey Peninsula Desalination Project, local water supply projects, and other reimbursement projects being \$1.2 million under budget due to deferral of projects to next fiscal year.

The District's budget projected operating revenues for the water supply fund of \$5.6 million. The District finished the budget year with operating revenues of \$6.1 million, which was \$500 thousand or 9.2% more than budgeted. The difference was mostly attributable to property taxes being approximately \$175 thousand over budget and connection charges being approximately \$327 thousand over 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.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The District's capital assets, net of accumulated depreciation/amortization, at June 30, 2016 totaled \$47.5 million as shown below. This amount represents a net decrease, including additions and disposals, net of depreciation/amortization, of approximately \$750 thousand or 1.6% from June 30, 2015.

Major capital asset events during the fiscal year included the following:

- Aquifer storage and recovery project additions at a cost of \$192,127.
- Various computer and software upgrades at a cost of \$27,855.
- Transportation equipment at a cost of \$88,106.
- Various additions to the Reclamation Project, which included power line conditioning, microfiltration waste flow control, MF/RO roof air conditioner, and pump P-932 & P-933 rehabilitation, at a cost of \$828,985.

Additional information on the District's capital assets is provided in Note 5 on pages 34-35 of this report.

#### Capital Assets (Net of Depreciation/Amortization)

	<u>2016</u>	<u>2015</u>
Governmental Activities:		
Office Equipment	\$ 1,797	\$ 2,377
Computer Equipment	359,531	412,757
Transportation Equipment	100,008	24,502
Project Equipment	2,048	4,440
Building and Improvements	1,132,844	1,185,856
ASR Facilities	3,849,778	3,815,748
Fish Rearing Facility	3,820	5,962
Leasehold improvements	14,614	-
	<u>\$ 5,464,440</u>	<u>\$ 5,451,642</u>
Business-type Activities:		
Water resale rights	\$ 40,996,379	\$ 42,491,783
Construction in progress	997,901	265,781
	<u>\$ 41,994,280</u>	<u>\$ 42,757,564</u>
Total	<u>\$ 47,458,720</u>	<u>\$ 48,209,206</u>

### Debt Administration

The District has an installment purchase agreement with a balance of \$3,727,850 at June 30, 2016. Retirements were made in the amount of \$80,508.

The District has variable rate demand certificates of participation with a balance of \$15,800,000 at June 30, 2016. Retirements were made in the amount of \$1,800,000.



## **CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)**

The District has a payable to Pebble Beach Company for bond carrying costs with a balance of \$3,864,000 at June 30, 2016. 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.

Additional information on the District's long-term debt is provided in Note 7 on pages 36-38 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

In developing the fiscal year 2016–2017 budget, the staff and management had to consider a number of factors that would impact the District's economy and finances. The 2016–2017 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 2016-2017 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.

## **BASIC FINANCIAL STATEMENTS**

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**  
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2015)

	Governmental Activities	Business-type Activities	2016 Total	2015 Total
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 482,374	\$ 560,244	\$ 1,042,618	\$ 888,491
Investments	2,450,728	-	2,450,728	4,456,232
Receivables, net	1,709,063	1,249,879	2,958,942	2,169,226
Prepaid expenses and deposits	-	-	-	42
Restricted reserves	220,772	1,119,639	1,340,411	1,494,821
Capital assets, net:				
Water rights	-	40,996,379	40,996,379	42,491,783
Nondepreciable	-	997,901	997,901	265,781
Depreciable	5,464,440	-	5,464,440	5,451,642
Total assets	<u>10,327,377</u>	<u>44,924,042</u>	<u>55,251,419</u>	<u>57,218,018</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
PERS contributions	370,709	-	370,709	369,874
Deferred pension adjustments	533,882	-	533,882	-
Total deferred outflows of resources	<u>904,591</u>	<u>-</u>	<u>904,591</u>	<u>369,874</u>
<b>LIABILITIES:</b>				
Accounts payable	1,022,851	1,376,699	2,399,550	1,835,410
Accrued liabilities	89,120	-	89,120	63,497
Long-term debt:				
Due within one year	405,693	2,452,000	2,857,693	2,679,280
Due in more than one year	9,045,940	17,212,000	26,257,940	28,366,487
Total liabilities	<u>10,563,604</u>	<u>21,040,699</u>	<u>31,604,303</u>	<u>32,944,674</u>
<b>DEFERRED INFLOWS OF RESOURCES –</b>				
Deferred pension adjustments	979,012	-	979,012	971,128
<b>NET POSITION:</b>				
Net investment in capital assets	3,454,077	26,194,280	29,648,357	28,923,377
Restricted for debt service	220,772	1,136	221,908	221,466
Restricted for capital replacement	-	1,118,503	1,118,503	1,273,355
Unrestricted (deficit)	<u>(3,985,497)</u>	<u>(3,430,576)</u>	<u>(7,416,073)</u>	<u>(6,746,108)</u>
Total net position	<u>\$ (310,648)</u>	<u>\$ 23,883,343</u>	<u>\$ 23,572,695</u>	<u>\$ 23,672,090</u>

See Notes to Basic Financial Statements.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**(WITH SUMMARIZED TOTALS FOR JUNE 30, 2015)**

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		2016 Total	2015 Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities		
<b>FUNCTIONS/PROGRAMS:</b>							
<b>Governmental activities:</b>							
Conservation	\$ 1,928,518	\$ 1,005,237	\$ -	\$ (923,281)	\$ -	\$ (923,281)	\$ (956,548)
Mitigation	2,261,058	2,542,519	334,864	616,325	-	616,325	37,826
Water supply	7,196,554	4,313,762	-	(2,882,792)	-	(2,882,792)	(1,077,646)
Total governmental activities	<u>11,386,130</u>	<u>7,861,518</u>	<u>334,864</u>	<u>(3,189,748)</u>	<u>-</u>	<u>(3,189,748)</u>	<u>(1,996,368)</u>
Business-type activities – water sales	4,347,080	5,513,758	-	-	1,166,678	1,166,678	1,433,255
Total business-type activities	<u>4,347,080</u>	<u>5,513,758</u>	<u>-</u>	<u>-</u>	<u>1,166,678</u>	<u>1,166,678</u>	<u>1,433,255</u>
Total	<u>\$ 15,733,210</u>	<u>\$ 13,375,276</u>	<u>\$ 334,864</u>	<u>(3,189,748)</u>	<u>1,166,678</u>	<u>(2,023,070)</u>	<u>(563,113)</u>
<b>GENERAL REVENUES:</b>							
Property taxes				1,788,896	-	1,788,896	1,689,619
Investment earnings				48,125	56,685	104,810	51,596
Miscellaneous				29,207	762	29,969	39,507
Total general revenues				<u>1,866,228</u>	<u>57,447</u>	<u>1,923,675</u>	<u>1,780,722</u>
<b>CHANGE IN NET POSITION</b>				<u>(1,323,520)</u>	<u>1,224,125</u>	<u>(99,395)</u>	<u>1,217,609</u>
<b>NET POSITION – BEGINNING OF YEAR (AS RESTATED)</b>				<u>1,012,872</u>	<u>22,659,218</u>	<u>23,672,090</u>	<u>22,454,481</u>
<b>NET POSITION – END OF YEAR</b>				<u>\$ (310,648)</u>	<u>\$ 23,883,343</u>	<u>\$ 23,572,695</u>	<u>\$ 23,672,090</u>

See Notes to Basic Financial Statements.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**  
**(WITH SUMMARIZED TOTALS FOR JUNE 30, 2015)**

	Water Supply	Conservation	Mitigation	2016 Total	2015 Total
<b>ASSETS:</b>					
Cash and cash equivalents	\$ –	\$ 425,770	\$ 56,604	\$ 482,374	\$ 645,376
Investments	1,352,993	978,935	118,800	2,450,728	4,456,232
Receivables, net	439,589	280,212	989,262	1,709,063	1,194,529
Restricted reserves	<u>220,772</u>	<u>–</u>	<u>–</u>	<u>220,772</u>	<u>220,330</u>
<b>Total assets</b>	<u><b>2,013,354</b></u>	<u><b>1,684,917</b></u>	<u><b>1,164,666</b></u>	<u><b>4,862,937</b></u>	<u><b>6,516,467</b></u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Accounts payable	923,068	34,123	65,660	1,022,851	1,260,719
Accrued liabilities	<u>41,627</u>	<u>14,455</u>	<u>33,038</u>	<u>89,120</u>	<u>63,497</u>
<b>Total liabilities</b>	<u><b>964,695</b></u>	<u><b>48,578</b></u>	<u><b>98,698</b></u>	<u><b>1,111,971</b></u>	<u><b>1,324,216</b></u>
<b>Deferred Inflows –</b>					
Deferred tax revenue	<u>32,364</u>	<u>87,051</u>	<u>–</u>	<u>119,415</u>	<u>75,352</u>
<b>Total deferred inflows</b>	<u><b>32,364</b></u>	<u><b>87,051</b></u>	<u><b>–</b></u>	<u><b>119,415</b></u>	<u><b>75,352</b></u>
<b>Fund balances:</b>					
Restricted	220,772	–	–	220,772	220,330
Committed	739,717	–	–	739,717	485,060
<b>Assigned:</b>					
Insurance/litigation	171,354	11,906	66,740	250,000	250,000
Capital equipment	3,666	44,533	95,801	144,000	232,000
Flood/drought emergencies	–	–	328,944	328,944	254,891
Project expenditures	–	1,492,849	574,483	2,067,332	3,674,618
Unassigned (deficit)	<u>(119,214)</u>	<u>–</u>	<u>–</u>	<u>(119,214)</u>	<u>–</u>
<b>Total fund balances</b>	<u><b>1,016,295</b></u>	<u><b>1,549,288</b></u>	<u><b>1,065,968</b></u>	<u><b>3,631,551</b></u>	<u><b>5,116,899</b></u>
<b>Total liabilities, deferred inflows,     and fund balances</b>	<u><b>\$ 2,013,354</b></u>	<u><b>\$ 1,684,917</b></u>	<u><b>\$ 1,164,666</b></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				5,464,440	5,451,642
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds				119,415	75,352
Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore, are not reported in the funds				(74,421)	(601,254)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds				<u>(9,451,633)</u>	<u>(9,029,767)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>				<u><b>\$ (310,648)</b></u>	<u><b>\$ 1,012,872</b></u>

See Notes to Basic Financial Statements.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**(WITH SUMMARIZED TOTALS FOR JUNE 30, 2015)**

	Water Supply	Conservation	Mitigation	2016 Total	2015 Total
<b>REVENUES:</b>					
Property taxes	\$ 1,744,833	\$ –	\$ –	\$ 1,744,833	\$ 1,689,619
Water supply charge	3,382,389	–	–	3,382,389	3,327,701
User fees	–	7,213	71,805	79,018	95,321
Connection charges, net of refunds	502,298	–	–	502,298	159,250
Permit fees	–	167,213	58,161	225,374	193,609
Project reimbursements	429,075	830,811	–	1,259,886	2,151,906
Investment income	38,260	8,271	1,594	48,125	26,092
Legal fee reimbursements	–	2,728	–	2,728	2,637
Recording fees	–	12,047	–	12,047	11,340
Mitigation revenue	–	–	2,412,553	2,412,553	2,127,410
Miscellaneous	12,907	1,082	443	14,432	25,530
Grants	–	–	334,864	334,864	169,214
Total revenues	<u>6,109,762</u>	<u>1,029,365</u>	<u>2,879,420</u>	<u>10,018,547</u>	<u>9,979,629</u>
<b>EXPENDITURES:</b>					
Personnel:					
Salaries	815,048	594,470	997,369	2,406,887	2,303,067
Employee benefits and other personnel	308,289	279,789	403,092	991,170	945,150
Services and supplies:					
Project expenditures	5,384,999	775,829	366,933	6,527,761	5,424,991
Operating expenditures	166,695	143,461	213,542	523,698	677,320
Professional fees	378,388	95,547	230,487	704,422	480,555
Capital outlay	60,530	6,831	63,461	130,822	117,221
Debt service:					
Principal	80,508	–	–	80,508	78,059
Interest and other charges	138,627	–	–	138,627	147,150
Total expenditures	<u>7,333,084</u>	<u>1,895,927</u>	<u>2,274,884</u>	<u>11,503,895</u>	<u>10,173,513</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,223,322)</u>	<u>(866,562)</u>	<u>604,536</u>	<u>(1,485,348)</u>	<u>(193,884)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	–	1,271,950	–	1,271,950	948,721
Transfers out	<u>(1,271,950)</u>	<u>–</u>	<u>–</u>	<u>(1,271,950)</u>	<u>(948,721)</u>
Total other financing sources (uses)	<u>(1,271,950)</u>	<u>1,271,950</u>	<u>–</u>	<u>–</u>	<u>–</u>
NET CHANGE IN FUND BALANCES	(2,495,272)	405,388	604,536	(1,485,348)	(193,884)
FUND BALANCES – BEGINNING 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>
FUND BALANCES – END OF YEAR	<u>\$ 1,016,295</u>	<u>\$ 1,549,288</u>	<u>\$ 1,065,968</u>	<u>\$ 3,631,551</u>	<u>\$ 5,116,899</u>

See Notes to Basic Financial Statements.



**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, 2016**

---

NET CHANGE IN FUND BALANCES \$ (1,485,348)

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:

12,798

Capitalized project expenditures	\$	192,127
Capital outlay	\$	130,822
Depreciation expense	\$	<u>(310,151)</u>

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.

44,063

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	80,508
--------------------------------------	--------

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:

24,459

Compensated absences	\$	(10,870)
OPEB costs	\$	(229,688)
Current year pension cost difference	\$	<u>265,017</u>

CHANGE IN NET POSITION	\$ <u>(1,323,520)</u>
------------------------	-----------------------

See Notes to Basic Financial Statements.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT**  
**STATEMENT OF NET POSITION – PROPRIETARY FUND**  
**(CAWD/PBCSD WASTEWATER RECLAMATION PROJECT)**  
**JUNE 30, 2016**  
**(WITH SUMMARIZED TOTALS FOR JUNE 30, 2015)**

	<u>2016</u>	<u>2015</u>
<b>ASSETS:</b>		
Current assets:		
Cash and investments	\$ 560,244	\$ 243,115
Accounts receivable – water sales	1,230,290	961,391
Accounts receivable – other	19,589	13,306
Prepaid expenses	<u>–</u>	<u>42</u>
Total current assets	<u>1,810,123</u>	<u>1,217,854</u>
Noncurrent assets:		
Capital assets, net:		
Water resale rights	40,996,379	42,491,783
Construction-in-progress	<u>997,901</u>	<u>265,781</u>
Total noncurrent assets	<u>41,994,280</u>	<u>42,757,564</u>
Cash restricted for:		
Debt service	1,136	1,136
Capital replacements	<u>1,118,503</u>	<u>1,273,355</u>
Total restricted cash	<u>1,119,639</u>	<u>1,274,491</u>
Total assets	<u>44,924,042</u>	<u>45,249,909</u>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable – trade	60,182	69,451
Accounts payable – affiliates	1,316,517	505,240
Certificates of participation – current portion	1,900,000	1,800,000
Due to Pebble Beach Company – current portion	<u>552,000</u>	<u>552,000</u>
Total current liabilities	<u>3,828,699</u>	<u>2,926,691</u>
Noncurrent liabilities:		
Certificates of participation	13,900,000	15,800,000
Due to Pebble Beach Company	<u>3,312,000</u>	<u>3,864,000</u>
Total noncurrent liabilities	<u>17,212,000</u>	<u>19,664,000</u>
Total liabilities	<u>21,040,699</u>	<u>22,590,691</u>
<b>NET POSITION:</b>		
Net investment in capital assets	26,194,280	25,157,565
Restricted for debt service	1,136	1,136
Restricted for capital replacements	1,118,503	1,273,355
Unrestricted (deficit)	<u>(3,430,576)</u>	<u>(3,772,838)</u>
Total net position	<u>\$ 23,883,343</u>	<u>\$ 22,659,218</u>

See Notes to Basic Financial Statements.

**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, 2016**  
**(WITH SUMMARIZED TOTALS FOR JUNE 30, 2015)**

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES –		
Water sales	\$ 5,513,758	\$ 5,379,027
OPERATING EXPENSES:		
Plant costs	1,903,920	1,579,090
Distribution costs	325,982	342,252
General and administration	117,683	109,293
Potable water	111,378	5,247
Amortization	<u>1,592,269</u>	<u>1,589,847</u>
Total operating expenses	<u>4,051,232</u>	<u>3,625,729</u>
Operating income (loss)	<u>1,462,526</u>	<u>1,753,298</u>
NON-OPERATING REVENUES (EXPENSES):		
Bond and LC carrying costs	(191,049)	(211,044)
Interest expense – COP	(24,394)	(9,914)
Interest expense – PBCo.	(34,655)	(30,425)
Investment earnings	56,685	25,504
MPWMD fee	(45,750)	(60,509)
Other revenue (expenses)	<u>762</u>	<u>(8,151)</u>
Total non-operating revenue (expenses)	<u>(238,401)</u>	<u>(294,539)</u>
CHANGE IN NET POSITION	<u>1,224,125</u>	<u>1,458,759</u>
NET POSITION – BEGINNING OF YEAR	22,659,218	21,200,459
NET POSITION – END OF YEAR	<u>\$ 23,883,343</u>	<u>\$ 22,659,218</u>

See Notes to Basic Financial Statements.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUND**  
**(CAWD/PBCSD WASTEWATER RECLAMATION PROJECT)**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**(WITH SUMMARIZED TOTALS FOR JUNE 30, 2015)**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 5,238,659	\$ 4,995,560
Cash payments for operating expenses	<u>(1,656,997)</u>	<u>(2,187,316)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>3,581,662</u>	<u>2,808,244</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES –</b>		
Other cash receipts (expenses)	<u>762</u>	<u>(8,151)</u>
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>762</u>	<u>(8,151)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Principal payments on certificates of participation	(1,800,000)	(1,700,000)
Principal paid on PBCo debt	(552,000)	(552,000)
Interest expense	(59,049)	(40,339)
Bond carrying and interest expenses	(191,049)	(211,044)
Water resale rights – capital additions	(828,984)	(328,284)
MPWMD user fee	<u>(45,750)</u>	<u>–</u>
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(3,476,832)</u>	<u>(2,831,667)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES –</b>		
Investment earnings	<u>56,685</u>	<u>25,504</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>56,685</u>	<u>25,504</u>
<b>INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	162,277	(6,070)
<b>CASH AND INVESTMENTS, BEGINNING OF YEAR</b>	<u>1,517,606</u>	<u>1,523,676</u>
<b>CASH AND INVESTMENTS, END OF YEAR</b>	<u>\$ 1,679,883</u>	<u>\$ 1,517,606</u>

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUND**  
**(CAWD/PBCSD WASTEWATER RECLAMATION PROJECT)**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**(WITH SUMMARIZED TOTALS FOR JUNE 30, 2015)**  
(Continued)

	<u>2016</u>	<u>2015</u>
<b>RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION:</b>		
Cash and investments	\$ 560,244	\$ 243,115
Restricted cash	<u>1,119,639</u>	<u>1,274,491</u>
Total	<u>\$ 1,679,883</u>	<u>\$ 1,517,606</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 1,462,526	\$ 1,753,298
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:		
Amortization	1,592,269	1,589,847
(Increase) decrease in:		
Receivables	(275,182)	(383,467)
Prepaid expenses	42	(42)
Increase (decrease) in – Accounts payable	<u>802,007</u>	<u>(151,392)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,581,662</u>	<u>\$ 2,808,244</u>

See Notes to Basic Financial Statements.



**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

---

**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:

**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. For the most part, the effect of interfund activity has been removed from these statements.

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. The District allocates indirect expenses to functions in the statement of activities. 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.

**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, 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. The Water Demand Division provides information and programs to achieve efficient water use and maximize available supplies. This is achieved through community education and outreach, development of incentives and training programs, and by implementing and enforcing permitting and conservation regulations, thereby reducing the community's need for potable water.
- 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.

**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.

**Fair Value** – The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the District’s investments are level one.

**Cash Equivalents** – The District considers all highly liquid assets which have an original 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.

**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, 2016, 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 capital 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.



**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

**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.
- *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.

**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.

**Property Taxes** – The County of Monterey 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.

**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.

**NOTE 1.**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. 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, 2015, from which the summarized information was derived.

**Subsequent Events** – Subsequent events have been evaluated through December 15, 2016, which is the date the financial statements were available to be issued.

**Effects of New Pronouncements** – In June 2015, the Governmental Accounting Standards Board (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 District implemented this statement as of June 30, 2016. There was no significant effect on the financial statements due to the implementation.

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 District implemented this statement as of June 30, 2016. There was no significant effect on the financial statements due to the implementation.

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. The District implemented this statement as of June 30, 2016. There was no significant effect on the financial statements due to the implementation.

In March 2016, GASB issued Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The District implemented this statement in fiscal year 2016. As a result of this implementation, the District reported a prior period adjustment to net position in the amount of \$32,661.

**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.



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

The Project provides treated wastewater to irrigate golf courses and open space areas in Pebble Beach community, 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, and (4) a potable water 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 six member management committee containing two representatives from the CAWD board, two from the PBCSD board, one from the PBCo and one from the Independent Reclaimed Water Users Group (IRWUG).

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 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.

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

The Microfiltration/Reverse Osmosis (MF/RO) phase of the project (phase II), located at the CAWD treatment 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% RO water and 20% MF water. The cost of the MF/RO construction project was approximately \$20 million. The cost of the phase II 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, 2016, approximately \$27 million had been raised through these entitlement sales and investment earnings. 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 project costs in excess of those raised through the sale of water entitlements are now paid by all participants in the Project.

**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, 2016, \$405,145 of the District's bank balances of \$2,405,172 were exposed to custodial credit risk as uninsured but are 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 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.

**NOTE 3. CASH AND INVESTMENTS (Continued)**

**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, 2016 consisted of the following:

Governmental activities:	
Local Agency Investment Fund	\$ 940,977
Wells Fargo – fixed income fund	1,507,808
Wells Fargo – money market	<u>1,943</u>
Subtotal Governmental activities	<u>2,450,728</u>
Business-type activities:	
Money market accounts	5,078
Certificates of deposit	1,019,987
Municipal obligations	<u>94,574</u>
	1,119,639
Less restricted reserves	<u>1,119,639</u>
Subtotal Business-type activities	<u>–</u>
Total Investments	<u>\$ 2,450,728</u>

**NOTE 4. RECEIVABLES**

Receivables consist of the following at June 30, 2016:

	<u>Conservation</u>	<u>Mitigation</u>	<u>Water Supply</u>	<u>Total</u>
Governmental activities:				
Property taxes	\$ 87,051	\$ –	\$ 32,364	\$ 119,415
User fees	–	32,718	13,032	45,750
Reimbursements	191,229	956,308	389,366	1,536,903
Interest	1,932	236	3,827	5,995
Other	–	–	1,000	1,000
Total Governmental activities	<u>\$ 280,212</u>	<u>\$ 989,262</u>	<u>\$ 439,589</u>	<u>1,709,063</u>
Business-type activities:				
Water sales				633,514
Affiliates (Reclamation)				596,776
Other				<u>19,589</u>
Total Business-type activities				<u>1,249,879</u>
TOTAL				<u>\$ 2,958,942</u>

**NOTE 5. CAPITAL ASSETS**

Capital assets experienced the following changes for the year ended June 30, 2016:

	<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	1,061,820	27,855	–	1,089,675
Operating	21,415	–	–	21,415
Transportation	354,280	88,106	64,221	378,165
Project	262,669	–	–	262,669
Phone	<u>43,851</u>	<u>–</u>	<u>–</u>	<u>43,851</u>
Total equipment	1,890,152	115,961	64,221	1,941,892
Building and improvements	2,028,208	–	–	2,028,208
Monitoring stations	45,214	–	–	45,214
ASR facilities	4,724,869	192,127	–	4,916,996
Fish rearing facility	949,833	–	–	949,833
Leasehold improvements	<u>2,837</u>	<u>14,861</u>	<u>–</u>	<u>17,698</u>
Total depreciable assets	<u>9,641,113</u>	<u>322,949</u>	<u>64,221</u>	<u>9,899,841</u>

**NOTE 5. CAPITAL ASSETS (Continued)**

	Balance Beginning of Year	Current Additions	Deletions/ Transfers	Balance End of Year
Less accumulated depreciation for:				
Equipment:				
Office	143,740	580	-	144,320
Computer	649,063	81,081	-	730,144
Operating	21,415	-	-	21,415
Transportation	329,778	12,600	64,221	278,157
Project	258,229	2,392	-	260,621
Phone	43,851	-	-	43,851
Total equipment	1,446,076	96,653	64,221	1,478,508
Building and improvements	842,352	53,012	-	895,364
Monitoring stations	45,214	-	-	45,214
ASR Facilities	909,121	158,097	-	1,067,218
Fish rearing facility	943,871	2,142	-	946,013
Leasehold improvements	2,837	247	-	3,084
Total accumulated depreciation	4,189,471	310,151	64,221	4,435,401
Total depreciable assets, net	5,451,642	12,798	-	5,464,440
Total governmental activities capital assets, net	5,451,642	12,798	-	5,464,440
Business-type activities:				
Nondepreciable assets:				
Construction in progress	265,781	828,985	96,865	997,901
Water resale rights	63,593,793	96,865	-	63,690,658
Less accumulated amortization for:				
Water resale rights	21,102,010	1,592,269	-	22,694,279
Total water resale rights, net	42,491,783	(1,495,404)	-	40,996,379
Total business type activities Capital assets, net	42,757,564	(666,419)	96,865	41,994,280
Total capital assets, net	\$ 48,209,206	\$ (653,621)	\$ 96,865	\$ 47,458,720

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

Conservation	\$ 44,973
Mitigation	60,911
Water supply	204,267
Total depreciation expense	\$ 310,151



**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, 2016, accounts receivable from these affiliates were as follows:

Receivable from PBCo. and affiliated golf courses –	
Water sales	\$ <u>1,230,290</u>
Total	\$ <u>1,230,290</u>

At June 30, 2016, accounts payable to these affiliates were as follows:

Payable to CAWD for operations and maintenance	\$ 274,622
Payable to PBCSD for operations and maintenance	94,569
Payable to MPWMD for salaries, legal, and software	36,837
Payable to MPWMD for user fee and water supply charge	45,750
Payable to PBCo. for working capital advance reimbursements	<u>864,739</u>
Total	<u>\$ 1,316,517</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, 2016, the balance in this account was \$1,118,503.

**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

**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 repayment of 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, 2016, the interest rate had dropped to a rate of 0.47% per annum. Interest expense for the year was \$24,394 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>
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	2,400,000	186,150	2,586,150
2022-2023	<u>5,100,000</u>	<u>94,900</u>	<u>5,194,900</u>
Total	<u>\$ 15,800,000</u>	<u>\$ 1,854,200</u>	<u>\$ 17,654,200</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, 2016, the balance in this account was \$220,772.

**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:

Year Ending June 30	<u>Installment Purchase Agreement</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 85,896	\$ 133,240	\$ 219,136
2018	89,016	130,120	219,136
2019	92,249	126,887	219,136
2020	95,601	123,535	219,136
2021	99,073	120,063	219,136
2022-2023	<u>3,266,015</u>	<u>1,444,609</u>	<u>4,710,624</u>
Total	<u>\$ 3,727,850</u>	<u>\$ 2,078,454</u>	<u>\$ 5,806,304</u>

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

Long-term debt activity for the year ended June 30, 2016 is as follows:

	<u>2015*</u>	<u>Additions</u>	<u>Reductions</u>	<u>2016</u>	<u>Due Within One Year</u>
Governmental activities:					
Installment Purchase Agreement	\$ 3,808,358	\$ –	\$ 80,508	\$ 3,727,850	\$ 85,896
Compensated Absences	730,874	10,870	–	741,744	319,797
OPEB	1,203,508	229,688	–	1,433,196	–
Net pension liability	<u>3,287,027</u>	<u>992,211</u>	<u>730,295</u>	<u>3,548,843</u>	<u>–</u>
Total Governmental activities	<u>9,029,767</u>	<u>1,232,669</u>	<u>810,803</u>	<u>9,451,633</u>	<u>405,693</u>
Business-type activities:					
COPs	17,600,000	–	1,800,000	15,800,000	1,900,000
Due Pebble Beach Company	<u>4,416,000</u>	<u>–</u>	<u>552,000</u>	<u>3,864,000</u>	<u>552,000</u>
Total Business-type activities	<u>22,016,000</u>	<u>–</u>	<u>2,352,000</u>	<u>19,664,000</u>	<u>2,452,000</u>
Total	<u>\$ 31,045,767</u>	<u>\$ 1,232,669</u>	<u>\$ 3,162,803</u>	<u>\$ 29,115,633</u>	<u>\$ 2,857,693</u>

In prior years, the 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 to comply with GASB No. 82.

**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 4, 2020.

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:

2017	\$	11,880
2018		11,880
2019		<u>11,761</u>
Total	\$	<u>35,521</u>

Rent expense for the year ended June 30, 2016 was \$13,035.

**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, 2016, 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.

**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, 2016, the District paid \$63,076 for retiree health benefits. As of June 30, 2016, 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

**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)	\$ 295,800
Interest on net OPEB obligation	60,176
Adjustment to ARC	<u>(63,212)</u>
Annual OPEB cost (expense)	292,764
Contributions made	<u>(63,076)</u>
Increase in net OPEB obligation	229,688
Net OPEB obligation, beginning of year	<u>1,203,508</u>
Net OPEB obligation, end of year	<u>\$ 1,433,196</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
2014	\$ 250,679	\$ 63,724	25.4%	\$ 1,002,732
2015	\$ 257,958	\$ 57,182	22.2%	\$ 1,203,508
2016	\$ 292,764	\$ 63,076	21.5%	\$ 1,433,196

**Funding Status and Funding Progress** – As of June 30, 2016, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$3,227,615, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plans) for the year ended June 30, 2016 was \$2,406,886, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 134.10%.

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.



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

In the June 30, 2016 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include a 5% 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 on an open basis. The remaining amortization period at June 30, 2016 was 24 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 at [www.calpers.ca.gov](http://www.calpers.ca.gov).

**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, 2016, 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	14.197%	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

**NOTE 12. PENSION PLAN (Continued)**

benefits earned by employees during the year, with an additional amount to finance 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, 2016, the contributions recognized as part of pension expense for the Plan was as follows:

	<u>Miscellaneous</u>
Contributions	\$ 369,874

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

As of June 30, 2016, the District reported net pension liability for its proportionate share of the net pension liability of the Miscellaneous Plan was \$3,548,843.

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 Plan is measured as of June 30, 2015, 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, 2014 rolled forward to June 30, 2015 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, 2014 and 2015 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2014	0.05481%
Proportion - June 30, 2015	0.00052%
Change - Increase (Decrease)	(0.05429)%

For the year ended June 30, 2016, the District recognized pension expense of \$105,692. Pension expense is allocated to the functions based on full time equivalents. At June 30, 2016, 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	\$ 370,709	\$ -
Change in assumption	-	200,039
Difference in proportion	-	18,535
Difference in experience	21,144	-
Difference in employer's contributions and the employer's proportionate share of contributions	-	122,326
Net differences between projected and actual earnings on plan investments	<u>512,738</u>	<u>638,112</u>
Total	<u>\$ 904,591</u>	<u>\$ 979,012</u>

**NOTE 12. PENSION PLAN (Continued)**

\$370,709 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, 2017. 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>	
2017	\$ (216,801)
2018	\$ (202,158)
2019	\$ (154,356)
2020	\$ 128,185

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous/Safety</u>
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by entry age and service
Mortality Rate Table	Derived using CalPERS' membership data for all funds (1)
Post Retirement Benefit Increase	Contract Cola up to 2.75% Until Purchasing Power Protection Allowance Floor On Purchasing Power applies 2.75% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report located on the CalPERS website.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study can be found on the CalPERS website under Forms and Publications.

**Change of Assumption** – GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate was changed from 7.50% (net of administrative expense in 2014) to 7.65% as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

**NOTE 12. PENSION PLAN (Continued)**

**Discount Rate** – The discount rate used to measure the total pension liability was 7.65% 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained from the CalPERS website under the GASB 68 Section.

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. Such cash flows were developed assuming that both members and employer will make their required contributions on time and as scheduled in all future years. Using historical returns of all of the funds’ asset classes, expected compound (geometric) 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.

<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	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100%</u>		

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

**NOTE 12. PENSION PLAN (Continued)**

**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	6.65% \$5,951,657
Current Discount Rate Net Pension Liability	7.65% \$3,548,843
1% Increase Net Pension Liability	8.65% \$1,565,041

**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**

As of June 30, 2016, the District has several ongoing projects with outstanding contracts as follows:

<u>Vendor/Contractor</u>	<u>Project</u>	<u>Original Contract Date</u>	<u>Total Contract Amount</u>	<u>Amount Outstanding at 6/30/16</u>
Brown and Caldwell	North Mo. Co. Drought Contingency Plan	03/01/16	\$ 422,939	\$ 422,939
HDR Engineering	Los Padres Dam Fish Passage Study	04/18/16	282,034	282,034
City of Pacific Grove	Storm Water Project	10/19/15	75,000	34,744
Total			<u>\$ 779,973</u>	<u>\$ 739,717</u>

**NOTE 15. INTERFUND TRANSFERS**

During the year, transfers are used to move general property tax revenues to provide a subsidy to the Conservation & Mitigation funds.

**NOTE 16. PRIOR PERIOD ADJUSTMENT**

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

Net Position at June 30, 2015	\$ 1,045,533
Implementation of GASB 82	<u>(32,661)</u>
Restated Net Position at June 30, 2015	<u>\$ 1,012,872</u>

**NOTE 17. AUTHORITATIVE PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED**

The Governmental Accounting Standards Board (GASB) has released the following new standards which are not yet effective.

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 (other post-employment benefit) 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 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



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

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 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.

In December 2015, GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. 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. 78 will have on the accompanying financial statements.

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

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this Statement are effective for reporting periods 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. 80 will have on the accompanying financial statements.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, 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. 81 will have on the accompanying financial statements.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Amounts</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Property taxes	\$ 1,570,000	\$ 1,570,000	\$ 1,744,833	\$ 174,833
Water supply charge	3,400,000	3,400,000	3,382,389	(17,611)
Connection charges, net of refunds	175,000	175,000	502,298	327,298
Project reimbursements	953,100	444,100	429,075	(15,025)
Investment income	4,500	4,500	38,260	33,760
Miscellaneous	–	–	12,907	12,907
<b>Total revenues</b>	<u>6,102,600</u>	<u>5,593,600</u>	<u>6,109,762</u>	<u>516,162</u>
<b>EXPENDITURES:</b>				
<b>Personnel:</b>				
Salaries	837,700	840,200	815,048	25,152
Employee benefits and other personnel	320,800	319,700	308,289	11,411
<b>Services and supplies:</b>				
Project expenditures	6,080,000	6,628,550	5,384,999	1,243,551
Operating expenditures	280,300	223,600	166,695	56,905
Professional fees	294,600	294,600	378,388	(83,788)
Capital outlay	59,600	74,400	60,530	13,870
<b>Debt service:</b>				
Principal	–	–	80,508	(80,508)
Interest and other charges	230,000	230,000	138,627	91,373
<b>Total expenditures</b>	<u>8,103,000</u>	<u>8,611,050</u>	<u>7,333,084</u>	<u>1,277,966</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(2,000,400)</u>	<u>(3,017,450)</u>	<u>(1,223,322)</u>	<u>1,794,128</u>
<b>OTHER FINANCING SOURCES (USES) –</b>				
Transfers out	(1,082,000)	(1,144,500)	(1,271,950)	(127,450)
<b>Total other financing sources (uses)</b>	<u>(1,082,000)</u>	<u>(1,144,500)</u>	<u>(1,271,950)</u>	<u>(127,450)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(3,082,400)	(4,161,950)	(2,495,272)	1,666,678
<b>FUND BALANCE – BEGINNING OF YEAR</b>	<u>2,761,948</u>	<u>3,730,703</u>	<u>3,511,567</u>	<u>(219,136)</u>
<b>FUND BALANCE – END OF YEAR</b>	<u>\$ (320,452)</u>	<u>\$ (431,247)</u>	<u>\$ 1,016,295</u>	<u>\$ 1,447,542</u>

See Notes to Required Supplementary Information.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE, BUDGET AND ACTUAL – CONSERVATION**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Amounts</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
User fees	–	–	7,213	7,213
Permit fees	175,000	175,000	167,213	(7,787)
Project reimbursements	952,000	893,700	830,811	(62,889)
Investment income	4,000	4,000	8,271	4,271
Legal fee reimbursements	15,000	15,000	2,728	(12,272)
Recording fees	8,000	8,000	12,047	4,047
Miscellaneous	<u>10,000</u>	<u>10,000</u>	<u>1,082</u>	<u>(8,918)</u>
Total revenues	<u>1,164,000</u>	<u>1,105,700</u>	<u>1,029,365</u>	<u>(76,335)</u>
<b>EXPENDITURES:</b>				
Personnel:				
Salaries	537,200	577,800	594,470	(16,670)
Employee benefits and other personnel	298,500	299,900	279,789	20,111
Services and supplies:				
Project expenditures	1,111,500	1,111,000	775,829	335,171
Operating expenditures	220,500	183,200	143,461	39,739
Professional fees	92,400	92,400	95,547	(3,147)
Capital outlay	<u>17,900</u>	<u>17,900</u>	<u>6,831</u>	<u>11,069</u>
Total expenditures	<u>2,278,000</u>	<u>2,282,200</u>	<u>1,895,927</u>	<u>386,273</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,114,000)</u>	<u>(1,176,500)</u>	<u>(866,562)</u>	<u>309,938</u>
<b>OTHER FINANCING SOURCES (USES) –</b>				
Transfers in	<u>1,082,000</u>	<u>1,144,500</u>	<u>1,271,950</u>	<u>127,450</u>
Total other financing sources (uses)	<u>1,082,000</u>	<u>1,144,500</u>	<u>1,271,950</u>	<u>127,450</u>
<b>NET CHANGE IN FUND BALANCE</b>	(32,000)	(32,000)	405,388	437,388
<b>FUND BALANCE – BEGINNING OF YEAR</b>	<u>968,598</u>	<u>1,143,900</u>	<u>1,143,900</u>	–
<b>FUND BALANCE – END OF YEAR</b>	<u>\$ 936,598</u>	<u>\$ 1,111,900</u>	<u>\$ 1,549,288</u>	<u>\$ 437,388</u>

See Notes to Required Supplementary Information.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE, BUDGET AND ACTUAL – MITIGATION**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Amounts</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
User fees	\$ 75,000	\$ 75,000	\$ 71,805	\$ (3,195)
Permit fees	58,000	58,000	58,161	161
Investment income	6,500	6,500	1,594	(4,906)
Mitigation revenue	2,412,000	2,412,000	2,412,553	553
Grants	275,000	275,000	334,864	59,864
Miscellaneous	<u>77,000</u>	<u>39,200</u>	<u>443</u>	<u>(38,757)</u>
Total revenues	<u>2,903,500</u>	<u>2,865,700</u>	<u>2,879,420</u>	<u>13,720</u>
<b>EXPENDITURES:</b>				
Personnel:				
Salaries	1,000,100	997,600	997,369	231
Employee benefits and other personnel	412,200	408,900	403,092	5,808
Services and supplies:				
Project expenditures	708,800	645,550	366,933	278,617
Operating expenditures	339,800	267,500	213,542	53,958
Professional fees	148,000	148,000	230,487	(82,487)
Capital outlay	<u>67,000</u>	<u>81,900</u>	<u>63,461</u>	<u>18,439</u>
Total expenditures	<u>2,675,900</u>	<u>2,549,450</u>	<u>2,274,884</u>	<u>274,566</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>227,600</u>	<u>316,250</u>	<u>604,536</u>	<u>288,286</u>
<b>NET CHANGE IN FUND BALANCE</b>	227,600	316,250	604,536	288,286
<b>FUND BALANCE – BEGINNING OF YEAR</b>	<u>387,523</u>	<u>461,432</u>	<u>461,432</u>	<u>–</u>
<b>FUND BALANCE – END OF YEAR</b>	<u>\$ 615,123</u>	<u>\$ 777,682</u>	<u>\$ 1,065,968</u>	<u>\$ 288,286</u>

See Notes to Required Supplementary Information.



**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2016**

---

**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.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS OF OTHER POST EMPLOYMENT BENEFITS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

<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>
2014	6/30/2014	\$ -	\$ 2,666,140	\$ 2,666,140	0%	\$ 2,251,992	118.39%
2015	6/30/2014	\$ -	\$ 2,666,140	\$ 2,666,140	0%	\$ 2,146,340	124.22%
2016	6/30/2016	\$ -	\$ 3,227,615	\$ 3,227,615	0%	\$ 2,406,886	134.10%

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**Last 10 Years\***  
**FOR THE YEAR ENDED JUNE 30, 2016**

Fiscal Year	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered employee payroll	Proportionate share of the net pension liability as percentage of covered employee payroll	Plan's fiduciary net position	Plan fiduciary net position as a percentage of the total pension liability
<u>2015</u>						
Miscellaneous Plan	0.05481%	\$ 3,287,027	\$ 2,282,220	144.03%	\$ 12,386,568	76.12%
<u>2016</u>						
Miscellaneous Plan	0.00052%	\$ 3,548,843	\$ 2,325,836	152.58%	\$ 12,722,539	78.19%

**Notes to Schedule:**

**Benefit changes.**

For 2016, the figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

**Changes in assumptions.**

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

In 2016, the discount rate was changed from 7.50 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

\* Fiscal year 2015 was the 1st year of implementation, therefore, only two years are shown.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT**  
**SCHEDULE OF CONTRIBUTIONS**  
 Last 10 Years\*  
 FOR THE YEAR ENDED JUNE 30, 2016

<u>Fiscal Year</u>	<u>Contractually required contribution (actuarially determined)</u>	<u>Contributions in relation to the actuarially determined contributions</u>	<u>Contribution deficiency (excess)</u>	<u>Covered employee payroll</u>	<u>Contributions as a percentage of covered employee payroll</u>
<u>2015</u>					
Miscellaneous Plan	\$ 369,874	\$ 369,874	\$ -	\$ 2,325,836	15.90%
<u>2016</u>					
Miscellaneous Plan	\$ 370,709	\$ 370,709	\$ -	\$ 2,419,068	15.32%

**Notes to Schedule:**

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2014–15 were derived from the June 30, 2012 funding valuation report, those used for Fiscal Year 2015–16 were derived from the June 30, 2013 funding valuation report.

Actuarial cost method	Entry age normal
Amortization method/period	Level percentage of payroll
Asset valuation method	Market value
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses; includes inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

\* Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

# STATISTICAL SECTION

---



(Photo: Fish Rescue)

## STATISTICAL SECTION

---

The information in this section is not covered by the Independent Auditor's Report, but is presented as supplemental data for the benefit of the readers of the comprehensive financial report. This section presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District's overall financial health.

### **Financial Trends**

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time. (Pages 57-61)

### **Revenue Capacity**

These schedules contain information to help the reader assess the District's most significant local revenue sources. (Pages 62-64)

### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future. (Pages 65-66)

### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place. (Pages 67-69)

### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs. (Pages 70-71)



## MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

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

	Fiscal Year Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Governmental activities</b>										
Net investment in capital assets	\$ 3,454,077	\$ 3,765,812	\$ 3,703,618	\$ 3,825,773	\$ 7,626,567	\$ 6,238,660	\$ 5,280,114	\$ 4,702,951	\$ 4,022,151	\$ 3,263,675
Restricted for debt service	220,772	220,330	219,136	219,136	-	-	-	-	-	-
Unrestricted (deficit)	(3,985,497)	(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
<b>Total governmental activities net position</b>	<b>\$ (310,648)</b>	<b>\$ 1,045,533</b>	<b>\$ 5,239,607</b>	<b>\$ 6,742,204</b>	<b>\$ 6,508,807</b>	<b>\$ 6,873,709</b>	<b>\$ 6,432,477</b>	<b>\$ 6,323,105</b>	<b>\$ 6,006,376</b>	<b>\$ 5,146,950</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 26,194,280	\$ 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
Restricted for construction project	-	-	-	15,276	-	-	-	-	-	-
Restricted for debt service	1,136	1,136	1,137	1,137	1,136	1,136	1,136	1,136	2,755	2,670
Restricted for capital replacement	1,118,503	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
Unrestricted (deficit)	(3,430,576)	(3,772,838)	(4,393,080)	-	250,873	245,551	422,876	493,122	(341,413)	(5,445,716)
<b>Total business-type activities net position</b>	<b>\$ 23,883,343</b>	<b>\$ 22,659,218</b>	<b>\$ 21,200,459</b>	<b>\$ 19,658,995</b>	<b>\$ 25,353,947</b>	<b>\$ 25,268,728</b>	<b>\$ 25,581,161</b>	<b>\$ 26,258,724</b>	<b>\$ 23,247,320</b>	<b>\$ 16,377,717</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 29,648,357	\$ 28,923,377	\$ 28,422,747	\$ 22,620,275	\$ 31,839,030	\$ 30,369,001	\$ 29,458,735	\$ 29,124,877	\$ 26,874,678	\$ 18,940,624
Restricted for construction project	-	-	-	15,276	-	-	-	-	-	-
Restricted for debt service	221,908	221,466	220,273	220,273	1,136	1,136	1,136	1,136	2,755	2,670
Restricted for capital replacement	1,118,503	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
Unrestricted (deficit)	(7,416,073)	(6,746,108)	(3,076,227)	2,697,295	(866,887)	880,600	1,575,239	2,113,276	1,642,812	(3,562,441)
<b>Total primary government net position</b>	<b>\$ 23,572,695</b>	<b>\$ 23,672,090</b>	<b>\$ 26,440,066</b>	<b>\$ 26,401,199</b>	<b>\$ 31,862,754</b>	<b>\$ 32,142,437</b>	<b>\$ 32,013,638</b>	<b>\$ 32,581,829</b>	<b>\$ 29,253,696</b>	<b>\$ 21,524,667</b>

**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.

# MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

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

Expenses (by function)	Fiscal Year Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Governmental activities:</b>										
Conservation	\$ 1,928,518	\$ 2,546,486	\$ 2,269,696	\$ 1,459,231	\$ 1,112,961	\$ 1,066,511	\$ 912,893	\$ 1,093,863	\$ 870,287	\$ 660,914
Mitigation	2,261,058	2,362,093	2,463,838	2,284,450	3,131,325	4,777,577	3,977,038	2,767,714	3,208,565	2,717,456
Water supply	7,196,554	5,301,612	8,075,379	4,191,428	1,200,978	1,291,349	1,404,760	1,349,966	1,199,742	1,041,009
<b>Total Governmental Activities expenses</b>	<b>11,386,130</b>	<b>10,210,191</b>	<b>12,808,913</b>	<b>7,935,109</b>	<b>5,445,264</b>	<b>7,135,437</b>	<b>6,294,691</b>	<b>5,211,543</b>	<b>5,278,594</b>	<b>4,419,379</b>
<b>Business- type activities:</b>										
Water sales	4,347,080	3,945,772	3,889,685	3,434,236	3,793,748	3,664,890	3,691,170	3,881,830	3,500,939	3,239,985
<b>Total business-type activities expenses</b>	<b>4,347,080</b>	<b>3,945,772</b>	<b>3,889,685</b>	<b>3,434,236</b>	<b>3,793,748</b>	<b>3,664,890</b>	<b>3,691,170</b>	<b>3,881,830</b>	<b>3,500,939</b>	<b>3,239,985</b>
<b>Total Primary Government Expenses</b>	<b>15,733,210</b>	<b>14,155,963</b>	<b>16,698,598</b>	<b>11,369,345</b>	<b>9,239,012</b>	<b>10,800,327</b>	<b>9,985,861</b>	<b>9,093,373</b>	<b>8,779,533</b>	<b>7,659,364</b>
<b>Program Revenues (by function)</b>										
<b>Governmental activities:</b>										
<b>Charges for service:</b>										
Conservation	1,005,237	1,584,188	1,374,724	761,990	439,798	717,546	1,286,516	770,659	778,012	622,701
Mitigation	2,542,519	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
Water supply	4,313,762	4,223,966	5,728,874	5,523,491	305,849	420,552	603,777	695,933	764,685	693,872
Operating grants and contributions	334,864	169,214	602,499	391,797	165,528	-	-	-	299,870	195,099
<b>Total governmental activities program revenues</b>	<b>8,196,382</b>	<b>8,213,823</b>	<b>9,646,825</b>	<b>8,551,180</b>	<b>3,621,069</b>	<b>6,088,998</b>	<b>4,982,155</b>	<b>3,980,665</b>	<b>4,623,805</b>	<b>3,814,628</b>
<b>Business-type activities:</b>										
<b>Charges for services -</b>										
Water sales	5,513,758	5,379,027	5,420,240	4,175,379	2,344,688	1,840,264	1,807,929	1,915,828	2,235,363	1,891,131
<b>Total Business-type activities revenue</b>	<b>5,513,758</b>	<b>5,379,027</b>	<b>5,420,240</b>	<b>4,175,379</b>	<b>2,344,688</b>	<b>1,840,264</b>	<b>1,807,929</b>	<b>1,915,828</b>	<b>2,235,363</b>	<b>1,891,131</b>
<b>Total Primary Government Program Revenues</b>	<b>13,710,140</b>	<b>13,592,850</b>	<b>15,067,065</b>	<b>12,726,559</b>	<b>5,965,757</b>	<b>7,929,262</b>	<b>6,790,084</b>	<b>5,896,493</b>	<b>6,859,168</b>	<b>5,705,759</b>
<b>Net (Expenses)/Revenue</b>										
Governmental activities	(3,189,748)	(1,996,368)	(3,162,088)	616,071	(1,824,195)	(1,046,439)	(1,312,536)	(1,230,878)	(654,789)	(604,751)
Business-type activities	1,166,678	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)
<b>Total Primary Net (Expenses)/Revenue</b>	<b>\$ (2,023,070)</b>	<b>\$ (563,113)</b>	<b>\$ (1,631,533)</b>	<b>\$ 1,357,214</b>	<b>\$ (3,273,255)</b>	<b>\$ (2,871,065)</b>	<b>\$ (3,195,777)</b>	<b>\$ (3,196,880)</b>	<b>\$ (1,920,365)</b>	<b>\$ (1,953,605)</b>

## MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

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

	Fiscal Year Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Taxes	\$ 1,788,896	\$ 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
Investment earnings	48,125	26,092	20,042	11,524	2,080	4,772	11,485	48,260	93,640	119,553
Miscellaneous	29,207	39,507	56,653	62,211	69,200	80,253	71,285	62,547	64,977	43,895
Gain (loss) on sale of capital assets	-	-	-	-	(288)	-	-	-	2,772	(4,348)
Special items -										
Transfer of capital assets	-	-	-	(2,147,054)	-	-	-	-	-	-
Total governmental activities	<u>1,866,228</u>	<u>1,755,218</u>	<u>1,659,491</u>	<u>(382,674)</u>	<u>1,459,293</u>	<u>1,487,671</u>	<u>1,421,908</u>	<u>1,547,607</u>	<u>1,514,215</u>	<u>1,439,301</u>
Business-type activities:										
Investment earnings	56,685	25,504	26,185	1,909	36,196	19,518	64,771	42,251	195,441	436,066
Miscellaneous	762	-	-	-	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
Capital contributions (withdrawals)	-	-	-	-	-	(176,083)	(995,219)	2,269,395	4,677,468	1,414,462
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	<u>57,447</u>	<u>25,504</u>	<u>10,909</u>	<u>(916,095)</u>	<u>1,534,279</u>	<u>1,512,193</u>	<u>1,205,678</u>	<u>4,977,406</u>	<u>8,135,179</u>	<u>3,540,836</u>
Total Primary Government	<u>1,923,675</u>	<u>1,780,722</u>	<u>1,670,400</u>	<u>(1,298,769)</u>	<u>2,993,572</u>	<u>2,999,864</u>	<u>2,627,586</u>	<u>6,525,013</u>	<u>9,649,394</u>	<u>4,980,137</u>
Change in Net Position										
Governmental activities	(1,323,520)	(241,150)	(1,502,597)	233,397	(364,902)	441,232	109,372	316,729	859,426	834,550
Business-type activities	1,224,125	1,458,759	1,541,464	(174,952)	85,219	(312,433)	(677,563)	3,011,404	6,869,603	2,191,982
Total Primary Government	(99,395)	1,217,609	38,867	58,445	(279,683)	128,799	(568,191)	3,328,133	7,729,029	3,026,532
Net position - beginning of year	<u>23,672,090</u>	<u>22,454,481</u>	<u>26,401,199</u>	<u>26,342,754</u>	<u>32,142,437</u>	<u>32,013,638</u>	<u>32,581,829</u>	<u>29,253,696</u>	<u>21,524,667</u>	<u>18,498,135</u>
Net position - end of year	<u>\$ 23,572,695</u>	<u>\$ 23,672,090</u>	<u>\$ 26,440,066</u>	<u>\$ 26,401,199</u>	<u>\$ 31,862,754</u>	<u>\$ 32,142,437</u>	<u>\$ 32,013,638</u>	<u>\$ 32,581,829</u>	<u>\$ 29,253,696</u>	<u>\$ 21,524,667</u>

**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.

Net position - beginning of the year for the fiscal year ended June 30, 2015 has been restated for implementation of GASB 82.

## MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

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

	Fiscal Year Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Governmental Funds:</b>										
Reserved for prepaid expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,220	\$ 87,701	\$ 90,533	\$ 35,286
Unreserved, designated:										
Insurance/litigation	-	-	-	-	-	-	250,000	250,000	250,000	250,000
Capital equipment	-	-	-	-	-	-	286,600	183,000	183,000	168,599
Flood/drought emergencies	-	-	-	-	-	-	443,944	443,944	443,944	613,944
Unreserved, undesignated	-	-	-	-	-	-	937,688	1,322,390	1,602,501	1,381,019
Nonspendable - prepaid expenses	-	-	-	36,025	39,869	44,743	-	-	-	-
Restricted	220,772	220,330	219,136	219,136	-	-	-	-	-	-
Committed	739,717	485,060	644,294	1,590,590	707,984	822,901	-	-	-	-
Assigned:										
Insurance/litigation	250,000	250,000	250,000	250,000	183,260	250,000	-	-	-	-
Capital equipment	144,000	232,000	244,900	304,100	99,599	304,100	-	-	-	-
Flood/drought emergencies	328,944	254,891	443,944	443,944	-	443,944	-	-	-	-
Project expenditures	2,067,332	3,674,618	3,508,509	3,929,262	150,891	379,217	-	-	-	-
Unassigned (deficit)	(119,214)	-	-	-	(1,212,372)	(726,414)	-	-	-	-
<b>Total governmental fund balances</b>	<u>\$ 3,631,551</u>	<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>

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

## MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

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

	Fiscal Year Ended June 30,										
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Revenues:</b>											
Property Taxes	\$ 1,744,833	\$ 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	3,382,389	3,327,701	3,412,207	3,400,873	-	-	-	-	-	-	-
User fees	79,018	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	502,298	159,250	223,625	115,972	194,510	319,728	466,297	481,724	556,370	617,835	622,669
Permit fees	225,374	193,609	240,079	277,956	225,616	296,735	278,610	294,053	327,700	319,381	251,930
Project reimbursements	1,259,886	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	48,125	26,092	20,042	11,524	2,080	4,772	11,485	48,260	93,640	119,553	105,177
Legal fee reimbursements	2,728	2,637	18,441	32,756	27,136	23,638	22,210	21,832	27,375	22,954	34,391
Recording fees	12,047	11,340	15,061	13,785	11,797	11,987	11,735	13,087	11,950	13,947	13,620
Mitigation revenue	2,412,553	2,127,410	1,801,800	-	-	-	-	-	-	6,994	-
Miscellaneous	14,432	25,530	23,151	15,670	30,267	44,628	37,340	27,628	29,691	-	6,686
Grants	334,864	169,214	602,499	391,797	165,528	-	-	-	299,870	195,099	1,987
<b>Total revenues</b>	<b>10,018,547</b>	<b>9,979,629</b>	<b>11,317,298</b>	<b>10,329,159</b>	<b>5,089,577</b>	<b>7,579,607</b>	<b>6,294,695</b>	<b>5,528,604</b>	<b>6,134,822</b>	<b>5,257,855</b>	<b>4,281,870</b>
<b>Expenditures:</b>											
<b>Current:</b>											
Water Supply	7,053,419	5,088,746	8,004,072	3,853,524	990,160	1,128,816	1,290,119	1,254,963	1,105,236	994,877	1,001,538
Conservation	1,889,096	2,493,467	2,083,341	1,343,770	1,041,833	1,005,320	1,540,229	1,014,088	840,318	605,371	581,162
Mitigation	2,211,423	2,248,870	2,365,683	2,194,725	4,540,619	5,787,207	3,749,822	3,095,183	3,917,407	3,552,089	3,513,859
Capital outlay	130,822	117,221	107,340	53,145	42,892	73,136	45,108	447,313	150,731	115,563	7,622
<b>Debt Service:</b>											
Principal	80,508	78,059	75,215	38,368	-	-	-	-	-	-	-
Interest and other charges	138,627	147,150	143,921	41,801	23,333	23,089	-	-	-	-	-
<b>Total expenditures</b>	<b>11,503,895</b>	<b>10,173,513</b>	<b>12,779,572</b>	<b>7,525,333</b>	<b>6,638,837</b>	<b>8,017,568</b>	<b>6,625,278</b>	<b>5,811,547</b>	<b>6,013,692</b>	<b>5,267,900</b>	<b>5,104,181</b>
Excess (deficiency) of revenues over (under) expenditures	(1,485,348)	(193,884)	(1,462,274)	2,803,826	(1,549,260)	(437,961)	(330,583)	(282,943)	121,130	(10,045)	(822,311)
<b>Other Financing Sources (Uses):</b>											
Transfers in	1,271,950	948,721	-	-	-	-	-	-	-	-	-
Transfers out	(1,271,950)	(948,721)	-	-	-	-	-	-	-	-	-
Loan proceeds	-	-	-	4,000,000	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(1,485,348)</b>	<b>(193,884)</b>	<b>(1,462,274)</b>	<b>6,803,826</b>	<b>(1,549,260)</b>	<b>(437,961)</b>	<b>(330,583)</b>	<b>(282,943)</b>	<b>121,130</b>	<b>(10,045)</b>	<b>(822,311)</b>
Fund balances, beginning of year	5,116,899	5,310,783	6,773,057	(30,769)	1,518,491	1,956,452	2,287,035	2,569,978	2,448,848	2,458,893	3,281,204
<b>Fund balances, end of year</b>	<b>\$ 3,631,551</b>	<b>\$ 5,116,899</b>	<b>\$ 5,310,783</b>	<b>\$ 6,773,057</b>	<b>\$ (30,769)</b>	<b>\$ 1,518,491</b>	<b>\$ 1,956,452</b>	<b>\$ 2,287,035</b>	<b>\$ 2,569,978</b>	<b>\$ 2,448,848</b>	<b>\$ 2,458,893</b>
Debt service as a percentage of noncapital expenditures	2.00%	2.34%	1.80%	1.09%	0.47%	0.34%	0.00%	0.00%	0.00%	0.00%	0.00%

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT**

Assessed Value and Actual Value of Taxable Property - Monterey County  
Last Ten Fiscal Years  
(in thousands of dollars)

Fiscal Year Ended June 30	(1) Secured Roll	(2) Unsecured Roll	(3) Exemptions	Net Assessed Valuations	* MPWMD Property Tax Allocations	Percentage Over Net Assessed Value
2006	\$ 42,538,965	\$ 1,859,928	\$ (1,329,452)	\$ 43,069,441	\$ 1,012,932	2.4%
2007	47,388,757	1,999,660	(1,471,788)	47,916,629	1,280,201	2.7%
2008	51,334,367	2,035,086	(1,525,258)	51,844,195	1,352,826	2.6%
2009	52,454,129	2,234,086	(1,608,033)	53,080,182	1,436,800	2.7%
2010	50,655,874	2,254,022	(1,679,121)	51,230,775	1,339,138	2.6%
2011	48,774,186	2,116,423	(1,770,929)	49,119,680	1,402,646	2.9%
2012	48,980,011	2,103,408	(1,856,776)	49,226,643	1,388,301	2.8%
2013	49,595,091	2,122,678	(1,914,519)	49,803,250	1,690,645	3.4%
2014	51,396,835	2,159,991	(2,009,761)	51,547,065	1,582,796	3.1%
2015	\$ 54,354,520	\$ 2,231,717	\$ (2,119,791)	\$ 54,466,446	\$ 1,689,619	3.1%

Source: Monterey County CAFR Report (Fiscal Year Ended June 30, 2015)

\* Source: Monterey Peninsula Water Management District, Audited Financial Statements

2016 data not available at time of print



**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT**

Principal Property Taxpayers - Monterey County  
For the Year Ended June 30, 2015 and June 30, 2006

Tax Payer	Type of Business	2015			2006		
		Taxable Assessed Value (\$'000)	Rank	Percentage of Total County Assessed Value	Taxable Assessed Value (\$'000)	Rank	Percentage of Total County Assessed Value
Pebble Beach Company	Tourism	\$ 716,702	1	1.32%	\$ 640,458	2	1.49%
Pacific Gas & Electric Company	Utility	493,521	2	0.91%	286,149	3	0.66%
Chevron USA Inc	Petroleum	408,145	3	0.75%	-		
Aera Energy LLC	Utility	406,152	4	0.75%	-		
Dynergy Moss Landing LLC	Utility	357,781	5	0.66%	-		
Northridge Owner LP	Retail	121,207	6	0.22%	80,272	6	0.19%
California-American Water Company	Utility	118,469	7	0.22%	81,668	7	0.19%
Pacific Bell Telephone Company	Utility	97,546	8	0.18%	103,128	4	0.24%
Scheid Vineyards California Inc	Agriculture	94,274	9	0.17%	-		
Pacific Holdings LP ET AL	Real Estate	94,246	10	0.17%	83,866	5	0.19%
Duke Energy Moss Landing LLC	Utility	-			728,700	1	1.69%
Texaco Inc	Utility	-			62,763	8	0.15%
King City LP	Real Estate	-			60,175	9	0.14%
DDI Salinas II LLC et al	Real Estate	-			41,899	10	0.10%
Ten Largest Taxpayers' Total		2,908,043		5.35%	2,169,078		5.04%
All Other Taxpayers' Total		51,558,404		94.66%	40,900,363		94.96%
<b>Total</b>		<b>\$ 54,466,447</b>		<b>100%</b>	<b>\$ 43,069,441</b>		<b>100%</b>

Source: Monterey County CAFR Report (Fiscal Year Ended June 30, 2015)  
2016 data not available at time of print

## MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

### Major Revenue Sources Last Ten Fiscal Years (accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities										
Property Taxes	\$ 1,788,896	\$ 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
Water supply charge	3,382,389	3,327,701	3,412,207	3,400,873	-	-	-	-	-	-
User fees	79,018	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
Mitigation revenue	2,412,553	2,127,410	1,801,800	-	-	-	-	-	-	6,994
Business-type activities										
Water sales	5,513,758	5,379,027	5,359,496	4,175,379	2,344,688	1,840,254	1,807,929	1,915,828	2,235,363	1,891,131

Source: Monterey Peninsula Water Management District, Audited Financial Statements

## MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

### Ratio of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year Ended June 30,

Fiscal Year	Installment Purchase Agreement	Line of Credit	Due Pebble Beach Company	Certificates of Participation	Debt	Personal Income	As a percent of Personal Income
2016	\$ 3,727,850	\$ -	\$ 3,864,000	\$ 15,800,000	\$ 23,391,850	**	**
2015	3,808,358	-	4,416,000	17,600,000	25,824,358	21,623,627	0.12%
2014	3,886,417	-	4,968,000	19,300,000	28,154,417	20,028,430	0.14%
2013	3,961,632	-	5,520,000	21,000,000	30,481,632	19,184,636	0.16%
2012	-	1,275,478	-	22,600,000	23,875,478	18,524,806	0.13%
2011	-	1,069,163	-	24,100,000	25,169,163	17,522,589	0.14%
2010	-	-	-	25,500,000	25,500,000	16,922,093	0.15%
2009	-	-	-	26,800,000	26,800,000	16,596,190	0.16%
2008	-	-	-	28,100,000	28,100,000	16,738,324	0.17%
2007	-	-	-	29,300,000	29,300,000	16,748,707	0.17%

(1) U.S Department of Commerce, Bureau of Economic Analysis, Monterey County, in Thousands

\*\* Data not available for 2016

Source: Monterey Peninsula Water Management District, Audited Financial Statements

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT**

**Debt Service Coverage  
Last Ten Fiscal Years  
(modified accrual basis of accounting)**

	Fiscal Year Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Governmental activities *</b>										
Debt service coverage										
Water supply charges	\$ 3,382,389	\$ 3,327,701	\$ 3,412,207	\$ 3,400,873	N/A	N/A	N/A	N/A	N/A	N/A
Operating expenses (1)	(1,847,397)	(1,828,234)	(1,674,940)	(1,533,328)	N/A	N/A	N/A	N/A	N/A	N/A
Reserve funds available	395,792	439,350	442,456	442,456	N/A	N/A	N/A	N/A	N/A	N/A
Net available revenues	\$ 1,930,784	\$ 1,938,817	\$ 2,179,723	\$ 2,310,001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Debt Service:</b>										
Principal	\$ 78,059	\$ 78,059	\$ 75,215	\$ 38,368	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	147,150	147,150	143,921	41,801	23,333	23,089	-	-	-	-
	\$ 225,209	\$ 225,209	\$ 219,136	\$ 80,169	\$ 23,333	\$ 23,089	\$ -	\$ -	\$ -	\$ -
Debt service coverage ratio	8.57	8.61	9.95	28.81	N/A	N/A	N/A	N/A	N/A	N/A
Minimum coverage ratio (4)	1.25	1.25	1.25	1.25	N/A	N/A	N/A	N/A	N/A	N/A
<b>Business-type activities</b>										
Debt service coverage										
Gross revenues (2)	\$ 5,571,205	\$ 5,404,531	\$ 5,446,425	\$ 6,030,497	\$ 4,409,967	\$ 4,283,370	\$ 4,009,006	\$ 4,623,839	\$ 5,693,074	\$ 5,431,967
Operating expenses (3)	(2,588,706)	(2,035,882)	(1,960,727)	(1,770,313)	(1,907,355)	(1,716,344)	(1,870,725)	(1,813,080)	(1,356,232)	(1,181,394)
Net available revenues	\$ 2,982,499	\$ 3,368,649	\$ 3,485,698	\$ 4,260,184	\$ 2,502,612	\$ 2,567,026	\$ 2,138,281	\$ 2,810,759	\$ 4,336,842	\$ 4,250,573
<b>Debt Service:</b>										
Principal:										
PBCo.	\$ 552,000	\$ 552,000	\$ 552,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
COPs	1,700,000	1,700,000	1,700,000	1,600,000	1,500,000	1,400,000	1,300,000	1,300,000	1,200,000	1,100,000
Interest	40,339	40,339	47,688	35,308	307,246	374,014	248,742	497,692	1,006,133	1,036,907
	\$ 2,292,339	\$ 2,292,339	\$ 2,299,688	\$ 1,635,308	\$ 1,807,246	\$ 1,774,014	\$ 1,548,742	\$ 1,797,692	\$ 2,206,133	\$ 2,136,907
Debt service coverage ratio	1.30	1.47	1.52	2.61	1.38	1.45	1.38	1.56	1.97	1.99
Minimum coverage ratio (3)	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25

\* The service coverage ratio only applies to the Water Supply Fund. The amounts included in the calculation relate only to that fund.  
 (1) Operating expenses exclude depreciation, interest expense, capital outlay and project expenditures except for ASR operating expenses.  
 (2) Gross revenues includes operating revenue, other non-operating revenue, and investment earnings.  
 (3) Operating expenses exclude depreciation and amortization.  
 (4) Minimum coverage ratio requirement per debt covenants.  
 N/A represents years where debt service coverage was not required.

Source: Monterey Peninsula Water Management District, Audited Financial Statements



**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT**

Demographic and Economic Statistics - Monterey County  
Last Ten Fiscal Years

Calendar Year	Population	Per Capita Income	Total Personal Income	Median Age	School Enrollment	Unemployment Rate
2005	405,090	\$ 34,172	\$ 14,519,770	36.1	71,971	7.4%
2006	401,374	38,193	15,667,000	31.9	69,851	7.0%
2007	402,116	38,373	15,586,498	32.1	69,838	7.1%
2008	405,660	42,144	17,205,000	32.3	69,828	8.4%
2009	410,370	42,356	17,381,644	32.4	70,523	11.8%
2010	415,057	42,176	17,574,000	32.8	70,949	12.8%
2011	421,898	41,138	17,355,940	33.0	72,666	12.4%
2012	426,762	43,034	18,365,298	33.0	73,460	11.4%
2013	428,826	44,851	19,233,171	33.4	74,684	10.1%
2014	431,344	\$ 46,109	\$ 19,889,054	33.7	75,997	9.1%

Source: Monterey County CAFR Report (Fiscal Year Ended June 30, 2015)  
2015 data not available at time of print

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT**

Principal Employment by Industry - Monterey County  
For the Year Ended June 30, 2016 and June 30, 2006

Firm	2016		Firm	2006	
	Number of Employed	Percent of Total		Number of Employed	Percent of Total
Agriculture	68,800	33.32%	Agriculture	51,600	28.06%
Natural Resources, Mining and Construction	5,900	2.86%	Natural Resources, Mining and Construction	7,600	4.13%
Manufacturing	5,600	2.71%	Manufacturing	6,300	3.43%
Wholesale Trade	5,700	2.76%	Wholesale Trade	5,500	2.99%
Retail Trade	16,200	7.85%	Retail Trade	16,700	9.08%
Transportation, Warehousing and Utilities	4,800	2.32%	Transportation, Warehousing and Utilities	3,500	1.90%
Information	1,200	0.58%	Information	2,200	1.20%
Financial Activities	4,100	1.99%	Financial Activities	6,200	3.37%
Professional and Business Services	13,700	6.63%	Professional and Business Services	12,700	6.91%
Educational and Health Services	18,900	9.15%	Educational and Health Services	14,600	7.94%
Leisure and Hospitality	24,400	11.82%	Leisure and Hospitality	21,200	11.53%
Other Services	5,200	2.52%	Other Services	4,600	2.50%
Government	32,000	15.50%	Government	31,200	16.97%

Source: State of California Employment Development Department, Industry Employment-Official Monthly Estimates (CES)



**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT**

Full-time Equivalent Employees by Department  
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Department:										
General Manager's Office	2	2	2	2	3	3	4	4	4	4
Administrative Services Division	7	7	7	7	7	7	5	5	5	5
Planning & Engineering Division	5	5	5	5	5	6	6	6	6	6
Water Resources Division	7	7	7	7	7	7	7	7	7	7
Water Demand Division	6	5	5	5	5	5	5	5	6	6
<b>Total</b>	<b>27</b>	<b>26</b>	<b>26</b>	<b>26</b>	<b>27</b>	<b>28</b>	<b>27</b>	<b>27</b>	<b>28</b>	<b>28</b>

Source: Monterey Peninsula Water Management District Human Resources Department

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT**

Water Consumption by Type (in Acre-Feet)  
Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Use Type:										
Residential	4,560	4,936	5,302	5,552	5,513	5,602	6,156	6,362	6,509	6,337
Multi-Residential	1,418	1,637	1,529	1,523	1,323	1,348	1,280	1,306	1,302	1,256
Commercial	2,224	2,414	2,637	2,673	2,750	2,763	2,789	2,980	3,029	3,002
Industrial	-	9	4	53	54	6	70	77	93	71
Golf Course	185	201	20	202	201	15	223	402	421	247
Public Authority	560	630	536	503	418	571	934	972	962	991
Other	40	14	2	60	102	11	30	52	59	26
Non Revenue Metered	1	1	0	11	25	10	36	46	144	50
<b>Total</b>	<b>8,987</b>	<b>9,842</b>	<b>10,031</b>	<b>10,577</b>	<b>10,386</b>	<b>10,327</b>	<b>11,519</b>	<b>12,197</b>	<b>12,518</b>	<b>11,981</b>

Source: California American Water - Customers and Consumption by Political Jurisdiction for Water Year

## MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

### Customers by Type Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Use Type:										
Residential	31,801	32,532	32,633	38,294	**	**	**	**	**	**
Multi-Residential	1,706	1,720	1,427	1,577	**	**	**	**	**	**
Commercial	3,890	3,655	3,077	3,537	**	**	**	**	**	**
Industrial	-	4	-	6	**	**	**	**	**	**
Golf Course	4	4	5	5	**	**	**	**	**	**
Public Authority	537	555	543	548	**	**	**	**	**	**
Other	51	274	897	364	**	**	**	**	**	**
Non-Revenue Metered	6	10	12	14	**	**	**	**	**	**
<b>Total</b>	<b>37,995</b>	<b>38,754</b>	<b>38,593</b>	<b>44,345</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Source: California American Water - Customers and Consumption by Political Jurisdiction for Water Year in Acre-Feet

\*\* Data not available for 2006, 2007, 2008, 2009, 2010, & 2011 at the time of publishing