

**MONTEREY PENINSULA WATER
MANAGEMENT DISTRICT**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2001**

AND INDEPENDENT AUDITORS' REPORT

**MONTEREY PENINSULA WATER
MANAGEMENT DISTRICT**

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**MONTEREY PENINSULA WATER
MANAGEMENT DISTRICT**

Board of Directors

June 30, 2001

David Potter	Chair
Alvin Edwards	Vice-Chair
Ron Chesshire	Director
Molly Erickson	Director
Alexander Henson	Director
Kris Lindstrom	Director
David Pendergrass	Director

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general purpose financial statements of the *Monterey Peninsula Water Management District* as of and for the year ended June 30, 2001. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the CAWD/PBCSD Wastewater Reclamation Project, the enterprise fund, which statements reflect total assets constituting 70% of the related total. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the enterprise fund, is based solely on the report of the other auditors.

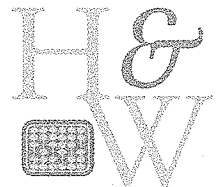
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the *Monterey Peninsula Water Management District* as of June 30, 2001, and the results of its operations and cash flows of its proprietary fund types 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.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The combining financial statements and schedules listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the *Monterey Peninsula Water Management District*. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general purpose financial statements taken as a whole.

October 18, 2001

Hayashi & Wayland



**MONTEREY PENINSULA WATER
MANAGEMENT DISTRICT
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001**

	Governmental Fund Types		Proprietary Fund Type	Account Groups		Total (Memorandum Only)
	Special Revenue (Mitigation & Conservation)	Capital Projects	Enterprise (Reclamation)	General Fixed Assets	General Long-Term Debt	
ASSETS						
ASSETS:						
Cash in bank and on hand	\$ -	\$ 429,187	\$ 482,443	\$ -	\$ -	\$ 911,630
Investments	-	4,620,319	-	-	-	4,620,319
Receivables	233,554	128,877	292,191	-	-	654,622
Due from other funds	2,058,841	-	-	-	-	2,058,841
Prepaid expenses and deposits	450	70,582	-	-	-	71,032
Restricted reserves	-	-	392,205	-	-	392,205
Equipment	-	-	-	997,990	-	997,990
Building and improvements	-	-	-	1,919,722	-	1,919,722
Monitoring stations	-	-	-	51,758	-	51,758
Fish rearing facility	-	-	-	892,732	-	892,732
Leasehold improvements	-	-	-	2,836	-	2,836
Water resale rights - net	-	-	23,059,075	-	-	23,059,075
Amount to be provided to pay future liability for compen- sated absences	-	-	-	-	284,256	284,256
Provision for accumulated depreciation on general fixed assets (memo entry)	-	-	-	(1,469,388)	-	(1,469,388)
TOTAL	\$ 2,292,845	\$ 5,248,965	\$ 24,225,914	\$ 2,395,650	\$ 284,256	\$ 34,447,630

**MONTEREY PENINSULA WATER
MANAGEMENT DISTRICT
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001
(Continued)**

	Governmental Fund Types		Proprietary Fund Type	Account Groups		Total (Memorandum Only)
	Special Revenue (Mitigation & Conservation)	Capital Projects	Enterprise (Reclamation)	General Fixed Assets	General Long-Term Debt	
LIABILITIES AND FUND EQUITY						
LIABILITIES:						
Accounts payable	\$ -	\$ 241,036	\$ 353,110	\$ -	\$ -	\$ 594,146
Accrued liabilities	35,350	36,739	7,910	-	-	79,999
Interest payable	-	-	-	-	-	-
Due to other funds	-	2,058,841	-	-	-	2,058,841
Estimated liability for compensated absences	71,443	83,861	-	-	284,256	439,560
Deferred revenue	190,602	-	-	-	-	190,602
Certificates of participation payable	-	-	33,900,000	-	-	33,900,000
Total liabilities	297,395	2,420,477	34,261,020	-	284,256	37,263,148
FUND EQUITY (DEFICIT):						
Investment in general fixed assets	-	-	-	3,865,038	-	3,865,038
Provision for accumulated depreciation (memo only)	-	-	-	(1,469,388)	-	(1,469,388)
Retained earnings (deficit):						
Funded reserves	-	-	392,205	-	-	392,205
Reserved for debt service	-	-	(10,427,311)	-	-	(10,427,311)
Fund balances:						
Reserved other funds	1,159,936	2,341,996	-	-	-	3,501,932
Reserved for prepaid expenses	-	65,658	-	-	-	65,658
Designated by Board for insurance/litigation	158,646	341,354	-	-	-	500,000
Designated by Board for capital equipment	114,114	79,480	-	-	-	193,594
Designated by Board for flood/drought emergencies	562,754	-	-	-	-	562,754
Total fund equity (deficit)	1,995,450	2,828,488	(10,035,106)	2,395,650	-	(2,815,518)
TOTAL	\$ 2,292,845	\$ 5,248,965	\$ 24,225,914	\$ 2,395,650	\$ 284,256	\$ 34,447,630

See Notes to Financial Statements.

**MONTEREY PENINSULA WATER
MANAGEMENT DISTRICT**
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001

	SPECIAL REVENUE (MITIGATION & CONSERVATION)	CAPITAL PROJECTS	TOTALS (MEMORANDUM ONLY)
REVENUES:			
Taxes	\$ 594,862	\$ 188,413	\$ 783,275
Grants	11,793	-	11,793
User fees	1,630,557	-	1,630,557
Connection charges – net of refunds (\$565,251)	-	(22,336)	(22,336)
Permit fees	99,618	6,113	105,731
Project reimbursements	89,326	155,464	244,790
Investment income	97,951	279,405	377,356
Miscellaneous	-	10,017	10,017
Total revenues	<u>2,524,107</u>	<u>617,076</u>	<u>3,141,183</u>
EXPENDITURES:			
Salaries and employee benefits	1,065,726	777,332	1,843,058
Services and supplies	594,946	895,529	1,490,475
Capital outlay	245,551	21,060	266,611
Total expenditures	<u>1,906,223</u>	<u>1,693,921</u>	<u>3,600,144</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	617,884	(1,076,845)	(458,961)
FUND BALANCES – JULY 1, 2000	<u>1,377,566</u>	<u>3,905,333</u>	<u>5,282,899</u>
FUND BALANCES – JUNE 30, 2001	<u>\$ 1,995,450</u>	<u>\$ 2,828,488</u>	<u>\$ 4,823,938</u>

See Notes to Financial Statements.

**MONTEREY PENINSULA WATER
MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
COMBINED
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
Taxes	\$ 512,421	\$ 594,862	\$ 82,441
Grants	89,660	11,793	(77,867)
User fees	1,600,000	1,630,557	30,557
Permit fees	105,000	99,618	(5,382)
Project reimbursements	177,000	89,326	(87,674)
Investment income	<u>76,500</u>	<u>97,951</u>	<u>21,451</u>
Total revenues	<u>2,560,581</u>	<u>2,524,107</u>	<u>(36,474)</u>
EXPENDITURES:			
Salaries and employee benefits	1,052,468	1,065,726	(13,258)
Services and supplies	1,500,777	594,946	905,831
Capital outlay	<u>39,958</u>	<u>245,551</u>	<u>(205,593)</u>
Total expenditures	<u>2,593,203</u>	<u>1,906,223</u>	<u>686,980</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>\$ (32,622)</u>	617,884	<u>\$ 650,506</u>
FUND BALANCE – (DEFICIT) JULY 1, 2000		<u>1,377,566</u>	
FUND BALANCE – (DEFICIT) JUNE 30, 2001		<u>\$ 1,995,450</u>	

See Notes to Financial Statements.

**MONTEREY PENINSULA WATER
MANAGEMENT DISTRICT**
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2001

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
Taxes	\$ 162,579	\$ 188,413	\$ 25,834
Connection charges – net of refunds (\$565,251)	507,500	(22,336)	(529,836)
Permit fees	–	6,113	6,113
Project reimbursements	766,000	155,464	(610,536)
Investment income	148,500	279,405	130,905
Miscellaneous	–	10,017	10,017
Total revenues	<u>1,584,579</u>	<u>617,076</u>	<u>(967,503)</u>
EXPENDITURES:			
Salaries and employee benefits:			
Salaries	678,090	619,905	58,185
Employee benefits	<u>186,387</u>	<u>157,427</u>	<u>28,960</u>
Total salaries and employee benefits	<u>864,477</u>	<u>777,332</u>	<u>87,145</u>
Services and supplies:			
Project expenditures	1,789,652	624,429	1,165,223
Operating expenditures	242,756	140,088	102,668
Professional fees	<u>78,070</u>	<u>131,012</u>	<u>(52,942)</u>
Total services and supplies	<u>2,110,478</u>	<u>895,529</u>	<u>1,214,949</u>
Capital outlay	<u>19,311</u>	<u>21,060</u>	<u>(1,749)</u>
Total expenditures	<u>2,994,266</u>	<u>1,693,921</u>	<u>1,300,345</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>\$ (1,409,687)</u>	<u>(1,076,845)</u>	<u>\$ 332,842</u>
FUND BALANCE – JULY 1, 2000		<u>3,905,333</u>	
FUND BALANCE – JUNE 30, 2001		<u>\$ 2,828,488</u>	

See Notes to Financial Statements.

**MONTEREY PENINSULA WATER
MANAGEMENT DISTRICT**
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS – BUDGET AND ACTUAL
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
OPERATING REVENUES –			
Water sales	\$ 1,138,500	\$ 1,379,969	\$ 241,469
Total operating revenues	<u>1,138,500</u>	<u>1,379,969</u>	<u>241,469</u>
OPERATING EXPENSES:			
Plant costs	304,900	376,353	(71,453)
Distribution costs	86,700	81,011	5,689
General and administration	74,210	72,890	1,320
Potable water	<u>320,000</u>	<u>400,366</u>	<u>(80,366)</u>
Total operating expenses	<u>785,810</u>	<u>930,620</u>	<u>(144,810)</u>
Operating income before amortization	352,690	449,349	96,659
Less amortization	<u>680,000</u>	<u>691,220</u>	<u>(11,220)</u>
Operating income (loss)	<u>(327,310)</u>	<u>(241,871)</u>	<u>85,439</u>
NON-OPERATING REVENUES (EXPENSES):			
Investment earnings	27,000	59,680	32,680
Interest expense on COPs	–	(1,065,113)	(1,065,113)
COP carrying costs	(69,625)	(698,880)	(629,255)
Subsidy – PBCo.	<u>367,551</u>	<u>905,614</u>	<u>538,063</u>
Total non-operating revenues (expenses)	<u>324,926</u>	<u>(798,699)</u>	<u>(1,123,625)</u>
NET INCOME (LOSS)	(2,384)	(1,040,570)	(1,038,186)
OTHER BUDGETARY ITEMS:			
Capital outlay	(7,675)	–	7,675
Reserve contribution	(5,300)	–	5,300
O&M reserve fund excess	15,359	–	(15,359)
RETAINED EARNINGS (DEFICIT) – BEGINNING OF YEAR	<u>–</u>	<u>(8,994,536)</u>	<u>(8,994,536)</u>
RETAINED EARNINGS (ACCUMULATED DEFICIT) – END OF YEAR	<u>\$ –</u>	<u>\$ (10,035,106)</u>	<u>\$ (10,035,106)</u>

See Notes to Financial Statements.

**MONTEREY PENINSULA WATER
MANAGEMENT DISTRICT
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating income (loss)	\$ (241,871)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:	
Amortization	691,220
(Increase) decrease in – Receivables	525
Increase (decrease) in – Accounts payable	<u>69,703</u>
NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES	<u>519,577</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Affiliate subsidy	905,614
Interest expense on COPs	(1,184,041)
Payment of construction costs	(45,553)
Payment of COP carrying cost	<u>(698,880)</u>
NET CASH PROVIDED BY (USED BY) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,022,860)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment earnings	61,212
Funding of required reserves	<u>(9,123)</u>
NET CASH PROVIDED BY (USED BY) INVESTING ACTIVITIES	<u>52,089</u>
NET CASH INCREASE (DECREASE)	(451,194)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>933,637</u>
CASH AND EQUIVALENTS, END OF YEAR	<u><u>\$ 482,443</u></u>

See Notes to Financial Statements.

**MONTEREY PENINSULA WATER
MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Reporting Entity:

Generally accepted accounting principles require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Statement No. 14 have been considered and there are no agencies or entities which should be presented with the District.

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 generally accepted accounting principles 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)

Description of Funds and Account Groups – The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled. The various funds are presented in the financial statements in this report into generic fund types, which are grouped into two broad fund categories, and two account groups as follows:

A. Governmental Fund Types:

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the District's Governmental Fund Types:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources (other than special assessments, or major capital projects) that are legally restricted to expenditures for specified purposes.

- Mitigation Fund – is used to account 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.
- Conservation Fund – is used to account 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.

Capital Projects Funds – are used to account 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. Proprietary Fund Types:

Proprietary Funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income. The following is the District's Proprietary Fund Type:

Enterprise Funds – are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The enterprise fund carries the activity of the CAWD/PBCSD Wastewater Reclamation Project.

C. Account Groups:

Account groups are used to establish accounting control and accountability for the District's general fixed assets and general long-term debt. The following are the District's account groups:

General Fixed Assets Account Group – is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds.

General Long-term Debt Account Group – is established to account for all long-term debt of the District except that accounted for in the Proprietary Funds.

Basis of Accounting – Refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Modified Accrual Basis of Accounting:

The modified accrual basis of accounting is used for the Governmental Fund Types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). Available means collectible within the current period or soon enough thereafter to pay current liabilities.

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.

Expenditures are recorded when the liability is incurred, except for interest on long-term debt and sick pay which are recorded when paid. Vacation pay is recorded as an expenditure in the year it is earned to the extent it is paid in that year or within ninety days after year-end; otherwise, it is recorded as an expenditure when it is paid.

B. Accrual Basis of Accounting:

The accrual basis of accounting is used for all Proprietary Funds. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when incurred. The District has adopted Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting." Accordingly, 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.

Budgets and Budgetary Accounting – The District operates under the general laws of the State of California and annually adopts a budget for all its 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Investments – The District Board has also authorized the investment of District monies in an asset management account at Wells Fargo Bank. The investment at Wells Fargo Bank is recorded 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 zero at June 30, 2001.

Prepaid Expenses – Prepaid expenses are capitalized and amortized ratably over the period of benefit. The unamortized portion is shown as a reserve against fund balance.

General Fixed Assets and Proprietary Fund Type Property and Equipment – Purchased general fixed assets and proprietary fund type property and equipment are accounted for at historical cost or estimated historical cost if actual historical cost is not known. Donated fixed assets and property and equipment are accounted for at their estimated fair value on the date received. Purchased general fixed assets are recorded as expenditures in the governmental type funds and capitalized (recorded and accounted for) in the General Fixed Assets Account Group. Proprietary fund type property and equipment is capitalized in the fund in which it is utilized. Infrastructure assets consisting of certain improvements other than buildings, including drainage and irrigation systems are not capitalized.

Depreciation on general fixed assets is shown as a memo entry only in the financial statements. General fixed assets are depreciated over their estimated useful lives. Depreciation is computed using the straight-line method. The estimated useful lives used to depreciate assets, by asset class, are as follows:

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fixed Assets:

Equipment	3 to 20 Years
Building and improvements	5 to 39 Years
Monitoring stations	5 to 10 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 tertiary treatment plant which is forty years.

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.

The current portion of the liability for compensated absences is the estimated amount left unpaid which is expected to be liquidated within the upcoming year. This amount is included in each governmental fund on the combined balance sheet. The remaining portion is recorded in the general long-term debt account group.

Deferred Revenue – Deferred revenue represents the portion of payment made under Federal Emergency Management Agency's (FEMA) Disaster Relief Assistance Program which is not yet earned. Revenue is recognized as expenditures are incurred.

Long-Term Debt – Long-term liabilities that will be financed from Governmental Funds are accounted for in the General Long-term Debt Account Group. 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Use of Estimates – The preparation of the financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported. Actual results are not expected to differ from those estimates.

“Memorandum Only” Total Columns – Included on the combined financial statements are total columns captioned “Memorandum Only” to indicate that they are presented only for informational purposes. Adjustments to eliminate interfund transactions have not been recorded in arriving at such amounts and the memorandum totals are not intended to fairly present the financial position or results of operations of the District taken as a whole.

NOTE 2. THE CAWD/PBCSD WASTEWATER RECLAMATION PROJECT

The CAWD/PBCSD Wastewater 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.

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 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 wastewater distribution system and storage tank used to distribute the treated wastewater to the receptor sites in Pebble Beach, and irrigation system improvements. 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 Project is financed by Certificates of Participation which were executed and delivered at the direction of the District in December 1992 in the amount of \$33,900,000. The District agreed to provide the funds necessary to construct and operate the Project and as a result obtains ownership of the reclaimed water for the purpose of resale of such water. PBCo. has guaranteed payment of construction costs of the Project as well as any operating deficiencies. Any 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 and interest payments on debt obligations as needed as a subsidy to the Project. For the year ended June 30, 2001, letter of credit fees and interest payments were approximately \$900,000.

Construction of the Project began in January, 1993 and was completed 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 pipelines, (2) a 2.5 million gallon storage tank, (3) a potable water pump station, and (4) a reclaimed water booster pump station.

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.

A plan to finance expansion of the Project for storage of an additional 400 acre-feet of wastewater at the Forest Lake site in Del Monte Forest (Pebble Beach area) has been proposed. On December 31, 1998, PBCSD purchased the Forest Lake Reservoir from the California-American Water Company to store reclaimed water in connection with the Project. The additional storage should improve the performance of the Project, especially in meeting peak water demand in summer. The Reclamation Management Committee of the Project is currently studying various other financing options to pay for the expansion and Phase II improvements, which is estimated to cost approximately \$22 million.

NOTE 3. CASH AND INVESTMENTS

Cash and Equivalents – Balances in cash and cash equivalents consist of bank accounts insured by the Federal Depository Insurance Corporation (FDIC), Securities Investment Protection Corporation (SIPC), and other insurance and unsecured and uncollateralized deposits in the California State Treasurer's Investment Pool, known as the Local Agency Investment Fund.

The District is required to categorize its cash to give an indication of the level of risk assumed by the District at year-end.

The categories are described as follows:

Category 1: Amount insured by the FDIC or collateralized with securities held by the District in its name.

Category 2: Amount collateralized with securities held by the pledging financial institution's trust department in the District's name.

Category 3: Uncollateralized or collateralized with securities held by the pledging financial institution's trust department but not in the name of the District.

The difference between bank balances and the carrying amounts (book value) represents outstanding checks and deposits in transit. Of the bank balance, \$253,665 was covered by federal depository insurance, and \$776,535 was collateralized by the pledging institutions as required by Section 53652 of the California Government Code. Under the California Government Code, a financial institution is required to secure deposits in excess of \$100,000 made by state or local government units by pledging securities held in the form of an undivided collateral pool. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

NOTE 3. CASH AND INVESTMENTS (Continued)

The bank balances at June 30, 2001 are categorized as follows:

	CATEGORY			BANK BALANCES	BOOK VALUE
	1	2	3		
Cash in checking	\$ 153,879	\$ 64,827	\$ -	\$ 218,706	\$ 87,728
Cash in savings	-	711,708	-	711,708	712,860
Cash in County Treasury	-	-	23,485	23,485	10,906
Cash with COP trustee	99,786	-	-	99,786	99,786
	<u>\$ 253,665</u>	<u>\$ 776,535</u>	<u>\$ 23,485</u>	<u>\$ 1,053,685</u>	911,280
Cash on hand					<u>350</u>
Total book value					<u>\$ 911,630</u>

Investments – The District is also required to categorize its investments (including that portion considered cash equivalents). The categories are described as follows:

- Category 1:** Insured or registered, or securities held by the District or its agent in the District's name.
- Category 2:** Uninsured or unregistered, with securities held by the counterparty's trust department or agent in the District's name.
- Category 3:** Uninsured or unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the District's name.

LAIF is not subject to the above categories.

Investments at June 30, 2001 are categorized as follows:

	CATEGORY			MARKET/ CARRYING VALUE
	1	2	3	
US Government obligations	\$ 2,944,907	\$ -	\$ -	\$ 2,944,907
Corporate obligations	1,190,323	-	-	1,190,323
Liquid assets	551,701	-	-	551,701
	<u>\$ 4,686,931</u>	<u>\$ -</u>	<u>\$ -</u>	4,686,931
LAIF				<u>325,593</u>
Subtotal				5,012,524
Less restricted reserves				<u>392,205</u>
Total Investments				<u>\$ 4,620,319</u>

NOTE 4. RECEIVABLES

Receivables, net of allowances for uncollectibles (estimated to be \$-0-), consist of the following at June 30, 2001:

	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>	<u>ENTERPRISE</u>	<u>TOTAL</u>
Grants	\$ -	\$ -	\$ -	\$ -
Project reimbursements	27,390	39,414	-	66,804
Water sales	-	-	133,238	133,238
User fees	206,164	-	-	206,164
Interest	-	75,306	612	75,918
Affiliates (Reclamation)	-	-	146,965	146,965
Other	-	14,157	11,376	25,533
	<u>-</u>	<u>14,157</u>	<u>11,376</u>	<u>25,533</u>
Total	<u>\$ 233,554</u>	<u>\$ 128,877</u>	<u>\$ 292,191</u>	<u>\$ 654,622</u>

NOTE 5. CHANGES IN GENERAL FIXED ASSETS

The investment in general fixed assets experienced the following changes for the year ended June 30, 2001:

	<u>BALANCE BEGINNING OF YEAR</u>	<u>CURRENT ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE END OF YEAR</u>
Equipment:				
Office	\$ 174,864	\$ 4,200	\$ 6,134	\$ 172,930
Computer	242,662	39,774	694	281,742
Operating	22,996	1,294	-	24,290
Transportation	241,181	-	1,446	239,735
Project	236,192	-	750	235,442
Phone	43,851	-	-	43,851
	<u>961,746</u>	<u>45,268</u>	<u>9,024</u>	<u>997,990</u>
Total equipment	961,746	45,268	9,024	997,990
Building and improvements	1,919,722	-	-	1,919,722
Monitoring stations	45,456	7,438	1,136	51,758
Fish rearing facility	678,827	213,905	-	892,732
Leasehold improvements	2,836	-	-	2,836
	<u>3,608,587</u>	<u>\$ 266,611</u>	<u>\$ 10,160</u>	<u>3,865,038</u>
Total	3,608,587	\$ 266,611	\$ 10,160	3,865,038
Less provision for accumulated depreciation (memo entry)	<u>1,186,933</u>			<u>1,469,388</u>
Investment in general fixed assets (net)	<u>\$ 2,421,654</u>			<u>\$ 2,395,650</u>

NOTE 6. WATER RESALE RIGHTS

At June 30, 2001 reclamation water resale rights consist of the following:

Tertiary plant and distribution system costs	\$ 25,335,269
Irrigation system transferred to Open Space Users	1,459,777
Part of pump station transferred to Cal-Am	<u>853,727</u>
Total	27,648,773
Less: accumulated amortization	<u>4,589,698</u>
Water resale rights – net	<u>\$ 23,059,075</u>

NOTE 7. CHANGES IN GENERAL LONG-TERM DEBT

Changes in general long-term debt consisted of:

Total General Long-term Debt at June 30, 2000	\$ 263,510
Increase in estimated liability for compensated absences	<u>20,746</u>
General Long-term Debt at June 30, 2001	<u>\$ 284,256</u>

NOTE 8. INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2001, the following amounts were receivable and payable between funds of the district:

	<u>RECEIVABLES</u>	<u>PAYABLES</u>
Mitigation Fund	\$ 1,715,595	\$ –
Conservation Fund	343,246	–
Capital Projects Fund	<u>–</u>	<u>\$ 2,058,841</u>
Total	<u>\$ 2,058,841</u>	<u>\$ 2,058,841</u>

NOTE 8. INTERFUND RECEIVABLES AND PAYABLES (Continued)

These interfund payables and receivables arise primarily from the Capital Projects Fund cash accounts receiving all Special Revenue Fund revenue and paying all Special Revenue Fund expenditures. The Enterprise 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, 2001.

NOTE 9. 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, 2001 accounts receivable from these affiliates were as follows:

Receivable from CAWD	\$ 107
Receivable from PBCo and affiliated golf courses for reclaimed water delivery	<u>146,858</u>
Total	<u>\$ 146,965</u>

At June 30, 2001 accounts payable to these affiliates were as follows:

Payable to CAWD for personnel and overhead	\$ 38,246
Payable to MPWMD for user fees	36,055
Payable to PBCSD for personnel and overhead	<u>49,214</u>
Total	<u>\$ 123,515</u>

NOTE 10. CERTIFICATES OF PARTICIPATION PAYABLE

The Variable Rate Demand Certificates of Participation – Wastewater Reclamation Project Series 1992 (the Certificates) were issued in December 1992 in the amount of \$33,900,000 by the District. The Certificates will mature on July 1, 2022. The Certificates 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 Certificates 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 Certificates. The Certificates 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 Certificates issuance.

NOTE 10. CERTIFICATES OF PARTICIPATION PAYABLE (Continued)

As a requirement of this issuance two reserved 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. Each of these reserves is held in a segregated account restricted for its intended purpose. At June 30, 2001 the balances in these funds were as follows:

Renewal and Replacement Reserve	\$ 190,965
Operations and Maintenance Reserve	<u>201,240</u>
Total	<u>\$ 392,205</u>

Interest is paid to the holders of the Certificates monthly at a variable rate as described above. Principal payments on the Certificates will commence on July 1, 2002 and mature on July 1, 2022, as follows:

<u>MANDATORY REPAYMENT DATE – (JULY 1)</u>	<u>AMOUNT</u>
2002	\$ 400,000
2003	1,000,000
2004	1,000,000
2005	1,100,000
2006	1,100,000
2007	1,200,000
2008	1,300,000
2009	1,300,000
2010	1,400,000
2011	1,500,000
2012	1,600,000
2013	1,700,000
2014	1,700,000
2015	1,800,000
2016	1,900,000
2017	2,000,000
2018	2,100,000
2019	2,300,000
2020	2,400,000
2021	2,500,000
2022	<u>2,600,000</u>
Total	<u>\$ 33,900,000</u>

NOTE 10. CERTIFICATES OF PARTICIPATION PAYABLE (Continued)

Security for Repayment – The Project assets have not been pledged to secure payment of the certificates, 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 certificates. 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 certificates 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.

NOTE 11. 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 May 2004 with an optional five year renewal.

NOTE 12. JOINT POWERS AGREEMENT

The District participates in one 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.

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.

NOTE 12. JOINT POWERS AGREEMENT (Continued)

Condensed financial information of the SDRMA as of and for the year ended June 30, 2001 is as follows:

Total assets	\$ 14,047,154
Total liabilities	<u>4,935,480</u>
Risk margin (SDRMA equity)	<u>\$ 9,111,674</u>
Total revenues	\$ 3,829,661
Total expenses	<u>1,459,649</u>
Net income	<u>\$ 2,370,012</u>

The SDRMA did not have long-term debt outstanding at June 30, 2001, 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 13. 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 Statement (GASB) 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 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 14. PENSION PLAN

Plan Description – The District contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS 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 PERS’ annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy – Participants are required to contribute 7 percent 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; the current rate is zero percent of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by PERS.

Annual Pension Cost – For fiscal year 2000/2001, the District’s annual pension cost of \$99,154 for PERS was equal to the District’s required and actual contributions. The required contribution for fiscal year 2000/2001 was determined as part of the June 30, 1998 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 2 percent per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period of the unfunded actuarial accrued liability is 44 years as of June 30, 2001.

Actuarial information of the Plan for the three years ended June 30, 1997, 1998 and 1999, which is the most recent data available, is as follows:

Three-Year Trend Information for PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/97	\$ 126,090	100%	\$ –0–
06/30/98	\$ 84,985	100%	\$ –0–
06/30/99	\$ 92,232	100%	\$ –0–

NOTE 14. PENSION PLAN (Continued)

Required Supplementary Information

	(A)	(B)	(C)	(D)	(E)	(F)
Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability/ (Excess Assets) [(B)-(A)]	Funded Ratio [(A)/(B)]	Covered Payroll	Unfunded Actuarial Liability/ (Excess Assets) Percentage of Covered Payroll {[(B)-(A)/(E)]}
06/30/97	\$ 2,366,596	\$ 1,815,923	\$ (550,673)	130.3%	\$ 1,204,571	(45.715)%
06/30/98	\$ 3,103,028	\$ 2,098,849	\$ (1,004,179)	147.8%	\$ 1,252,136	(80.197)%
06/30/99	\$ 3,567,691	\$ 2,381,061	\$ (1,186,630)	149.8%	\$ 1,346,005	(88.159)%

NOTE 15. 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.

In connection with its participation in the Federal Emergency Management Agency's (FEMA) Disaster Relief Assistance Program, the District has received advance payments for repair projects relating to the 1995 winter floods. FEMA will audit the District when all approved projects are completed. Due to the 1998 winter floods, some of these projects will not be completed and the District will be requesting approval for new projects. Funds advanced for the 1995 projects may be required to be refunded to FEMA. These funds are reflected as deferred revenue in the financial statements. The District does not expect any final FEMA audit adjustments, if any, to have a material effect on the financial statements.

NOTE 16. COMMITMENTS

Advanced Treatment Study-Reclamation Project – The Project signed an agreement for an environmental impact study of Forest Lake Phase II in the amount of \$11,000 on May 12, 2000. Approximately \$7,124 of the contract is outstanding as of June 30, 2001.

Headworks Modifications-Reclamation Project – The Project is responsible for a portion of a contract for flow modifications and piping changes, signed March 1, 2001, with estimated completion in February of 2002. The design phase has been completed and an additional contract was awarded July 9, 2001 for the construction phase. The Project's remaining share of the contract will be approximately \$101,600.

NOTE 16. COMMITMENTS (Continued)

Cal-Am Agreement – On July 31, 1997, the District entered into an agreement with California-American Water Company (Cal-Am) for reimbursement of expenses incurred for review and processing of Cal-Am's application to amend its water distribution system permit to add the Carmel River Dam Project. As of June 30, 2001, Cal-Am has reimbursed the District approximately \$893,000.

NOTE 17. BUILDING ACQUISITION

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 seven years, with interest at 5.35%.

**COMBINING STATEMENTS
AND
SUPPLEMENTAL SCHEDULES**

**MONTEREY PENINSULA WATER
MANAGEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2001**

	MITIGATION FUND	CONSERVATION FUND	TOTALS
REVENUES:			
Taxes	\$ 517,154	\$ 77,708	\$ 594,862
Grants	11,793	-	11,793
User fees	1,376,533	254,024	1,630,557
Permit fees	1,458	98,160	99,618
Project reimbursements	89,326	-	89,326
Investment income	75,381	22,570	97,951
Total revenues	2,071,645	452,462	2,524,107
EXPENDITURES:			
Salaries and employee benefits	840,002	225,724	1,065,726
Services and supplies	407,761	187,185	594,946
Capital outlay	236,057	9,494	245,551
Total expenditures	1,483,820	422,403	1,906,223
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	587,825	30,059	617,884
FUND BALANCES – JULY 1, 2000	1,053,797	323,769	1,377,566
FUND BALANCES – JUNE 30, 2001	\$ 1,641,622	\$ 353,828	\$ 1,995,450

**MONTEREY PENINSULA WATER
MANAGEMENT DISTRICT**
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
SPECIAL REVENUE FUND: MITIGATION FUND
FOR THE YEAR ENDED JUNE 30, 2001

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
Taxes	\$ 445,807	\$ 517,154	\$ 71,347
Grants	89,660	11,793	(77,867)
User fees	1,350,879	1,376,533	25,654
Permit fees	–	1,458	1,458
Project reimbursements	107,000	89,326	(17,674)
Investment income	69,750	75,381	5,631
Total revenues	<u>2,063,096</u>	<u>2,071,645</u>	<u>8,549</u>
EXPENDITURES:			
Salaries and employee benefits:			
Salaries	615,700	659,200	(43,500)
Employee benefits	192,977	180,802	12,175
Total salaries and employee benefits	<u>808,677</u>	<u>840,002</u>	<u>(31,325)</u>
Services and supplies:			
Project expenditures	825,052	172,381	652,671
Operating expenditures	207,509	170,185	37,324
Professional fees	86,049	65,195	20,854
Total services and supplies	<u>1,118,610</u>	<u>407,761</u>	<u>710,849</u>
Capital outlay	20,850	236,057	(215,207)
Total expenditures	<u>1,948,137</u>	<u>1,483,820</u>	<u>464,317</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>\$ 114,959</u>	587,825	<u>\$ 472,866</u>
FUND BALANCE (DEFICIT) – JULY 1, 2000		<u>1,053,797</u>	
FUND BALANCE (DEFICIT) – JUNE 30, 2001		<u>\$ 1,641,622</u>	

**MONTEREY PENINSULA WATER
MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
SPECIAL REVENUE FUND: CONSERVATION FUND
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Taxes	\$ 66,614	\$ 77,708	\$ 11,094
User fees	249,121	254,024	4,903
Permit fees	105,000	98,160	(6,840)
Project reimbursements	70,000	–	(70,000)
Investment income	6,750	22,570	15,820
Total revenues	<u>497,485</u>	<u>452,462</u>	<u>(45,023)</u>
EXPENDITURES:			
Salaries and employee benefits:			
Salaries	175,940	167,455	8,485
Employee benefits	67,851	58,269	9,582
Total salaries and employee benefits	<u>243,791</u>	<u>225,724</u>	<u>18,067</u>
Services and supplies:			
Project expenditures	266,576	91,011	175,565
Operating expenditures	81,212	69,285	11,927
Professional fees	34,379	26,889	7,490
Total services and supplies	<u>382,167</u>	<u>187,185</u>	<u>194,982</u>
Capital outlay	19,108	9,494	9,614
Total expenditures	<u>645,066</u>	<u>422,403</u>	<u>222,663</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>\$ (147,581)</u>	30,059	<u>\$ 177,640</u>
FUND BALANCE – JULY 1, 2000		<u>323,769</u>	
FUND BALANCE – JUNE 30, 2001		<u>\$ 353,828</u>	

**MONTEREY PENINSULA WATER
MANAGEMENT DISTRICT
PROJECT EXPENDITURES – BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
MITIGATION:			
Fish	\$ 363,100	\$ 38,099	\$ 325,001
Toilet replacement refund program	200,000	73,513	126,487
Riparian projects	68,620	19,099	49,521
District reporting	64,872	26,898	37,974
Erosion control project	47,000	1,188	45,812
Irrigation	20,500	7,736	12,764
Endangered species	-	-	-
Hydrologic monitoring	5,200	4,774	426
New wells	54,660	-	54,660
Lagoon	-	224	(224)
Carmel Valley water quality	1,100	850	250
Total mitigation	<u>825,052</u>	<u>172,381</u>	<u>652,671</u>
CONSERVATION:			
District reporting	256,176	90,440	165,736
Ordinance enforcement	4,400	571	3,829
Toilet replacement refund program	6,000	-	6,000
Total conservation	<u>266,576</u>	<u>91,011</u>	<u>175,565</u>
TOTAL	<u>\$ 1,091,628</u>	<u>\$ 263,392</u>	<u>\$ 828,236</u>

**MONTEREY PENINSULA WATER
MANAGEMENT DISTRICT
PROJECT EXPENDITURES – BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
EXPENDITURES:			
New wells	\$ 843,000	\$ 439,009	\$ 403,991
CEQA	700,000	121,832	578,168
District reporting	70,402	25,818	44,584
Operations modeling	30,000	4,845	25,155
Water supply	10,500	11,490	(990)
Hydrologic monitoring	12,650	12,425	225
Groundwater quality	8,100	5,010	3,090
Groundwater monitoring	95,000	4,000	91,000
EIR/S	20,000	-	20,000
TOTAL	<u>\$ 1,789,652</u>	<u>\$ 624,429</u>	<u>\$ 1,165,223</u>