

Annual Comprehensive Financial Report

For The Fiscal Year Ended June 30, 2023



(Photo: Carmel Lagoon)



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

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
MONTEREY, CALIFORNIA**

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Prepared by:

Financial/Administrative Services Division

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INTRODUCTORY SECTION



(Photo: Fish Population Study)



February 28, 2024

To the Honorable Chair and Board of Directors of Monterey Peninsula Water Management District,

We are pleased to present the Monterey Peninsula Water Management District’s (MPWMD or District) Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023. The ACFR gives an assessment of the District’s financial condition, informs readers about District services, gives details of infrastructure replacement projects, discusses current issues, and provides financial and demographic trend information.

The California Government Code requires an annual independent audit of MPWMD’s financial statements by a Certified Public Accountant. The District’s financial statements have been audited by CliftonLarsonAllen LLP (auditor). The auditor’s opinion is included in the financial section of this ACFR.

This report was prepared by the Financial/Administrative Services Division in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB). To the best of our knowledge and belief, the data as presented, is accurate in all material aspects and presented in a manner designed to fairly set forth the financial position and changes in the financial position of the District as measured by the financial activity including disclosures necessary to enable the reader to gain the maximum understanding of the District’s financial affairs. While the independent auditors have expressed an unmodified (“clean”) opinion that MPWMD’s financial statements are presented in conformity with generally accepted accounting principles (GAAP), responsibility for both the accuracy of the presented data and completeness and fairness of the presentation, including all disclosures, rests with the District.

Profile of the District

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

The District serves approximately 106,000 people within the cities of Carmel-by-the-Sea, Del Rey Oaks, Monterey, Pacific Grove, Seaside, Sand City, Monterey Peninsula Airport District and portions of unincorporated Monterey County including Pebble Beach, Carmel Highlands, and Carmel Valley.

The District has an authorized staff of 26 full-time employees providing services within its jurisdiction. The District is made up of the following sections consisting of: General Manager’s Office, Financial/Administrative Services, Environmental Resources, Water Resources, and Water Demand.

Governance

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

accordance with the Board's policies.

The Board meets in a regular session on the third Monday of each month. Regular meetings are held at 6:00 p.m. at the Monterey Peninsula Water Management District, Conference Room, 5 Harris Court, Building G, Monterey, California. Board meetings are open to the public.

Budget Process

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

Economic Condition and Outlook

In water year¹ (WY) 2023, approximate production for customer service was 9,559 acre-feet (AF) of water, including 3,683 AF from Pure Water Monterey (PWM), 4,107 AF from the Carmel River, 1,649 from Seaside Groundwater sources, and 120 AF from the Sand City Desalination Facility. At the end of the year, the District had 1,870 AF stored in the Pure Water Monterey Operating Reserve and 1,392 AF in the Aquifer Storage and Recovery banked storage.

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

Because of legal and regulatory constraints on taking water from the Carmel River and Seaside Aquifer, long-term water supplies available to Cal-Am's customers in the future have been reduced and new, permanent replacement water supplies are now required. Cal-Am continues to pursue a 6,252 AFY desalination plant in North Marina which was supposed to become operational by December 2021. Cal-Am received a conditional Coastal Development Permit from the California Coastal Commission in November 2022, but with 20 onerous conditions to comply with, it may be years before the project receives final approval. The Pure Water Monterey project, funded and built by Monterey One Water, MPWMD, and Marina Coast Water, now provides one-third of the Peninsula's water. The District believes that the expansion of Pure Water Monterey is more affordable and better for the environment than desalination, and can provide all the drinking water needed for housing, jobs, growth, and drought mitigation for the next 30 years. The California Public Utilities Commission approved a Water Purchase Agreement to support the 2,250 AFY expansion in December 2022. Construction of the expansion is expected to be complete by late-2025.

In June 1980, the District Board approved formation of a groundwater charge (or fee) zone to provide a revenue source for a well-monitoring program consisting of well registration, well metering, and water production reporting. However, the District has abandoned groundwater charges as a source of revenue. No groundwater charges were established during 2023.

¹ A water year runs from October 1 through September 30

Major Initiatives

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

Pure Water Monterey Project (PWM) – The District provided funding and planning assistance to the Project, working in partnership with Monterey One Water, which owns and operates the system. Since inception of the PWM project in 2020 through the end of WY 2023, a total of 12,217 acre-feet (AF) of advanced purified water was injected into the Seaside Groundwater Basin. Of the injected water, Cal-Am recovered 10,347 AF for customer service and the remaining 1,870 AF was allocated to the Operational Reserve.

In WY 2023 alone, 4,156 AF of PWM water was injected with Cal-Am recovering 3,548 AF for customer service and the remainder allocated to the Operational Reserve. Also in WY 2023, an additional 434 AF of recycled water was delivered directly to Marina Coast Water District and the City of Seaside for golf course irrigation, freeing up an equivalent amount of potable water supply. At over 3,500 AF per year of water delivered for customer service, PWM is the largest water project to come online to help offset the Cease-and-Desist Order.

Aquifer Storage and Recovery (ASR) – Since inception of the ASR program in 1998 through the end of WY 2023, a total of 12,606 AF of Carmel River water was diverted for storage in the Seaside Groundwater Basin. Water has been recovered as allowed by State Water Board Orders and the Quarterly Water Budget process. In WY 2023 alone, 1,656 AF of Carmel River water was diverted to storage with Cal-Am recovering 806 AF for customer service. At the end of WY 2023, a total 2,159 AF of stored ASR water remains available for customer service.

Cal-Am continued to use District facilities to treat produced waters recovered from the ASR and Pure Water Monterey projects.

Pumping's Effect on River – The District completed developing models to help understand how changes in groundwater pumping impact Carmel River flows. In cooperation with the United States Geological Survey (USGS), the District finished an integrated groundwater/surface water model known as GSFLOW/MODFLOW. In addition, the District completed an instream flow study and hydraulic model to simulate flow requirements for steelhead in the Carmel River. These models allow the District to simulate different water supply scenarios and their impacts on the Carmel River environment. The simulations are being used in the current Los Padres Dam alternatives study.

Los Padres Dam Alternatives – The District and Cal-Am are working with engineering and science consultants to investigate the technical, biological, and economic feasibility of a broad suite of alternatives for the Los Padres Dam and Reservoir. Alternatives include removal, sediment management, storage expansion by dredging, and fish passage improvements. This study has been partially funded by Cal-Am, the owner and operator of the dam. The final report was completed in May of 2023.

Integrated Regional Water Management (IRWM) Program – The District continued to manage an IRWM Implementation Round 1 Grant agreement for the Monterey Peninsula region in the amount of \$2,238,904. The District, as “Grantee,” has many duties including: (a) administration of the agreement with California Department of Water Resources; (b) invoicing, with documentation, on behalf of the Local Project Sponsors; and (c) progress reporting. There are three projects – all non-District—that are being supported by this Grant: (1) The Coe Avenue Recycled Water Pipeline in Seaside sponsored by Marina Coast Water District; (2) the Del Monte Manor Low Impact Development Project sponsored by the City of Seaside; and (3) the West End Stormwater Improvement Project in Sand City.

The District prepared an IRWM Implementation Round 2 Grant application for the Monterey Peninsula region for \$1,488,961 that was submitted in January 2023. The District will be the Grantee and administer the grant on behalf of the Local Project Sponsors. The two applicant projects are 1. Carmel River Floodplain

Restoration and Environmental Enhancement (Carmel River FREE), sponsored by Monterey County, and 2. Olivier Street Stormwater Diversion Project, sponsored by the City of Monterey.

Legally-Mandated Carmel River Mitigation and Stewardship – The District implemented the mitigation program associated with its Water Allocation Environmental Impact Report in the early 1990s. It includes rescue and rearing of threatened steelhead from drying portions of the Carmel River, streambank restoration and maintenance, and lagoon habitat monitoring. This program is required by the California Environmental Quality Act and is designed to offset the impacts associated with water extraction in the Carmel River Alluvial Aquifer and, ultimately, the flows in the Carmel River. The District successfully rescued 10,645 steelhead from the Carmel River Basin in 2022, which were taken to the Sleepy Hollow Steelhead Rearing Facility (SHSRF). Approximately 8,696 were released back into the Carmel River from SHSRF in January 2023, including 1,500 implanted with radio tags. A total of 72 adults were counted at the District’s steelhead counting station in 2022. Of those, 57 were implanted with a tag to collect data on fish migration and survival. These data assist with ongoing studies that the District and NOAA Fisheries have been collaborating on. The District also monitors the health of the juvenile population, which is continuing to increase since the last drought, which ended in 2015. District crews carry out a Vegetation Management Program in the active channel of the Carmel River to prevent debris dams and erosion. This includes trimming back encroaching vegetation and reducing the hazard of downed trees in preparation for winter flows. Trash was removed from the active channel of the river before winter rains washed it into the ocean. District staff also planted native trees on exposed banks to improve habitat value, protect water quality, and reduce bank erosion. An exemplar project is the Carmel Riverbank Stabilization Project just downstream of Rancho San Carlos Road. This work has prevented the streambank from further collapsing during high-flow events. The District employed an environmentally friendly stabilization technique consisting of logs, rocks, and native plantings built into a crib wall at the site.

Urgency Ordinance: The District readopted its Urgency Ordinance (from Covid-19 response) to allow for another year for unregulated outdoor seating at restaurants. The Urgency Ordinance expired in April 2023.

Salinas and Carmel Rivers Basin Study – The District continued work on a Basin Study to evaluate future water demands, supplies, and the effects of climate change. The study includes the Salinas River Valley through Monterey and San Luis Obispo Counties, the Monterey Peninsula, and the Carmel River Basin. The U.S. Bureau of Reclamation is providing \$1.8 million in grant funds. The study began in 2017 and is expected to be completed in 2023. In 2022, a review of the Technical Memorandum “Develop Adaptation and Mitigation Strategies” was completed.

Well Permitting – The District approved one Water Distribution System Permit amendment for a replacement well for Carmel Unified School District. Six Confirmation of Exemptions from the Water Distribution System permit requirements were issued for private properties that met criteria established in District Rules and Regulations. Applications were reviewed for potential impacts on the water resource system and other water users.

Conservation – The District approved 642 rebate applications for \$248,863, for quantifiable annual savings of 7 acre-feet of water. Properties transferring ownership continued to self-certify compliance with the water efficiency requirements and the District provided a Certification of Compliance as verification.

The District issued 738 Water Permits and 88 Water Use Permits to Benefited Properties (i.e., properties eligible to receive a portion of a Water Entitlement). As the regional entity responsible for compliance with State landscaping regulations, the District issued 51 Water Permits for new and refurbished landscapes. A total of 116,651 square feet of new landscape area was permitted. Rehabilitated area totaled 388,252 square feet. Staff completed 1,164 property inspections to verify compliance with water efficiency standards for changes of ownership and use and 557 inspections were done to verify compliance with Water Permits. Staff mailed 60 notices to property owners and businesses and conducted 37 Non-Residential property inspections to verify compliance with water efficiency standards.

Community Outreach – The District hosted fifteen virtual classes on water conservation topics such as

rainwater capture, composting to improve soil water holding capacity, landscape design, and removing lawns. Staff distributed water conservation devices at various community events, including the Carmel Valley Fiesta, Monterey County Fair, and the West End Celebration. The District posted regular updates to its Facebook page and Twitter account. As a partner with the Water Awareness Committee for Monterey County, the District participated in presentations and assemblies at local schools. The District also ran monthly ads covering District activities in local media.

Summer Splash – The District, in partnership with Cal-Am, sponsored a fun family-oriented conservation game called Summer Splash Challenge. The Challenge was to complete an educational gameboard where participants visited the event website and watched water efficiency videos to find the answers to the gameboard questions. The Challenge was designed for families and launched in the summer when children are out of school. Completed gameboards could be submitted for an entry into a sweepstakes to win prizes. The prizes included a High Efficiency Clothes Washer, a Cistern, and Amazon Gift Cards.

Measure J – In November 2018, voters passed an initiative requiring the District to acquire the local water supply and distribution facilities of California American Water, if feasible. In 2021, the District prepared an application to the Monterey County Local Agency Formation Commission (LAFCO) to annex 58 parcels (Yankee Point and Hidden Hills), update its Municipal Services Review (MSR), and to “activate” the District’s authority to provide water service directly to end-use customers. LAFCO approved the annexation and MSR but denied the activation of powers. The District challenged that denial in a petition for writ of review filed in April 2022. The District prevailed and LAFCO was directed by the Court to vacate the denial.

While the LAFCO lawsuit was pending, MPWMD’s appraisers completed their appraisal of the California-American Monterey Water System (the Subject Property Interests) sought to be acquired in this action and, on or about April 3, 2023, MPWMD made an offer to Cal-Am to acquire the Subject Property Interests in an amount equal to the full amount of its appraisal. Cal-Am rejected the offer on or about April 28, 2023, indicating it was not interested in selling the system. The District continues to pursue the acquisition.

The CAWD/PBCSD Reclamation Project – The District is a participant in the Carmel Area Wastewater District (CAWD)/Pebble Beach Community Services District (PBCSD) Reclamation Project (the Project), which is a cooperative effort that involves the CAWD, the PBCSD, and the Pebble Beach Company. The project did not create a new or separate legal entity, therefore the Project is included as a Proprietary (Enterprise) Fund of the District, the issuer of the Certificates of Participation which financed the project. The Project’s 2023 financial statements were audited by The Pun Group, LLP.

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

Internal Control

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

Investment Policy

The Board of Directors annually adopts an Investment Policy that conforms to California State Law, District ordinances and resolutions, prudent money management and the “prudent investor” standards. The objectives

of the Investment Policy are safety, liquidity and yield. District funds are normally invested in the State Treasurer's Local Agency Investment Fund (LAIF), Certificates of Deposits, and Money Market accounts.

District Revenues

District's major funding sources are: Property Taxes, Water Supply Charge, User Fee, PWM Water Sales, Permit Processing Fees, Project Reimbursements, Grants, and others. Property tax allocations are collected and remitted by the County of Monterey. Water Supply Charge is levied by the District on property tax bills and is collected and remitted by the County of Monterey. In March, the Monterey County Court ruled that the continued collection of the surcharge violated the sunset clause in an ordinance MPWMD approved in 2012 to create that charge. Although the District has appealed this ruling, it has been setting aside the revenues from this surcharge in a reserve since. User Fee is paid by the ratepayers of the California American Water Company. Project reimbursements are mostly collected from the California American Water Company ratepayers.

District Expenses

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

Independent Audit

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

Other References

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

Awards

GFOA Award

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Monterey Peninsula Water Management District for its annual comprehensive financial report for the fiscal year ended June 30, 2022. This was the eighth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the District. We appreciate the dedicated efforts and professionalism that these staff members contribute to the service of the District's customers. We would also like to thank the members of the Board

of Directors for their continued support in the planning and implementation of the Monterey Peninsula Water Management District's fiscal policies.

Respectfully submitted,



David J. Stoldt
General Manager



Nishil Bali
Administrative Services Manager/
Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

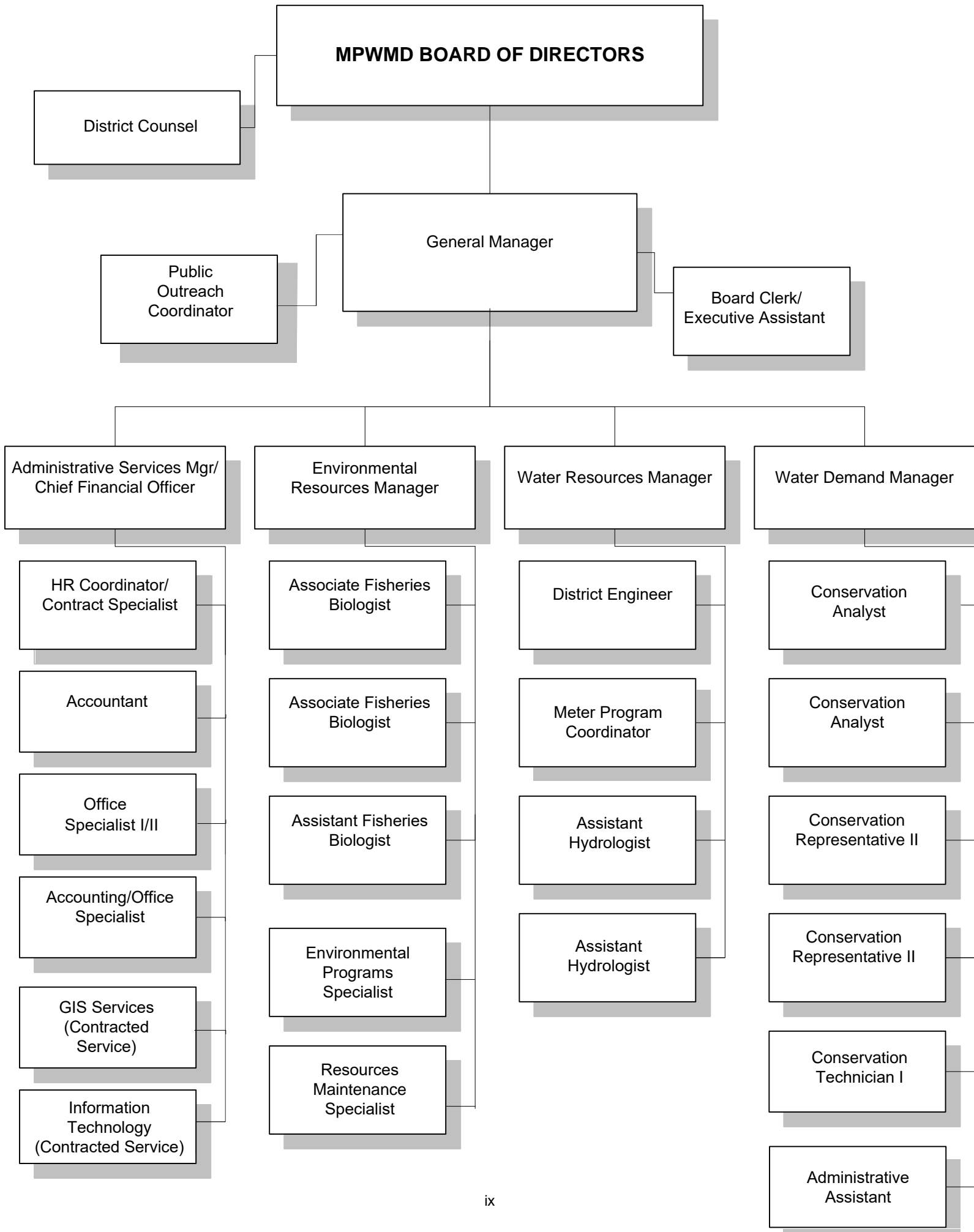
**Monterey Peninsula Water Management District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO



**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
JUNE 30, 2023**

Board of Directors

Chair – Monterey County	
Board of Supervisors Representative	Mary Adams
Vice Chair – Division 5	Amy Anderson
Director – Division 1	Alvin Edwards
Director – Division 2	George Riley
Director – Division 3	Marc Eisenhart
Director – Division 4	Karen Paull
Director – Mayoral Representative	Ian Oglesby

Executive Staff

General Manager	David J. Stoldt
Administrative Services Manager/CFO	Nishil Bali
Environmental Resources Manager	Thomas Christensen
Water Resources Manager	Jonathan Lear
Water Demand Manager	Stephanie Locke
Executive Assistant/Clerk of the Board	Sara Reyes

FINANCIAL SECTION



(Photo: Aquifer Storage Recovery)



INDEPENDENT AUDITORS' REPORT

Board of Directors
Monterey Peninsula Water Management District
Monterey, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Monterey Peninsula Water Management District (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying 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, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the CAWD/PBCSD Reclamation Project (the proprietary fund) which statements reflect 100% of the assets, net position, and revenues of the business-type activities as of June 30, 2023 (See Note 2). 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 proprietary fund, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Monterey Peninsula Water Management District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Monterey Peninsula Water Management District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Monterey Peninsula Water Management District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Monterey Peninsula Water Management District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, the budgetary comparison schedules on pages 58 through 61, the schedule of changes in the total OPEB liability and related ratios on page 62, the schedule of proportionate share of the net pension liability on page 63 and the schedule of contributions – pension on page 64 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory and Statistical Section but does not include the basic financial statements and our auditors' opinion thereon. Our opinions on the basic financial statements do not cover the other information and we do not express an opinion or provide any assurance on them.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Summarized Comparative Information

We have previously audited the Monterey Peninsula Water Management District financial statements and based on our audit and the report of the other auditors, we expressed unmodified audit opinions on the respective financial statements of the governmental activities, business-type activities, and each major fund, in our report dated February 23, 2023. The financial statements of the business-type activities, the CAWD/PBCSD Reclamation Project (the proprietary fund), for the year ended June 30, 2022 were audited by other auditors, whose report dated November 16, 2022 expressed an unmodified opinion on those statements. In our opinion based on our audit and the report of the other auditors, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



CliftonLarsonAllen LLP

Salinas, California
February 26, 2024

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

This section of the Monterey Peninsula Water Management District's (the District) annual comprehensive financial report presents a discussion and analysis of the District's performance during the fiscal year ended June 30, 2023. Please read it in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages i – vii of this report and the District's financial statements, which follow this section.

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

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

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the governmental activities of the District exceeded its liabilities and deferred inflows of resources at the close of the year ending June 30, 2023 by \$29.6 million (net position). However, \$18.4 million is net investment in capital assets.
- The assets and deferred outflows of resources of the business-type activities of the District exceeded its liabilities and deferred inflows of resources at the close of the year ending June 30, 2023 by \$38.8 million (net position). However, \$36.9 million is net investment in capital assets.
- The District's total governmental activities net position increased by approximately \$6.5 million for the year ended June 30, 2023. The increase in net position can mostly be attributed to capitalized project costs, and higher than anticipated water sales and project reimbursements. Depreciation expenses for the year were \$658,625.
- The District's total business-type activities net position increased by approximately \$1.9 million for the year ended June 30, 2023. The revenues were higher than the expenses for the current year. Amortization expenses for the year were \$1,775,783.
- Capital outlay and capitalized project expenditures of \$4,374,977 consisted mostly of funds expended for Reclamation storage facilities improvements, Sleepy Hollow facility upgrade, various transportation, office, and computer and software upgrades, and purchase of Pure Water Monterey reserve water.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

The government-wide financial statements can be found on pages 14 and 15 of this report.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

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

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

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

The fund financial statements can be found on pages 16 through 22 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 23 through 57 of this report.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension and other postemployment benefits (OPEB) to its employees. This section also includes budgetary comparison schedules which compare the budgeted amounts for the fiscal year with the activity for the District's major governmental funds – the Water Supply Fund, Conservation Fund, and Mitigation Fund. Required supplementary information can be found on pages 58 to 64 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

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

	Summary of Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
ASSETS						
Current and Other Assets	\$ 25,270,472	\$ 24,710,570	\$ 2,759,790	\$ 3,100,532	\$ 28,030,262	\$ 27,811,102
Capital Assets, Net	18,378,993	15,634,180	36,900,334	37,704,578	55,279,327	53,338,758
Total Assets	<u>43,649,465</u>	<u>40,344,750</u>	<u>39,660,124</u>	<u>40,805,110</u>	<u>83,309,589</u>	<u>81,149,860</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>3,541,139</u>	<u>1,933,353</u>	-	-	<u>3,541,139</u>	<u>1,933,353</u>
LIABILITIES						
Current Liabilities	3,828,342	6,368,468	894,655	3,952,983	4,722,997	10,321,451
Long-Term Liabilities	12,556,424	8,901,059	-	-	12,556,424	8,901,059
Total Liabilities	<u>16,384,766</u>	<u>15,269,527</u>	<u>894,655</u>	<u>3,952,983</u>	<u>17,279,421</u>	<u>19,222,510</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,184,080</u>	<u>3,851,421</u>	-	-	<u>1,184,080</u>	<u>3,851,421</u>
NET POSITION						
Net Investment in Capital Assets	18,378,993	13,621,629	36,900,334	34,553,753	55,279,327	48,175,382
Restricted	-	222,743	-	1,175	-	223,918
Unrestricted	11,242,765	9,312,783	1,865,135	2,297,199	13,107,900	11,609,982
Total Net Position	<u>\$ 29,621,758</u>	<u>\$ 23,157,155</u>	<u>\$ 38,765,469</u>	<u>\$ 36,852,127</u>	<u>\$ 68,387,227</u>	<u>\$ 60,009,282</u>

The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by approximately \$68.4 million at the end of the current year, which is an increase of approximately 14% since June 30, 2022.

Capital assets increased due to capital additions of \$4,374,977 offset by depreciation/amortization of \$2,434,408.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Net Position (Continued)

The decrease in deferred inflows of resources is due to a change in the deferred pension and OPEB adjustments.

Liabilities decreased due to current year payments on long-term debt and a decrease in the OPEB liability offset by increases in the net pension liability.

Unrestricted net position increased due to the change in net position, described in the next section.

Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
REVENUES						
Program Revenue:						
Charges for Services	\$ 24,775,060	\$ 20,872,294	\$ 6,829,372	\$ 7,220,935	\$ 31,604,432	\$ 28,093,229
Operating Grants	458,949	469,183	-	-	458,949	469,183
General Revenues:						
Property Taxes	2,584,391	2,409,232	-	-	2,584,391	2,409,232
Investment Income	162,465	(193,430)	216	(13,962)	162,681	(207,392)
Miscellaneous	46,898	80,651	-	-	46,898	80,651
Total Revenues	<u>28,027,763</u>	<u>23,637,930</u>	<u>6,829,588</u>	<u>7,206,973</u>	<u>34,857,351</u>	<u>30,844,903</u>
EXPENSES						
Conservation	1,938,053	1,982,677	-	-	1,938,053	1,982,677
Mitigation	2,916,434	3,396,714	-	-	2,916,434	3,396,714
Water Supply	16,574,115	16,122,277	-	-	16,574,115	16,122,277
Interest	134,558	52,215	-	-	134,558	52,215
Reclamation Project	-	-	4,916,246	4,819,616	4,916,246	4,819,616
Total Expenses	<u>21,563,160</u>	<u>21,553,883</u>	<u>4,916,246</u>	<u>4,819,616</u>	<u>26,479,406</u>	<u>26,373,499</u>
CHANGE IN NET POSITION	6,464,603	2,084,047	1,913,342	2,387,357	8,377,945	4,471,404
Net Position - Beginning of Year	<u>23,157,155</u>	<u>21,073,108</u>	<u>36,852,127</u>	<u>34,464,770</u>	<u>60,009,282</u>	<u>55,537,878</u>
NET POSITION - END OF YEAR	<u>\$ 29,621,758</u>	<u>\$ 23,157,155</u>	<u>\$ 38,765,469</u>	<u>\$ 36,852,127</u>	<u>\$ 68,387,227</u>	<u>\$ 60,009,282</u>

Governmental activities increased the District's net position by approximately \$6.5 million. Key elements resulting in the net increase are as follows:

- Project expenses of about \$3.4 million, consisting mainly of purchase of Pure Water Monterey water (sale and reserve water), Integrated Resource Water Management Grant, and various minor project expenses offset the increase.
- Project reimbursements of about \$2.2 million consisting mainly of reimbursements for the Pure Water Monterey project, Aquifer Storage Recover project, and Conservation rebates, contributed to the increase.
- Depreciation expense of approximately \$659 thousand offset the increase.
- Higher than anticipated water sales due to increase in Pure Water Monterey water sales, collection of user fee paid by Cal-Am rate payers, and property tax collections contributed to the increase.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Change in Net Position (Continued)

Business-type activities, related to the CAWD/PBCSD Reclamation Project, increased the District's net position by approximately \$1.9 million. Key elements resulting in the net increase are as follows:

- Water sales revenue decreased 5.4% over the prior year.
- Total amount of water sold was 24.6% less than the prior year. Last year total water sales included 1,077-acre feet (AF) of reclaimed water. That figure contrasts with 812 AF of reclaimed water for the current year.
- Net nonoperating expenses decreased 0.9% from prior year due primarily to a decrease in interest expense to Pebble Beach Company.
- Long-term obligations reached their final principal payment of \$2.6 million due July 1, 2022. The Project has been able to take advantage of lower interest rates over the last several years – the interest due remained low during the entire fiscal year.
- Total plant operating expenses (exclusive of amortization) were 1.2% higher than the prior year as follows:
 - Plant operating expenses were 1.2% higher than in fiscal year 2022 and 14.3% under budget. Briefly the reasons for the variances:
 - Plant labor expenses were 2.9% less than in 2022, reflected most significantly in the Lab techs down 15.3%, plant operators down 7.1%, and safety officer down 15.4%.
 - Electricity costs increased 4.1% over prior year and were 21.5% under budget.
 - Chemical costs were up 7.9% from 2022 and were 9.7% under budget. Timing is one culprit, but more specifically the Project continues to experience supply chain delivery issues and severe inflationary pressure on chemicals. Clean-in-place chemicals were 57.4% over 2022, citric acid was 64.4% over 2022, and sodium hypochlorite was 42.7% over 2022.
 - Operating supplies were 0.7% under budget and 16.0% above prior year. Primary overages in repairs and maintenance (56.0%), spare parts (220.8%), and general supplies (771.2%).
 - Contractual services were under budget by 8.5% and over prior year actual by 12.4%. Calibration was 618.4% over prior year and 80.1% over budget.
 - Distribution costs were 21.9% below budget and 5.3% higher than the prior year. Pebble Beach Community Services District (PBCSD) administrative and engineering salaries were under budget 27.3% while staff salaries were over budget 15.3%. Utilities were 15.7% less than the prior year and 9.1% under budget. Other O&M expenses were 9.4% less than the prior year and 21.9% under budget.
 - Pebble Beach Company and Independent Golf Club Users liaison expenses were 1.6% over budget and 5.39% greater than prior year.
 - Carmel Area Wastewater District (CAWD) administrative salaries and other expenses were 3.9% over budget and 9.0% greater than the prior year. Primary overages were in salaries, specifically Admin Service Coordinator over budget 63.8%.
 - Monterey Peninsula Water Management District (MPWMD) general and administrative costs were 6.3% over budget and 8.3% higher than the prior year.
- With the implementation of the amended and restated Construction & Operation Agreement the intent was to budget annually for a break-even position. The budgeted costs of operations, capital, and debt service are all incorporated into the water sales rate structure.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

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

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

At the end of the current fiscal year, the District's governmental funds reported a total fund balance of \$21,683,950. The Water Supply Fund has a fund balance of \$6,921,949, the Conservation Fund has a fund balance of \$6,371,962, and the Mitigation Fund has a fund balance of \$8,390,039.

During the current fiscal year, the fund balance of the District's Water Supply Fund decreased \$2,099,169, the Conservation Fund increased \$961,363, and the Mitigation Fund increased \$1,437,382. The decrease in the Water Supply Fund is due to transfers out to the Conservation and Mitigation Funds. The increase in the Conservation Fund is due to the transfer from the Water Supply Fund. The increase in the Mitigation Fund is due to the transfer from the Water Supply Fund offset by increased project costs that were deferred from the prior year.

The District's uses an enterprise fund to account for the CAWD/PBCSD Wastewater Reclamation Project. At the end of the current fiscal year, the District's enterprise fund reported a net position of \$38,765,469.

During the current fiscal year, the net position of the District's enterprise fund increased \$1,913,342.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

BUDGET HIGHLIGHTS/VARIANCES

This section provides information on budgetary adjustments and results for the District's main operating fund – the water supply fund.

Original Budget Compared to Final Budget – During the year, the District made modifications to its original budget for the water supply fund. There was a need for amendments to increase or decrease either the original estimated revenues or original budgeted appropriations. After careful review of six months revenues and appropriations, modifications were made to the revenue line items based on more accurate projections for the remainder of the year. Appropriations were modified in the same manner based on accurate projections for the next six months. Most of the changes occurred in the project expenditures and debt service parts of the budget. Generally, the movement of the appropriations between departments was not significant. Total revenues for the water supply fund were decreased from the original budget by approximately \$164 thousand and total appropriations were decreased from the original budget by approximately \$157 thousand.

Final Budget Compared to Actual Results – The District's budget projected expenditures for the water supply fund of \$20.8 million. The District finished the budget year with expenditures of \$21.7 million, which was approximately \$900 thousand or 4.33% more than budgeted. The difference was mostly attributable to local water supply projects, PWM reserve water, and other reimbursement projects being \$369 thousand over budget due to previous deferral of projects into this fiscal year and principal and interest payments being \$700 thousand over budget as long-term debt was paid off.

The District's budget projected operating revenues for the water supply fund of \$21.6 million. The District finished the budget year with operating revenues of \$21.6 million, which was \$17 thousand or 0.8% less than budgeted. The difference was mostly attributable to project reimbursements being approximately \$265 thousand under budget, and connection charges being approximately \$91 thousand under budget offset by increases in user fees and investment income.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's capital assets, net of accumulated depreciation/amortization, at June 30, 2023 totaled \$55.3 million, as shown below. This amount represents a net increase, including additions and disposals, net of depreciation/amortization, of approximately \$1.9 million or 3.6% from June 30, 2022.

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

- Sleepy Hollow facility upgrade at a cost of \$744,679.
- Pure Water Monterey reserves at a cost of \$2,310,448.
- Various transportation, office, and computer and software upgrades at a cost of \$348,311.
- Forest Lake mixers at a cost of \$105,247.
- SCADA Migration at a cost of \$209,713.
- Bird Rock Well No. 2 at a cost of \$213,005.
- Sulfuric Acid tank at a cost of \$501,247.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

Additional information on the District's capital assets is provided in Note 5 on pages 41-42 of this report.

	Capital Assets (Net of Depreciation/Amortization)	
	2023	2022
Governmental Activities:		
Office Equipment	\$ 350	\$ 629
Computer Equipment	747,256	572,891
Transportation Equipment	72,608	53,710
Project Equipment	1,269	1,433
Telephone Equipment	5,940	12,910
Building and Improvements	792,299	850,624
ASR Facilities	8,698,961	9,063,885
Fish Rearing Facility	2,894,150	2,222,386
Water Reserves	5,166,160	2,855,712
Subtotal	18,378,993	15,634,180
Business-Type Activities:		
Water Resale Rights	36,499,218	37,198,823
Construction in Progress	401,116	505,755
Subtotal	36,900,334	37,704,578
 Total	 \$ 55,279,327	 \$ 53,338,758

Debt Administration

The District had an installment purchase agreement with a zero balance at June 30, 2023. Retirements were made in the amount of \$2,719,926.

The District had variable rate demand certificates of participation with a zero balance at June 30, 2023. Retirements were made in the amount of \$2,600,000.

The District had a payable to Pebble Beach Company for bond carrying costs with a zero balance at June 30, 2023. Retirements were made in the amount of \$552,000.

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

Additional information on the District's long-term debt is provided in Note 7 on pages 43-44 of this report.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In developing the fiscal year 2023–2024 budget, the staff and management had to consider a number of factors that would impact the District's economy and finances, including COVID-19. The 2023–2024 budget was developed and balanced using previously accumulated fund balance. This was accomplished by sustaining most expenditure levels and structuring permit and other processing fees collected by the District to fully recover service costs. The fiscal year 2023–2024 budget assumes continued collection of Water Supply Charge revenue and property tax revenue derived from individual property owners. The budget also includes the User Fees collected from Cal-Am rate payers. The budget also includes a full year of PWM water sales.

On November 6, 2018, the public voted on Measure J to instruct the District to undertake a feasibility study on the public takeover of California American Water's Monterey Water System. The measure passed with the electorate voting 55.81% to 44.19% in favor of the measure.

The cost of the initial feasibility study was estimated to cost \$650,000. Part of this cost was paid from FY 2018-2019 budget. The District reported on the initial findings that an acquisition is economically feasible in November 2019. The Board voted in December 2019 to approve the second phase of the feasibility to be completed by July 2022. The second phase of the feasibility study cost was approximately \$1.2 million to date. The third phase of the work related to appraisal and filing of a resolution of necessity to acquire California American Water's Monterey Water System is expected to cost about \$460 thousand. The District continues to pursue the acquisition.

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 the Administrative Services Manager/Chief Financial Officer, Monterey Peninsula Water Management District, 5 Harris Ct., Bldg G, Monterey, California 93940.

BASIC FINANCIAL STATEMENTS

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2022)

	Governmental Activities	Business-Type Activities	2023 Total	2022 Total
ASSETS				
Cash and Cash Equivalents	\$ 6,124,329	\$ 1,021,656	\$ 7,145,985	\$ 7,882,878
Investments	17,679,275	359,808	18,039,083	15,095,655
Receivables, Net	1,121,755	1,495,760	2,617,515	4,604,676
Prepaid Expenses and Deposits	-	4,847	4,847	3,975
Reserve Funds	222,832	-	222,832	223,918
Internal Balances	122,281	(122,281)	-	-
Capital Assets, Net:				
Water Rights	-	36,499,218	36,499,218	37,198,823
Nondepreciable	5,166,160	401,116	5,567,276	3,361,467
Depreciable	13,212,833	-	13,212,833	12,778,468
Total Assets	<u>43,649,465</u>	<u>39,660,124</u>	<u>83,309,589</u>	<u>81,149,860</u>
DEFERRED OUTFLOWS OF RESOURCES				
PERS Contributions	738,908	-	738,908	656,243
Deferred Pension Adjustments	2,196,547	-	2,196,547	483,910
Deferred OPEB Adjustments	605,684	-	605,684	793,200
Total Deferred Outflows of Resources	<u>3,541,139</u>	<u>-</u>	<u>3,541,139</u>	<u>1,933,353</u>
LIABILITIES				
Accounts Payable	3,368,648	894,655	4,263,303	3,900,460
Accrued Liabilities	70,099	-	70,099	83,802
Long-Term Debt:				
Due Within One Year	389,595	-	389,595	6,337,189
Due in More Than One Year	12,556,424	-	12,556,424	8,901,059
Total Liabilities	<u>16,384,766</u>	<u>894,655</u>	<u>17,279,421</u>	<u>19,222,510</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension Adjustments	686,415	-	686,415	3,431,928
Deferred OPEB Adjustments	497,665	-	497,665	419,493
Total Deferred Inflows of Resources	<u>1,184,080</u>	<u>-</u>	<u>1,184,080</u>	<u>3,851,421</u>
NET POSITION				
Net Investment in Capital Assets	18,378,993	36,900,334	55,279,327	48,175,382
Restricted for Debt Service	-	-	-	223,918
Unrestricted	11,242,765	1,865,135	13,107,900	11,609,982
Total Net Position	<u>\$ 29,621,758</u>	<u>\$ 38,765,469</u>	<u>\$ 68,387,227</u>	<u>\$ 60,009,282</u>

See accompanying Notes to Basic Financial Statements.

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
STATEMENT OF NET ACTIVITIES
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets		2023 Total	2022 Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities		
GOVERNMENTAL ACTIVITIES							
Conservation	\$ 1,938,053	\$ 2,018,272	\$ -	\$ 80,219	\$ -	\$ 80,219	\$ 10,886
Mitigation	2,916,434	3,833,265	458,949	1,375,780	-	1,375,780	802,299
Water Supply	16,574,115	18,923,523	-	2,349,408	-	2,349,408	(973,376)
Interest	134,558	-	-	(134,558)	-	(134,558)	(52,215)
Total Governmental Activities	<u>21,563,160</u>	<u>24,775,060</u>	<u>458,949</u>	<u>3,670,849</u>	<u>-</u>	<u>3,670,849</u>	<u>(212,406)</u>
BUSINESS-TYPE ACTIVITIES							
Reclamation Project	4,916,246	6,829,372	-	-	1,913,126	1,913,126	2,401,319
Total Business-Type Activities	<u>4,916,246</u>	<u>6,829,372</u>	<u>-</u>	<u>-</u>	<u>1,913,126</u>	<u>1,913,126</u>	<u>2,401,319</u>
Total	<u>\$ 26,479,406</u>	<u>\$ 31,604,432</u>	<u>\$ 458,949</u>	<u>3,670,849</u>	<u>1,913,126</u>	<u>5,583,975</u>	<u>2,188,913</u>
GENERAL REVENUES							
Taxes				2,584,391	-	2,584,391	2,409,232
Investment Earnings				162,465	216	162,681	(207,392)
Miscellaneous				46,898	-	46,898	80,651
Total General Revenues				<u>2,793,754</u>	<u>216</u>	<u>2,793,970</u>	<u>2,282,491</u>
CHANGE IN NET POSITION							
Net Position - Beginning of Year				<u>23,157,155</u>	<u>36,852,127</u>	<u>60,009,282</u>	<u>55,537,878</u>
NET POSITION - END OF YEAR				<u>\$ 29,621,758</u>	<u>\$ 38,765,469</u>	<u>\$ 68,387,227</u>	<u>\$ 60,009,282</u>

See accompanying Notes to Basic Financial Statements.

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2023
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2022)

	Water Supply	Conservation	Mitigation	2023 Total	2022 Total
ASSETS					
Cash and Cash Equivalents	\$ 2,721,948	\$ 851,538	\$ 2,550,843	\$ 6,124,329	\$ 6,495,304
Investments	6,758,870	5,395,456	5,524,949	17,679,275	14,829,098
Receivables, Net	388,947	276,044	456,764	1,121,755	3,052,343
Due from Reclamation Project	59,208	17,705	45,368	122,281	111,082
Reserve Funds	222,832	-	-	222,832	222,743
Total Assets	<u>10,151,805</u>	<u>6,540,743</u>	<u>8,577,924</u>	<u>25,270,472</u>	<u>24,710,570</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	3,053,721	144,504	170,423	3,368,648	3,099,477
Accrued Liabilities	55,640	5,925	8,534	70,099	83,802
Total Liabilities	<u>3,109,361</u>	<u>150,429</u>	<u>178,957</u>	<u>3,438,747</u>	<u>3,183,279</u>
DEFERRED INFLOWS					
Unavailable Revenue	120,495	18,352	8,928	147,775	142,917
Total Deferred Inflows	<u>120,495</u>	<u>18,352</u>	<u>8,928</u>	<u>147,775</u>	<u>142,917</u>
FUND BALANCES					
Restricted	-	-	-	-	222,743
Committed	903,478	73,643	242,690	1,219,811	1,104,740
Assigned:					
Insurance/Litigation	171,354	11,906	66,740	250,000	250,000
Capital Equipment	314,666	153,533	826,601	1,294,800	1,083,300
Flood/Drought Emergencies	-	-	328,944	328,944	328,944
Pension/Opeb	336,000	272,000	392,000	1,000,000	800,000
Debt Service	-	-	-	-	500,000
Project Expenditures	5,196,451	5,860,880	6,533,064	17,590,395	17,094,647
Total Fund Balances	<u>6,921,949</u>	<u>6,371,962</u>	<u>8,390,039</u>	<u>21,683,950</u>	<u>21,384,374</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 10,151,805</u>	<u>\$ 6,540,743</u>	<u>\$ 8,577,924</u>		
Amounts reported in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.				18,378,993	15,634,180
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds.				147,775	142,917
Deferred outflows and inflows of resources related to net pension and OPEB are applicable to future periods, and therefore, are not reported in the funds.					
Deferred outflows of resources				3,541,139	1,933,353
Deferred inflows of resources				(1,184,080)	(3,851,421)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds				(12,946,019)	(12,086,248)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 29,621,758</u>	<u>\$ 23,157,155</u>			

See accompanying Notes to Basic Financial Statements.

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	Water Supply	Conservation	Mitigation	2023 Total	2022 Total
REVENUES					
Property Taxes	\$ 2,578,806	\$ -	\$ -	\$ 2,578,806	\$ 2,403,905
Water Supply Charge	3,394,345	-	-	3,394,345	3,393,516
Water Sales	12,201,000	-	-	12,201,000	9,828,000
User Fees	996,544	1,531,810	3,833,215	6,361,569	6,029,950
Connection Charges, Net of Refunds	409,101	-	-	409,101	503,980
Permit Fees	-	211,599	50	211,649	235,890
Project Reimbursements	1,923,260	274,863	-	2,198,123	878,659
Investment Income	100,950	18,151	43,364	162,465	(193,430)
Legal Fee Reimbursements	-	4,800	-	4,800	4,650
Recording Fees	-	27,291	-	27,291	55,990
Grants	-	-	458,949	458,949	469,183
Miscellaneous	5,330	4,442	5,035	14,807	20,011
Total Revenues	<u>21,609,336</u>	<u>2,072,956</u>	<u>4,340,613</u>	<u>28,022,905</u>	<u>23,630,304</u>
EXPENDITURES					
Personnel:					
Salaries	1,186,041	670,522	962,154	2,818,717	2,645,782
Employee Benefits and Other Personnel	570,032	365,937	539,859	1,475,828	1,386,028
Services and Supplies:					
Project Expenditures	4,068,626	586,623	1,781,368	6,436,617	5,920,624
Water Purchases	12,200,995	-	-	12,200,995	9,695,000
Operating Expenditures	316,917	273,776	332,107	922,800	798,562
Professional Fees	345,552	152,522	167,503	665,577	649,788
Capital Outlay	108,374	92,622	147,315	348,311	151,371
Debt Service:					
Principal	2,719,926	-	-	2,719,926	557,353
Interest and Other Charges	134,558	-	-	134,558	52,215
Total Expenditures	<u>21,651,021</u>	<u>2,142,002</u>	<u>3,930,306</u>	<u>27,723,329</u>	<u>21,856,723</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(41,685)</u>	<u>(69,046)</u>	<u>410,307</u>	<u>299,576</u>	<u>1,773,581</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	-	1,030,409	1,027,075	2,057,484	345,222
Transfers Out	(2,057,484)	-	-	(2,057,484)	(345,222)
Total Other Financing Sources (Uses)	<u>(2,057,484)</u>	<u>1,030,409</u>	<u>1,027,075</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(2,099,169)	961,363	1,437,382	299,576	1,773,581
Fund Balances - Beginning of Year	9,021,118	5,410,599	6,952,657	21,384,374	19,610,793
FUND BALANCES - END OF YEAR	<u>\$ 6,921,949</u>	<u>\$ 6,371,962</u>	<u>\$ 8,390,039</u>	<u>\$ 21,683,950</u>	<u>\$ 21,384,374</u>

See accompanying 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
YEAR ENDED JUNE 30, 2023**

NET CHANGE IN FUND BALANCES \$ 299,576

Amounts reported in the statement of activities are different because:

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

Capitalized Project Expenditures	3,055,127
Capital Outlay	348,311
Depreciation Expense	(658,625)
	2,744,813

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	4,858
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, neither transaction has any effect on net position. In the current period these amounts are:

Principal Payments on Long-Term Debt	2,719,926
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Compensated Absences	(87,823)
OPEB Costs	(201,310)
Current Year Pension Cost Difference	984,563
	695,430

CHANGE IN NET POSITION \$ 6,464,603

See accompanying Notes to Basic Financial Statements.

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
STATEMENT OF NET POSITION – PROPRIETARY FUND
(CAWD/PBCSD WASTEWATER RECLAMATION PROJECT)
JUNE 30, 2023
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2022)

	2023	2022
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,021,656	\$ 1,387,574
Cash Restricted for Debt Service	-	1,175
Investments	359,808	266,557
Accounts Receivable - Water Sales	1,484,209	1,528,782
Accounts Receivable - Other	11,551	23,551
Total Current Assets	2,877,224	3,207,639
Noncurrent Assets:		
Capital Assets, Net:		
Water Resale Rights	36,499,218	37,198,823
Construction-in-Progress	401,116	505,755
Deposits	4,847	3,975
Total Noncurrent Assets	36,905,181	37,708,553
Total Assets	39,782,405	40,916,192
LIABILITIES		
Current Liabilities:		
Accounts Payable - Trade	259,935	158,923
Accounts Payable - Affiliates	634,720	642,060
Due to Governmental Funds	122,281	111,082
Certificates of Participation, Current Portion	-	2,600,000
Due to Pebble Beach Company, Current Portion	-	552,000
Total Current Liabilities	1,016,936	4,064,065
Total Liabilities	1,016,936	4,064,065
NET POSITION		
Net Investment in Capital Assets	36,900,334	34,553,753
Restricted for Debt Service	-	1,175
Unrestricted (Deficit)	1,865,135	2,297,199
Total Net Position	\$ 38,765,469	\$ 36,852,127

See accompanying Notes to Basic Financial Statements.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION – PROPRIETARY FUND
(CAWD/PBCSD WASTEWATER RECLAMATION PROJECT)
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2022)**

	2023	2022
OPERATING REVENUES		
Water Sales	\$ 2,771,615	\$ 3,104,935
Fixed Cost Charge	4,057,757	4,116,000
Total Operating Revenues	6,829,372	7,220,935
OPERATING EXPENSES		
Plant Costs	2,173,588	2,148,504
Distribution Costs	477,614	514,914
General and Administration	245,973	227,214
Potable Water	64,209	4,980
MPWMD Fee	85,385	77,184
Amortization	1,775,783	1,748,879
Total Operating Expenses	4,822,552	4,721,675
OPERATING INCOME	2,006,820	2,499,260
NONOPERATING REVENUES (EXPENSES)		
Bond and LC Carrying Costs	(3,000)	(41,970)
Interest Expense - PBCo	(90,694)	(44,931)
Interest Expense - MPWMD	-	(5,083)
Interest Expense - Bonds	-	(5,957)
Investment Earnings (Loss)	216	(13,962)
Total Nonoperating Revenue (Expenses)	(93,478)	(111,903)
CHANGE IN NET POSITION	1,913,342	2,387,357
Net Position - Beginning of Year	36,852,127	34,464,770
NET POSITION - END OF YEAR	\$ 38,765,469	\$ 36,852,127

See accompanying Notes to Basic Financial Statements.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
(CAWD/PBCSD WASTEWATER RECLAMATION PROJECT)
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2022)**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 6,885,945	\$ 6,951,325
Cash Payments for Operating Expenses	<u>(2,942,770)</u>	<u>(2,803,488)</u>
Net Cash Provided by Operating Activities	<u>3,943,175</u>	<u>4,147,837</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Payments on Certificates of Participation	(2,600,000)	(2,500,000)
Principal Paid on PBCo Debt	(552,000)	(552,000)
Proceeds from (Principal Paid to) MPWMD Interfund Loan	-	(500,000)
Interest Expense	(90,694)	(55,971)
Bond Carrying and Interest Expenses	(3,000)	(41,970)
Construction in Progress - Capital Additions	<u>(971,539)</u>	<u>(355,240)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(4,217,233)</u>	<u>(4,005,181)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings	216	6,490
Proceeds from Sale and Maturities of Investments	100,000	135,999
Purchase of Investments	<u>(193,251)</u>	<u>(158,000)</u>
Net Cash Used by Investing Activities	<u>(93,035)</u>	<u>(15,511)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(367,093)	127,145
Cash and Cash Equivalents - Beginning of Year	<u>1,388,749</u>	<u>1,261,604</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,021,656</u></u>	<u><u>\$ 1,388,749</u></u>

See accompanying Notes to Basic Financial Statements.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUND (CONTINUED)
(CAWD/PBCSD WASTEWATER RECLAMATION PROJECT)
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2022)**

	2023	2022
RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION		
Cash and Investments	\$ 1,021,656	\$ 1,387,574
Cash Restricted for Debt Service	-	1,175
Total	\$ 1,021,656	\$ 1,388,749
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 2,006,820	\$ 2,499,260
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Amortization	1,775,783	1,748,879
(Increase) Decrease in:		
Receivables	56,573	(269,610)
Deposits	(872)	(3,975)
Increase (Decrease) in:		
Accounts Payable	93,672	177,746
Due to Governmental Funds	11,199	(4,463)
Net Cash Provided by Operating Activities	\$ 3,943,175	\$ 4,147,837
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Unrealized Gains (Losses) on Investments	\$ (6,749)	\$ (20,452)

See accompanying Notes to Basic Financial Statements.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Abbreviations Used

ASR	Aquifer Storage & Recovery
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 Reclamation Project
PWM	Pure Water Monterey

B. 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:

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

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

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

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

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

D. 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.

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if they are collected within sixty days of the end of the current fiscal year.

Property taxes that have been levied and are due on or before year-end are recognized as revenue if they have been collected within sixty days after year-end. Water supply charges, connection charges and permit fees are considered to be measurable when they have been collected and are recognized as revenue at that time. Investment earnings are recorded as earned since they are measurable and available.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from producing and delivering reclaimed water. Operating expenses include the cost of sales, general and administrative expenses, and amortization of capital assets and water resale rights. 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.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

The following major funds are used by the District:

Governmental Funds

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

Conservation Fund – accounts for financial resources used to fund water conservation activities mandated by District legislation. The Water Demand Division provides information and programs to achieve efficient water use and maximize available supplies. This is achieved through community education and outreach, development of incentives and training programs, and by implementing and enforcing permitting and conservation regulations, thereby reducing the community's need for potable water.

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.

Water Supply Fund – accounts for financial resources used to fund for acquisition or construction of major capital facilities (other than those financed by Proprietary Funds, and Special Assessments), support for staff relative to water supply, and other water supply related activities.

Proprietary Fund

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

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

E. Basis of Presentation and Accounting

1. Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's certificates of deposit are Level 2, and the money market accounts are reported at amortized cost.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Basis of Presentation and Accounting (Continued)

2. Cash Equivalents

The District considers all highly liquid assets which have an original term of less than ninety days to maturity when purchased as cash equivalents.

3. 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 (bonds). When applicable, construction projects cash is in an escrowed account for receipt of water entitlement sales by PBCo., who is entitled to reimbursements for its cash advances. Certain cash and investments of the District are classified as restricted because their uses are limited by commitments made by the District to the purchaser of the Aquifer Storage and Recovery Project.

4. 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.

5. 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 fair value.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Basis of Presentation and Accounting (Continued)

5. Investments (Continued)

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

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

6. Receivables and Deferred Inflows of Resources

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

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. The allowance is based on an assessment of the current status of individual accounts. At June 30, 2023, the allowance was estimated to be zero.

7. Prepaid Expenses

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

8. Capital Assets

Property, facilities, and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed capital assets are recorded at acquisition 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.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Basis of Presentation and Accounting (Continued)

8. Capital Assets (Continued)

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

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

9. Water Reserves

The water reserves account has two sub-accounts: the operating reserve and the drought reserve. The District allocates all excess water into either the operating reserve or the drought reserve as it shall determine in its sole discretion. The District owns any water in the reserve account, until such time as operating reserve water or drought reserve water is used to satisfy the water availability guarantee at which point it shall become Company water and be owned by California American Water. The water reserves are capitalized as an intangible asset with an indefinite life and therefore is not subject to amortization.

10. 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.

11. 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.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Basis of Presentation and Accounting (Continued)

12. Deferred Outflows/Inflows of Resources

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

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

13. Compensated Absences

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

Tier 1 – Employees Hired before July 2013

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

Tier 2 – Employees Hired after July 2013

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

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

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Basis of Presentation and Accounting (Continued)

14. Interfund Activity

During the course of operations, transactions occur between individual funds that result in amounts owed between funds, which are classified as “due to/from other funds.” Eliminations have been made on the government-wide statements for amounts due to/from within the governmental funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for services to business-type activities of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

15. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financial sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

16. Leases

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Basis of Presentation and Accounting (Continued)

16. Leases (Continued)

On June 30, 2023, the District does not have any lease agreements within the scope of GASB Statement 87.

17. Subscription-Based Information Technology Arrangements (SBITA)

At the commencement of the subscription term, the District recognized a subscription liability and an intangible right-to-use assets.

The District initially measures the subscription-based IT liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription-based IT liability is reduced by the principal portion of subscription payments made. The subscription-based IT asset is initially measured as the initial amount of the subscription-based IT liability, less subscription payments made at or before the subscription commencement date, less any vendor incentives received at or before the subscription commencement date, plus the capitalizable implementation costs. The subscription-based IT arrangement asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying hardware or software.

On June 30, 2023, the District does not have any Subscription-Based Information Technology Arrangements within the scope of GASB Statement 96.

18. Pensions

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

19. Other Postemployment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Retiree Benefits plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when currently due and payable in accordance with the benefit terms.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Basis of Presentation and Accounting (Continued)

19. Other Postemployment Benefits (OPEB) (Continued)

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 to June 30, 2023

20. Net Position

The statement of net position presents the Districts assets and deferred outflows of resources and liabilities and deferred inflows of resources with the difference reported as net position. Net position is reported in three categories.

- *Net Investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* results when constraints placed on net positions use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

21. Fund Balances

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

The District reports the following classifications:

- *Nonspendable* – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form, such as prepaid expenses and long-term receivables or (b) legally or contractually required to be maintained intact, such as a trust that must be retained in perpetuity.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Basis of Presentation and Accounting (Continued)

21. Fund Balances (Continued)

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

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

22. Property Taxes

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

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

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Basis of Presentation and Accounting (Continued)

22. Property Taxes (Continued)

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

23. 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.

24. Income Taxes

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

25. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

26. Reclassifications

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

27. Summarized Financial Information

The basic 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, 2022, from which the summarized information was derived.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Basis of Presentation and Accounting (Continued)

28. Subsequent Events

Subsequent events have been evaluated through February 26, 2024, which is the date the financial statements were available to be issued.

29. Effects of New Pronouncements

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

The District adopted the requirement of the guidance effective July 1, 2022, and has applied the provisions of this standard to the beginning of the period of adoption. The implementation of this statement had no impact on the accompanying financial statements.

NOTE 2 THE CAWD/PBCSD 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 the Pun Group whose report has been furnished to us.

The Project provides treated wastewater to irrigate golf courses and open space areas in the Pebble Beach community, which freed up potable water previously used for irrigation. The original Project involved the construction of a new tertiary treatment plant and laboratory facilities located on the site of the existing CAWD secondary wastewater treatment plant, the construction of a new reclaimed distribution system, including a 2.5 million gallon storage tank and irrigation system improvements. Construction of the original Project began in January 1993 and was completed in October 1994. The 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.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 THE CAWD/PBCSD RECLAMATION PROJECT (CONTINUED)

The Project's assets are owned principally by CAWD and PBCSD, and consist primarily of the following:

- Assets owned by CAWD: (1) a tertiary treatment plant, (2) secondary process improvements, (3) laboratory facilities, (4) a reclaimed water pump station, (5) related computer equipment and, (6) a small portion of the reclaimed water pipeline.
- Assets owned by PBCSD: (1) approximately seven miles of reclaimed water distribution system pipeline, (2) the Forest Lake Reservoir, (3) a 2.5 million gallon storage tank, and (4) a potable water pump station.

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

The activities of the Project are overseen by a six-member management committee containing two representatives from the CAWD board, two from the PBCSD board, one from the PBCo. and one from the Independent Reclaimed Water Users Group (IRWUG). Since the Project does not own the wastewater reclamation capital assets, the value earned for the capital expenditures incurred is reflected on the books of the Project as water resale rights, an intangible amortizable capital asset.

Subsequent to the completion of the original facilities, the Project has been expanded to increase the quantity and quality of reclaimed water. The expanded project utilizes Forest Lake Reservoir located in Pebble Beach which provides 115 million gallons of storage capacity. The Reservoir is filled with reclaimed water during winter months when there is excess production at the treatment plant. The stored water is used during summer months when the daily irrigation demand exceeds treatment plant production capacity. PBCSD purchased the Reservoir from California-American Water Company in 1998 and rehabilitated it to meet State Water Resources Division of Safety of Dams requirements. The rehabilitated construction of the Reservoir was completed in March 2006. The construction costs of approximately \$13 million were financed by the sale of Pebble Beach Company water entitlements.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 THE CAWD/PBCSD RECLAMATION PROJECT (CONTINUED)

The Microfiltration/Reverse Osmosis (MF/RO) phase of the project (phase II), located at the CAWD treatment plant site, began design in 2006 and construction was completed in 2009. The intent of the MF/RO phase is to reduce the sodium content of the tertiary reclaimed water from 150 mg/l to less than 55 mg/l to reduce the stress on the golf greens and eliminate the need for flushing the courses with potable water. The design capacity for the MF/RO is 1.5 million gallons with an expected blend of 80% RO water and 20% MF water. The cost of the MF/RO construction project was approximately \$21 million.

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.

Reserve Funds

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

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

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

Investments at June 30, 2023 consisted of the following:

Governmental Activities:	
Local Agency Investment Fund	\$ 9,824,416
Money Market Accounts	166,548
Certificates of Deposit	<u>7,688,311</u>
Subtotal Governmental Activities	<u>17,679,275</u>
Business-Type Activities:	
Certificates of Deposit	<u>359,808</u>
Subtotal Business-Type Activities	<u>359,808</u>
Total Investments	<u>\$ 18,039,083</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair value of the District's investments to market interest rate fluctuations is provided by the following table that shows the maturity date and yield of each investment.

Local Agency Investment Fund	On demand, 2.17% yield
Money Market Fund	On demand, 0.04% yield
Certificates of Deposit (Governmental Activities)	28 months average maturity, 3.05% yield
Monterey County Investment Pool	On demand, 2.70% yield
Certificates of Deposit (Business-Type Activities)	19 months average maturity, 2.92% yield

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County Pool does not have a rating provided by a nationally recognized statistical rating organization. The certificates of deposit are not rated.

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a deposit policy that complies with the California Government Code commencing at Section 53630 (Public Deposits). As of June 30, 2023, \$6,996,815 of the District's bank balances of \$8,183,648 exposed to custodial credit risk as uninsured but are collateralized by the pledging bank's trust department not in the District's name.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk-Deposits (Continued)

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

Custodial Credit Risk – Investments

Custodial credit risk is the risk that in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools.

Concentration of Credit Risk

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

NOTE 4 RECEIVABLES

Receivables consist of the following at June 30, 2023:

	Water Supply	Conservation	Mitigation	Total
Governmental Activities:				
User Fees	\$ 94,426	\$ 161,046	\$ 423,446	\$ 678,918
Reimbursements	129,636	71,452	-	201,088
Water Supply Charge	98,175	-	-	98,175
Property Taxes	22,320	18,352	8,928	49,600
Interest	40,412	25,194	24,390	89,996
Other	3,978	-	-	3,978
Total Governmental Activities	\$ 388,947	\$ 276,044	\$ 456,764	1,121,755
Business-Type Activities:				
Water Sales				714,002
Affiliates (Reclamation)				770,207
Other				11,551
Total Business-Type Activities				1,495,760
Total				\$ 2,617,515

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 CAPITAL ASSETS

Capital assets experienced the following changes for the year ended June 30, 2023:

	Balance Beginning of Year	Current Additions	Deletions/ Transfers	Balance End of Year
Governmental Activities:				
Nondepreciable Assets:				
Water Reserves	\$ 2,855,712	\$ 2,310,448	\$ -	\$ 5,166,160
Construction in Progress	-	-	-	-
Total Nondepreciable Assets	2,855,712	2,310,448	-	5,166,160
Depreciable Assets:				
Equipment:				
Office	92,718	-	-	92,718
Computer	1,964,221	307,372	-	2,271,593
Operating	21,415	-	-	21,415
Transportation	457,234	40,939	-	498,173
Project	264,307	-	-	264,307
Phone	34,850	-	-	34,850
Total Equipment	2,834,745	348,311	-	3,183,056
Building and Improvements	2,072,228	-	-	2,072,228
Monitoring Stations	45,214	-	-	45,214
ASR Facilities	11,428,101	-	-	11,428,101
Fish Rearing Facility	3,269,770	744,679	-	4,014,449
Leasehold Improvements	17,698	-	-	17,698
Total Depreciable Assets	19,667,756	1,092,990	-	20,760,746
Less Accumulated Depreciation for:				
Equipment:				
Office	92,089	279	-	92,368
Computer	1,391,330	133,007	-	1,524,337
Operating	21,415	-	-	21,415
Transportation	403,524	22,041	-	425,565
Project	262,874	164	-	263,038
Phone	21,940	6,970	-	28,910
Total Equipment	2,193,172	162,461	-	2,355,633
Building and Improvements	1,221,604	58,325	-	1,279,929
Monitoring Stations	45,214	-	-	45,214
ASR Facilities	2,364,216	364,924	-	2,729,140
Fish Rearing Facility	1,047,384	72,915	-	1,120,299
Leasehold Improvements	17,698	-	-	17,698
Total Accumulated Depreciation	6,889,288	658,625	-	7,547,913
Total Depreciable Assets, Net	12,778,468	434,365	-	13,212,833
Total Governmental Activities Capital Assets, Net	15,634,180	2,744,813	-	18,378,993

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 CAPITAL ASSETS (CONTINUED)

	Balance Beginning of Year	Current Additions	Deletions/ Transfers	Balance End of Year
Business-Type Activities:				
Nondepreciable Assets:				
Construction in Progress	\$ 505,755	\$ 971,539	\$ (1,076,178)	\$ 401,116
Water Resale Rights	69,955,057	-	1,076,178	71,031,235
Less Accumulated Amortization for:				
Water Resale Rights	32,756,234	1,775,783	-	34,532,017
Total Water Resale Rights, Net	37,198,823	(1,775,783)	1,076,178	36,499,218
Total Business Type Activities Capital Assets, Net	37,704,578	(804,244)	-	36,900,334
Total Capital Assets, Net	<u>\$ 53,338,758</u>	<u>\$ 1,940,569</u>	<u>\$ -</u>	<u>\$ 55,279,327</u>

The District has reevaluated the estimated useful lives of capital asset classes that have been fully depreciated and since the assets are still in use, the assets remain on the books of the District.

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

Water Supply	\$ 431,200
Conservation	66,193
Mitigation	161,232
Total Depreciation Expense	<u>\$ 658,625</u>

NOTE 6 TRANSACTIONS WITH RELATED ORGANIZATIONS

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

At June 30, 2023, accounts receivable from these organizations were as follows:

Receivable from PBCo. and Affiliated Golf Courses:	
Water Sales	\$ 770,207
Total	<u>\$ 770,207</u>

At June 30, 2023, accounts payable to these organizations were as follows:

Payable to PBCSD for Operations and Maintenance	\$ 634,720
Total	<u>\$ 634,720</u>

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 LONG-TERM DEBT

The Variable Rate Demand Certificates of Participation

Wastewater Reclamation Project Series 1992 (COPs) were issued in December 1992 in the amount of \$33,900,000 by the District and matured 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. The COPs were paid in full in fiscal year 2023.

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 repayment of the COPs.

Due Pebble Beach Company

Repayment of \$5,520,000 bond carrying costs incurred and advanced by PBCo prior to July 1, 2013, to be reimbursed over the next ten years at \$552,000 per year. The final payment was made in fiscal year 2023.

The 2013 Installment Purchase Agreement

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

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 LONG-TERM DEBT (CONTINUED)

Reserve Funds

A reserve fund was established to ensure adequate funding of the debt service and is held in a segregated account restricted for its intended purposes. The reserve fund was required to maintain a balance of \$219,136. At June 30, 2023, the balance in this account was \$222,832. The loan was paid off in fiscal year 2023, but the bank has not yet released the funds.

Security for Repayment

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

Borrowings under the installment purchase agreement are subject to certain financial covenants. The borrowings under the installment purchase agreement contain a provision that in an event of default, outstanding amounts become immediately due and payable.

Long-term debt activity for the year ended June 30, 2023 is as follows:

	<u>2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>2023</u>	<u>Due Within One Year</u>
Governmental Activities:					
Installment Purchase Agreement	\$ 2,719,926	\$ -	\$ 2,719,926	\$ -	\$ -
Compensated Absences	777,728	323,555	235,732	865,551	247,375
OPEB	5,056,238	304,965	369,343	4,991,860	142,220
Net Pension Liability	3,532,356	4,212,496	656,244	7,088,608	-
Total Governmental Activities	<u>12,086,248</u>	<u>4,841,016</u>	<u>3,981,245</u>	<u>12,946,019</u>	<u>389,595</u>
Business-Type Activities:					
COPs	2,600,000	-	2,600,000	-	-
Due Pebble Beach Company	552,000	-	552,000	-	-
Total Business-Type Activities	<u>3,152,000</u>	<u>-</u>	<u>3,152,000</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 15,238,248</u>	<u>\$ 4,841,016</u>	<u>\$ 7,133,245</u>	<u>\$ 12,946,019</u>	<u>\$ 389,595</u>

In prior years, the conservation, mitigation and water supply funds have been used to liquidate compensated absences and net pension/OPEB liabilities.

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 RISK MANAGEMENT

The District is insured against various risks of loss related to torts, thefts of, damage to 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 in any of the past three years.

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, 2023, other than claims liabilities and lease obligations. The District's share of year-end assets, liabilities and risk margin has not been calculated by the SDRMA.

NOTE 9 DEFERRED COMPENSATION PLAN

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

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

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

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 DEFERRED COMPENSATION PLAN (CONTINUED)

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 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plans Description

The District administers a single-employer defined-benefit postemployment healthcare plans (the Retiree Health Plans). Dependents are eligible to enroll, and benefits continue to surviving spouses for one year following the member’s death. The Retiree Health Plans provide healthcare insurance for eligible retirees and dependents or survivors. Coverage to members of the General Staff Bargaining Unit is provided through the Association of California Water Agencies Health Benefit Authority Anthem Classic Plan, and coverage for the Management Staff Bargaining Unit members and the Confidential Staff Bargaining Unit members are provided through the Laborer’s Trust Funds for Northern California Special Plan III. The Plans provide for continuation of medical insurance benefits for certain retirees and their dependents or survivors who meet the eligibility criteria established by the District and/or medical care providers. The Plans can be amended by action of the Board of Directors during negotiation of periodic Memorandums of Understanding with the different bargaining units. The Plans do not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plans.

Benefits Provided

Retirees are eligible for medical benefits if they retire at Age 50+. A retiree who was hired before July 1, 2013 and retires with 15+ years of service is eligible to receive a payment of \$1,372 per month for fiscal-year end June 30, 2023. The amount of this payment increases 3% annually. All other retirees are eligible to receive \$540 per month with no service requirements. There are no disability benefits.

Employees Covered by Benefit Terms

At June 30, 2022 (the census date), the benefit terms covered the following employees:

Active Employees	23
Inactive Employees, Spouses, or Beneficiaries	
Currently Receiving Benefit Payments	14
Inactive Employees Entitled to But	
Not Yet Receiving Benefit Payments	-
Total	37

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Contributions

The contribution requirements of the District are based on a pay-as-you-go basis. For the fiscal year ended June 30, 2023, the District paid \$142,235 for retiree health benefits. The District currently contributes enough money to the plans to satisfy current obligations on a pay-as-you-go basis. There are no assets accumulated in a qualifying trust.

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2022.

Actuarial Assumptions

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	2.30%
Salary Increases:	2.80%. Additional merit-based increases based on CalPERS merit salary increase tables.
Healthcare Cost Trend Rates:	6.00% in the first year, trending down to 3.94% over 52 years.

Mortality rates were based on CalPERS tables.

Discount Rate

The discount rate used to measure the total OPEB liability is 3.86%. The District's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds, as of the valuation date.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Changes in the Total OPEB Liability

The changes in the total OPEB liability for the OPEB Plan are as follows:

	Total OPEB Liability
Balance at June 30, 2022	\$ 5,056,238
Changes Recognized for Measurement Period:	
Service Cost	116,685
Interest	188,280
Changes of Benefit Terms	-
Difference Between Expected and Actual Experience	(120,643)
Changes of Assumptions	(106,465)
Contributions - Employer	-
Net Investment Income	-
Benefit Payments	(142,235)
Administrative Expense	-
Net Changes	(64,378)
Balance at June 30, 2023	\$ 4,991,860

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate, for measurement period ended June 30, 2023:

	1% Decrease (2.86%)	Current Discount Rate (3.86%)	1% Increase (4.86%)
Total OPEB Liability	\$ 5,670,542	\$ 4,991,860	\$ 4,429,011

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the total OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2023:

	1% Decrease (5.00%)	Current Healthcare Cost Trend Rate (6.00%)	1% Increase (7.00%)
Total OPEB Liability	\$ 4,356,807	\$ 4,991,860	\$ 5,775,329

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2023, the District recognized OPEB expense of \$142,235. As of fiscal year ended June 30, 2023, the District reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference Between Actual and Expected Experience	\$ -	\$ 336,874
Changes in Assumptions	605,684	160,791
Total	\$ 605,684	\$ 497,665

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended June 30,	Deferred Outflows/ (Inflows) of Resources
2024	\$ 38,580
2025	10,875
2026	65,854
2027	57,598
2028	(32,444)
Thereafter	(32,444)

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 PENSION PLAN

General Information about the Pension Plan

Plan Description

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

Benefits Provided

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

The Plans' provisions and benefits in effect at June 30, 2023, are summarized as follows:

Hire Date	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Benefit Formula	2% @ 55	2% @ 62
Benefit Vesting Schedule	5 Years Service	5 Years Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50 – 63	52-67
Monthly Benefits, as a % of Eligible Compensation	1.4% to 2.4%	1.0% to 2.5%
Required Employee Contribution Rates	7.00%	6.75%
Required Employer Contribution Rates	10.87%	7.47%

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 PENSION PLAN (CONTINUED)

General Information about the Pension Plan (Continued)

Contributions

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

For the year ended June 30, 2023, the contributions recognized as part of pension expense for the Plan were as follows:

	<u>Miscellaneous</u>
Contributions	\$ 738,908

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the net pension liability of the Miscellaneous Plan as \$7,088,608.

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2022 and 2023 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2022	0.18603%
Proportion - June 30, 2023	0.15149%
Change - Increase (Decrease)	-0.03454%

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 PENSION PLAN (CONTINUED)

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

For the year ended June 30, 2023, the District recognized pension expense/(credit) of \$(245,654). Pension expense is allocated to the functions based on full time equivalents. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference Between Actual and Expected Experience	\$ 142,353	\$ 95,342
Changes in Assumptions	726,376	-
Difference Between Projected and Actual Investment Earnings	1,298,445	-
Differences Between Employer's Contributions and Proportionate Share of Contributions	-	411,586
Change in Employer's Proportion	29,373	179,487
Pension Contributions Made Subsequent to Measurement Date	738,908	-
Total	\$ 2,935,455	\$ 686,415

Deferred outflows of resources in the amount of \$738,908 were reported related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as of June 30 as follows:

Year Ended June 30,	Amount
2024	\$ 291,781
2025	270,301
2026	153,874
2027	794,176

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 PENSION PLAN (CONTINUED)

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

Actuarial Assumptions

The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by entry age and service
Mortality Rate Table	Derived using CalPERS' membership data for all funds (1)
Postretirement Benefit Increase	Contract COLA up to 2.30% Until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.30% thereafter

(1) The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period 2000 to 2019, including updates to salary increase, mortality and retirement rates. The Experience Study can be found on the CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent for the Plan. The projection of cash flows used to determine the discount rate assumed that the contributions from plan members will be made at the current member contribution rate and that the contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 PENSION PLAN (CONTINUED)

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

Discount Rate (Continued)

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

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

Asset Class	Assumed Asset Allocation	Real Return (a) (b)
Global Equity - Cap-Weighted	30.00 %	4.54 %
Global Equity - Non-Cap-Weighted	12.00 %	3.84 %
Private Equity	13.00 %	7.28 %
Treasury	5.00 %	0.27 %
Mortgage-Backed Securities	5.00 %	0.50 %
Investment Grade Corporates	10.00 %	1.56 %
High Yield	5.00 %	2.27 %
Emerging Market Debt	5.00 %	2.48 %
Private Debt	5.00 %	3.57 %
Real Assets	15.00 %	3.21 %
Leverage	(5.00)%	(0.59)%
Total	100.00 %	

(a) An expected price inflation of 2.30% used for this period.

(b) Figures are based on the 2021-22 Asset Liability Management Study.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 PENSION PLAN (CONTINUED)

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the
Discount Rate

The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% Decrease	5.90%
Net Pension Liability	\$ 10,669,346
Current Discount Rate	6.90%
Net Pension Liability	\$ 7,088,608
1% Increase	7.90%
Net Pension Liability	\$ 4,142,545

Pension Plan Fiduciary Net Position

Detailed information about the plan fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 12 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.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 13 COMMITMENTS AND OTHER CONTINGENCIES

As of June 30, 2023, the District has several ongoing projects with outstanding contracts as follows:

Vendor/Contractor	Project	Original Contract Date	Total Contract Amount	Amount Outstanding at 6/30/2023
Pueblo Water Resources	ASR Backflush Basin Expansion CM Services	10/2018	\$ 96,034	\$ 27,115
Ecology Action of Santa Cruz	HEART Grant Conservation Equipment	10/2018	152,600	66,238
Dudek	Proposition 1 IRWM Implementation Round 1 Grant	12/2020	114,960	76,391
Monterey One Water	PWM Deep Injection Well #4	04/2021	4,070,000	666,037
LAFCO	Measure J LAFCO Application	05/2021	80,000	22,215
Reiff Manufacturing	Manufacture Quarantine Tanks Sleepy Hollow Facility	10/2021	48,000	7,650
Montgomery & Associates	Annual Groundwater Modeling Support	11/2021	50,000	12,345
Monterey Peninsula Engineering	Install Quarantine Tanks	03/2022	262,500	22,653
Montgomery & Associates	Annual Groundwater Modeling Support	03/2023	119,200	104,558
Montgomery & Associates	Annual Groundwater Modeling Support	06/2023	50,000	42,043
Monterey One Water	PWM Expansion Project	11/2023	1,200,000	43,975
Tynan Construction	Sleepy Hollow Rearing Channel Rehabilitation	11/2023	693,000	128,591
Total			<u>\$ 6,936,294</u>	<u>\$ 1,219,811</u>

NOTE 14 INTERFUND TRANSACTIONS

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

During the year, the Water Supply fund charged the Reclamation Project for services provided.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2023**

NOTE 14 INTERFUND TRANSACTIONS (CONTINUED)

Interfund receivable for the Water Supply fund and payable by the Reclamation Project consist of the following at June 30, 2023:

	Amount
Purpose:	
Charges for Services	\$ 36,896
User Fee	85,385
Total	\$ 122,281

NOTE 15 SUBSEQUENT EVENT

In November 2018, voters passed an initiative requiring the District to acquire the local water supply and distribution facilities of California American Water, if feasible. In 2021, the District prepared an application to the Monterey County Local Agency Formation Commission (LAFCO) to annex 58 parcels (Yankee Point and Hidden Hills), update its Municipal Services Review (MSR), and “activate” the District’s authority to provide water service directly to end-use customers. LAFCO approved the annexation and MSR but denied the activation of powers. The District challenged that denial in a petition for writ of review filed in April 2022. The District prevailed and LAFCO was directed by the Court to vacate the denial.

While the LAFCO lawsuit was pending, the District’s appraisers completed their appraisal of the California-American Monterey Water System (the Subject Property Interests) sought to be acquired in this action and, on or about April 3, 2023, the District made an offer to Cal-Am to acquire the Subject Property Interests in an amount equal to the full amount of its appraisal. Cal-Am rejected the offer on or about April 28, 2023, indicating it was not interested in selling the system. The District continues to pursue the acquisition. On October 10, 2023, the District held a hearing where it took in evidence and testimony before ruling unanimously on a “resolution of necessity” that outlined the reasons a takeover would benefit the public. This is the first step in an eminent domain proceeding to seek a forced buyout of California American Water Company.

REQUIRED SUPPLEMENTARY INFORMATION

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE, BUDGET AND ACTUAL – WATER SUPPLY
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance With Final Amounts
	Original	Final		
REVENUES				
Property Taxes	\$ 2,500,000	\$ 2,500,000	\$ 2,578,806	\$ 78,806
Water Supply Charge	3,400,000	3,400,000	3,394,345	(5,655)
Water Sales	12,201,000	12,201,000	12,201,000	-
User Fees	792,000	792,000	996,544	204,544
Connection Charges, Net of Refunds	500,000	500,000	409,101	(90,899)
Project Reimbursements	2,352,200	2,188,200	1,923,260	(264,940)
Investment Income	40,000	40,000	100,950	60,950
Miscellaneous	5,000	5,000	5,330	330
Total Revenues	<u>21,790,200</u>	<u>21,626,200</u>	<u>21,609,336</u>	<u>(16,864)</u>
EXPENDITURES				
Personnel:				
Salaries	1,154,900	1,154,900	1,186,041	(31,141)
Employee Benefits and Other Personnel	625,800	625,800	570,032	55,768
Services and Supplies:				
Project Expenditures	6,012,050	3,699,550	4,068,626	(369,076)
Water Purchases	12,201,000	12,201,000	12,200,995	5
Operating Expenditures	425,800	431,500	316,917	114,583
Professional Fees	385,600	385,600	345,552	40,048
Capital Outlay	104,700	104,700	108,374	(3,674)
Debt Service:				
Principal	-	-	2,719,926	(2,719,926)
Interest and Other Charges	-	2,150,000	134,558	2,015,442
Total Expenditures	<u>20,909,850</u>	<u>20,753,050</u>	<u>21,651,021</u>	<u>(897,971)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>880,350</u>	<u>873,150</u>	<u>(41,685)</u>	<u>(914,835)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(1,375,000)	(2,000,000)	(2,057,484)	(57,484)
Total Other Financing Sources (Uses)	<u>(1,375,000)</u>	<u>(2,000,000)</u>	<u>(2,057,484)</u>	<u>(57,484)</u>
NET CHANGE IN FUND BALANCE				
	(494,650)	(1,126,850)	(2,099,169)	(972,319)
Fund Balance - Beginning of Year	<u>7,468,682</u>	<u>9,021,118</u>	<u>9,021,118</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 6,974,032</u></u>	<u><u>\$ 7,894,268</u></u>	<u><u>\$ 6,921,949</u></u>	<u><u>\$ (972,319)</u></u>

See accompanying Note to Required Supplementary Information.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE, BUDGET AND ACTUAL – CONSERVATION
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance With Final Amounts
	Original	Final		
REVENUES				
User Fees	\$ 1,321,000	\$ 1,321,000	\$ 1,531,810	\$ 210,810
Permit Fees	198,000	198,000	211,599	13,599
Project Reimbursements	423,000	423,000	274,863	(148,137)
Investment Income	20,000	20,000	18,151	(1,849)
Legal Fee Reimbursements	16,000	16,000	4,800	(11,200)
Recording Fees	20,000	20,000	27,291	7,291
Miscellaneous	5,000	5,000	4,442	(558)
Total Revenues	<u>2,003,000</u>	<u>2,003,000</u>	<u>2,072,956</u>	<u>69,956</u>
EXPENDITURES				
Personnel:				
Salaries	822,800	822,800	670,522	152,278
Employee Benefits and Other Personnel	430,600	430,600	365,937	64,663
Services and Supplies:				
Project Expenditures	942,000	923,000	586,623	336,377
Operating Expenditures	366,200	371,000	273,776	97,224
Professional Fees	198,000	198,000	152,522	45,478
Capital Outlay	80,100	80,100	92,622	(12,522)
Total Expenditures	<u>2,839,700</u>	<u>2,825,500</u>	<u>2,142,002</u>	<u>683,498</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(836,700)</u>	<u>(822,500)</u>	<u>(69,046)</u>	<u>753,454</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	925,000	1,000,000	1,030,409	30,409
Total Other Financing Sources (Uses)	<u>925,000</u>	<u>1,000,000</u>	<u>1,030,409</u>	<u>30,409</u>
NET CHANGE IN FUND BALANCE	88,300	177,500	961,363	783,863
Fund Balance - Beginning of Year	<u>4,707,319</u>	<u>5,410,599</u>	<u>5,410,599</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 4,795,619</u></u>	<u><u>\$ 5,588,099</u></u>	<u><u>\$ 6,371,962</u></u>	<u><u>\$ 783,863</u></u>

See accompanying Note to Required Supplementary Information.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE, BUDGET AND ACTUAL – MITIGATION
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance With Final Amounts
	Original	Final		
REVENUES				
User Fees	\$ 3,387,000	\$ 3,387,000	\$ 3,833,215	\$ 446,215
Permit Fees	-	-	50	50
Investment Income	20,000	20,000	43,364	23,364
Grants	3,470,200	266,200	458,949	192,749
Miscellaneous	5,000	5,000	5,035	35
Total Revenues	<u>6,882,200</u>	<u>3,678,200</u>	<u>4,340,613</u>	<u>662,413</u>
EXPENDITURES				
Personnel:				
Salaries	942,800	942,800	962,154	(19,354)
Employee Benefits and Other Personnel	511,400	511,400	539,859	(28,459)
Services and Supplies:				
Project Expenditures	4,940,450	2,080,950	1,781,368	299,582
Operating Expenditures	408,700	414,200	332,107	82,093
Professional Fees	276,400	276,400	167,503	108,897
Capital Outlay	265,200	265,200	147,315	117,885
Total Expenditures	<u>7,344,950</u>	<u>4,490,950</u>	<u>3,930,306</u>	<u>560,644</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(462,750)</u>	<u>(812,750)</u>	<u>410,307</u>	<u>1,223,057</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	450,000	1,000,000	1,027,075	27,075
Total Other Financing Sources (Uses)	<u>450,000</u>	<u>1,000,000</u>	<u>1,027,075</u>	<u>27,075</u>
NET CHANGE IN FUND BALANCE	(12,750)	187,250	1,437,382	1,250,132
Fund Balance - Beginning of Year	<u>6,171,992</u>	<u>6,952,657</u>	<u>6,952,657</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 6,159,242</u>	<u>\$ 7,139,907</u>	<u>\$ 8,390,039</u>	<u>\$ 1,250,132</u>

See accompanying Note to Required Supplementary Information.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023**

NOTE 1 BUDGETARY DATA

The District adopts an annual legal budget, which covers the Water Supply Fund (which acts as the District's general fund), Conservation Fund, and Mitigation Fund. Operating budgets lapse at fiscal year-end and then are re-budgeted for the coming fiscal year. 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.

The Water Supply Fund was over budget by \$897,971 in expenditures. This was due to the final payment on principal for debt and increased project expenditures that were capitalized. Any deficiency of budgeted revenues and other financing sources compared to expenditures and other financing uses is financed by available fund balance or transfers.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
MEASUREMENT PERIODS ENDED JUNE 30,**

Measurement Period	2023	2022	2021	2020	2019	2018
Total OPEB Liability:						
Service Cost	\$ 116,685	\$ 131,401	\$ 109,547	\$ 148,363	\$ 131,173	\$ 127,662
Interest	188,280	88,212	101,994	144,980	155,268	140,378
Actual and Expected Experience Difference	(120,643)	(120,671)	(5,585)	(411,131)	-	-
Changes of Assumptions	(106,465)	565,999	337,730	(190,471)	249,320	-
Benefit Payments	(142,235)	(142,655)	(126,446)	(117,237)	(98,542)	(92,380)
Net Change in Total OPEB Liability	(64,378)	522,286	417,240	(425,496)	437,219	175,660
Total OPEB Liability - Beginning of Year	5,056,238	4,533,952	4,116,712	4,542,208	4,104,989	3,929,329
Total OPEB Liability - End of Year	<u>\$ 4,991,860</u>	<u>\$ 5,056,238</u>	<u>\$ 4,533,952</u>	<u>\$ 4,116,712</u>	<u>\$ 4,542,208</u>	<u>\$ 4,104,989</u>
Covered-Employee Payroll	\$ 2,666,653	\$ 2,609,421	\$ 2,574,004	\$ 2,577,148	\$ 2,508,173	\$ 2,441,044
Total OPEB Liability as a Percentage of Covered-Employee Payroll	187.2%	193.8%	176.1%	159.7%	181.1%	168.2%

Notes to Schedule:

The District adopted GASB 75 for the fiscal year ending June 30, 2018. Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

No assets have been accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related benefits.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
YEAR ENDED JUNE 30, 2023
LAST TEN YEARS***

Measurement Period	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	Plan's Fiduciary Net Position	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014 Miscellaneous Plan	0.05481%	\$ 3,287,027	\$ 2,282,220	144.03%	\$ 10,639,461,174	81.15%
2015 Miscellaneous Plan	0.12936%	\$ 3,548,843	\$ 2,325,836	152.58%	\$ 10,896,036,068	79.89%
2016 Miscellaneous Plan	0.12945%	\$ 4,496,774	\$ 2,419,068	185.89%	\$ 10,923,476,287	75.87%
2017 Miscellaneous Plan	0.13198%	\$ 5,202,822	\$ 2,407,013	216.15%	\$ 12,074,499,781	75.39%
2018 Miscellaneous Plan	0.13571%	\$ 5,114,656	\$ 2,531,145	202.07%	\$ 13,122,440,092	77.69%
2019 Miscellaneous Plan	0.13886%	\$ 5,560,550	\$ 2,735,113	203.30%	\$ 13,979,687,268	77.73%
2020 Miscellaneous Plan	0.14260%	\$ 6,015,062	\$ 2,625,596	229.09%	\$ 14,702,361,183	77.71%
2021 Miscellaneous Plan	0.18603%	\$ 3,532,356	\$ 2,586,027	136.59%	\$ 18,065,791,524	90.49%
2022 Miscellaneous Plan	0.15149%	\$ 7,088,608	\$ 2,707,728	261.79%	\$ 16,770,671,339	78.19%

Notes to Schedule:

Benefit Changes

For 2016, the figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in Assumptions

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

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

In 2017, the discount rate was changed from 7.65 percent to 7.15 percent.

In 2018, demographic assumptions and the inflation rate were changed in accordance with CalPERS Experience Study and review of Actuarial Assumptions December 2017.

In 2022, the discount rate was changed from 7.15 percent to 6.9 percent.

* Fiscal year 2015 was the first year of implementation, therefore, only nine years are shown.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
SCHEDULE OF CONTRIBUTIONS – PENSION
YEAR ENDED JUNE 30, 2023
LAST TEN YEARS***

Measurement Period	Contractually Required Contributions (Actuarially Determined)	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2015 Miscellaneous Plan	\$ 369,874	\$ 369,874	\$ -	\$ 2,325,836	15.90%
2016 Miscellaneous Plan	\$ 370,709	\$ 370,709	\$ -	\$ 2,419,068	15.32%
2017 Miscellaneous Plan	\$ 361,981	\$ 361,981	\$ -	\$ 2,407,013	15.04%
2018 Miscellaneous Plan	\$ 386,341	\$ 386,341	\$ -	\$ 2,531,145	15.26%
2019 Miscellaneous Plan	\$ 458,759	\$ 458,759	\$ -	\$ 2,735,113	16.77%
2020 Miscellaneous Plan	\$ 516,231	\$ 516,231	\$ -	\$ 2,625,596	19.66%
2021 Miscellaneous Plan	\$ 583,756	\$ 583,756	\$ -	\$ 2,586,027	22.57%
2022 Miscellaneous Plan	\$ 656,243	\$ 656,243	\$ -	\$ 2,707,728	24.24%
2023 Miscellaneous Plan	\$ 738,908	\$ 738,908	\$ -	\$ 2,845,112	25.97%

The actuarial methods and assumptions used to set the actuarially determined contributions for each fiscal year are as follows:

FYE 2014–2015	June 30, 2012	Funding valuation report
FYE 2015–2016	June 30, 2013	Funding valuation report
FYE 2016–2017	June 30, 2014	Funding valuation report
FYE 2017–2018	June 30, 2015	Funding valuation report
FYE 2018–2019	June 30, 2016	Funding valuation report
FYE 2019–2020	June 30, 2017	Funding valuation report
FYE 2020–2021	June 30, 2018	Funding valuation report
FYE 2021–2022	June 30, 2019	Funding valuation report
FYE 2022–2023	June 30, 2020	Funding valuation report

Actuarial Cost Method	Individual entry age normal
Amortization Method/Period	Level percentage of payroll and direct rate smoothing
Asset Valuation Method	Fair value of assets
Inflation	2.50%
Salary Increases	Varies, based on entry age and service
Payroll Growth	2.75%
Investment Rate of Return	7.00%
Retirement Age	The probabilities of retirement are based on results of an actuarial experience study for the period from 2000 to 2019.
Mortality	The probabilities of mortality are based on CalPERS specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries.

* Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.

STATISTICAL SECTION



(Photo: Sleepy Hollow Facility)

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT STATISTICAL SECTION

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

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time. (Pages 65-69)

Revenue Capacity

These schedules contain information to help the reader assess the District's most significant local revenue sources. (Pages 70-72)

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future. (Pages 73-74)

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place. (Pages 75-77)

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs. (Pages 78-79)

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Governmental activities										
Net investment in capital assets	\$ 18,378,993	\$ 13,621,629	\$ 12,777,097	\$ 9,874,997	\$ 5,391,484	\$ 3,360,667	\$ 3,279,341	\$ 3,454,077	\$ 3,765,812	\$ 3,703,618
Restricted for debt service	-	222,743	222,654	222,524	222,098	221,656	221,214	220,772	220,330	219,136
Unrestricted (deficit)	11,242,765	9,312,783	8,073,357	7,086,920	6,650,005	3,659,946	(2,942,603)	(3,985,497)	(2,940,609)	1,316,853
Total governmental activities net position	\$ 29,621,758	\$ 23,157,155	\$ 21,073,108	\$ 17,184,441	\$ 12,263,587	\$ 7,242,269	\$ 557,952	\$ (310,648)	\$ 1,045,533	\$ 5,239,607
Business-type activities										
Net investment in capital assets	\$ 36,900,334	\$ 34,553,753	\$ 33,998,217	\$ 33,122,073	\$ 30,591,335	\$ 28,603,598	\$ 27,566,748	\$ 26,194,280	\$ 25,157,565	\$ 24,719,129
Restricted for construction project	-	-	-	-	-	-	-	-	-	-
Restricted for debt service	-	1,175	1,176	1,176	1,164	1,144	1,136	1,136	1,136	1,137
Restricted for capital replacement	-	-	-	-	-	-	1,121,549	1,118,503	1,273,355	873,273
Unrestricted (deficit)	1,865,135	2,297,199	465,377	(1,182,948)	(1,221,936)	(919,550)	(3,165,974)	(3,430,576)	(3,772,838)	(4,393,080)
Total business-type activities net position	\$ 38,765,469	\$ 36,852,127	\$ 34,464,770	\$ 31,940,301	\$ 29,370,563	\$ 27,685,192	\$ 25,523,459	\$ 23,883,343	\$ 22,659,218	\$ 21,200,459
Primary government										
Net investment in capital assets	\$ 55,279,327	\$ 48,175,382	\$ 46,775,314	\$ 42,997,070	\$ 35,982,819	\$ 31,964,265	\$ 30,846,089	\$ 29,648,357	\$ 28,923,377	\$ 28,422,747
Restricted for construction project	-	-	-	-	-	-	-	-	-	-
Restricted for debt service	-	223,918	223,830	223,700	223,262	222,800	222,350	221,908	221,466	220,273
Restricted for capital replacement	-	-	-	-	-	-	1,121,549	1,118,503	1,273,355	873,273
Unrestricted (deficit)	13,107,900	11,609,982	8,538,734	5,903,972	5,428,069	2,740,396	(6,108,577)	(7,416,073)	(6,746,108)	(3,076,227)
Total primary government net position	\$ 68,387,227	\$ 60,009,282	\$ 55,537,878	\$ 49,124,742	\$ 41,634,150	\$ 34,927,461	\$ 26,081,411	\$ 23,572,695	\$ 23,672,090	\$ 26,440,066

Notes:

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

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Expenses (by function)										
Governmental activities:										
Conservation	\$ 1,938,053	\$ 1,982,677	\$ 1,952,205	\$ 1,961,978	\$ 2,022,792	\$ 2,101,343	\$ 1,881,138	\$ 1,928,518	\$ 2,538,647	\$ 2,269,696
Mitigation	2,916,434	3,396,714	2,923,021	3,160,250	3,374,595	2,584,965	2,343,392	2,261,058	2,348,049	2,463,838
Water supply	16,574,115	16,122,277	10,480,766	4,008,834	3,681,507	3,878,083	5,321,950	7,057,927	5,149,757	7,931,458
Interest	134,558	52,215	122,731	125,979	128,961	132,183	137,086	138,627	141,077	143,921
Total Governmental Activities expenses	21,563,160	21,553,883	15,478,723	9,257,041	9,207,855	8,696,574	9,683,566	11,386,130	10,177,530	12,808,913
Business- type activities:										
Reclamation Project	4,916,246	4,819,616	4,316,525	4,527,473	4,656,895	4,161,333	4,024,568	4,347,080	3,945,772	3,889,685
Total business-type activities expenses	4,916,246	4,819,616	4,316,525	4,527,473	4,656,895	4,161,333	4,024,568	4,347,080	3,945,772	3,889,685
Total Primary Government Expenses	26,479,406	26,373,499	19,795,248	13,784,514	13,864,750	12,857,907	13,708,134	15,733,210	14,123,302	16,698,598
Program Revenues (by function)										
Governmental activities:										
Charges for service:										
Conservation	2,018,272	1,993,563	1,902,308	1,899,280	1,790,416	2,136,505	996,234	1,005,237	1,584,188	1,374,724
Mitigation	3,833,265	3,729,830	3,660,046	3,380,722	2,977,719	3,013,010	3,052,020	2,542,519	2,236,455	1,940,728
Water supply	18,923,523	15,148,901	11,258,871	5,950,297	5,319,088	10,377,339	4,543,983	4,313,762	4,223,966	5,728,874
Operating grants and contributions	458,949	469,183	82,253	286,651	1,726,815	155,021	89,276	334,864	169,214	602,499
Total governmental activities program revenues	25,234,009	21,341,477	16,903,478	11,516,950	11,814,038	15,681,875	8,681,513	8,196,382	8,213,823	9,646,825
Business-type activities:										
Charges for services -										
Water sales	6,829,372	7,220,935	6,838,738	7,063,288	6,299,411	6,328,302	5,661,358	5,513,758	5,379,027	5,420,240
Total Business-type activities revenue	6,829,372	7,220,935	6,838,738	7,063,288	6,299,411	6,328,302	5,661,358	5,513,758	5,379,027	5,420,240
Total Primary Government Program Revenues	32,063,381	28,562,412	23,742,216	18,580,238	18,113,449	22,010,177	14,342,871	13,710,140	13,592,850	15,067,065
Net (Expenses)/Revenue										
Governmental activities	3,670,849	(212,406)	1,424,755	2,259,909	2,606,183	6,985,301	(1,002,053)	(3,189,748)	(1,963,707)	(3,162,088)
Business-type activities	1,913,126	2,401,319	2,522,213	2,535,815	1,642,516	2,166,969	1,636,790	1,166,678	1,433,255	1,530,555
Total Primary Net (Expenses)/Revenue	\$ 5,583,975	\$ 2,188,913	\$ 3,946,968	\$ 4,795,724	\$ 4,248,699	\$ 9,152,270	\$ 634,737	\$ (2,023,070)	\$ (530,452)	\$ (1,631,533)

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
CHANGES IN NET POSITION (CONTINUED)
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes	\$ 2,584,391	\$ 2,409,232	\$ 2,316,662	\$ 2,219,260	\$ 2,075,081	\$ 1,872,468	\$ 1,811,861	\$ 1,788,896	\$ 1,689,619	\$ 1,582,796
Investment earnings	162,465	(193,430)	91,392	398,262	327,035	61,336	35,837	48,125	26,092	20,042
Miscellaneous	46,898	80,651	55,858	43,423	13,019	44,766	22,955	29,207	39,507	56,653
Total governmental activities	<u>2,793,754</u>	<u>2,296,453</u>	<u>2,463,912</u>	<u>2,660,945</u>	<u>2,415,135</u>	<u>1,978,570</u>	<u>1,870,653</u>	<u>1,866,228</u>	<u>1,755,218</u>	<u>1,659,491</u>
Business-type activities:										
Investment earnings	216	(13,962)	2,256	33,923	42,855	(5,236)	3,326	56,685	25,504	26,185
Miscellaneous	-	-	-	-	-	-	-	762	-	-
Special items:										
Subsidy, Pebble Beach Company	-	-	-	-	-	-	-	-	-	-
Withdrawal, Pebble Beach Company	-	-	-	-	-	-	-	-	-	-
Water entitlement sales	-	-	-	-	-	-	-	-	-	-
Water entitlement (withdrawals)	-	-	-	-	-	-	-	-	-	(15,276)
Total business-type activities	<u>216</u>	<u>(13,962)</u>	<u>2,256</u>	<u>33,923</u>	<u>42,855</u>	<u>(5,236)</u>	<u>3,326</u>	<u>57,447</u>	<u>25,504</u>	<u>10,909</u>
Total Primary Government	<u>2,793,970</u>	<u>2,282,491</u>	<u>2,466,168</u>	<u>2,694,868</u>	<u>2,457,990</u>	<u>1,973,334</u>	<u>1,873,979</u>	<u>1,923,675</u>	<u>1,780,722</u>	<u>1,670,400</u>
Change in Net Position										
Governmental activities	6,464,603	2,084,047	3,888,667	4,920,854	5,021,318	8,963,871	868,600	(1,323,520)	(208,489)	(1,502,597)
Business-type activities	1,913,342	2,387,357	2,524,469	2,569,738	1,685,371	2,161,733	1,640,116	1,224,125	1,458,759	1,541,464
Total Primary Government	<u>8,377,945</u>	<u>4,471,404</u>	<u>6,413,136</u>	<u>7,490,592</u>	<u>6,706,689</u>	<u>11,125,604</u>	<u>2,508,716</u>	<u>(99,395)</u>	<u>1,250,270</u>	<u>38,867</u>
Net position - beginning of year	<u>60,009,282</u>	<u>55,537,878</u>	<u>49,124,742</u>	<u>41,634,150</u>	<u>34,927,461</u>	<u>23,801,857</u>	<u>23,572,695</u>	<u>23,672,090</u>	<u>22,454,481</u>	<u>28,548,253</u>
Net position - end of year	<u>\$ 68,387,227</u>	<u>\$ 60,009,282</u>	<u>\$ 55,537,878</u>	<u>\$ 49,124,742</u>	<u>\$ 41,634,150</u>	<u>\$ 34,927,461</u>	<u>\$ 26,081,411</u>	<u>\$ 23,572,695</u>	<u>\$ 23,704,751</u>	<u>\$ 28,587,120</u>

Notes:

Net position - beginning of the year for the fiscal year ended June 30, 2013 has been restated for a prior period adjustment related to a liability to PBCo. For reimbursement of bond carrying costs.
Net position - beginning of the year for the fiscal year ended June 30, 2015 has been restated for implementation of GASB 68.
Net position - beginning of the year for the fiscal year ended June 30, 2016 has been restated for implementation of GASB 82.
Net position - beginning of the year for the fiscal year ended June 30, 2018 has been restated for implementation of GASB 75.

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Governmental Funds:										
Nonspendable - prepaid expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	222,743	222,654	222,524	222,098	221,656	221,214	220,772	220,330	219,136
Committed	1,219,811	1,104,740	3,905,760	3,481,259	1,362,417	939,786	833,920	739,717	485,060	644,294
Assigned:										
Insurance/litigation	250,000	250,000	250,000	250,000	250,000	250,000	78,646	250,000	250,000	250,000
Capital equipment	1,294,800	1,083,300	839,000	581,500	532,000	332,000	140,334	144,000	232,000	244,900
Flood/drought emergencies	328,944	328,944	328,944	328,944	328,944	328,944	328,944	328,944	254,891	443,944
Pension/OPEB	1,000,000	800,000	600,000	400,000	200,000	-	-	-	-	-
Debt service	-	500,000	500,000	-	-	-	-	-	-	-
Project expenditures	17,590,395	17,094,647	12,964,435	12,827,682	14,119,880	12,039,679	3,396,036	2,067,332	3,674,618	3,508,509
Unassigned (deficit)	-	-	-	-	-	-	(142,687)	(119,214)	-	-
Total governmental fund balances	\$ 21,683,950	\$ 21,384,374	\$ 19,610,793	\$ 18,091,909	\$ 17,015,339	\$ 14,112,065	\$ 4,856,407	\$ 3,631,551	\$ 5,116,899	\$ 5,310,783

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
CHANGES IN FUNDS BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(IN THOUSANDS OF DOLLARS)**

	Fiscal Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenues:										
Property Taxes	\$ 2,578,806	\$ 2,403,905	\$ 2,317,001	\$ 2,215,716	\$ 2,059,154	\$ 1,924,320	\$ 1,817,206	\$ 1,744,833	\$ 1,689,619	\$ 1,582,796
Water supply charge	3,394,345	3,393,516	3,422,117	3,355,193	3,410,398	3,405,008	3,391,354	3,382,389	3,327,701	3,412,207
Water sales	12,201,000	9,828,000	5,908,182	-	-	-	-	-	-	-
User fees	6,361,569	6,029,950	5,908,495	5,535,384	4,862,354	5,158,825	1,156,364	79,018	95,321	93,931
Connection charges, net of refunds	409,101	503,980	474,040	575,511	591,240	522,167	370,255	502,298	159,250	223,625
Permit fees	211,649	235,890	194,822	191,902	251,850	317,312	243,787	225,374	193,609	240,079
Project reimbursements	2,198,123	878,659	925,015	1,562,927	973,715	6,065,203	1,390,565	1,259,886	2,151,906	3,283,666
Investment income	162,465	(193,430)	91,392	398,262	327,035	61,336	35,837	48,125	26,092	20,042
Legal fee reimbursements	4,800	4,650	2,356	1,800	3,600	5,370	2,914	2,728	2,637	18,441
Recording fees	27,291	55,990	43,435	35,040	7,530	17,887	12,039	12,047	11,340	15,061
Mitigation revenue	-	-	-	-	-	-	2,039,912	2,412,553	2,127,410	1,801,800
Grants	458,949	469,183	82,253	286,651	1,726,815	155,021	89,276	334,864	169,214	602,499
Miscellaneous	14,807	20,011	10,067	6,583	1,889	21,509	8,002	14,432	25,530	23,151
Total revenues	28,022,905	23,630,304	19,379,175	14,164,969	14,215,580	17,653,958	10,557,511	10,018,547	9,979,629	11,317,298
Expenditures:										
Current:										
Water Supply	18,688,163	15,965,592	13,222,603	7,927,006	4,279,219	3,647,937	5,114,480	7,053,419	5,088,746	8,004,072
Conservation	2,049,380	1,752,007	1,750,280	1,727,395	1,839,560	1,881,374	1,733,055	1,889,096	2,493,467	2,083,341
Mitigation	3,782,991	3,378,185	2,632,291	3,169,851	4,549,120	2,277,747	2,149,332	2,211,423	2,248,870	2,365,683
Capital outlay	348,311	151,371	35,981	45,011	425,271	372,106	114,821	130,822	117,221	107,340
Debt Service:										
Principal	2,719,926	557,353	96,405	93,157	90,175	86,953	83,881	80,508	78,059	75,215
Interest and other charges	134,558	52,215	122,731	125,979	128,961	132,183	137,086	138,627	147,150	143,921
Total expenditures	27,723,329	21,856,723	17,860,291	13,088,399	11,312,306	8,398,300	9,332,655	11,503,895	10,173,513	12,779,572
Excess (deficiency) of revenues over (under) expenditures	299,576	1,773,581	1,518,884	1,076,570	2,903,274	9,255,658	1,224,856	(1,485,348)	(193,884)	(1,462,274)
Other Financing Sources (Uses):										
Transfers in	2,057,484	345,222	226,047	270,102	1,900,758	1,924,320	1,137,571	1,271,950	948,721	-
Transfers out	(2,057,484)	(345,222)	(226,047)	(270,102)	(1,900,758)	(1,924,320)	(1,137,571)	(1,271,950)	(948,721)	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	299,576	1,773,581	1,518,884	1,076,570	2,903,274	9,255,658	1,224,856	(1,485,348)	(193,884)	(1,462,274)
Fund balances, beginning of year	21,384,374	19,610,793	18,091,909	17,015,339	14,112,065	4,856,407	3,631,551	5,116,899	5,310,783	6,773,057
Fund balances, end of year	\$ 21,683,950	\$ 21,384,374	\$ 19,610,793	\$ 18,091,909	\$ 17,015,339	\$ 14,112,065	\$ 4,856,407	\$ 3,631,551	\$ 5,116,899	\$ 5,310,783
Debt service as a percentage of noncapital expenditures	11.74%	2.93%	1.51%	2.67%	2.59%	2.79%	2.42%	1.96%	2.28%	1.77%

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY – MONTEREY COUNTY
 LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Secured Roll	Unsecured Roll	Exemptions	Net Assessed Valuations	* MPWMD Property Tax Allocations	Percentage Over Net Assessed Value
2022	\$ 77,334,476	\$ 3,444,722	\$ (2,825,750)	\$ 77,953,448	\$ 2,403,905	3.1%
2021	74,781,274	2,938,769	(2,713,849)	75,006,194	2,317,001	3.1%
2020	71,183,662	3,617,496	(2,627,227)	72,173,931	2,215,716	3.1%
2019	67,593,587	2,557,084	(2,474,441)	67,676,230	2,059,154	3.0%
2018	63,625,023	2,475,907	(2,455,639)	63,645,291	1,924,320	3.0%
2017	60,242,461	2,370,771	(2,324,855)	60,288,377	1,817,206	3.0%
2016	57,571,743	2,333,413	(2,196,512)	57,708,644	1,744,833	3.0%
2015	54,354,520	2,231,717	(2,119,791)	54,466,446	1,689,619	3.1%
2014	51,396,835	2,159,991	(2,009,761)	51,547,065	1,582,796	3.1%
2013	49,595,091	2,122,678	(1,914,519)	49,803,250	1,690,645	3.4%

Source: Monterey County ACFR Report (Fiscal Year Ended June 30, 2022)

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

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
PRINCIPAL PROPERTY TAXPAYERS – MONTEREY COUNTY
YEARS ENDED JUNE 30, 2022 AND JUNE 30, 2013**

Tax Payer	Type of Business	2022			2013		
		Taxable Assessed Value (\$'000)	Rank	Percentage of Total County Assessed Value	Taxable Assessed Value (\$'000)	Rank	Percentage of Total County Assessed Value
Pacific Gas & Electric Company	Utility	\$ 861,415	1	1.11%	\$ 449,907	3	0.90%
Pebble Beach Company	Tourism	811,369	2	1.04%	539,379	2	1.08%
D'Arrigo Bros Co.	Agriculture	216,115	3	0.28%	-		-
California - American Water Company	Utility	194,099	4	0.25%	101,367	7	0.20%
Dynegy Moss Landing LLC	Utility	187,300	5	0.24%	569,000	1	1.14%
Chevron USA Inc	Petroleum	166,959	6	0.21%	313,166	4	0.63%
Northridge Owner LP	Retail	155,726	7	0.20%	-		-
Global AG Properties LLC	Agriculture	123,987	8	0.16%	-		-
Scheid Vineyards California Inc	Agriculture	115,585	9	0.15%	-		-
AAT Del Monte LLC	Real Estate	115,254	10	0.15%	-		-
Aera Energy LLC	Utility	-		-	298,874	5	0.60%
Pacific Bell Telephone Company	Utility	-		-	105,214	6	0.21%
Pacific Holdings	Retail	-		-	96,108	8	0.19%
CalPine King City Cogen LLC	Utility	-		-	69,882	9	0.14%
Dole Fresh Vegetables Inc	Agriculture	-		-	66,612	10	0.13%
All Other Taxpayers' Total		75,005,638		96.22%	47,193,741		94.76%
Total		\$77,953,447		100%	\$49,803,250		100%

Source: Monterey County ACFR Report (Fiscal Year Ended June 30, 2022)
2023 data not available at time of print

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
MAJOR REVENUE SOURCES
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Governmental activities										
Property Taxes	\$ 2,584,391	\$ 2,409,232	\$ 2,316,662	\$ 2,219,260	\$ 2,075,081	\$ 1,872,468	\$ 1,811,861	\$ 1,788,896	\$ 1,689,619	\$ 1,582,796
Water supply charge	3,393,618	3,395,815	3,410,671	3,364,575	3,408,064	3,463,347	3,391,354	3,382,389	3,327,701	3,412,207
Water sales	12,201,000	9,828,000	5,908,182	-	-	-	-	-	-	-
User fees	6,361,569	6,029,950	5,908,495	5,535,384	4,862,354	5,158,825	1,156,364	79,018	95,321	93,931
Mitigation revenue	-	-	-	-	-	-	2,039,912	2,412,553	2,127,410	1,801,800
Business-type activities										
Water sales	\$ 6,829,372	\$ 7,220,935	\$ 6,838,738	\$ 7,063,288	\$ 6,299,411	\$ 6,328,302	\$ 5,661,358	\$ 5,513,758	\$ 5,379,027	\$ 5,359,496

Source: Monterey Peninsula Water Management District, Audited Financial Statements

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,

Fiscal Year	Installment Purchase Agreement	Line of Credit	Due Pebble Beach Company	Certificates of Participation	Debt	Personal Income (1)	As a Percent of Personal Income
2023	\$ -	\$ -	\$ -	\$ -	\$ -	**	**
2022	2,719,926	-	552,000	2,600,000	5,871,926	**	**
2021	3,277,279	-	1,104,000	5,100,000	9,481,279	27,747,802	0.03%
2020	3,373,684	-	1,656,000	7,500,000	12,529,684	26,504,847	0.05%
2019	3,466,841	-	2,208,000	9,800,000	15,474,841	25,973,189	0.06%
2018	3,357,016	-	2,760,000	11,900,000	18,017,016	24,477,179	0.07%
2017	3,643,969	-	3,312,000	13,900,000	20,855,969	23,819,797	0.09%
2016	3,727,850	-	3,864,000	15,800,000	23,391,850	22,827,059	0.10%
2015	3,808,358	-	4,416,000	17,600,000	25,824,358	21,623,627	0.12%
2014	3,886,417	-	4,968,000	19,300,000	28,154,417	19,889,054	0.14%

(1) Monterey County ACFR Report (Fiscal Year Ended June 30, 2022)

** Data not available for 2022 or 2023

Source: Monterey Peninsula Water Management District, Audited Financial Statements

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
DEBT SERVICE COVERAGE
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Governmental activities *										
Debt service coverage										
Water supply charges	\$ 3,394,345	\$ 3,393,516	\$ 3,422,117	\$ 3,355,193	\$ 3,410,398	\$ 3,405,008	\$ 3,391,354	\$ 3,382,389	\$ 3,327,701	\$ 3,412,207
Operating expenses (1)	(2,675,636)	(2,561,538)	(2,032,142)	(1,955,508)	(2,005,667)	(1,855,440)	(1,525,501)	(1,847,397)	(1,828,234)	(1,674,940)
Reserve funds available	822,020	1,263,613	1,177,224	596,644	519,118	418,976	396,234	395,792	439,350	442,456
Net available revenues	<u>\$ 1,540,729</u>	<u>\$ 2,095,591</u>	<u>\$ 2,567,199</u>	<u>\$ 1,996,329</u>	<u>\$ 1,923,849</u>	<u>\$ 1,968,544</u>	<u>\$ 2,262,087</u>	<u>\$ 1,930,784</u>	<u>\$ 1,938,817</u>	<u>\$ 2,179,723</u>
Debt Service:										
Principal	\$ 2,719,926	\$ 557,353	\$ 96,405	\$ 93,157	\$ 90,175	\$ 86,953	\$ 83,881	\$ 80,508	\$ 78,059	\$ 75,215
Interest	134,558	52,215	122,731	125,979	128,961	132,183	137,086	138,627	147,150	143,921
	<u>\$ 2,854,484</u>	<u>\$ 609,568</u>	<u>\$ 219,136</u>	<u>\$ 219,136</u>	<u>\$ 219,136</u>	<u>\$ 219,136</u>	<u>\$ 220,967</u>	<u>\$ 219,135</u>	<u>\$ 225,209</u>	<u>\$ 219,136</u>
Debt service coverage ratio (5)	0.54	3.44	11.72	9.11	8.78	8.98	10.24	8.81	8.61	9.95
Minimum coverage ratio (4)	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Business-type activities										
Debt service coverage										
Gross revenues (2)	\$ 6,829,588	\$ 7,220,935	\$ 6,840,994	\$ 7,097,211	\$ 6,342,266	\$ 6,324,764	\$ 5,664,684	\$ 5,571,205	\$ 5,404,531	\$ 5,446,425
Operating expenses (3)	(3,046,769)	(2,972,796)	(2,356,918)	(2,504,551)	(2,584,234)	(2,041,565)	(2,053,626)	(2,588,706)	(2,035,882)	(1,960,727)
Net available revenues	<u>\$ 3,782,819</u>	<u>\$ 4,248,139</u>	<u>\$ 4,484,076</u>	<u>\$ 4,592,660</u>	<u>\$ 3,758,032</u>	<u>\$ 4,283,199</u>	<u>\$ 3,611,058</u>	<u>\$ 2,982,499</u>	<u>\$ 3,368,649</u>	<u>\$ 3,485,698</u>
Debt Service:										
Principal:										
PBCo.	\$ 552,000	\$ 552,000	\$ 552,000	\$ 552,000	\$ 552,000	\$ 552,000	\$ 552,000	\$ 552,000	\$ 552,000	\$ 552,000
COPs	2,600,000	2,500,000	2,400,000	2,530,000	2,100,000	2,000,000	1,900,000	1,800,000	1,700,000	1,700,000
Interest	90,694	55,971	70,501	167,891	192,875	185,876	141,828	59,049	40,339	47,688
	<u>\$ 3,242,694</u>	<u>\$ 3,107,971</u>	<u>\$ 3,022,501</u>	<u>\$ 3,249,891</u>	<u>\$ 2,844,875</u>	<u>\$ 2,737,876</u>	<u>\$ 2,593,828</u>	<u>\$ 2,411,049</u>	<u>\$ 2,292,339</u>	<u>\$ 2,299,688</u>
Debt service coverage ratio (5)	1.17	1.37	1.48	1.41	1.32	1.56	1.39	1.24	1.47	1.52
Minimum coverage ratio (4)	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25

* The service coverage ratio only applies to the Water Supply Fund. The amounts included in the calculation relate only to that fund.

- (1) Operating expenses exclude depreciation, interest expense, capital outlay and project expenditures except for ASR operating expenses.
- (2) Gross revenues includes operating revenue, other non-operating revenue, and investment earnings.
- (3) Operating expenses exclude depreciation and amortization.
- (4) Minimum coverage ratio requirement per debt covenants.
- (5) Debt service coverage ratio requirement is not applicable to fiscal year ended June 30, 2023 as the debt was fully paid off during the year.

Source: Monterey Peninsula Water Management District, Audited Financial Statements

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
DEMOGRAPHICS AND ECONOMIC STATISTICS – MONTEREY COUNTY
LAST TEN CALENDAR YEARS**

Calendar Year	(1) Population	(2) Per Capita Income	(3) Total Personal Income	(4) Median Age	(5) School Enrollment	(6) Unemployment Rate
2021	\$ 434,283	\$ 63,449	\$ 27,747,802	38	74,700	14.0%
2020	434,172	61,510	26,504,847	38	75,668	6.6%
2019	434,061	59,838	25,973,189	35	77,381	7.8%
2018	435,594	56,193	24,477,179	35	77,923	4.7%
2017	437,907	54,395	23,819,797	34	77,954	7.2%
2016	435,232	52,448	22,827,059	34	77,517	7.6%
2015	433,898	49,836	21,623,627	34	76,768	8.1%
2014	431,344	46,109	19,889,054	34	75,997	9.1%
2013	428,826	44,851	19,233,171	33	74,684	10.1%
2012	426,762	43,034	18,365,298	33	73,460	11.4%

Source: Monterey County ACFR Report (Fiscal Year Ended June 30, 2022)
2022 & 2023 data not available at time of print

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
PRINCIPAL EMPLOYMENT BY INDUSTRY – MONTEREY COUNTY
YEARS ENDED JUNE 30, 2022 AND JUNE 30, 2013**

Industry	2022		Industry	2013	
	Number of Employed	Percent of Total		Number of Employed	Percent of Total
Agriculture	60,900	29.79%	Agriculture	48,200	27.75%
Natural Resources, Mining and Construction	7,200	3.52%	Natural Resources, Mining and Construction	4,300	2.48%
Manufacturing	5,100	2.50%	Manufacturing	5,200	2.99%
Wholesale Trade	5,500	2.69%	Wholesale Trade	5,200	2.99%
Retail Trade	16,200	7.93%	Retail Trade	15,900	9.15%
Transportation, Warehousing and Utilities	3,700	1.81%	Transportation, Warehousing and Utilities	3,800	2.19%
Information	900	0.44%	Information	1,500	0.86%
Financial Activities	4,300	2.10%	Financial Activities	4,200	2.42%
Professional and Business Services	15,500	7.58%	Professional and Business Services	11,400	6.56%
Educational and Health Services	21,000	10.27%	Educational and Health Services	16,800	9.67%
Leisure and Hospitality	24,300	11.89%	Leisure and Hospitality	21,200	12.20%
Other Services	5,400	2.64%	Other Services	4,700	2.71%
Government	34,400	16.83%	Government	31,300	18.02%

Source: State of California Employment Development Department, Industry Employment-Official Monthly Estimates (CES)
2023 data not available at time of print

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
FULL-TIME EQUIVALENT EMPLOYEES BY DEPARTMENT
LAST TEN FISCAL YEARS**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Department:										
General Manager's Office	2	2	2	2	2	2	2	2	2	2
Administrative Services Division	5	5	4	4	5	5	5	7	7	7
Environmental Resources Division	6	6	6	6	-	-	-	-	-	-
Planning & Engineering Division	*	*	*	*	5	5	5	5	5	5
Water Resources Division	5	5	5	5	6	7	7	7	7	7
Water Demand Division	7	6	6	6	6	6	6	6	5	5
Total	25	24	23	23	24	25	25	27	26	26

Source: Monterey Peninsula Water Management District
* Division reconfigured

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
WATER CONSUMPTION BY TYPE (IN ACRE-FEET)
LAST TEN FISCAL YEARS**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Use Type:										
Residential	4,059	4,591	4,488	4,067	4,242	4,384	4,560	4,936	5,302	5,552
Multi-Residential	1,203	1,358	1,359	1,293	1,367	1,410	1,418	1,637	1,529	1,523
Commercial	2,016	1,849	1,819	2,157	2,194	2,214	2,224	2,414	2,637	2,673
Industrial	-	-	-	-	-	-	-	9	4	53
Golf Course	96	109	99	108	169	168	185	201	20	202
Public Authority	530	600	593	589	585	617	560	630	536	503
Other	74	35	25	41	18	39	40	14	2	60
Non Revenue Metered	-	2	2	2	1	2	1	1	-	11
Total	7,978	8,544	8,385	8,257	8,576	8,834	8,988	9,842	10,030	10,577

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

**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
CONNECTIONS BY TYPE
LAST TEN FISCAL YEARS**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Use Type:										
Residential	33,815	32,502	32,442	32,371	32,332	32,355	31,801	32,532	32,633	38,294
Multi-Residential	1,828	1,745	1,739	1,734	1,732	1,696	1,706	1,720	1,427	1,577
Commercial	4,893	3,943	3,933	3,928	3,918	3,932	3,890	3,655	3,077	3,537
Industrial	-	-	-	-	-	-	-	4	-	6
Golf Course	4	4	4	4	4	4	4	4	5	5
Public Authority	557	470	532	543	544	545	537	555	543	548
Other	242	119	76	71	66	64	51	274	897	364
Non-Revenue Metered	6	5	5	6	6	6	6	10	12	14
Total	41,345	38,788	38,731	38,657	38,602	38,602	37,995	38,754	38,594	44,345

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

