

**MONTEREY PENINSULA WATER
MANAGEMENT DISTRICT**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2009

AND INDEPENDENT AUDITORS' REPORT

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

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MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

Board of Directors

June 30, 2009

<u>Member</u>	<u>Office</u>	<u>Representative</u>
Alvin Edwards	Director	Division 1
Judi Lehman	Director	Division 2
Kristi Markey	Chair	Division 3
Regina Doyle	Vice-Chair	Division 4
Bob Brower	Director	Division 5
David Pendergrass	Director	Mayoral Representative
David Potter	Director	Monterey County Board of Supervisors

INDEPENDENT AUDITORS' REPORT

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

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, 2009 which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the CAWD/PBCSD Wastewater Reclamation Project (the proprietary fund) which statements reflect 88% 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, based on our audit, 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, 2009, and the respective changes in financial position and cash flows where applicable, for the year then ended in conformity 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.



The Management's Discussion and Analysis on pages 4 through 11 and the Budgetary Comparison Schedules on pages 39 through 42 are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

January 20, 2010

Hayashi & Wayland

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2009

This section of the Monterey Peninsula Water Management District's (the District) annual financial report presents a discussion and analysis of the District's performance during the fiscal year ended June 30, 2009. Please read it in conjunction with the District's financial statements, which follow this section.

The District was created by the California Legislature in 1977 and ratified by local voters in 1978. The District has three primary responsibilities. The first is to manage development of potable water supplies and the delivery of this water to users in the Monterey Peninsula area. The second is to protect the Monterey Peninsula area from drought impacts. The third 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 CAWD/PBCSD 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. The Management's Discussion and Analysis for this Proprietary Fund is included in separate financial statements of the Project audited by Marcello & Company and, therefore, there is no further discussion of that fund in this report.

FINANCIAL HIGHLIGHTS

- The assets of the governmental activities of the District exceeded its liabilities at the close of the year ending June 30, 2009 by \$6.3 million (net assets). However, \$4.7 million is invested in capital assets – net of related debt.
- The District's total governmental activities net assets increased by approximately \$317,000 for the year ended June 30, 2009. The increase in net assets can mostly be attributed to capital outlay and capitalized project expenditures of \$874,082 less depreciation of \$193,282.
- Capital outlay and capitalized project expenditures of \$874,082 consisted mostly of funds expended to construct an additional injection well for the District's Aquifer Storage & Recovery Project and routine computer equipment upgrades.

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.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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 Assets.

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 assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The statement of net assets 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 assets 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 Capital Projects 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 38 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

This Statement of Net Assets, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position. Net assets are reported in two categories: Invested in capital assets, net of related debt and Unrestricted. Unrestricted assets are funds available for future operational and capital expenditures.

Summary of Net Assets Governmental Activities

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Current Assets	\$ 2,642,897	\$ 3,125,520
Prepaid Expenses and Deposits	87,701	90,533
Capital Assets – Net	<u>4,702,951</u>	<u>4,022,151</u>
Total Assets	<u>7,433,549</u>	<u>7,238,204</u>
<u>Liabilities</u>		
Current Liabilities	430,545	632,725
Long-Term Liabilities	<u>679,899</u>	<u>599,103</u>
Total Liabilities	<u>1,110,444</u>	<u>1,231,828</u>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	4,702,951	4,022,151
Unrestricted	<u>1,620,154</u>	<u>1,984,225</u>
Total Net Assets	<u>\$ 6,323,105</u>	<u>\$ 6,006,376</u>

The District's assets exceeded its liabilities by approximately \$6.3 million at the end of the current year, which is an increase of approximately 5% since June 30, 2008.

The activities increased the District's net assets by approximately \$317,000 during the current year, due primarily to capital outlay.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Change in Net Assets

	Change in Net Assets Governmental Activities	
	2009	2008
<u>Revenues:</u>		
Program Revenue:		
Charges for Services	\$ 3,980,665	\$ 4,323,935
Operating grants	—	299,870
General Revenues:		
Property Taxes	1,436,800	1,352,826
Investment Income	48,260	93,640
Miscellaneous	62,547	67,749
Total Revenues	<u>5,528,272</u>	<u>6,138,020</u>
<u>Expenses:</u>		
Conservation	1,093,863	870,287
Mitigation	2,767,714	3,208,565
Water Supply	<u>1,349,966</u>	<u>1,199,742</u>
Total Expenses	<u>5,211,543</u>	<u>5,278,594</u>
Change in Net Assets	316,729	859,426
Net Assets - Beginning of Year	<u>6,006,376</u>	<u>5,146,950</u>
Net Assets - End of Year	<u>\$ 6,323,105</u>	<u>\$ 6,006,376</u>

The user fee rate, which is the District's largest and most fluid source of revenues was not adjusted during the fiscal year. The amount of operating deficit was only about \$283,000, compared to the budgeted use of reserves of approximately \$1,074,000. Governmental activities increased the District's net assets by approximately \$317,000. Key elements resulting in the net increase are as follows:

- The operating deficit of approximately \$283,000 diminished the increase.
- Project expenditures of about \$706,000, consisted mainly of constructing an additional well for the Aquifer Storage & Recovery Project, contributed to the increase.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

- Capital outlay of approximately \$168,000, mostly for routine computer equipment upgrades, added to the increase.
- Depreciation expense of approximately \$193,000 offset a portion of the increase.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's capital assets, net of accumulated depreciation, at June 30, 2009 totaled \$4,702,951 as shown below. This amount represents a net increase, including additions and disposals, net of depreciation, of approximately \$681,000 or 17% from June 30, 2008.

	Capital Assets (Net of Depreciation)	
	2009	2008
Office Equipment	\$ 14,425	\$ 12,671
Computer Equipment	183,142	124,839
Operating Equipment	69	434
Transportation Equipment	51,983	56,869
Project Equipment	13,439	16,761
Building and Improvements	1,475,270	1,535,185
Monitoring Stations	-	109
Injection Wells	2,655,536	2,254,376
Fish Rearing Facility	29,738	20,907
WDD Permit Software	279,349	-
Total	<u>\$ 4,702,951</u>	<u>\$ 4,022,151</u>

Debt Administration

All of the District's debt, other than the liability for compensated absences which increased by \$80,796, is related to the CAWD/PBCSD Wastewater Reclamation Project. As mentioned earlier, the Management's Discussion and Analysis for this Proprietary Fund is included in separate financial statements of the Project audited by Marcello & Company and, therefore, there is no further discussion of that fund in this report.

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

The Special Revenue Funds are used to account for specific revenue sources for which expenditures are restricted by law or regulation to finance particular activities of the District. The Conservation Fund accounts for financial resources used to fund water conservation activities mandated by District legislation including permit issuance and enforcement, jurisdictional water allocations, and public water conservation education. 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. This includes the Toilet Replacement Refund Program, which decreases water demand on the Carmel River.

At the end of the current fiscal year, the District's governmental funds reported a total fund balance of \$2,287,035. The Capital Projects Fund has a fund balance of \$711,005, the Conservation Fund has a fund balance of \$291,476 and the Mitigation Fund has a fund balance of \$1,284,554.

During the current fiscal year, the fund balance of the District's Capital Projects Fund decreased \$266,895, the Conservation Fund decreased \$300,704 and the Mitigation Fund increased \$284,656. The decreases in the Capital Projects Fund and the Conservation Fund are due to expenditures exceeding revenues and other financing sources. The increase in the Mitigation Fund is due to revenues exceeding expenditures and other financing uses.

BUDGET HIGHLIGHTS/VARIANCES

The District's budget projected operating revenues of \$6,940,000. The District finished the budget year with operating revenues of \$5,528,604, which was \$1,411,396 or 20% less than budgeted. The difference was mostly attributable to user fee revenues being approximately \$1,017,000 under budget, project reimbursement revenues being approximately \$536,000 under budget and permit fee revenues exceeding the budgeted amount by about \$94,000.

Actual operating expenditures totaled \$5,811,547 compared to the budget amount of \$8,287,800, or 30% less than budgeted. The difference is primarily due to project expenditures being approximately \$2,611,000 less than the budgeted amount. Expenditures for capital outlay were about \$205,000 more than the budgeted amount due to an outlay of just over \$279,000 for database programming. Funds for the database programming had been budgeted under project expenditures.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In developing the fiscal year 2009-2010 budget, the staff and management had to consider a number of factors that would impact the District's economy and finances. The 2009-2010 budget was developed without the use of reserves, except for those reserves specifically used to complete the second well for the District's Aquifer Storage and Recovery Project. This was accomplished by sustaining most expenditure levels and structuring permit and other processing fees collected by the District to fully recover service costs. Growing user fee revenues were also a factor in balancing the 2009-2010 budget.

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 Rick Dickhaut, Administrative Services Manager/Chief Financial Officer at (831) 658-5614.

BASIC FINANCIAL STATEMENTS

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2008)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>2009 Total</u>	<u>2008 Total</u>
ASSETS:				
Cash and cash equivalents	\$ 547,754	\$ 728,496	\$ 1,276,250	\$ 2,044,612
Investments	1,592,309	-	1,592,309	1,746,369
Receivables, net	502,834	314,446	817,280	1,049,771
Prepaid expenses and deposits	87,701	25,512	113,213	112,926
Restricted reserves	-	1,343,676	1,343,676	736,206
Capital assets, net:				
Water resale rights	-	51,221,926	51,221,926	31,255,751
Nondepreciable	2,384,258	-	2,384,258	21,374,915
Depreciable	<u>2,318,693</u>	<u>-</u>	<u>2,318,693</u>	<u>2,344,012</u>
Total assets	<u>7,433,549</u>	<u>53,634,056</u>	<u>61,067,605</u>	<u>60,664,562</u>
LIABILITIES:				
Accounts payable	303,640	575,332	878,972	2,557,486
Accrued liabilities	126,905	-	126,905	118,100
Interest payable	-	-	-	36,177
Long-term debt:				
Due within one year	218,797	1,300,000	1,518,797	1,511,683
Due in more than one year	<u>461,102</u>	<u>25,500,000</u>	<u>25,961,102</u>	<u>27,187,420</u>
Total liabilities	<u>1,110,444</u>	<u>27,375,332</u>	<u>28,485,776</u>	<u>31,410,866</u>
NET ASSETS:				
Invested in capital assets, net of related debt	4,702,951	24,421,926	29,124,877	26,874,678
Restricted for debt service	-	1,136	1,136	2,755
Restricted for expanded project	-	1,342,540	1,342,540	733,451
Unrestricted	<u>1,620,154</u>	<u>493,122</u>	<u>2,113,276</u>	<u>1,642,812</u>
Total net assets	<u>\$ 6,323,105</u>	<u>\$ 26,258,724</u>	<u>\$ 32,581,829</u>	<u>\$ 29,253,696</u>

See Notes to Basic Financial Statements.

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2008)

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	2008 Total
FUNCTIONS/PROGRAMS:						
Governmental activities:						
Conservation	\$ 1,093,863	\$ 770,659	\$ -	\$ (323,204)	\$ -	\$ (92,275)
Mitigation	2,767,714	2,514,073	-	(253,641)	-	(127,457)
Water supply	1,349,966	695,933	-	(654,033)	-	(435,057)
Total governmental activities	<u>5,211,543</u>	<u>3,980,665</u>	<u>-</u>	<u>(1,230,878)</u>	<u>-</u>	<u>(654,789)</u>
Business-type activities						
Business-type activities -- water	3,881,830	1,915,828	-	-	(1,966,002)	(1,265,576)
Total business-type activities	<u>3,881,830</u>	<u>1,915,828</u>	<u>-</u>	<u>-</u>	<u>(1,966,002)</u>	<u>(1,265,576)</u>
Total	<u>\$ 9,093,373</u>	<u>\$ 5,896,493</u>	<u>\$ -</u>	<u>(1,230,878)</u>	<u>(1,966,002)</u>	<u>(1,920,365)</u>
GENERAL REVENUES:						
Taxes				1,436,800	-	1,436,800
Investment earnings				48,260	42,251	90,511
Miscellaneous				62,547	-	62,546
Gain on sale of capital assets				-	-	2,772
Special items:						
Subsidy, Pebble Beach Company				-	1,467,828	2,205,070
Capital contributions				-	2,269,395	4,677,468
Water entitlement sales				-	1,197,932	1,056,931
Total general revenues				<u>1,547,607</u>	<u>4,977,406</u>	<u>9,649,394</u>
CHANGE IN NET ASSETS						
NET ASSETS - BEGINNING OF YEAR				316,729	3,011,404	7,729,029
NET ASSETS - END OF YEAR				<u>6,006,376</u>	<u>23,247,320</u>	<u>21,524,667</u>
				<u>\$ 6,323,105</u>	<u>\$ 26,258,724</u>	<u>\$ 29,253,696</u>

See Notes to Basic Financial Statements.

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2009
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2008)

	Capital Projects	Conservation	Mitigation	2009 Total	2008 Total
ASSETS:					
Cash and cash equivalents	\$ 547,754	\$ –	\$ –	\$ 547,754	\$ 690,557
Investments	1,592,309	–	–	1,592,309	1,746,369
Receivables, net	80,944	131,225	290,665	502,834	688,594
Prepaid expenses and deposits	86,948	753	–	87,701	90,533
Due from other funds	–	289,504	1,213,785	1,503,289	1,484,322
Total assets	<u>2,307,955</u>	<u>421,482</u>	<u>1,504,450</u>	<u>4,233,887</u>	<u>4,700,375</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	37,009	112,345	154,286	303,640	514,625
Accrued liabilities	53,925	15,843	57,137	126,905	118,100
Due to other funds	1,503,289	–	–	1,503,289	1,484,322
Deferred revenue	2,727	1,818	8,473	13,018	13,350
Total liabilities	<u>1,596,950</u>	<u>130,006</u>	<u>219,896</u>	<u>1,946,852</u>	<u>2,130,397</u>
Fund balances:					
Reserved for prepaid expenses	86,948	753	–	87,701	90,533
Unreserved, designated:					
Insurance/litigation	171,354	11,906	66,740	250,000	250,000
Capital equipment	17,643	7,380	157,977	183,000	183,000
Flood/drought emergencies	–	–	443,944	443,944	443,944
Unreserved, undesignated	435,060	271,437	615,893	1,322,390	1,602,501
Total fund balances	<u>711,005</u>	<u>291,476</u>	<u>1,284,554</u>	<u>2,287,035</u>	<u>2,569,978</u>
Total liabilities and fund balances	<u>\$ 2,307,955</u>	<u>\$ 421,482</u>	<u>\$ 1,504,450</u>		
Amounts reported in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds				4,702,951	4,022,151
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds				13,018	13,350
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds				(679,899)	(599,103)
NET ASSETS OF GOVERNMENTAL ACTIVITIES				<u>\$ 6,323,105</u>	<u>\$ 6,006,376</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, 2009
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2008)

	Capital Projects	Conservation	Mitigation	2009 Total	2008 Total
REVENUES:					
Property taxes	\$ 301,006	\$ 200,670	\$ 935,124	\$ 1,436,800	\$ 1,352,826
User fees	–	354,772	2,299,055	2,653,827	2,945,384
Connection charges, net of refunds	481,724	–	–	481,724	556,370
Permit fees	88,929	205,049	75	294,053	327,700
Project reimbursements	123,765	209,020	218,608	551,393	490,016
Investment income	17,471	10,646	20,143	48,260	93,640
Legal fee reimbursements	–	21,832	–	21,832	27,375
Recording fees	28	13,059	–	13,087	11,950
Miscellaneous	4,198	2,623	20,807	27,628	29,691
Grants	–	–	–	–	299,870
	<u>1,017,121</u>	<u>1,017,671</u>	<u>3,493,812</u>	<u>5,528,604</u>	<u>6,134,822</u>
EXPENDITURES:					
Personnel:					
Salaries	517,055	358,608	1,250,488	2,126,151	2,132,613
Employee benefits and other personnel	205,971	145,403	540,403	891,777	863,578
Services and supplies:					
Project expenditures	219,346	169,440	860,095	1,248,881	1,810,167
Operating expenditures	103,334	99,070	289,523	491,927	540,220
Professional fees	209,257	241,567	154,674	605,498	516,383
Capital outlay	29,053	304,287	113,973	447,313	150,731
	<u>1,284,016</u>	<u>1,318,375</u>	<u>3,209,156</u>	<u>5,811,547</u>	<u>6,013,692</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(266,895)</u>	<u>(300,704)</u>	<u>284,656</u>	<u>(282,943)</u>	<u>121,130</u>
NET CHANGE IN FUND BALANCES	(266,895)	(300,704)	284,656	(282,943)	121,130
FUND BALANCES – BEGINNING OF YEAR	<u>977,900</u>	<u>592,180</u>	<u>999,898</u>	<u>2,569,978</u>	<u>2,448,848</u>
FUND BALANCES – END OF YEAR	<u>\$ 711,005</u>	<u>\$ 291,476</u>	<u>\$ 1,284,554</u>	<u>\$ 2,287,035</u>	<u>\$ 2,569,978</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, 2009**

NET CHANGE IN FUND BALANCES		\$ (282,943)
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. This is the amount by which capital outlays exceeded depreciation in the current period.		680,800
Capitalized project expenditures	\$426,769	
Capital outlay	\$447,313	
Current year depreciation	\$(193,282)	
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.		(332)
Compensated absences 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.		<u>(80,796)</u>
CHANGE IN NET ASSETS		<u>\$ 316,729</u>

See Notes to Basic Financial Statements.

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
STATEMENT OF NET ASSETS – PROPRIETARY FUND
(CAWD/PBCSD WASTEWATER RECLAMATION PROJECT)
JUNE 30, 2009
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2008)

	<u>2009</u>	<u>2008</u>
ASSETS:		
Cash and cash equivalents	\$ 728,496	\$ 1,354,055
Receivables, net	314,446	361,177
Prepaid expenses	25,512	22,393
Reserves restricted for operations and capital replacements:	1,343,676	736,206
Capital assets, net:		
Water resale rights	51,221,926	31,255,751
Nondepreciable	<u>—</u>	<u>19,696,776</u>
Total assets	<u>53,634,056</u>	<u>53,426,358</u>
LIABILITIES:		
Accounts payable	575,332	2,042,861
Interest payable	—	36,177
Certificates of participation:		
Due within one year	1,300,000	1,300,000
Due in more than one year	<u>25,500,000</u>	<u>26,800,000</u>
Total liabilities	<u>27,375,332</u>	<u>30,179,038</u>
NET ASSETS:		
Invested in capital assets, net of related debt	24,421,926	22,852,527
Restricted for debt service	1,136	2,755
Restricted for operations and maintenance and expanded project	1,342,540	733,451
Unrestricted (deficit)	<u>493,122</u>	<u>(341,413)</u>
Total net assets	<u>\$ 26,258,724</u>	<u>\$ 23,247,320</u>

See Notes to Basic Financial Statements.

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS – PROPRIETARY FUND
(CAWD/PBCSD WASTEWATER RECLAMATION PROJECT)
FOR THE YEAR ENDED JUNE 30, 2009
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2008)

	2009	2008
OPERATING REVENUES –		
Water sales	\$ 1,915,828	\$ 2,235,363
OPERATING EXPENSES:		
Plant costs	1,271,921	797,466
Distribution costs	339,399	280,331
General and administration	73,666	57,190
Potable water	128,094	221,245
Total operating expenses	1,813,080	1,356,232
Operating income before amortization	102,748	879,131
Less amortization	1,571,058	1,138,574
Operating income (loss)	(1,468,310)	(259,443)
NON-OPERATING REVENUES		
(EXPENSES):		
Investment earnings	42,251	195,441
Interest expense and carrying costs on certificates of participation	(497,692)	(1,006,133)
Subsidy – Pebble Beach Company	1,467,828	2,205,070
Water entitlement sales	1,197,932	1,056,931
Miscellaneous	–	269
Total non-operating revenues (expenses)	2,210,319	2,451,578
NET INCOME BEFORE CONTRIBUTIONS	742,009	2,192,135
Capital contributions	2,269,395	4,677,468
CHANGE IN NET ASSETS	3,011,404	6,869,603
NET ASSETS – BEGINNING OF YEAR	23,247,320	16,377,717
NET ASSETS – END OF YEAR	\$ 26,258,724	\$ 23,247,320

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, 2009
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2008)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from sales	\$ 1,962,559	\$ 2,221,402
Cash paid for operating expenses	(1,988,156)	(1,023,896)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(25,597)	1,197,506
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Affiliate subsidy	1,467,828	2,515,984
Affiliate contribution	3,467,327	5,734,399
Payments for water rights costs	(3,136,029)	(12,299,588)
Interest payments and carrying costs on certificates of participation	(533,869)	(1,057,981)
Principal payments on certificates of participation	(1,300,000)	(1,200,000)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(34,743)	(6,307,186)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES –		
Other cash receipts	–	92
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	–	92
CASH FLOWS FROM INVESTING ACTIVITIES –		
Investment earnings	42,251	195,441
NET CASH PROVIDED BY INVESTING ACTIVITIES	42,251	195,441
NET DECREASE IN CASH AND CASH EQUIVALENTS	(18,089)	(4,914,147)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,090,261	7,004,408
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,072,172	\$ 2,090,261

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
(CAWD/PBCSD WASTEWATER RECLAMATION PROJECT)
FOR THE YEAR ENDED JUNE 30, 2009
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2008)
(Continued)

	2009	2008
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ (1,468,310)	\$ (259,443)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:		
Amortization	1,571,058	1,138,574
(Increase) decrease in:		
Receivables	46,731	(13,961)
Prepaid expenses	(3,119)	2,188
Increase (decrease) in:		
Accounts payable	<u>(171,957)</u>	<u>330,148</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (25,597)</u>	<u>\$ 1,197,506</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:		
Cash and cash equivalents	\$ 728,496	\$ 1,354,055
Restricted reserves	<u>1,343,676</u>	<u>736,206</u>
Total	<u>\$ 2,072,172</u>	<u>\$ 2,090,261</u>

See Notes to Basic Financial Statements.

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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 assets and the statement of activities) report information on all of the activities of the District. The previous reporting model emphasized fund types (the total of all funds of a particular type); in the new reporting model as defined by GASB Statement No. 34 the focus is either the District as a whole or major individual funds (within the fund financial 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 activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity, and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Separate fund based financial statements are provided for governmental funds. The District has one proprietary fund. Major individual governmental funds are reported as separate columns in the fund financial statements. The major governmental funds are the capital projects, conservation and mitigation fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses) for the determination of major funds. Any non-major funds are combined in a column in the fund financial statements. 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government fund level 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.

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

Expenditures are recorded when the liability is incurred, except for interest on long-term debt and compensated absences, which are recorded when paid.

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.

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Investment earnings are accrued. Earned but unbilled revenues are accrued and reported in the financial statements.

The following major funds are used by the District:

Governmental Funds:

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

- a. *Capital Projects Fund*, accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds, and Special Assessments).

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- b. *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.
- c. *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. This includes the Toilet Replacement Refund Program which decreases water demand on the Carmel River.

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.

Non-Current Governmental Assets/Liabilities – GASB Statement No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statements of Net Assets.

Budgets and Budgetary Accounting – The District operates under the general laws of the State of California and annually adopts a budget for all its governmental funds on the modified accrual basis of accounting to be effective July 1 for the ensuing fiscal year. Non-cash expenses are not budgeted.

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

Restricted assets – Certain cash and investments of the Reclamation Project are classified as restricted because their uses are limited by commitments made by the Project to the purchasers of the Certificates of Participation.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Receivables – Receivables are accounted for using the allowance method. The allowance for doubtful accounts is \$54,353 at June 30, 2009.

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

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

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

Equipment	3 to 20 Years
Building and improvements	5 to 39 Years
Monitoring stations	5 to 10 Years
Wells	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, in accordance with *Statement of Financial Accounting Standards No. 142*, which specifies that an intangible asset shall be amortized over its useful life, unless that life is determined to be indefinite.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences – The District accrues vested liabilities for vacation and sick pay. Permanent employees are vested after one year of full-time employment. 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, and 20 days per year after five years. Sick leave accrues at the rate of 12 days each year. Total accruals are limited to 60 days vacation and 75 days sick leave per employee.

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.

Due To/From Other Funds – 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.

Deferred Revenue – Deferred revenues arise in governmental funds when revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise, in governmental funds, when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures (unearned). In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, revenue is recognized.

Long-Term Debt – 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.

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

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

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.

Fund Equity – In the governmental fund financial statements, reservations of fund balance represent amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. In the government-wide financial statements, restrictions of net assets are limited to outside third-party restrictions.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Restricted Resources – 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.

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

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

Comparative Financial Information – The financial statements include certain prior-year summarized comparative information in total but not by activities or fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District’s financial statements for the year ended June 30, 2008, from which the summarized information was derived.

NOTE 2. THE CAWD/PBCSD WASTEWATER RECLAMATION PROJECT

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

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

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

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

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 Bank of America (the credit bank) through a reimbursement agreement between PBCo. and the credit bank. PBCo. pays the letter of credit fees, as well as principal and interest payments on debt obligations as needed, as a subsidy to the Project.

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

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

The management committee has agreed and implemented a plan to improve and expand current Project facilities. The planned improvements are intended to increase quantity of the reclaimed water by utilizing the Forest Lake Reservoir to provide additional storage and improve the quality by reducing the amount of sodium that remains after tertiary treatment by Microfiltration/Reverse Osmosis (MF/RO) process. The Expanded Project utilizes the Forest Lake Reservoir located in Pebble Beach which provides 114 million gallons of storage capacity. The reservoir was purchased by PBCSD from California-American Water Company in 1998. It has been rehabilitated including new improvements to meet the State Water Resources Department Division of Safety of Dams requirements. It is filled with reclaimed water during winter months when there is excess production at the treatment plant and the stored reclaimed water is used during summer months when the irrigation demands exceed the treatment plant capacity. This original construction of the reservoir was completed in March 2006.

In fiscal year 2008-09, the outlet structure of the reservoir was modified to increase the storage capacity from 103 million gallons to 114 million gallons. The total construction costs of approximately \$13 million were financed by the sale of proceeds of PBCo water entitlements.

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

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

The cost of the Expanded Project was financed through the sale of water entitlements owned by PBCo to residential property owners within Pebble beach, currently at \$250,000 per acre foot, which is subject to change. At June 30, 2009 approximately \$26 million had been raised through these sales and interest. The funds from the sales were deposited in a restricted escrow account where they were invested in short-term federal government securities before being spent for the Expanded Project. All projects costs in excess of those raised through the sale of Water Entitlements are being covered by PBCo.

NOTE 3. CASH AND INVESTMENTS

Cash and Cash Equivalents – Balances in cash and cash equivalents consist of bank accounts insured by the Federal Depository Insurance Corporation (FDIC) or Securities Investment Protection Corporation (SIPC) or collateralized by the pledging institution under the California Government Code and unsecured and uncollateralized deposits in the California State Treasurer’s Investment Pool, known as the Local Agency Investment Fund.

Restricted Reserves - 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 California Government Code Section 5363 (Public Deposit Act). As of June 30, 2009, \$407,743 of the District’s bank balances of \$1,257,801 was exposed to custodial credit risk as uninsured and collateralized by the pledging bank’s trust department not in the District’s name.

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

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, which equates cost. 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, 2009 consisted of the following:

NOTE 3. CASH AND INVESTMENTS (Continued)

Governmental activities –	
Local Agency Investment Fund	\$ 1,592,309
Subtotal Governmental activities	<u>1,592,309</u>
Business-type activities:	
Municipal obligations	212,753
Money market accounts	62,829
Certificates of deposit	559,996
Corporate obligations	<u>9,633</u>
	845,211
Less restricted reserves	<u>845,211</u>
Subtotal Business-type activities	<u>–</u>
Total Investments	<u>\$ 1,592,309</u>

NOTE 4. RECEIVABLES

Receivables, net of allowances for uncollectibles (estimated to be \$54,353), consist of the following at June 30, 2009:

	<u>Capital Projects</u>	<u>Conservation</u>	<u>Mitigation</u>	<u>Total</u>
Governmental activities:				
Reimbursements	\$ 72,151	\$ 89,181	\$ 12,173	\$ 173,505
User fees	–	39,355	255,032	294,387
Rebates (CAW)	–	–	14,987	14,987
Taxes	2,727	1,818	8,473	13,018
Interest	6,066	–	–	6,066
Other	<u>–</u>	<u>871</u>	<u>–</u>	<u>871</u>
Total Governmental activities	<u>\$ 80,944</u>	<u>\$ 131,225</u>	<u>\$ 290,665</u>	<u>502,834</u>
Business-type activities:				
Water sales				153,545
Affiliates (Reclamation)				148,544
Other				<u>12,357</u>
Total Business-type activities				<u>314,446</u>
TOTAL				<u>\$ 817,280</u>

NOTE 5. CHANGES IN CAPITAL ASSETS

Capital assets experienced the following changes for the year ended June 30, 2009:

	Balance Beginning of Year	Current Additions	Deletions	Balance End of Year
Governmental activities:				
Nondepreciable assets –				
Construction in progress	\$ 1,678,139	\$ 706,120	\$ –	\$ 2,384,259
Depreciable assets:				
Equipment:				
Office	140,099	7,451	361	147,189
Computer	273,574	127,938	38,390	363,122
Operating	27,421	–	–	27,421
Transportation	312,358	19,007	2,118	329,247
Project	256,779	1,157	–	257,936
Phone	43,851	–	–	43,851
Total equipment	\$ 1,054,082	\$ 155,553	\$ 40,869	\$ 1,168,766
Building and improvements	\$ 1,992,816	\$ –	\$ –	\$ 1,992,816
Monitoring stations	64,616	–	–	64,616
Wells	768,316	–	–	768,316
Fish rearing facility	944,114	12,409	–	956,523
Leasehold improvements	2,837	–	–	2,837
Total depreciable assets	4,826,781	167,962	40,869	4,953,874
Less accumulated depreciation for:				
Equipment:				
Office	127,428	5,697	361	132,764
Computer	148,735	69,635	38,390	179,980
Operating	26,987	365	–	27,352
Transportation	255,489	23,893	2,118	277,264
Project	240,018	4,479	–	244,497
Phone	43,851	–	–	43,851
Total equipment	842,508	104,069	40,869	905,708
Building and improvements	457,631	59,915	–	517,546
Monitoring stations	64,507	109	–	64,616
Wells	192,079	25,611	–	217,690
Fish rearing facility	923,207	3,578	–	926,785
Leasehold improvements	2,837	–	–	2,837
Total accumulated depreciation	2,482,769	193,282	40,869	2,635,182
Total depreciable assets, net	2,344,012	(25,320)	–	2,318,692
Total governmental activities capital assets, net	4,022,151	680,800	–	4,702,951

NOTE 5. CHANGES IN CAPITAL ASSETS (Continued)

	<u>Balance Beginning of Year</u>	<u>Current Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Business-type activities:				
Nondepreciable assets:				
Construction in progress	19,696,776	—	19,696,776	—
Water resale rights	41,305,075	21,537,233	—	62,842,308
Less accumulated amortization for:				
Water resale rights	10,049,324	1,571,058	—	11,620,382
Total water resale rights, net	31,255,751	19,966,175	—	51,221,926
Total business type activities				
Capital assets, net	50,952,527	19,966,175	19,696,776	51,221,926
Total capital assets, net	<u>\$ 54,974,678</u>	<u>\$ 20,646,975</u>	<u>\$ 19,696,776</u>	<u>\$ 55,924,877</u>

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

Conservation	\$ 45,082
Mitigation	75,213
Water supply	72,987
Total depreciation expense	<u>\$ 193,282</u>

NOTE 6. INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2009 interfund receivables and payables consist of:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Capital projects	\$ —	\$ 1,503,289
Conservation	289,504	—
Mitigation	1,213,785	—
	<u>\$ 1,503,289</u>	<u>\$ 1,503,289</u>

Interfund payables and receivables arise primarily from the Capital Projects Fund cash accounts receiving all revenue and paying all expenditures. The Proprietary Fund also collects user fees which are remitted to the other funds periodically. Any fund transfers made between accounts are reflected in the above balances as well as in the respective fund balances.

Long-term loans between funds accrue interest at a predetermined rate which then becomes payable to the lender fund. There were no such loans outstanding at June 30, 2009.

NOTE 7. 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, 2009 accounts receivable from these affiliates were as follows:

Receivable from PBCo and affiliated golf courses –	
Water sales	\$ 153,545
Total	<u>\$ 153,545</u>

At June 30, 2009 accounts payable to these affiliates were as follows:

Payable to MPWMD for user fees	\$ 46,223
Payable to MPWMD for annual charges	12,796
Payable to PBCSD for operations and maintenance	<u>20,515</u>
Total	<u>\$ 79,534</u>

Accounts payable – Expanded Project at June 30, 2009 consists of the following:

CAWD (consultants)	\$ 55,262
Total	<u>\$ 55,262</u>

NOTE 8. 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 – As a requirement of this issuance two reserve funds were established. A Renewal and Replacement Reserve was established to pay for future major repairs and an Operations and Maintenance Reserve was established to cover future operating deficits. During the year ended June 30, 2007, the renewal and replacement reserve was renamed the Capital Replacement Reserve. Each of these reserves is held in a segregated account restricted for its intended purposes. At June 30, 2009 the balances in these funds were as follows:

Capital Replacement Reserve	\$ 603,010
Operations and Maintenance Reserve	<u>242,268</u>
Total	<u>\$ 845,278</u>

NOTE 8. LONG-TERM DEBT (Continued)

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

Long-term debt activity for the year ended June 30, 2009 is as follows:

	<u>2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>2009</u>	<u>Due Within One Year</u>
COPs	\$ 28,100,000	\$ –	\$ 1,300,000	\$ 26,800,000	\$ 1,300,000
Compensated absences	<u>599,103</u>	<u>80,796</u>	<u>–</u>	<u>679,899</u>	<u>218,797</u>
	<u>\$ 28,699,103</u>	<u>\$ 80,796</u>	<u>\$ 1,300,000</u>	<u>\$ 27,479,899</u>	<u>\$ 1,518,797</u>

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

Repayment Schedule – Interest is paid to the holders of the COPs monthly at a variable rate as described above. Estimated interest payments shown below are calculated using an interest rate of 3.3%, the rate for the payment due on July 1, 2009, in accordance with GASB Statement Number 38, *Certain Financial Statement Note Disclosures*. Payments on the COPs commenced on July 1, 2002, with maturation on July 1, 2022, as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal Amount Due July 1</u>	<u>Estimated Annual Interest Amount</u>	<u>Total Debt Due</u>
2010	\$ 1,300,000	\$ 930,750	\$ 2,230,750
2011	1,400,000	879,650	2,279,650
2012	1,500,000	824,900	2,324,900
2013	1,600,000	766,500	2,366,500
2014	1,700,000	704,450	2,404,450
2015-2019	9,500,000	2,518,500	12,018,500
2020-2024	<u>9,800,000</u>	<u>554,800</u>	<u>10,354,800</u>
Total	<u>\$ 26,800,000</u>	<u>\$ 7,179,550</u>	<u>\$ 33,979,550</u>

NOTE 9. LINE OF CREDIT

The District has available a line of credit with a bank for \$2.5 million. The line of credit expires January 31, 2010, unless extended. Borrowings under the line of credit bear interest at the Bank's Prime Rate minus 0.75 percentage point. The interest rate at June 30, 2009 was 2.5%. The District did not have a balance outstanding on the line of credit at June 30, 2009.

NOTE 10. 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 2010.

NOTE 11. 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, 2009, 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 12. 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 his 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.

Government Accounting Standards Board (GASB) Statement 32 states that if a fiduciary relationship does not exist between the governmental entity and the Section 457 deferred compensation plan, the governmental entity should not report the assets of the plan in its financial statements.

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 13. PENSION PLAN

Plan Description – The District contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute. Copies of CalPERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy – Participants are required to contribute 7% of their annual covered salary. The District makes the contributions required of District employees on their behalf and for their account. The District is required to contribute at an actuarially determined rate to fund the benefits for its members. For the fiscal year ended June 30, 2009 the employer contribution rate was 9.558% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by CalPERS.

Annual Pension Cost – The District's contributions to CalPERS of \$398,996, \$361,544 and \$350,672 for the years ending June 30, 2009, 2008 and 2007, respectively, were equal to the District's required contributions for each year.

NOTE 14. 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 15. COMMITMENTS

Microfiltration and Reverse Osmosis Facilities (MF/RO) – In November 2005 the Project awarded a contract in the amount of \$1,529,205 for design and consulting work, a pilot test unit, and overseeing construction of the Expanded Project microfiltration and reverse osmosis facilities. Contract amendments have brought the original contract to approximately \$2 million.

In December 2005 the Project awarded a formal authorization to proceed in the amount of \$4,362,000 for construction of the first phase of the MF/RO facilities with CDM Constructors. Subsequent amendments brought the total contract amount to approximately \$18 million.

The MF/RO construction project was completed by June 30, 2009. The amount due to contractors at June 30, 2009 was \$187,781 for work completed.

Forest Lake Improvements – E2 Consulting Engineers completed plan revisions and additional information required for submittal to the California Division of Safety of Dams for the reservoir storage expansion permits. The proposal was to reduce the reservoir freeboard from 8 feet to 6 feet thereby providing storage for an additional 11 million gallons of water (increasing total reservoir storage capacity to 350 AF). The project was completed in February 2009.

Aquifer Storage and Recovery – In November and December 2006, the District awarded two contracts for the second Aquifer Storage and Recovery well and maintenance work on the first well, totaling \$1,208,925. Subsequent amendments have increased the contracts to \$1,728,063. The scheduled completion date is December 2009. The amount outstanding as of June 30, 2009 is \$521,557.

Database Programming – In March and April 2008, the District awarded two contracts totaling \$284,920 for database programming. Subsequent amendments have increased the contracts to \$338,947. The scheduled completion date is September 2009. The amount outstanding as of June 30, 2009 is \$41,117.

NOTE 16. BUILDING ACQUISITION

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

NOTE 17. AUTHORITATIVE PRONOUNCEMENT ISSUED BUT NOT YET ADOPTED

In July 2004, the Governmental Accounting Standards Board issued Statement of Governmental Accounting Standards No. 45 *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. In addition to pensions, many state and local governmental employers provide other post employment benefits, such as healthcare. This Statement establishes standards for the measurement, recognition, and display of expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of the governmental employer.

The requirements of this statement are effective in three phases based on a government's total annual revenues in the first fiscal year ending after June 15, 1999. Governments that were phase 1 governments for the purpose of implementation of Statement 34 – those with annual revenues of \$100 million or more – are required to implement this Statement in financial statements for periods beginning after December 15, 2006. Governments that were phase 2 governments for the purpose of implementation of Statement 34 – those with total annual revenues of \$10 million or more but less than \$100 million – are required to implement this statement in financial statements for periods beginning after December 15, 2007. Governments that were phase 3 governments for the purpose of implementation of Statement 34 – those with total annual revenues of less than \$10 million – are required to implement this Statement in financial statements for periods beginning after December 15, 2008. Earlier application is encouraged.

The District which is a phase 3 entity is required to implement the standard in fiscal year ending June 30, 2010, and has no plan for early implementation of this statement. At this time the District is not certain of the effect the adoption of Statement 45 will have on the accompanying financial statements.

In February 2009, the Governmental Accounting Standards Board issued Statement of Governmental Accounting Standards No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The requirements of the Statement are effective for financial statements for periods beginning after June 15, 2010 (the District's fiscal year ending June 30, 2011). Early implementation 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. 54 will have on the accompanying financial statements.

NOTE 18. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 20, 2010, which is the date the financial statements were available to be issued.

**REQUIRED
SUPPLEMENTARY INFORMATION**

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE, BUDGET AND ACTUAL – CAPITAL PROJECTS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Amounts</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property taxes	\$ 300,000	\$ 300,000	\$ 301,006	\$ 1,006
Connection charges, net of refunds	300,000	450,000	481,724	31,724
Permit fees	-	-	88,929	88,929
Project reimbursements	114,200	130,200	123,765	(6,435)
Investment income	11,000	11,000	17,471	6,471
Legal fee reimbursements	-	-	-	-
Recording fees	-	-	28	28
Miscellaneous	1,800	1,800	4,198	2,398
	<u>727,000</u>	<u>893,000</u>	<u>1,017,121</u>	<u>124,121</u>
EXPENDITURES:				
Personnel:				
Salaries	481,800	455,600	517,055	(61,455)
Employee benefits and other personnel	220,900	211,600	205,971	5,629
Services and supplies:				
Project expenditures	137,100	365,300	219,346	145,954
Operating expenditures	128,200	130,400	103,334	27,066
Professional fees	133,800	249,800	209,257	40,543
Capital outlay	29,100	30,400	29,053	1,347
	<u>1,130,900</u>	<u>1,443,100</u>	<u>1,284,016</u>	<u>159,084</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(403,900)</u>	<u>(550,100)</u>	<u>(266,895)</u>	<u>283,205</u>
NET CHANGE IN FUND BALANCE	(403,900)	(550,100)	(266,895)	283,205
FUND BALANCE – BEGINNING OF YEAR	<u>977,900</u>	<u>977,900</u>	<u>977,900</u>	<u>-</u>
FUND BALANCE – END OF YEAR	<u>\$ 574,000</u>	<u>\$ 427,800</u>	<u>\$ 711,005</u>	<u>\$ 283,205</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>With Final</u> <u>Amounts</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property taxes	\$ 200,000	\$ 200,000	\$ 200,670	\$ 670
User fees	489,400	489,400	354,772	(134,628)
Connection charges – net of refunds	–	–	–	–
Permit fees	250,000	200,000	205,049	5,049
Project reimbursements	744,100	673,100	209,020	(464,080)
Investment income	10,000	10,000	10,646	646
Legal fee reimbursements	30,000	30,000	21,832	(8,168)
Recording fees	12,000	12,000	13,059	1,059
Miscellaneous	<u>1,600</u>	<u>1,600</u>	<u>2,623</u>	<u>1,023</u>
Total revenues	<u>1,737,100</u>	<u>1,616,100</u>	<u>1,017,671</u>	<u>(598,429)</u>
EXPENDITURES:				
Personnel:				
Salaries	438,000	414,200	358,608	55,592
Employee benefits and other personnel	200,700	192,300	145,403	46,897
Services and supplies:				
Project expenditures	1,097,600	1,080,600	169,440	911,160
Operating expenditures	116,400	118,400	99,070	19,330
Professional fees	137,100	221,100	241,567	(20,467)
Capital outlay	<u>27,100</u>	<u>28,200</u>	<u>304,287</u>	<u>(276,087)</u>
Total expenditures	<u>2,016,900</u>	<u>2,054,800</u>	<u>1,318,375</u>	<u>736,425</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(279,800)</u>	<u>(438,700)</u>	<u>(300,704)</u>	<u>137,996</u>
NET CHANGE IN FUND BALANCE	(279,800)	(438,700)	(300,704)	137,996
FUND BALANCE – BEGINNING OF YEAR	<u>592,180</u>	<u>592,180</u>	<u>592,180</u>	<u>–</u>
FUND BALANCE – END OF YEAR	<u>\$ 312,380</u>	<u>\$ 153,480</u>	<u>\$ 291,476</u>	<u>\$ 137,996</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>With Final</u> <u>Amounts</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property taxes	\$ 932,000	\$ 932,000	\$ 935,124	\$ 3,124
User fees	3,181,000	3,181,000	2,299,055	(881,945)
Permit fees	-	-	75	75
Project reimbursements	299,300	284,300	218,608	(65,692)
Investment income	29,000	29,000	20,143	(8,857)
Miscellaneous	-	-	-	-
Grants	<u>4,600</u>	<u>4,600</u>	<u>20,807</u>	<u>16,207</u>
Total revenues	<u>4,445,900</u>	<u>4,430,900</u>	<u>3,493,812</u>	<u>(937,088)</u>
EXPENDITURES:				
Personnel:				
Salaries	1,270,300	1,201,000	1,250,488	(49,488)
Employee benefits and other personnel	582,600	558,300	540,403	17,897
Services and supplies:				
Project expenditures	2,456,300	2,414,300	860,095	1,554,205
Operating expenditures	337,400	343,400	289,523	53,877
Professional fees	239,400	89,400	154,674	(65,274)
Capital outlay	<u>180,200</u>	<u>183,500</u>	<u>113,973</u>	<u>69,527</u>
Total expenditures	<u>5,066,200</u>	<u>4,789,900</u>	<u>3,209,156</u>	<u>1,580,744</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(620,300)</u>	<u>(359,000)</u>	<u>284,656</u>	<u>643,656</u>
NET CHANGE IN FUND BALANCE	(620,300)	(359,000)	284,656	643,656
FUND BALANCE – BEGINNING OF YEAR	<u>999,898</u>	<u>999,898</u>	<u>999,898</u>	<u>-</u>
FUND BALANCE – END OF YEAR	<u>\$ 379,598</u>	<u>\$ 640,898</u>	<u>\$ 1,284,554</u>	<u>\$ 643,656</u>

See Notes to Required Supplementary Information.

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 1. BUDGETARY DATA

The District adopts an annual legal budget, which covers the Capital Projects 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.

Per *GASB Statement No. 34*, only the general fund and major special revenue funds budgets are to be presented in required supplementary information.