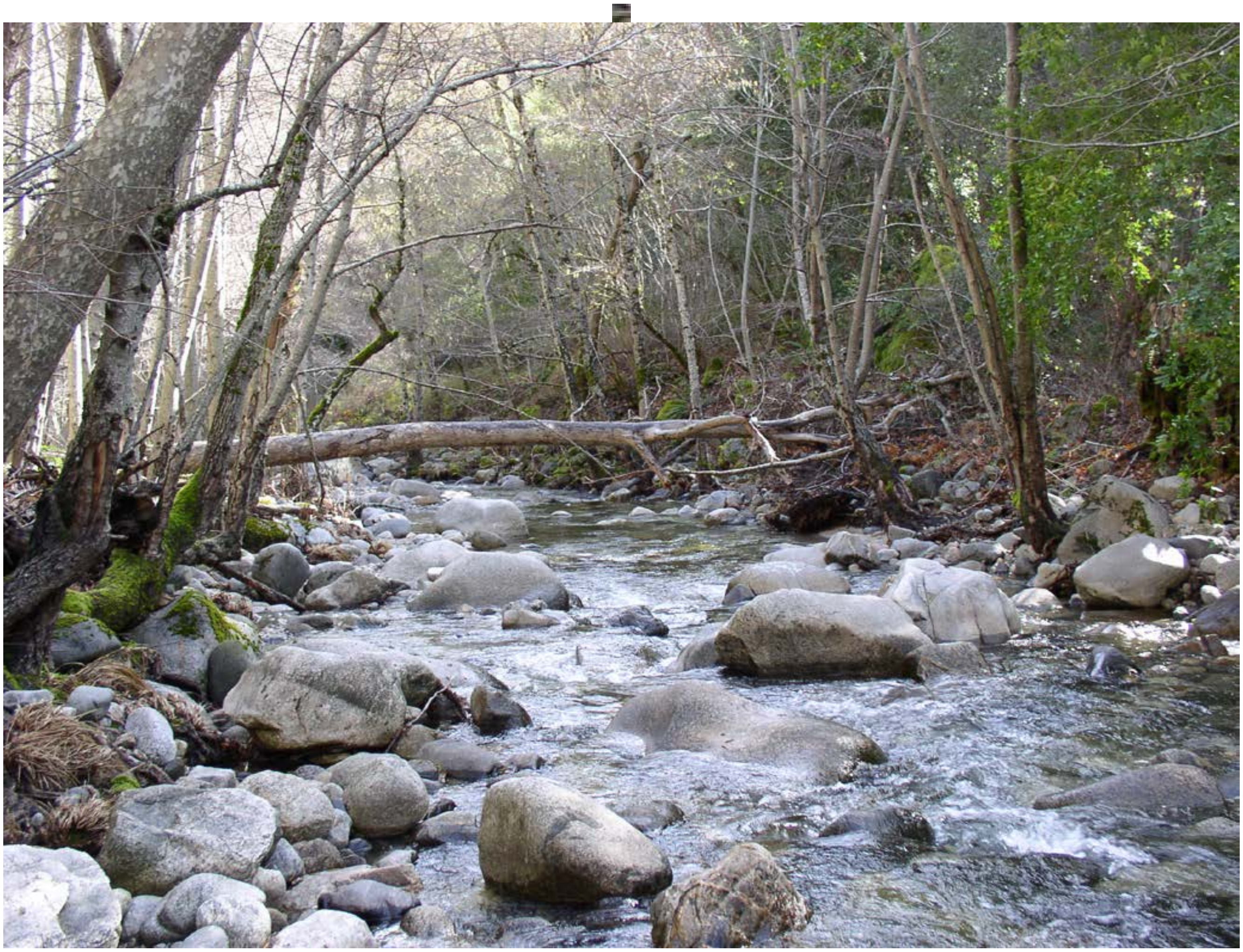
Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2018



(Photo: Bruce Fork Carmel River)

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

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MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

Monterey, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2018

Prepared by:

Administrative Services Division

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

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INTRODUCTORY SECTION

(Photo: Sleepy Hollow Fish Rearing Facility)

December 18, 2018

Board of Directors
Monterey Peninsula Water Management District
Monterey, California

It is a pleasure to submit the Monterey Peninsula Water Management District's (MPWMD or District) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. The CAFR gives an assessment of the District's financial condition, informs readers about District services, gives details of infrastructure replacement projects, discusses current issues, and provides financial and demographic trend information.

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

This CAFR is believed to be accurate in all material respects, and is presented in a manner designed to fairly set forth the financial position, the changes in financial position, and cash flows for the District. All disclosures necessary to enable the reader to gain the maximum understanding of the District's financial activity have been included. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. While the independent auditors have expressed an 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 development of potable water supplies and the delivery of this water to users in the Monterey Peninsula area. The second is to promote water conservation. The third is to promote water reuse and reclamation of storm and waste water. The fourth is to protect the environmental quality of the Monterey Peninsula area's water resources.

The District has an authorized staff of 25 full-time employees providing services within its jurisdiction. The District is made up of the following sections consisting of: General Manager's Office, Administrative Services, Planning & Engineering, Water Resources, and Water Demand Division.

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Governance

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

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

Budget Process

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

Economic Condition and Outlook

In Water Year (WY) 2017, 10,609 acre feet (AF) of water was legally available to serve California American (Cal-Am) customers within the District. Similarly, approximately 3,046 AF of water were assumed to be available to serve non-Cal-Am users extracting water from the Carmel Valley Aquifer and the Seaside Basin.

However, because of legal and regulatory constraints, long-term water supplies available to Cal-Am's customers in the future will be reduced to approximately 5,500 acre-feet per year (AFY) assuming that Cal-Am will retain rights to produce 774 AFY from Seaside Groundwater sources (restored to 1,474 in 25 years), 94 AFY from the Sand City Desalination Facility, 1,300 AFY from Aquifer Storage and Recovery, and 3,376 AFY from Carmel River sources.

Non-Cal-Am pumpers outside of the Seaside Basin and Carmel River Basin that depend on percolating groundwater rights pumped 939.3 AF in WY 2017.

California's water supply continues to be a concern caused by drought over several years. This concern together with the legal and regulatory constraints has increased interest in conservation and new water sources. The District has led the area in its conservation efforts and will continue to make strides in this area. The District is also working on providing new water sources to its customers. The District is currently working with the Monterey One Water (formerly Monterey Regional Water Pollution Control Agency) on the Pure Water Monterey (PWM), which will introduce recycled water to California American Water's distribution systems. In addition, the District has made continued progress on the Monterey Peninsula Water Supply Project working jointly with Cal-Am.

Major Initiatives

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

Monterey Peninsula Water Supply Project – The District has made continued progress on the Monterey Peninsula Water Supply Project working jointly with California American Water (Cal-Am), the Monterey Peninsula Regional Water Authority, and other parties. This past year, Cal-Am began work on the Monterey Pipeline and Hilby Pump Station with the District acting as Project Manager for environmental compliance assurance. When completed, the pipeline will allow Pure Water Monterey water to be supplied to Pebble Beach, Carmel and Carmel Valley and also allow additional excess Carmel River water to be delivered to the Aquifer Storage and Recovery wells in the winter.

Pure Water Monterey Project – The District provided the majority of preconstruction funding for this innovative water recycling plant, working in partnership with Monterey One Water which will own and operate the system. The Advanced Water Purification Facility (AWPF), facilities to bring source waters to the AWPF, the pipeline from the AWPF to the Injection Well Facilities, and the Injection Wells Facilities are all under construction. The District is acting as Project Manager for the Injection Wells Facilities component of Pure Water Monterey. Construction of the first injection well was successfully completed in 2017. Design of the remaining two injection wells and associated facilities required for injection was completed in 2017, and the project is out to bid.

Aquifer Storage and Recovery (ASR) – The District operated the ASR facilities in coordination with Cal-Am while diverting 2,345 acre-feet (AF) of Carmel River Basin water for injection and storage in the Seaside Basin during the 2017 water year (WY). Since inception of the ASR program, a total of 8,030 AF has been diverted from the Carmel River for storage and subsequent recovery through the end of WY 2017.

Water Availability – In cooperation with the United States Geological Survey (USGS), the District worked to calibrate an integrated ground water-surface water GSFLOW/MODFLOW model to update water availability for additional water supply from the Carmel River. The model is due to be finalized in early 2018. In addition, the District completed a draft instream flow study and hydraulic model to simulate flow requirements for steelhead in the Carmel River. A final version will be developed after regulatory agencies complete their reviews. These models will allow the District to simulate different water supply scenarios and their impacts on the Carmel River environment.

Well Permitting – MPWMD issued 2 Water Distribution System Permits and 21 Confirmation of Exemptions for private properties that met the criteria established in District Rules and Regulations. Applications were reviewed for potential impacts to the water resource system and other water users.

Proposition 1 Integrated Regional Water Management (IRWM) Program – The District spearheaded an effort that will allow the Monterey Peninsula region to receive $4.2 million for implementation of projects. At the State's direction, the first round awarded in 2017 will target conservation and supply projects in Disadvantaged Communities.

The District represented the Monterey Peninsula Regional Water Management Group submission to the Central Coast funding area application for Proposition 1 Integrated Regional Water Management Disadvantaged Community Involvement Grant funds. Approximately $465k in Disadvantaged Community Involvement funding is allocated for the Monterey Peninsula region. The no-match grant funds will be applied to a District initiated Disadvantaged Community Needs Assessment project that will provide a basis for future Disadvantaged Community Implementation grants; the City of Monterey Franklin Street Storm Drain project; and the District High Efficiency Applied Retrofit Targets (HEART) pilot program project.

Legally-Mandated Carmel River Mitigation and Stewardship – The District continued processing permit applications for an upgrade to the Sleepy Hollow Steelhead Rearing Facility, which includes construction of a new intake and water supply system to protect the facility from changes in river flows due to the removal of San Clemente Dam and to allow the facility to continue to operate during periods of extreme drought or high flows. The 60% design plans, specifications, and cost estimate were completed. The total project cost is estimated at $2.5 million, including environmental compliance documents, design, permits and construction. The State Coastal Conservancy has approved up to $2.25 million for reimbursement of expenses, which will come from funds generated by a Settlement Agreement between Cal-Am and the National Marine Fisheries Service (NMFS). The project is scheduled to be completed in 2019.

The District successfully rescued 5,499 fish from the Carmel River, five tributaries, and the spillway at Los Padres Dam. All fish were released near the tributaries confluence with the Carmel River.

Staff reinstalled the Dual-frequency Identification Sonar (DIDSON) in the lower river at the end of December and operated it until the end of February, when extreme high flows scoured out the camera and caused it to blow out for the rest of the season. Staff also conducted late season Redd (steelhead nests) surveys, counting 36 over approximately 20 miles. Staff also continued to work for the third year with NMFS on field studies to develop a steelhead population life history model for the watershed, based on tagged fish from NMFS' studies and MPWMD fall population surveys. This effort included assisting NMFS with basin-wide population surveys and installing 4 tag detection arrays from the mouth up to the Old San Clemente Dam site.

District crews carried out the Vegetation Management Program in the active channel of the Carmel River at 15 sites to prevent debris dams and erosion, trimming back encroaching vegetation and reducing the hazard of downed trees in preparation for winter flows. Trash was removed from along 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.

Los Padres Dam Improvements – A study of upstream volitional fish passage alternatives continued and a study of alternatives to the dam and management of reservoir sediment was begun. District expenses will be partially reimbursed by Cal-Am under a Public Utilities Commission decision to plan for the long-term future of the dam and associated reservoir.

Salinas and Carmel Rivers Basin Study – The District began a Basin Study that will evaluate future water demands and water supplies taking into account the effects of climate change. The area includes all of the Salinas River Valley through Monterey and San Luis Obispo Counties, the Monterey Peninsula, and the Carmel River Basin. The US Bureau of Reclamation is providing $1.8 million in grant funds for the study, which is expected to take about four years to complete.

North Monterey County Drought Contingency Plan (DCP) – The District continued development of a plan for North Monterey County areas from Salinas to the Monterey Peninsula to better cope

with recurring droughts in the region. The DCP is being partially funded with a federal grant of $280,000 to prepare the plan, which will be coordinated with the Basin Study.

Conservation – The District approved 1,342 rebate applications in the amount of $506,461 for annual savings of 28.7 acre-feet of water. Staff conducted building-by-building inspections for compliance with the non-residential water efficiency requirements (Rule 143). More than 557 businesses were inspected. All Peninsula businesses will be verified by 2020. On the residential side, 1,028 properties were inspected to verify compliance with water efficiency standards (Retrofit upon Change of Ownership or Use). 867 Water Permits were issued, including 86 Water Use Permits for water entitlement holders.

The District hosted several rainwater harvesting, and water efficient irrigation workshops, as well as a hands-on sheet mulching workshop at Martin Luther King Elementary School. We also targeted Multi-Family Dwelling property owners and property management companies for a class on water efficiency requirements and opportunities. The District offered two Specialized Landscaping classes focused on drought tolerant landscape and native plant selections.

The CAWD/PBCSD Reclamation Project – The District is also 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 financial statements were audited by Marcello & Company.

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

Internal Control

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

Investment Policy

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

District Revenues

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

District Expenses

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

Independent Audit

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

Other References

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

Awards

GFOA Award

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 comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the third 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 comprehensive annual 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 comprehensive annual 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.

Association of California Water Agencies Award

The District received the Association of California Water Agencies (ACWA) Most Active Small Agency of 2017 award and ACWA's Top Outreach Participation Agency in ACWA Region 5 award. District also entered into a drought tolerant landscape display in the Monterey County Fair and was awarded first place in the Water-Wise Landscape category.

Acknowledgements

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the District. We appreciate the dedicated efforts and professionalism that these staff members contribute to the service of the District's customers. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of the Monterey Peninsula Water Management District's fiscal policies.

Respectfully submitted,

David J. Stoldt
General Manager

Suresh Prasad
Administrative Services manager/
Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Monterey Peninsula Water Management District, California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

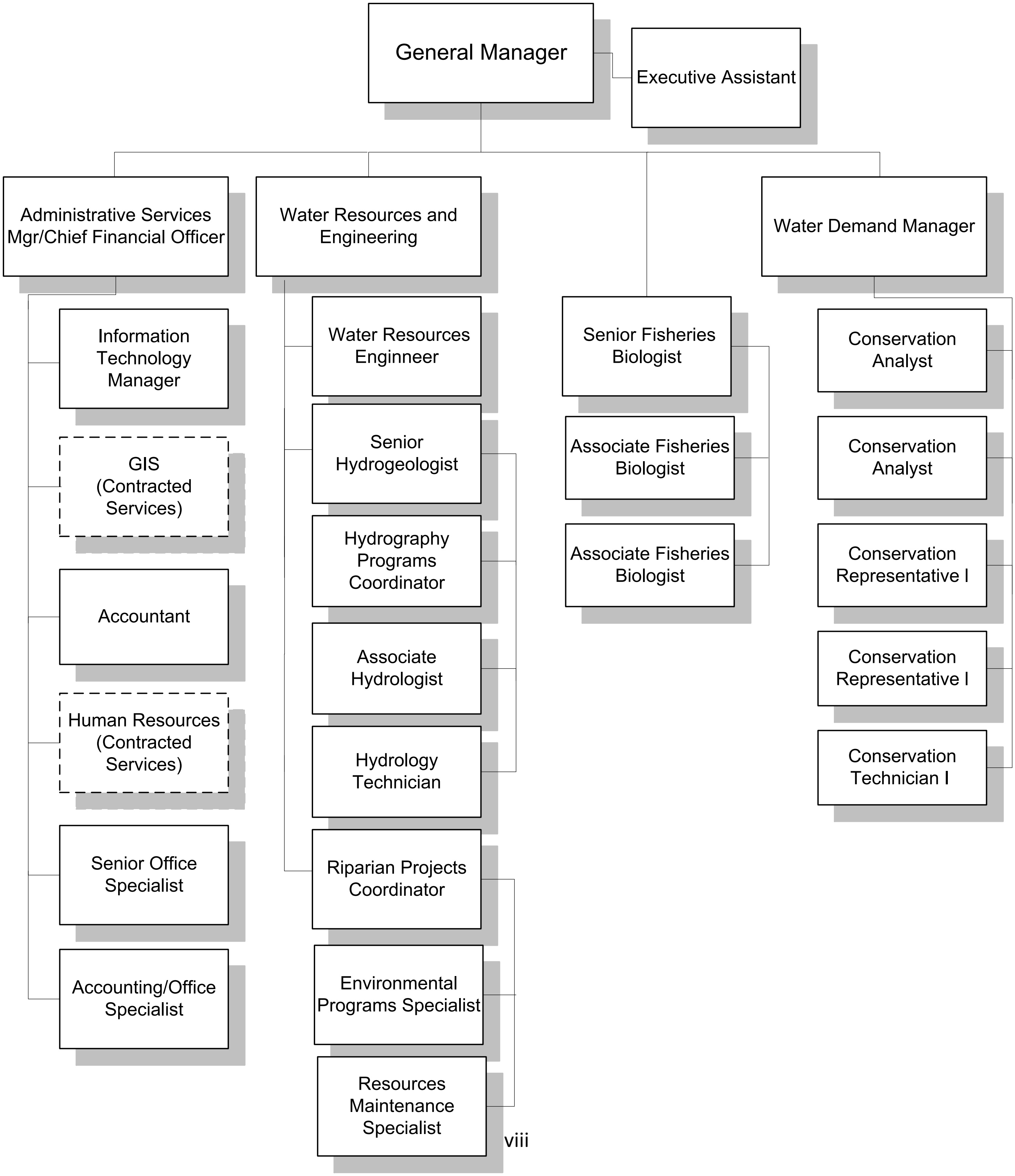
June 30, 2017

Christopher P. Morrill

Executive Director/CEO

Monterey Peninsula Water Management District

ORGANIZATION CHART



MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

June 30, 2018

Board of Directors

Chair – Division 2	Andrew Clarke
Vice Chair – Mayoral Representative	Ralph Rubio
Director – Division 1	Brenda Lewis
Director – Division 3	Molly Evans
Director – Division 4	Jeanne Byrne
Director – Division 5	Robert S. Brower, Sr.
Director – Monterey County Board of Supervisors Representative	Mary Adams

Executive Staff

General Manager	David J. Stoldt
Administrative Services Manager/CFO	Suresh Prasad
Planning & Engineering Manager	Larry Hampson
Water Demand Manager	Stephanie Locke
Executive Assistant/Clerk of the Board	Arlene Tavani

FINANCIAL SECTION

(Photo: Carmel River Lagoon Breach)

HAYASHI | WAYLAND

INDEPENDENT AUDITORS' REPORT

Board of Directors
Monterey Peninsula Water Management District
Monterey, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the ***Monterey Peninsula Water Management District*** as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the CAWD/PBCSD Reclamation Project (the proprietary fund) which statements reflect 68% of the total assets (See Note 2). Those statements were audited by Marcello & Company whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the proprietary fund, is based solely on the report of Marcello & Company. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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HAYASHI & WAYLAND ACCOUNTING & CONSULTING, LLP | LOCATIONS IN CARMEL, KING CITY, PASO ROBLES & SALINAS

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of the ***Monterey Peninsula Water Management District*** as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 11, the Budgetary Comparison Schedules on pages 50 through 53, the Schedule of Changes in the Total/Net OPEB Liability and Related Ratios on page 54, the Schedule of Proportionate Share of the Net Pension Liability on page 55 and the Schedule of Contributions on page 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Prior-Year Comparative Information

We have previously audited the District's 2017 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, and each major fund in our report dated December 18, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived. GASB 75 was implemented in fiscal year 2018. Prior year amounts were not restated to reflect the implementation.

Other Information

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

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

December 18, 2018

Hayashi Wayland, LLP

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2018

This section of the Monterey Peninsula Water Management District's (the District) comprehensive annual financial report presents a discussion and analysis of the District's performance during the fiscal year ended June 30, 2018. 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 - vi of this report and the District's financial statements, which follow this section.

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

The District is also a participant in the Carmel Area Wastewater District/Pebble Beach Community Services District 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, 2018 by $7.2 million (net position). However, $3.4 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, 2018 by $27.7 million (net position). However, $28.6 million is net investment in capital assets.
- A prior period adjustment in the amount of $2,279,554 was made to reduce beginning net position of the governmental activities due to the implementation of GASB 75.
- The District's total governmental activities net position increased by approximately $9.0 million (excluding the impact of the prior period adjustment) for the year ended June 30, 2018. The increase in net position can mostly be attributed to the resumption of the User Fee revenue from Cal-Am rate payers and reimbursements received for the Pure Water Monterey Project. Depreciation expenses for the year were $359,361.
- The District's total business-type activities net position increased by approximately $2.2 million for the year ended June 30, 2018. The increase in net position can mostly be attributed to increased water sales. Amortization expenses for the year were $1,617,720.
- Capital outlay and capitalized project expenditures of $1,206,764 consisted mostly of funds expended for Los Padres long term plan, Sleepy Hollow facility upgrade, Aquifer Storage & Recovery backflush basin, water demand database upgrade, routine computer equipment and software upgrades, transportation equipment and upgrades to the reclamation project.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

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

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 49 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension and other post employment benefits (OPEB) to its employees. This section also includes budgetary comparison schedules which compare the budgeted amounts for the fiscal year with the activity for the District's major governmental funds – the Water Supply Fund, Conservation Fund and Mitigation Fund. Required supplementary information can be found on pages 50 to 56 of this report.

GOVERNMENT–WIDE FINANCIAL ANALYSIS

Net Position

This Statement of Net Position, the difference between the District's assets and 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.

GASB 75 was implemented in fiscal year 2018. Prior year amounts were not restated to reflect the implementation.

Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and Other Assets	$ 14,939,264	$ 5,680,066	$ 2,820,467	$ 2,626,555	$ 17,759,731	$ 8,306,621
Capital Assets – Net	5,510,419	5,317,585	40,503,597	41,466,748	46,014,016	46,784,333
Total Assets	20,449,683	10,997,651	43,324,064	44,093,303	63,773,747	55,090,954
Deferred outflows of resources	1,527,664	1,107,581	–	–	1,527,664	1,107,581
Liabilities						
Current Liabilities	1,098,056	1,067,335	3,630,872	3,909,844	4,728,928	4,977,179
Long-Term Liabilities	13,303,377	10,207,252	12,008,000	14,660,000	25,311,377	24,867,252
Total Liabilities	14,401,433	11,274,587	15,638,872	18,569,844	30,040,305	29,844,431
Deferred inflows of resources	333,645	272,693	–	–	333,645	272,693
Net Position						
Net Investment in Capital Assets	3,360,667	3,279,341	28,603,598	27,566,748	31,964,265	30,846,089
Restricted	221,656	221,214	1,144	1,136	222,800	222,350
Unrestricted (deficit)	3,659,946	(2,942,603)	(919,550)	(2,044,425)	2,740,396	(4,987,028)
Total Net Position	$ 7,242,269	$ 557,952	$ 27,685,192	$ 25,523,459	$ 34,927,461	$ 26,081,411

The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by approximately $35 million at the end of the current year, which is an increase of approximately 33.9 % since June 30, 2017.

Capital assets decreased due to depreciation/amortization of $1,977,081 offset by capital additions of $1,206,764.

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

Long-term liabilities increased due to recognition of the OPEB obligation in accordance with GASB 75 and an increase in the net pension liability offset by current year payments on long-term debt.

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

GOVERNMENT–WIDE FINANCIAL ANALYSIS (Continued)

Change in Net Position

GASB 75 was implemented in fiscal year 2018. Prior year amounts were not restated to reflect the implementation.

Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenue:						
Charges for Services	$ 15,526,854	$ 8,592,237	$ 6,328,302	$ 5,661,358	$ 21,855,156	$ 14,253,595
Operating Grants	155,021	89,276	–	–	155,021	89,276
General Revenues:						
Property Taxes	1,872,468	1,811,861	–	–	1,872,468	1,811,861
Investment Income	61,336	35,837	(5,236)	3,326	56,100	39,163
Miscellaneous	44,766	22,955	–	–	44,766	22,955
Total Revenues	17,660,445	10,552,166	6,323,066	5,664,684	23,983,511	16,216,850
Expenses:						
Conservation	2,101,343	1,881,138	–	–	2,101,343	1,881,138
Mitigation	2,584,965	2,343,392	–	–	2,584,965	2,343,392
Water Supply	3,878,083	5,321,950	–	–	3,878,083	5,321,950
Interest	132,183	137,086	–	–	132,183	137,086
Reclamation Project	–	–	4,161,333	4,024,568	4,161,333	4,024,568
Total Expenses	8,696,574	9,683,566	4,161,333	4,024,568	12,857,907	13,708,134
Change in Net Position	8,963,871	868,600	2,161,733	1,640,116	11,125,604	2,508,716
Net Position - Beginning of Year, as restated	(1,721,602)	(310,648)	25,523,459	23,883,343	23,801,857	23,572,695
Net Position - End of Year	$ 7,242,269	$ 557,952	$ 27,685,192	$ 25,523,459	$ 34,927,461	$ 26,081,411

Governmental activities increased the District's net position by approximately $9 million. Key elements resulting in the net increase are as follows:

- Project expenses of about $3 million, consisting mainly of Los Padres Dam project, additional work for the Aquifer Storage & Recovery Project, groundwater replenishment project, upgrade of the water demand data base and various minor project expenses offset the increase. Overall project expenses contributed to the increase due to lower project expense costs over prior year, such as aquifer storage recovery costs, and ground water replenishment project costs.

- Project reimbursements of about $6 million, consisting mainly of reimbursements for the Pure Water Monterey Project, contributed to the increase.

- Depreciation expense of approximately $359 thousand offset the decrease.

- Higher than anticipated collection of User Fee paid by Cal-Am rate payers contributed to the increase.

GOVERNMENT–WIDE FINANCIAL ANALYSIS (Continued)

Business-type activities increased the District's net position by approximately $2.2 million. Key elements resulting in the net increase are as follows:

- Operating revenues increased 11.8% over the prior year.
- Total amount of water sold was 23.0% higher than the prior year. Last year total water sales included 839-acre feet (AF) of reclaimed water. That figure contrasts with 1,032 AF of reclaimed water for the current year. There was no potable water purchased this year although there are plans to purchase as much as 5 AF in the fall of 2018. The operating component of water sales increased 7.9%. The non-operating or capital component of the rates decreased 2.5%.
- Net Non-operating expenses increased 15.4% over prior year due to the increase in interest expense on the Bonds.
- Long-term obligations include the bonds issued in 1992 that mature in 2023 with current year principal due of $2.0 million and interest due of $129,308. The Project has been able to take advantage of lower interest rates over the last several years – rates have crept up slightly to 1.37% compared with 0.87% in 2017.
- Total operating expenses (exclusive of amortization) were 0.6% less than the prior year as follows:
    - Plant operating expenses were 3.04% lower than in fiscal year 2017 and 28.1% under budget. The most significant cause was that the Project did not need to invest in a set of microfiltration membranes.
    - Distribution costs were 36.7% below budget and 19.9% higher than prior year 2017. Pebble Beach Company Community Services District (PBCSD) Administrative and engineering salaries were under budget 1.0% while staff salaries were under budget 6.7%, Utilities were 13.6% under budget, and O&M expenses 54.2% under budget (Poppy Hills storage tank painting has been rescheduled for 2018-19).
    - Carmel Area Wastewater District (CAWD) and Monterey Peninsula Water Management District (MPWMD) General and Administrative costs were 19.9% lower than in 2017 and 28.6% under budget.
- The Reclamation Project has incurred a deficit from the inception of the project due primarily to the cost of debt service and carrying costs on the Certificates of Participation (COPs) and construction cost for the Project's expansion. With the implementation of the amended Construction & Operation Agreement the intent is to budget for a break-even position. The budgeted costs of operations, capital, and debt service are all incorporated into the waters sales rate structure.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

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

At the end of the current fiscal year, the District's governmental funds reported a total fund balance of $14,112,065. The Water Supply Fund has a fund balance of $7,333,575, the Conservation Fund has a fund balance of $3,348,352 and the Mitigation Fund has a fund balance of $3,430,138.

During the current fiscal year, the fund balance of the District's Water Supply Fund increased $6,421,128, the Conservation Fund increased $1,449,586 and the Mitigation Fund increased $1,384,944. The increase in the Water Supply Fund is due to revenues and other financing sources exceeding expenditures primarily due to project reimbursements for the Pure Water Monterey Project. The increase in the Conservation Fund is due to revenues and other financing sources exceeding expenditures primarily due to resumption of the User Fee paid by Cal-Am rate payers. The increase in the Mitigation Fund is due to revenues and other financing sources exceeding expenditures primarily due to an allocation of the property tax revenue.

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 $27,685,192.

During the current fiscal year, the net position of the District's enterprise fund increased $2,161,733.

BUDGET HIGHLIGHTS/VARIANCES

Original budget compared to final budget – During the year, the District made modifications to its water supply original budget. 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 reimbursements part of the budget. Generally, the movement of the appropriations between departments was not significant. Total revenues were increased from the original budget by approximately $5 million whereas total appropriations were increased from the original budget by approximately $110 thousand.

Final budget compared to actual results – The District's budget projected expenditures for the water supply fund of $5.8 million. The District finished the budget year with expenditures of $3.9 million, which was $1.8 million or 31.6% less than budgeted. The difference was mostly attributable to Aquifer Storage Recovery Project, Monterey Peninsula Desalination Project, local water supply projects, and other reimbursement projects being $1.7 million under budget due to deferral of projects to next fiscal year.

The District's budget projected operating revenues for the water supply fund of $11.7 million. The District finished the budget year with operating revenues of $12.3 million, which was $563 thousand or 4.8% more than budgeted. The difference was mostly attributable to property taxes being approximately $174 thousand over budget, connection charges being approximately $222 thousand over budget and user fees being approximately $231 thousand over budget.

BUDGET HIGHLIGHTS/VARIANCES (Continued)

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, 2018 totaled $46 million as shown below. This amount represents a net decrease, including additions and disposals, net of depreciation/amortization, of approximately $770 thousand or 1.7% from June 30, 2017.

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

- Aquifer storage and recovery project additions at a cost of $180,089.
- Various computer and software upgrades at a cost of $341,312.
- Transportation equipment at a cost of $30,794.
- Various additions to the Reclamation Project, which included SCADA PLC improvements, Forest Lake intake manifold bypass, flow equalization basin mixing project expenses and a thermos scientific gallery discrete analyzer at a total cost of $654,569.

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

Capital Assets
(Net of Depreciation/Amortization)

	2018	2017
Governmental Activities:		
Office Equipment	$ 1,652	$ 2,266
Computer Equipment	544,805	297,066
Transportation Equipment	141,530	150,155
Building and Improvements	1,034,973	1,088,913
ASR Facilities	3,778,790	3,765,845
Fish Rearing Facility	–	1,698
Leasehold improvements	8,669	11,642
	5,510,419	5,317,585
Business-type Activities:		
Water resale rights	38,789,024	40,005,115
Construction in progress	1,714,573	1,461,633
	40,503,597	41,466,748
Total	$ 46,014,016	$ 46,784,333

Debt Administration

The District has an installment purchase agreement with a balance of $3,557,016 at June 30, 2018. Retirements were made in the amount of $86,953.

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

The District has variable rate demand certificates of participation with a balance of $11,900,000 at June 30, 2018. Retirements were made in the amount of $2,000,000.

The District has a payable to Pebble Beach Company for bond carrying costs with a balance of $2,760,000 at June 30, 2018. Retirements were made in the amount of $552,000.

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In developing the fiscal year 2018–2019 budget, the staff and management had to consider a number of factors that would impact the District's economy and finances. The 2018–2019 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 2018–2019 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.

On November 6, 2018, the public voted on Measure J to instruct the Monterey Peninsula Water Management 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 feasibility study is estimated to cost from $400,000 to $700,000. This feasibility study cost was not included in the District's original fiscal year 2018-2019 budget.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2017)

	Governmental Activities	Business–type Activities	2018 Total	2017 Total
ASSETS:				
Cash and cash equivalents	$ 2,253,085	$ 528,593	$ 2,781,678	$ 1,751,763
Investments	9,808,038	808,977	10,617,015	3,789,763
Receivables, net	2,656,485	1,481,753	4,138,238	2,542,745
Restricted reserves	221,656	1,144	222,800	222,350
Capital assets, net:				
Water rights	–	38,789,024	38,789,024	40,005,115
Nondepreciable	–	1,714,573	1,714,573	1,461,633
Depreciable	5,510,419	–	5,510,419	5,317,585
Total assets	20,449,683	43,324,064	63,773,747	55,090,954
DEFERRED OUTFLOWS OF RESOURCES:				
PERS contributions	386,341	–	386,341	391,816
Deferred pension adjustments	1,141,323	–	1,141,323	715,765
Total deferred outflows of resources	1,527,664	–	1,527,664	1,107,581
LIABILITIES:				
Accounts payable	612,751	978,872	1,591,623	1,964,912
Accrued liabilities	93,891	–	93,891	102,521
Long-term debt:				
Due within one year	391,414	2,652,000	3,043,414	2,909,746
Due in more than one year	13,303,377	12,008,000	25,311,377	24,867,252
Total liabilities	14,401,433	15,638,872	30,040,305	29,844,431
DEFERRED INFLOWS OF RESOURCES –				
Deferred pension adjustments	333,645	–	333,645	272,693
NET POSITION:				
Net investment in capital assets	3,360,667	28,603,598	31,964,265	30,846,089
Restricted for debt service	221,656	1,144	222,800	222,350
Unrestricted (deficit)	3,659,946	(919,550)	2,740,396	(4,987,028)
Total net position	$ 7,242,269	$ 27,685,192	$ 34,927,461	$ 26,081,411

See Notes to Basic Financial Statements.

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2017)

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business–Type Activities	2018 Total	2017 Total
FUNCTIONS/PROGRAMS:							
Governmental activities:							
Conservation	$ 2,101,343	$ 2,136,505	$ 20,000	$ 55,162	$ –	$ 55,162	$ (884,904)
Mitigation	2,584,965	3,013,010	135,021	563,066	–	563,066	797,904
Water supply	3,878,083	10,377,339	–	6,499,256	–	6,499,256	(777,967)
Interest	132,183	–	–	(132,183)	–	(132,183)	(137,086)
Total governmental activities	8,696,574	15,526,854	155,021	6,985,301	–	6,985,301	(1,002,053)
Business–type activities – Reclamation Project	4,161,333	6,328,302	–	–	2,166,969	2,166,969	1,636,790
Total business–type activities	4,161,333	6,328,302	–	–	2,166,969	2,166,969	1,636,790
Total	$ 12,857,907	$ 21,855,156	$ 155,021	6,985,301	2,166,969	9,152,270	634,737
GENERAL REVENUES:							
Property taxes				1,872,468	–	1,872,468	1,811,861
Investment earnings				61,336	(5,236)	56,100	39,163
Miscellaneous				44,766	–	44,766	22,955
Total general revenues				1,978,570	(5,236)	1,973,334	1,873,979
CHANGE IN NET POSITION				8,963,871	2,161,733	11,125,604	2,508,716
NET POSITION – BEGINNING OF YEAR, AS RESTATED				(1,721,602)	25,523,459	23,801,857	23,572,695
NET POSITION – END OF YEAR				$ 7,242,269	$ 27,685,192	$ 34,927,461	$ 26,081,411

See Notes to Basic Financial Statements.

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2017)

	Water Supply	Conservation	Mitigation	2018 Total	2017 Total
ASSETS:					
Cash and cash equivalents	$ 1,219,376	$ 448,236	$ 585,473	$ 2,253,085	$ 1,260,335
Investments	4,836,476	2,543,882	2,427,680	9,808,038	2,700,113
Receivables, net	1,582,985	496,007	577,493	2,656,485	1,498,404
Restricted reserves	221,656	–	–	221,656	221,214
Total assets	7,860,493	3,488,125	3,590,646	14,939,264	5,680,066
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Accounts payable	395,059	102,769	114,923	612,751	607,068
Accrued liabilities	30,858	23,035	39,998	93,891	102,521
Total liabilities	425,917	125,804	154,921	706,642	709,589
Deferred Inflows of resources –					
Deferred revenue	101,001	13,969	5,587	120,557	114,070
Total deferred inflows of resources	101,001	13,969	5,587	120,557	114,070
Fund balances:					
Restricted	221,656	–	–	221,656	221,214
Committed	669,260	118,263	152,263	939,786	833,920
Assigned:					
Insurance/litigation	171,354	11,906	66,740	250,000	78,646
Capital equipment	25,966	69,633	236,401	332,000	140,334
Flood/drought emergencies	–	–	328,944	328,944	328,944
Project expenditures	6,245,339	3,148,550	2,645,790	12,039,679	3,396,036
Unassigned	–	–	–	–	(142,687)
Total fund balances	7,333,575	3,348,352	3,430,138	14,112,065	4,856,407
Total liabilities, deferred inflows of resources, and fund balances	$ 7,860,493	$ 3,488,125	$ 3,590,646		
Amounts reported in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds				5,510,419	5,317,585
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds				120,557	114,070
Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore, are not reported in the funds:					
Deferred inflows of resources				1,527,664	1,107,581
Deferred outflows of resources				(333,645)	(272,693)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds				(13,694,791)	(10,564,998)
NET POSITION OF GOVERNMENTAL ACTIVITIES				$ 7,242,269	$ 557,952

See Notes to Basic Financial Statements.

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2017)

	Water Supply	Conservation	Mitigation	2018 Total	2017 Total
REVENUES:					
Property taxes	$ 1,924,320	$ –	$ –	$ 1,924,320	$ 1,817,206
Water supply charge	3,405,008	–	–	3,405,008	3,391,354
User fees	808,039	1,378,362	2,972,424	5,158,825	1,156,364
Connection charges, net of refunds	522,167	–	–	522,167	370,255
Permit fees	–	296,502	20,810	317,312	243,787
Project reimbursements	5,583,786	461,641	19,776	6,065,203	1,390,565
Investment income	31,347	15,940	14,049	61,336	35,837
Legal fee reimbursements	–	5,370	–	5,370	2,914
Recording fees	–	17,887	–	17,887	12,039
Mitigation revenue	–	–	–	–	2,039,912
Miscellaneous	2,258	–	19,251	21,509	8,002
Grants	–	20,000	135,021	155,021	89,276
Total revenues	12,276,925	2,195,702	3,181,331	17,653,958	10,557,511
EXPENDITURES:					
Personnel:					
Salaries	918,724	598,371	999,985	2,517,080	2,338,231
Employee benefits and other personnel	367,183	292,709	440,281	1,100,173	1,038,147
Services and supplies:					
Project expenditures	1,850,300	717,976	462,673	3,030,949	4,580,252
Operating expenditures	154,660	148,797	206,718	510,175	468,707
Professional fees	357,070	123,521	168,090	648,681	571,530
Capital outlay	64,404	239,256	68,446	372,106	114,821
Debt service:					
Principal	86,953	–	–	86,953	83,881
Interest and other charges	132,183	–	–	132,183	137,086
Total expenditures	3,931,477	2,120,630	2,346,193	8,398,300	9,332,655
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,345,448	75,072	835,138	9,255,658	1,224,856
OTHER FINANCING SOURCES (USES):					
Transfers in	–	1,374,514	549,806	1,924,320	1,137,571
Transfers out	(1,924,320)	–	–	(1,924,320)	(1,137,571)
Total other financing sources (uses)	(1,924,320)	1,374,514	549,806	–	–
NET CHANGE IN FUND BALANCES	6,421,128	1,449,586	1,384,944	9,255,658	1,224,856
FUND BALANCES – BEGINNING OF YEAR	912,447	1,898,766	2,045,194	4,856,407	3,631,551
FUND BALANCES – END OF YEAR	$ 7,333,575	$ 3,348,352	$ 3,430,138	$14,112,065	$ 4,856,407

See Notes to Basic Financial Statements.

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

NET CHANGE IN FUND BALANCES		$ 9,255,658
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	$ 180,089	
Capital outlay	372,106	
Depreciation expense	(359,361)	
	$ 192,834	192,834
In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the assets sold.		–
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.		6,487
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	$ 86,953	86,953
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	$ (55,484)	
OPEB costs	(175,660)	
Current year pension cost difference	(346,917)	
	$ (578,061)	(578,061)
CHANGE IN NET POSITION		$ 8,963,871

See Notes to Basic Financial Statements.

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
STATEMENT OF NET POSITION – PROPRIETARY FUND
(CAWD/PBCSD WASTEWATER RECLAMATION PROJECT)
JUNE 30, 2018
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2017)

	2018	2017
ASSETS:		
Current assets:		
Cash and investments	$ 1,337,570	$ 1,581,078
Cash restricted for debt service	1,144	1,136
Accounts receivable – water sales	1,470,587	1,033,606
Accounts receivable – other	11,166	10,735
Total current assets	2,820,467	2,626,555
Noncurrent assets:		
Capital assets, net:		
Water resale rights	38,789,024	40,005,115
Construction-in-progress	1,714,573	1,461,633
Total noncurrent assets	40,503,597	41,466,748
Total assets	43,324,064	44,093,303
LIABILITIES:		
Current liabilities:		
Accounts payable – trade	32,505	96,133
Accounts payable – affiliates	946,367	1,261,711
Certificates of participation – current portion	2,100,000	2,000,000
Due to Pebble Beach Company – current portion	552,000	552,000
Total current liabilities	3,630,872	3,909,844
Noncurrent liabilities:		
Certificates of participation	9,800,000	11,900,000
Due to Pebble Beach Company	2,208,000	2,760,000
Total noncurrent liabilities	12,008,000	14,660,000
Total liabilities	15,638,872	18,569,844
NET POSITION:		
Net investment in capital assets	28,603,598	27,566,748
Restricted for debt service	1,144	1,136
Unrestricted (deficit)	(919,550)	(2,044,425)
Total net position	$ 27,685,192	$ 25,523,459

See Notes to Basic Financial Statements.

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION – PROPRIETARY FUND
(CAWD/PBCSD WASTEWATER RECLAMATION PROJECT)
FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2017)

	2018	2017
OPERATING REVENUES:		
Water sales	$ 3,075,040	$ 2,321,784
Fixed cost charge	3,253,262	3,339,574
Total operating revenues	6,328,302	5,661,358
OPERATING EXPENSES:		
Plant costs	1,517,859	1,565,507
Distribution costs	341,498	323,703
General and administration	175,614	160,820
Potable water	6,594	3,596
Amortization	1,617,720	1,607,679
Total operating expenses	3,659,285	3,661,305
Operating income (loss)	2,669,017	2,000,053
NON–OPERATING REVENUES (EXPENSES):		
Bond and LC carrying costs	(149,290)	(168,961)
Interest expense – COP	(129,309)	(94,973)
Interest expense – PBCo.	(56,567)	(46,855)
Investment earnings (loss)	(5,236)	3,326
MPWMD fee	(83,816)	(52,408)
Abandoned well costs	(84,764)	–
Other revenue (expenses)	1,698	(66)
Total non-operating revenue (expenses)	(507,284)	(359,937)
CHANGE IN NET POSITION	2,161,733	1,640,116
NET POSITION – BEGINNING OF YEAR	25,523,459	23,883,343
NET POSITION – END OF YEAR	$ 27,685,192	$ 25,523,459

See Notes to Basic Financial Statements.

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
(CAWD/PBCSD WASTEWATER RECLAMATION PROJECT)
FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 5,890,890	$ 5,866,896
Cash payments for operating expenses	(2,420,537)	(2,072,481)
Other cash receipts (expenses)	1,698	(66)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,472,051	3,794,349
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal payments on certificates of participation	(2,000,000)	(1,900,000)
Principal paid on PBCo debt	(552,000)	(552,000)
Interest expense	(185,876)	(141,828)
Bond carrying and interest expenses	(149,290)	(168,961)
Water resale rights – capital additions	(654,569)	(1,080,147)
Abandoned well costs	(84,764)	–
MPWMD user fee	(83,816)	(52,408)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(3,710,315)	(3,895,344)
CASH FLOWS FROM INVESTING ACTIVITIES – Investment earnings (loss)	(5,236)	3,326
NET CASH PROVIDED BY INVESTING ACTIVITIES	(5,236)	3,326
INCREASE (DECREASE) IN CASH AND INVESTMENTS	(243,500)	(97,669)
CASH AND INVESTMENTS, BEGINNING OF YEAR	1,582,214	1,679,883
CASH AND INVESTMENTS, END OF YEAR	$ 1,338,714	$ 1,582,214

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
(CAWD/PBCSD WASTEWATER RECLAMATION PROJECT)
FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2017)
(Continued)

	2018	2017
RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION:		
Cash and investments	$ 1,337,570	$ 1,581,078
Cash restricted for debt service	1,144	1,136
Total	$ 1,338,714	$ 1,582,214
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	$ 2,669,017	$ 2,000,053
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:		
Amortization	1,617,720	1,607,679
Other revenue (expenses)	1,698	(66)
(Increase) decrease in –		
Receivables	(437,412)	205,538
Increase (decrease) in –		
Accounts payable	(378,972)	(18,855)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 3,472,051	$ 3,794,349

See Notes to Basic Financial Statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Abbreviations Used:

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

Description of the Reporting Entity:

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation and Accounting:

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

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Conservation, Mitigation or Water Supply) or identifiable activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or 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.

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences, 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 water. Operating expenses include the cost of sales, general and administrative expenses, and amortization of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Operating revenue comes from sales of reclaimed water. Other revenue comes primarily from the subsidy by PBCo. and from sales of water entitlements.

The following major funds are used by the District:

Governmental Funds:

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

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

b. *Mitigation Fund*, accounts for financial resources used to finance work along the Carmel River carried out pursuant to the Mitigation Program designed to ameliorate impacts identified in the District's Allocation Program Environmental Impact Report.

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

NOTE 1. <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)</u>

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.

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

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. The allowance is based on an assessment of the current status of individual accounts. At June 30, 2018, the allowance was estimated to be zero.

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

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Tier 1 – Employees hired before July 2013.

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

Tier 2 – Employees hired after July 2013.

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

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

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

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

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

NOTE 1. <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)</u>

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

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

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

Other Postemployment Benefits (OPEB) – For purposes of measuring the net 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 payments when currently due and payable in accordance with the benefit terms.

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, 2018
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District reports the following classifications:

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

- *Restricted* – Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

- *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.

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Comparative Financial Information – The financial statements include certain prior-year summarized comparative information in total but not by activities or fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Subsequent Events – Subsequent events have been evaluated through December 18, 2018, which is the date the financial statements were available to be issued.

Effects of New Pronouncements – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statements No. 45 and No. 57 related to postemployment benefits other than pensions. Statement No. 75 establishes new accounting and financial reporting requirements for OPEB plans. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for other postemployment benefits (OPEB). The Statement establishes standards for measuring and recognizing liabilities/(assets), deferred outflows of resources and deferred inflows of resources and expense/expenditures. Note disclosures and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve the decision usefulness of information in employer and governmental non-employer contributing entity financial reports and will enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire net OPEB liability/(asset) and a more comprehensive measure of OPEB expense. The District implemented this Statement in fiscal year 2018. As a result of this implementation, the District reported a prior period adjustment to net position in the amount of $2,279,554 and recognized a net OPEB liability/(asset) and deferred outflows of resources and deferred inflows of resources associated with the OPEB liability/(asset) as of June 30, 2018.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). The requirements of this Statement will enhance

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. The District implemented this Statement in fiscal year 2018. There was no significant impact to the District's financial statements due to this implementation.

In May 2017, GASB issued Statement No. 86 *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The District implemented this Statement in fiscal year 2018. There was no significant impact to the District's financial statements due to this implementation

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 Marcello & Company whose report has been furnished to us.

The Project provides treated wastewater to irrigate golf courses and open space areas in Pebble Beach 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.

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.

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

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

The Microfiltration/Reverse Osmosis (MF/RO) phase of the project (phase II), located at the CAWD treatment plant site, began design in 2006 and construction was completed in 2009. The intent of the MF/RO phase is to reduce the sodium content of the tertiary reclaimed water from 150 mg/l to less than 55 mg/l to reduce the stress on the golf greens and eliminate the need for flushing the courses with potable water. The design capacity for the MF/RO is 1.5 million gallons with an expected blend of 80% RO water and 20% MF water. The cost of the MF/RO construction project was approximately $20 million. The cost of the phase II project was financed through the sale of water entitlements owned by PBCo. to residential property owners within the Pebble Beach community, currently at $250,000 per acre foot, which is subject to change. At year end, approximately $29 million had been raised through these entitlement sales and investment earnings. The funds from the sales were deposited in a restricted escrow account where they were invested in short-term federal government securities before being spent for the Expanded Project. All project costs in excess of those raised through the sale of water entitlements are now paid by all participants in the Project.

NOTE 3. CASH AND INVESTMENTS

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

NOTE 3. CASH AND INVESTMENTS (Continued)

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

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

Investments at June 30, 2018 consisted of the following:

Governmental activities:	
Local Agency Investment Fund	$ 6,524,085
Money market accounts	46,045
Certificates of deposit	3,237,908
Subtotal Governmental activities	9,808,038
Business-type activities:	
Monterey County Investment Pool	1,647
Certificates of deposit	793,349
Municipal obligations	15,125
Less restricted reserves	1,144
Subtotal Business-type activities	808,977
Total Investments	$ 10,617,015

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.

NOTE 3. CASH AND INVESTMENTS (Continued)

Local Agency Investment Fund	on demand, 1.38% yield
Money market fund	on demand, 0.14% yield
Certificates of deposit (governmental activities)	15 months average maturity, 2.16% yield
Monterey County Investment Pool	7 months maturity, 1.63% yield
Certificates of deposit (business-type activities)	56 months average maturity, 2.75% yield
Municipal obligations	111 months average maturity, 3.00% yield

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, 2018, $2,667,385 of the District's bank balances of $4,430,609 were exposed to custodial credit risk as uninsured but are collateralized by the pledging bank's trust department not in the District's name.

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

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

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, 2018:

	Conservation	Mitigation	Water Supply	Total
Governmental activities:				
Reimbursements	$ 180,196	$ –	$ 1,288,837	$ 1,469,033
User Fees	253,363	516,738	129,087	899,188
Other	39,375	44,723	45,966	130,064
Water supply charge	–	–	101,001	101,001
Interest	9,104	10,445	18,094	37,643
Property taxes	13,969	5,587	–	19,556
Total Governmental activities	$ 496,007	$ 577,493	$ 1,582,985	2,656,485
Business-type activities:				
Water sales				762,072
Affiliates (Reclamation)				708,515
Other				11,166
Total Business-type activities				1,481,753
TOTAL				$ 4,138,238

NOTE 5. **CAPITAL ASSETS**

Capital assets experienced the following changes for the year ended June 30, 2018:

	Balance Beginning of Year	Current Additions	Deletions/ Transfers	Balance End of Year
Depreciable assets:				
Equipment:				
Office	$ 147,360	$ –	$ –	$ 147,360
Computer	1,113,890	341,312	–	1,455,202
Operating	21,415	–	–	21,415
Transportation	457,622	30,794	39,236	449,180
Project	262,669	–	–	262,669
Phone	43,851	–	–	43,851
Total equipment	2,046,807	372,106	39,236	2,379,677
Building and improvements	2,038,114	–	–	2,038,114
Monitoring stations	45,214	–	–	45,214
ASR facilities	4,997,256	180,089	–	5,177,345
Fish rearing facility	949,833	–	24,201	925,632
Leasehold improvements	17,698	–	–	17,698
Total depreciable assets	10,094,922	552,195	63,437	10,583,680

	Balance Beginning of Year	Current Additions	Deletions/ Transfers	Balance End of Year
Less accumulated depreciation for:				
Equipment:				
Office	145,094	614	–	145,708
Computer	816,824	93,573	–	910,397
Operating	21,415	–	–	21,415
Transportation	307,467	39,419	39,236	307,650
Project	262,669	–	–	262,669
Phone	43,851	–	–	43,851
Total equipment	1,597,320	133,606	39,236	1,691,690
Building and improvements	949,201	53,940	–	1,003,141
Monitoring stations	45,214	–	–	45,214
ASR Facilities	1,231,411	167,144	–	1,398,555
Fish rearing facility	948,135	1,698	24,201	925,632
Leasehold improvements	6,056	2,973	–	9,029
Total accumulated depreciation	4,777,337	359,361	63,437	5,073,261
Total depreciable assets, net	5,317,585	192,834	–	5,510,419
Total governmental activities capital assets, net	5,317,585	192,834	–	5,510,419

NOTE 5. CAPITAL ASSETS (Continued)

Business-type activities:				
Nondepreciable assets:				
Construction in progress	1,461,633	252,940	–	1,714,573
Water resale rights	64,307,073	401,629		64,708,702
Less accumulated amortization for:				
Water resale rights	24,301,958	1,617,720	–	25,919,678
Total water resale rights, net	40,005,115	(1,216,091)	–	38,789,024
Total business type activities Capital assets, net	41,466,748	(963,151)	–	40,503,597
Total capital assets, net	$ 46,784,333	$ (770,317)	$ –	$ 46,014,016

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:

Conservation	$ 50,366
Mitigation	91,483
Water supply	217,512
Total depreciation expense	$ 359,361

NOTE 6. TRANSACTIONS WITH AFFILIATES

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

At June 30, 2018, accounts receivable from these affiliates were as follows:

Receivable from PBCo. and affiliated golf courses – Water sales	$ 1,470,587
Total	$ 1,470,587

At June 30, 2018, accounts payable to these affiliates were as follows:

Payable to CAWD for operations and maintenance	$ 137,760
Payable to PBCSD for operations and maintenance	222,537
Payable to MPWMD for salaries, software, and fee	118,251
Payable to PBCo. for debt service reimbursements	467,819
Total	$ 946,367

NOTE 7. LONG–TERM DEBT

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

Designated Reserves – A Renewal and Replacement Reserve was established by the Board of Directors to pay for future major repairs and capital replacements and is held in a segregated account for its intended purposes. At June 30, 2018, the balance in this account was $832,094.

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.

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

For the last week in June of 2018, the interest rate was 1.37% per annum. Interest expense for the year was $129,309 as compared to the estimated 1992 issuance annual interest expense of $434,350 for the fiscal year 2017-18. Consequently, the interest payments column below is revised using a more realistic fixed annual rate of 2% which is presented for information purposes only.

Future principal and estimated interest payments are as follows:

Year Ending June 30	Certificates of Participation Principal	Interest	Total
2019	$ 2,100,000	$ 238,000	$ 2,338,000
2020	2,300,000	196,000	2,496,000
2021	2,400,000	150,000	2,550,000
2022	2,500,000	102,000	2,602,000
2023	2,600,000	52,000	2,652,000
Total	$ 11,900,000	$ 738,000	$ 12,638,000

NOTE 7. LONG–TERM DEBT (Continued)

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

Restricted Reserves – A reserve fund was established to ensure adequate funding of the debt service and is held in a segregated account restricted for its intended purposes. The reserve fund is required to maintain a balance of $219,136. At June 30, 2018, the balance in this account was $221,656.

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

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

Year Ending June 30	Installment Purchase Agreement		
	Principal	Interest	Total
2019	$ 92,249	$ 126,887	$ 219,136
2020	95,601	123,535	219,136
2021	99,073	120,063	219,136
2022	102,672	116,464	219,136
2023	3,167,421	1,324,067	4,491,488
Total	$ 3,557,016	$ 1,811,016	$ 5,368,032

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

NOTE 7. LONG–TERM DEBT (Continued)

Long-term debt activity for the year ended June 30, 2018 is as follows:

	2017*	Additions	Reductions	2018	Due Within One Year
Governmental activities:					
Installment Purchase Agreement	$ 3,643,969	$ –	$ 86,953	$ 3,557,016	$ 92,249
Compensated Absences	774,480	325,984	270,500	829,964	299,165
OPEB	3,929,329	268,040	92,380	4,104,989	–
Net pension liability	4,496,774	1,068,029	361,981	5,202,822	–
Total Governmental activities	12,844,552	1,662,053	811,814	13,694,791	391,414
Business-type activities:					
COPs	13,900,000	–	2,000,000	11,900,000	2,100,000
Due Pebble Beach Company	3,312,000	–	552,000	2,760,000	552,000
Total Business-type activities	17,212,000	–	2,552,000	14,660,000	2,652,000
Total	$ 30,056,552	$ 1,662,053	$ 3,363,814	$ 28,354,791	$ 3,043,414

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

*The beginning balance was changed to reflect the prior period adjustment for the net OPEB liability to comply with GASB No. 75.

NOTE 8. LEASE COMMITMENTS

The District is committed to a license agreement for the land on which the Sleepy Hollow Fishery was constructed. The license agreement calls for a payment of $1 per year for five years through December 4, 2020.

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

2019	$ 11,761
Total	$ 11,761

Rent expense for the year ended June 30, 2018 was $13,691.

NOTE 9. 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.

NOTE 9. RISK MANAGEMENT (Continued)

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

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

The SDRMA did not have long-term debt outstanding at June 30, 2018, other than claims liabilities and capital lease obligations. The District's share of year-end assets, liabilities and risk margin has not been calculated by the SDRMA.

NOTE 10. DEFERRED COMPENSATION PLAN

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

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

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

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

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

Plans Description – The District administers agent multiple-employer defined-benefit post-employment 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 dependants or survivors. Coverage to members of the General Staff Bargaining Unit is provided through the Association of California Water Agencies Health Benefit Authority Anthem Classic Plan, and

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

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 7/1/2013 and retires with 15+ years of service is eligible to receive a payment of $1,219 per month for fiscal-year end 6/30/2019. 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, 2018 (the census date), the benefit terms covered the following employees:

Active employees	24
Inactive employees, spouses or beneficiaries currently receiving benefit payments	10
Inactive employees entitled to but not yet receiving benefit payments	0
Total	34

Contributions –The contribution requirements of the District are based on a pay-as-you-go basis. For the fiscal year ended June 30, 2018, the District paid $92,380 for retiree health benefits. The District currently contributes enough money to the plans to satisfy current obligations on a pay-as-you-go basis.

Net OPEB Liability – The District's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation: 2.625%

Salary increases: 2.750%. Additional merit-based increases based on CalPERS merit salary increase tables.

Healthcare cost trend rates: 6.50% in the first year, trending down to 3.84% over 58 years.

Mortality rates were based on CalPERS tables.

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

Discount Rate – The discount rate used to measure the total OPEB liability is 3.50%. The District's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 2-0year municipal bonds, as of the valuation date.

Changes in the NET OPEB Liability Net – The changes in the net OPEB liability for the OPEB Plan are as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2017	$ 3,929,329	$ –	$ 3,929,329
Changes recognized for measurement period:			
Service cost	127,662	–	127,662
Interest	140,378	–	140,378
Changes of benefit terms	–	–	–
Difference between expected and actual experience	–	–	–
Changes of assumptions	–	–	–
Contributions - employer	–	92,380	(92,380)
Net investment income	–	–	–
Benefit payments	(92,380)	(92,380)	–
Administrative expense	–	–	–
Net Changes	$ 175,660	$ –	$ 175,660
Balance at June 30, 2018	$ 4,104,989	$ –	$ 4,104,989

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net 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, 2018:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB Liability	$4,768,985	$4,104,989	$3,563,246

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates – The following presents the net 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, 2018:

	1% Decrease (5.50% decreasing to 2.84%)	Current Healthcare Cost Trend Rate (6.50% decreasing to 3.84%)	1% Increase (7.50% decreasing to 4.84%)
Net OPEB Liability	$3,519,896	$4,104,989	$4,837,526

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

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the fiscal year ended June 30, 2018, the District recognized OPEB expense of $268,040. As of fiscal year ended June 30, 2018, the District did not report any deferred outflows/inflows of resources related to OPEB.

NOTE 12. PENSION PLAN

General Information about the Pension Plan

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

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, 2018, are summarized as follows:

	Miscellaneous	
Hire date	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 – 55	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7.000%	6.250%
Required employer contribution rates	8.921%	6.533%

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

NOTE 12. PENSION PLAN (Continued)

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, 2018, the contributions recognized as part of pension expense for the Plan were as follows:

	Miscellaneous
Contributions	$ 361,981

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the net pension liability of the Miscellaneous Plan as $5,202,822.

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, 2017, 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, 2016 rolled forward to June 30, 2017 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, 2017 and 2018 was as follows:

	Miscellaneous
Proportion - June 30, 2017	0.12945%
Proportion - June 30, 2018	0.13198%
Change - Increase (Decrease)	0.00254%

For the year ended June 30, 2018, the District recognized pension expense of $703,422. Pension expense is allocated to the functions based on full time equivalents. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 6,421	$ 91,996
Changes in assumptions	796,723	60,751
Differences between projected and actual investment earnings	180,186	–
Differences between employer's contributions and proportionate share of contributions	–	180,898
Change in employer's proportion	157,993	–
Pension contributions made subsequent to measurement date	386,341	–
Total	$ 1,527,664	$ 333,645

NOTE 12. PENSION PLAN (Continued)

Deferred outflows of resources in the amount of $386,341 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, 2019. 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		
2019	$	228,386
2020	$	430,555
2021	$	255,716
2022	$	(106,980)

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous/Safety
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by entry age and service
Mortality Rate Table	Derived using CalPERS' membership data for all funds (1)
Post Retirement Benefit Increase	Contract COLA up to 2.75% Until Purchasing Power Protection Allowance Floor On Purchasing Power applies 2.75% thereafter

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

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study can be found on the CalPERS' website under Forms and Publications.

Change of Assumption – In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

NOTE 12. PENSION PLAN (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.15 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS performed crossover testing of the plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The crossover test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 Section.

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

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

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	100%		

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

NOTE 12. PENSION PLAN (Continued)

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

	Miscellaneous
1% Decrease	6.15%
Net Pension Liability	$ 7,829,049
Current Discount Rate	7.15%
Net Pension Liability	$ 5,202,822
1% Increase	8.15%
Net Pension Liability	$ 3,027,732

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

NOTE 13. CONTINGENT LIABILITIES

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

NOTE 14. COMMITMENTS AND OTHER CONTINGENCIES

As of June 30, 2018, the District has several ongoing projects with outstanding contracts as follows:

Vendor/Contractor	Project	Original Contract Date	Total Contract Amount	Amount Outstanding at 6/30/18
Accela Inc	Water Demand Database	11/2017	$ 676,377	$ 354,788
AECOM Technical Services	Los Padres Dam Alternative Study	01/2017	559,700	269,977
Big Sur Land Trust	IRWMP Plan	06/2018	34,000	34,000
Brown and Caldwell	North Mo. Co. Drought Contingency Plan	03/2016	422,939	167,652
	Basin Study Plan	09/2016	45,000	13,494
HDR Engineering	Los Padres Dam Fish Passage Study	04/2016	282,034	10,384
Normandeau Associates	IFIM Study	12/2017	35,000	25,412
Pueblo Water Resources	Seaside Basin Geochemical Study	06/2018	68,679	64,079
Total			$ 2,123,729	$ 939,786

NOTE 15. **INTERFUND TRANSFERS**

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

NOTE 16. **PRIOR PERIOD ADJUSTMENT**

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

Net Position at June 30, 2017		$ 557,952
Implementation of GASB 75 – Net OPEB Liability	$ (2,279,554)	
Prior period adjustment		(2,279,554)
Restated Net Position at June 30, 2017		$ (1,721,602)

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

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

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefore. This Statement requires similar disclosures for a government's minority shares of AROs. The requirements in this Statement are effective for fiscal years beginning after June 30, 2018. Earlier application is encouraged. The District has no plan for early implementation of this Statement. At this time the District is not certain of the effect the adoption of Statement No. 83 will have on the accompanying financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements in this Statement are effective for fiscal years beginning after June 30, 2019. Earlier application is encouraged. The District has no plan for early implementation of this Statement. At this time the District is not certain of the effect the adoption of Statement No. 84 will have on the accompanying financial statements.

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

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for fiscal years beginning after June 30, 2020. Earlier application is encouraged. The District has no plan for early implementation of this Statement. At this time the District is not certain of the effect the adoption of Statement No. 87 will have on the accompanying financial statements.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.* The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledge as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The District has no plans for early implementation of this Statement. At this time the District is not certain of the effect the adoption of Statement No. 88 will have on the accompanying financial statements.

In June 2018, GASB issued Statement No. 89 *Accounting for Interest Cost Incurred Before the End of a Construction Period.* The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement established accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared

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

using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The District has no plans for early implementation of this Statement. At this time the District is not certain of the effect of the adoption of Statement No. 89 will have on the accompanying financial statements.

In August 2018, GASB issued Statement No. 90 *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61.* The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement established that ownership of majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The District has no plans for early implementation of this Statement. At this time the District is not certain of the effect of the adoption of Statement No. 90 will have on the accompanying financial statements.

NOTE 18. SUBSEQUENT EVENT

On November 6, 2018, the public voted on Measure J to instruct the Monterey Peninsula Water Management 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 feasibility study is estimated to cost from $400,000 to $700,000. This feasibility study cost was not included in the District's original fiscal year 2018-2019 budget.

REQUIRED

SUPPLEMENTARY INFORMATON

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE, BUDGET AND ACTUAL – WATER SUPPLY
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance With Final
	Original	Final	Amounts	Amounts
REVENUES:				
Property taxes	$ 1,750,000	$ 1,750,000	$ 1,924,320	$ 174,320
Water supply charge	3,400,000	3,400,000	3,405,008	5,008
User fees	–	577,000	808,039	231,039
Connection charges, net of refunds	250,000	300,000	522,167	222,167
Project reimbursements	1,279,400	5,576,400	5,583,786	7,386
Investment income	14,000	20,000	31,347	11,347
Grants	80,000	80,000	–	(80,000)
Miscellaneous	10,000	10,000	2,258	(7,742)
Total revenues	6,783,400	11,713,400	12,276,925	563,525
EXPENDITURES:				
Personnel:				
Salaries	873,000	873,000	918,724	(45,724)
Employee benefits and other personnel	353,800	355,800	367,183	(11,383)
Services and supplies:				
Project expenditures	3,478,100	3,595,600	1,850,300	1,745,300
Operating expenditures	216,600	206,200	154,660	51,540
Professional fees	312,500	312,500	357,070	(44,570)
Capital outlay	177,900	177,900	64,404	113,496
Debt service:				
Principal	–	–	86,953	(86,593)
Interest and other charges	230,000	230,000	132,183	97,817
Total expenditures	5,641,900	5,751,000	3,931,477	1,819,523
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,141,500	5,962,400	8,345,448	2,383,048
OTHER FINANCING SOURCES (USES) – Transfers out	(1,717,200)	(1,750,000)	(1,924,320)	(174,320)
Total other financing sources (uses)	(1,717,200)	(1,750,000)	(1,924,320)	(174,320)
NET CHANGE IN FUND BALANCE	(575,700)	4,212,400	6,421,128	2,208,728
FUND BALANCE – BEGINNING OF YEAR	(655,950)	253,547	912,447	658,900
FUND BALANCE – END OF YEAR	$(1,231,650)	$ 4,465,947	$ 7,333,575	$ 2,867,628

See Notes to Required Supplementary Information.

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE, BUDGET AND ACTUAL – CONSERVATION
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance With Final
	Original	Final	Amounts	Amounts
REVENUES:				
User fees	$ 1,117,500	$ 1,165,000	$ 1,378,362	$ 213,362
Permit fees	175,000	175,000	296,502	121,502
Project reimbursements	500,000	260,000	461,641	201,641
Investment income	3,500	5,000	15,940	10,940
Legal fee reimbursements	16,000	16,000	5,370	(10,630)
Recording fees	9,600	29,600	17,887	(11,713)
Grants	220,000	220,000	20,000	(200,000)
Total revenues	2,041,600	1,870,600	2,195,702	325,102
EXPENDITURES:				
Personnel:				
Salaries	644,200	644,200	598,371	45,829
Employee benefits and other personnel	305,400	307,000	292,709	14,291
Services and supplies:				
Project expenditures	1,150,900	1,240,900	717,976	522,924
Operating expenditures	211,700	202,600	148,797	53,803
Professional fees	170,400	170,400	123,521	46,879
Capital outlay	518,200	518,200	239,256	278,944
Total expenditures	3,000,800	3,083,300	2,120,630	962,670
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(959,200)	(1,212,700)	75,072	1,287,772
OTHER FINANCING SOURCES (USES) – Transfers in	1,061,200	1,250,000	1,374,514	124,514
Total other financing sources (uses)	1,061,200	1,250,000	1,374,514	124,514
NET CHANGE IN FUND BALANCE	102,000	37,300	1,449,586	1,412,286
FUND BALANCE – BEGINNING OF YEAR	1,551,688	1,898,766	1,898,766	–
FUND BALANCE – END OF YEAR	$ 1,653,688	$ 1,936,066	$ 3,348,352	$ 1,412,286

See Notes to Required Supplementary Information.

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE, BUDGET AND ACTUAL – MITIGATION
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance With Final
	Original	Final	Amounts	Amounts
REVENUES:				
User fees	$ 2,307,500	$ 2,353,000	$ 2,972,424	$ 619,424
Permit fees	56,000	56,000	20,810	(35,190)
Project reimbursement	35,900	35,900	19,776	(16,124)
Investment income	2,500	5,000	14,049	9,049
Grants	950,000	150,000	135,021	(14,979)
Miscellaneous	10,000	10,000	19,251	9,251
Total revenues	3,361,900	2,609,900	3,181,331	571,431
EXPENDITURES:				
Personnel:				
Salaries	984,800	984,800	999,985	(15,185)
Employee benefits and other personnel	432,400	434,800	440,281	(5,481)
Services and supplies:				
Project expenditures	1,791,100	861,100	462,673	398,427
Operating expenditures	259,300	246,300	206,718	39,582
Professional fees	268,600	268,600	168,090	100,510
Capital outlay	197,400	197,400	68,446	128,954
Total expenditures	3,933,600	2,993,000	2,346,193	646,807
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(571,700)	(383,100)	835,138	1,218,238
OTHER FINANCING SOURCES (USES) – Transfers in	656,000	500,000	549,806	49,806
Total other financing sources (uses)	656,000	500,000	549,806	49,806
NET CHANGE IN FUND BALANCE	84,300	116,900	1,384,944	1,268,044
FUND BALANCE – BEGINNING OF YEAR	1,951,518	2,045,194	2,045,194	–
FUND BALANCE – END OF YEAR	$ 2,035,818	$ 2,162,094	$ 3,430,138	$ 1,268,044

See Notes to Required Supplementary Information.

NOTE 1. BUDGETARY DATA

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

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

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
SCHEDULE OF CHANGES IN THE TOTAL/NET OPEB LIABILITY AND RELATED RATIOS
For the Measurement Periods Ended June 30

Measurement Period	2018
Total/Net OPEB Liability	
Service cost	$ 127,662
Interest	140,378
Changes of benefit terms	–
Actual and expected experience difference	–
Changes of assumptions	–
Benefit payments	(92,380)
Net change in total OPEB liability	175,660
Total/Net OPEB liability – beginning of year	3,929,329
Total/Net OPEB liability – end of year	4,104,989
Covered-employee payroll	$ 2,441,044
Net OPEB liability as a percentage of covered-employee payroll	168.17%

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.

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last 10 Years*
FOR THE YEAR ENDED JUNE 30, 2018

Measurement Period	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered employee payroll	Proportionate share of the net pension liability as percentage of covered employee payroll	Plan's fiduciary net position	Plan fiduciary net position as a percentage of the total pension liability
2014						
Miscellaneous Plan	0.05481%	$ 3,287,027	$ 2,282,220	144.03%	$ 12,386,568	78.41%
2015						
Miscellaneous Plan	0.12936%	$ 3,548,843	$ 2,325,836	152.58%	$ 12,722,539	78.19%
2016						
Miscellaneous Plan	0.12945%	$ 4,496,774	$ 2,419,068	185.89%	$ 12,618,800	73.73%
2017						
Miscellaneous Plan	0.13198%	$ 5,202,822	$ 2,407,013	216.15%	$ 13,890,505	80.93%

Notes to Schedule:

Benefit changes.

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.

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

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
SCHEDULE OF CONTRIBUTIONS
Last 10 Years*
FOR THE YEAR ENDED JUNE 30, 2018

Fiscal Year	Contractually required contribution (actuarially determined)	Contributions in relation to the actuarially determined contributions	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee 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%

Notes to Schedule:

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

FYE 2014–2015	June 30, 2013	Funding valuation report
FYE 2015–2016	June 30, 2014	Funding valuation report
FYE 2016–2017	June 30, 2015	Funding valuation report
FYE 2017–2018	June 30, 2016	Funding valuation report

Actuarial cost method	Entry age normal
Amortization method/period	Level percentage of payroll
Asset valuation method	Market value
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.15
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

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

STATISTICAL SECTION

(Photo: Carmel River)

STATISTICAL SECTION

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

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

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

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

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

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

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

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

Governmental activities	Fiscal Year Ended June 30, 2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net investment in capital assets	$ 3,360,667	$ 3,279,341	$ 3,454,077	$ 3,765,812	$ 3,703,618	$ 3,825,773	$ 7,626,567	$ 6,238,660	$ 5,280,114	$ 4,702,951
Restricted for debt service	221,656	221,214	220,772	220,330	219,136	219,136	-	-	-	-
Unrestricted (deficit)	3,659,946	(2,942,603)	(3,985,497)	(2,940,609)	1,316,853	2,697,295	(1,117,760)	635,049	1,152,363	1,620,154
Total governmental activities net position	$ 7,242,269	$ 557,952	$ (310,648)	$ 1,045,533	$ 5,239,607	$ 6,742,204	$ 6,508,807	$ 6,873,709	$ 6,432,477	$ 6,323,105
Business-type activities										
Net investment in capital assets	$ 28,603,598	$ 27,566,748	$ 26,194,280	$ 25,157,565	$ 24,719,129	$ 18,794,502	$ 24,212,463	$ 24,130,341	$ 24,178,621	$ 24,421,926
Restricted for construction project	-	-	-	-	-	15,276	-	-	-	-
Restricted for debt service	1,144	1,136	1,136	1,136	1,137	1,137	1,136	1,136	1,136	1,136
Restricted for capital replacement	-	1,121,549	1,118,503	1,273,355	873,273	848,080	-	-	-	-
Restricted for expanded project	-	-	-	-	-	-	889,475	891,700	978,528	1,342,540
Unrestricted (deficit)	(919,550)	(3,165,974)	(3,430,576)	(3,772,838)	(4,393,080)	-	250,873	245,551	422,876	493,122
Total business-type activities net position	$ 27,685,192	$ 25,523,459	$ 23,883,343	$ 22,659,218	$ 21,200,459	$ 19,658,995	$ 25,353,947	$ 25,268,728	$ 25,581,161	$ 26,258,724
Primary government										
Net investment in capital assets	$ 31,964,265	$ 30,846,089	$ 29,648,357	$ 28,923,377	$ 28,422,747	$ 22,620,275	$ 31,839,030	$ 30,369,001	$ 29,458,735	$ 29,124,877
Restricted for construction project	-	-	-	-	-	15,276	-	-	-	-
Restricted for debt service	222,800	222,350	221,908	221,466	220,273	220,273	1,136	1,136	1,136	1,136
Restricted for capital replacement	-	1,121,549	1,118,503	1,273,355	873,273	848,080	-	-	-	-
Restricted for expanded project	-	-	-	-	-	-	889,475	891,700	978,528	1,342,540
Unrestricted (deficit)	2,740,396	(6,108,577)	(7,416,073)	(6,746,108)	(3,076,227)	2,697,295	(866,887)	880,600	1,575,239	2,113,276
Total primary government net position	$ 34,927,461	$ 26,081,411	$ 23,572,695	$ 23,672,090	$ 26,440,066	$ 26,401,199	$ 31,862,754	$ 32,142,437	$ 32,013,638	$ 32,581,829

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

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

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

Expenses (by function)	Fiscal Year Ended June 30,									
Governmental activities:	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Conservation	$ 2,101,343	$ 1,881,138	$ 1,928,518	$ 2,538,647	$ 2,269,696	$ 1,459,231	$ 1,112,961	$ 1,066,511	$ 912,893	$ 1,093,863
Mitigation	2,584,965	2,343,392	2,261,058	2,348,049	2,463,838	2,284,450	3,131,325	4,777,577	3,977,038	2,767,714
Water supply	3,878,083	5,321,950	7,057,927	5,149,757	7,931,458	4,054,342	1,200,978	1,291,349	1,404,760	1,349,966
Interest	132,183	137,086	138,627	141,077	143,921	137,086	-	-	-	-
Total Governmental Activities expenses	8,696,574	9,683,566	11,386,130	10,177,530	12,808,913	7,935,109	5,445,264	7,135,437	6,294,691	5,211,543
Business- type activities:										
Reclamation Project	4,161,333	4,024,568	4,347,080	3,945,772	3,889,685	3,434,236	3,793,748	3,664,890	3,691,170	3,881,830
Total business-type activities expenses	4,161,333	4,024,568	4,347,080	3,945,772	3,889,685	3,434,236	3,793,748	3,664,890	3,691,170	3,881,830
Total Primary Government Expenses	12,857,907	13,708,134	15,733,210	14,123,302	16,698,598	11,369,345	9,239,012	10,800,327	9,985,861	9,093,373
Program Revenues (by function)										
Governmental activities:										
Charges for service:										
Conservation	2,136,505	996,234	1,005,237	1,584,188	1,374,724	761,990	439,798	717,546	1,286,516	770,659
Mitigation	3,013,010	3,052,020	2,542,519	2,236,455	1,940,728	1,873,902	2,709,894	4,950,900	3,091,862	2,514,073
Water supply	10,377,339	4,543,983	4,313,762	4,223,966	5,728,874	5,523,491	305,849	420,552	603,777	695,933
Operating grants and contributions	155,021	89,276	334,864	169,214	602,499	391,797	165,528	-	-	-
Total governmental activities program revenues	15,681,875	8,681,513	8,196,382	8,213,823	9,646,825	8,551,180	3,621,069	6,088,998	4,982,155	3,980,665
Business-type activities:										
Charges for services -										
Water sales	6,328,302	5,661,358	5,513,758	5,379,027	5,420,240	4,175,379	2,344,688	1,840,264	1,807,929	1,915,828
Total Business-type activities revenue	6,328,302	5,661,358	5,513,758	5,379,027	5,420,240	4,175,379	2,344,688	1,840,264	1,807,929	1,915,828
Total Primary Government Program Revenues	22,010,177	14,342,871	13,710,140	13,592,850	15,067,065	12,726,559	5,965,757	7,929,262	6,790,084	5,896,493
Net (Expenses)/Revenue										
Governmental activities	6,985,301	(1,002,053)	(3,189,748)	(1,963,707)	(3,162,088)	616,071	(1,824,195)	(1,046,439)	(1,312,536)	(1,230,878)
Business-type activities	2,166,969	1,636,790	1,166,678	1,433,255	1,530,555	741,143	(1,449,060)	(1,824,626)	(1,883,241)	(1,966,002)
Total Primary Net (Expenses)/Revenue	$ 9,152,270	$ 634,737	$ (2,023,070)	$ (530,452)	$ (1,631,533)	$ 1,357,214	$ (3,273,255)	$ (2,871,065)	$ (3,195,777)	$ (3,196,880)

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

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

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes	$ 1,872,468	$ 1,811,861	$ 1,788,896	$ 1,689,619	$ 1,582,796	$ 1,690,645	$ 1,388,301	$ 1,402,646	$ 1,339,138	$ 1,436,800
Investment earnings	61,336	35,837	48,125	26,092	20,042	11,524	2,080	4,772	11,485	48,260
Miscellaneous	44,766	22,955	29,207	39,507	56,653	62,211	69,200	80,253	71,285	62,547
Gain (loss) on sale of capital assets	-	-	-	-	-	-	(288)	-	-	-
Special items -										
Transfer of capital assets	-	-	-	-	-	(2,147,054)	-	-	-	-
Total governmental activities	1,978,570	1,870,653	1,866,228	1,755,218	1,659,491	(382,674)	1,459,293	1,487,671	1,421,908	1,547,607
Business-type activities:										
Investment earnings	(5,236)	3,326	56,685	25,504	26,185	1,909	36,196	19,518	64,771	42,251
Miscellaneous	-	-	762	-	-	-	3,004	1,436	3,580	-
Special items:										
Subsidy, Pebble Beach Company	-	-	-	-	-	1,600,006	1,732,903	1,667,322	1,444,976	1,467,828
Capital contributions (withdrawals)	-	-	-	-	-	-	-	(176,083)	(995,219)	2,269,395
Withdrawal, Pebble Beach Company	-	-	-	-	-	(1,641,213)	-	-	-	-
Water entitlement sales	-	-	-	-	-	253,203	293,176	-	687,570	1,197,932
Water entitlement (withdrawals)	-	-	-	-	(15,276)	(1,130,000)	(531,000)	-	-	-
Total business-type activities	(5,236)	3,326	57,447	25,504	10,909	(916,095)	1,534,279	1,512,193	1,205,678	4,977,406
Total Primary Government	1,973,334	1,873,979	1,923,675	1,780,722	1,670,400	(1,298,769)	2,993,572	2,999,864	2,627,586	6,525,013
Change in Net Position										
Governmental activities	8,963,871	868,600	(1,323,520)	(208,489)	(1,502,597)	233,397	(364,902)	441,232	109,372	316,729
Business-type activities	2,161,733	1,640,116	1,224,125	1,458,759	1,541,464	(174,952)	85,219	(312,433)	(677,563)	3,011,404
Total Primary Government	11,125,604	2,508,716	(99,395)	1,250,270	38,867	58,445	(279,683)	128,799	(568,191)	3,328,133
Net position - beginning of year	23,801,857	23,572,695	23,672,090	22,454,481	26,401,199	26,342,754	#REF!	#REF!	#REF!	#REF!
Net position - end of year	$ 34,927,461	$ 26,081,411	$ 23,572,695	$ 23,704,751	$ 26,440,066	$ 26,401,199	#REF!	#REF!	#REF!	#REF!

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, 2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental Funds:										
Reserved for prepaid expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 38,220	$ 87,701
Unreserved, designated:										
Insurance/litigation	-	-	-	-	-	-	-	-	250,000	250,000
Capital equipment	-	-	-	-	-	-	-	-	286,600	183,000
Flood/drought emergencies	-	-	-	-	-	-	-	-	443,944	443,944
Unreserved, undesignated	-	-	-	-	-	-	-	-	937,688	1,322,390
Nonspendable - prepaid expenses	-	-	-	-	-	36,025	39,869	44,743	-	-
Restricted	221,656	221,214	220,772	220,330	219,136	219,136	-	-	-	-
Committed	939,786	833,920	739,717	485,060	644,294	1,590,590	707,984	822,901	-	-
Assigned:										
Insurance/litigation	250,000	78,646	250,000	250,000	250,000	250,000	183,260	250,000	-	-
Capital equipment	332,000	140,334	144,000	232,000	244,900	304,100	99,599	304,100	-	-
Flood/drought emergencies	328,944	328,944	328,944	254,891	443,944	443,944	-	443,944	-	-
Project expenditures	12,039,679	3,396,036	2,067,332	3,674,618	3,508,509	3,929,262	150,891	379,217	-	-
Unassigned (deficit)	-	(142,687)	(119,214)	-	-	-	(1,212,372)	(726,414)	-	-
Total governmental fund balances	$ 14,112,065	$ 4,856,407	$ 3,631,551	$ 5,116,899	$ 5,310,783	$ 6,773,057	$ (30,769)	$ 1,518,491	$ 1,956,452	$ 2,287,035

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

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

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

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Property Taxes	$ 1,924,320	$ 1,817,206	$ 1,744,833	$ 1,689,619	$ 1,582,796	$ 1,690,645	$ 1,388,301	$ 1,402,646	$ 1,339,138	$ 1,436,800
Water supply charge	3,405,008	3,391,354	3,382,389	3,327,701	3,412,207	3,400,873	-	-	-	-
User fees	5,158,825	1,156,364	79,018	95,321	93,931	1,815,986	1,620,375	3,048,993	2,879,934	2,653,827
Connection charges, net of refunds	522,167	370,255	502,298	159,250	223,625	115,972	194,510	319,728	466,297	481,724
Permit fees	317,312	243,787	225,374	193,609	240,079	277,956	225,616	296,735	278,610	294,053
Project reimbursements	6,065,203	1,390,565	1,259,886	2,151,906	3,283,666	2,562,195	1,423,967	2,426,480	1,247,946	551,393
Investment income	61,336	35,837	48,125	26,092	20,042	11,524	2,080	4,772	11,485	48,260
Legal fee reimbursements	5,370	2,914	2,728	2,637	18,441	32,756	27,136	23,638	22,210	21,832
Recording fees	17,887	12,039	12,047	11,340	15,061	13,785	11,797	11,987	11,735	13,087
Mitigation revenue	-	2,039,912	2,412,553	2,127,410	1,801,800	-	-	-	-	-
Miscellaneous	21,509	8,002	14,432	25,530	23,151	15,670	30,267	44,628	37,340	27,628
Grants	155,021	89,276	334,864	169,214	602,499	391,797	165,528	-		-
Total revenues	17,653,958	10,557,511	10,018,547	9,979,629	11,317,298	10,329,159	5,089,577	7,579,607	6,294,695	5,528,604
Expenditures:										
Current:										
Water Supply	3,647,937	5,114,480	7,053,419	5,088,746	8,004,072	3,853,524	990,160	1,128,816	1,290,119	1,254,963
Conservation	1,881,374	1,733,055	1,889,096	2,493,467	2,083,341	1,343,770	1,041,833	1,005,320	1,540,229	1,014,088
Mitigation	2,277,747	2,149,332	2,211,423	2,248,870	2,365,683	2,194,725	4,540,619	5,787,207	3,749,822	3,095,183
Capital outlay	372,106	114,821	130,822	117,221	107,340	53,145	42,892	73,136	45,108	447,313
Debt Service:										
Principal	86,953	83,881	80,508	78,059	75,215	38,368	-	-	-	-
Interest and other charges	132,183	137,086	138,627	147,150	143,921	41,801	23,333	23,089	-	-
Total expenditures	8,398,300	9,332,655	11,503,895	10,173,513	12,779,572	7,525,333	6,638,837	8,017,568	6,625,278	5,811,547
Excess (deficiency) of revenues over (under) expenditures	9,255,658	1,224,856	(1,485,348)	(193,884)	(1,462,274)	2,803,826	(1,549,260)	(437,961)	(330,583)	(282,943)
Other Financing Sources (Uses):										
Transfers in	1,924,320	1,137,571	1,271,950	948,721	-	-	-	-	-	-
Transfers out	(1,924,320)	(1,137,571)	(1,271,950)	(948,721)	-	-	-	-	-	-
Loan proceeds	-	-	-	-	-	4,000,000	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	4,000,000	-	-	-	-
Net change in fund balances	9,255,658	1,224,856	(1,485,348)	(193,884)	(1,462,274)	6,803,826	(1,549,260)	(437,961)	(330,583)	(282,943)
Fund balances, beginning of year	4,856,407	3,631,551	5,116,899	5,310,783	6,773,057	(30,769)	1,518,491	1,956,452	2,287,035	2,569,978
Fund balances, end of year	$ 14,112,065	$ 4,856,407	$ 3,631,551	$ 5,116,899	$ 5,310,783	$ 6,773,057	$ (30,769)	$ 1,518,491	$ 1,956,452	$ 2,287,035
Debt service as a percentage of noncapital expenditures	2.87%	2.48%	2.00%	2.34%	1.80%	1.09%	0.47%	0.34%	0.00%	0.00%

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

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

Fiscal Year Ended June 30	Secured Roll	Unsecured Roll	Exemptions	Net Assessed Valuations	* MPWMD Property Tax Allocations	Percentage Over Net Assessed Value
2008	$ 51,334,367	$ 2,035,086	$ (1,525,258)	$ 51,844,195	$ 1,352,826	2.6%
2009	52,454,129	2,234,086	(1,608,033)	53,080,182	1,436,800	2.7%
2010	50,655,874	2,254,022	(1,679,121)	51,230,775	1,339,138	2.6%
2011	48,774,186	2,116,423	(1,770,929)	49,119,680	1,402,646	2.9%
2012	48,980,011	2,103,408	(1,856,776)	49,226,643	1,388,301	2.8%
2013	49,595,091	2,122,678	(1,914,519)	49,803,250	1,690,645	3.4%
2014	51,396,835	2,159,991	(2,009,761)	51,547,065	1,582,796	3.1%
2015	54,354,520	2,231,717	(2,119,791)	54,466,446	1,689,619	3.1%
2016	57,571,743	2,333,413	(2,196,512)	57,708,644	1,744,833	3.0%
2017	$ 60,242,461	$ 2,370,771	$ (2,324,855)	$ 60,288,377	$ 1,817,206	3.0%

Source: Monterey County CAFR Report (Fiscal Year Ended June 30, 2017)
* Source: Monterey Peninsula Water Management District, Audited Financial Statements
2018 data not available at time of print

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

Principal Property Taxpayers - Monterey County
For the Year Ended June 30, 2017 and June 30, 2008

		2017			2008		
Tax Payer	Type of Business	Taxable Assessed Value ($'000)	Rank	Percentage of Total County Assessed Value	Taxable Assessed Value ($'000)	Rank	Percentage of Total County Assessed Value
Pebble Beach Company	Tourism	$ 770,155	1	1.28%	$ 617,834	2	1.19%
Pacific Gas & Electric Company	Utility	588,620	2	0.97%	319,962	3	0.62%
Dynergy Moss Landing LLC	Utility	322,500	3	0.53%	-		
Chevron USA Inc	Petroleum	251,435	4	0.42%	-		
D'Arrigo Bros Co	Agriculture	129,685	5	0.22%	69,215	10	0.13%
Northridge Owner LP	Retail	125,292	6	0.21%	83,509	8	0.16%
Aera Energy LLC	Utility	120,025	7	0.20%	-		
California-American Water Company	Utility	114,497	8	0.19%	97,188	5	0.19%
AAT Del Monte LLC	Real Estate	113,097	9	0.19%	-		
Scheid Vineyards California Inc	Agriculture	100,789	10	0.17%	-		
LSP Moss Landing LLC	Utility	-			680,100	1	1.31%
Texaco Inc	Utility	-			164,987	4	0.32%
Pacific Bell Telephone Company	Utility	-			91,965	6	0.18%
Pacific Oceanside Holdings	Real Estate	-			90,174	7	0.17%
Pacific Wine Partners LLC	Agriculture	-			69,438	9	0.13%
Ten Largest Taxpayers' Total		2,636,095		4.37%	2,284,372		4.40%
All Other Taxpayers' Total		57,652,282		95.63%	49,559,826		95.60%
Total		$ 60,288,377		100%	$ 51,844,198		100%

Source: Monterey County CAFR Report (Fiscal Year Ended June 30, 2017)
2018 data not available at time of print

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

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

	Fiscal Year Ended June 30, 2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities										
Property Taxes	$ 1,872,468	$ 1,811,861	$ 1,788,896	$ 1,689,619	$ 1,582,796	$ 1,690,645	$ 1,388,301	$ 1,402,646	$ 1,339,138	$ 1,436,800
Water supply charge	3,405,008	3,391,354	3,382,389	3,327,701	3,412,207	3,400,873	-	-	-	-
User fees	5,158,825	1,156,364	79,018	95,321	93,931	1,815,986	1,620,375	3,048,993	2,879,934	2,653,827
Mitigation revenue	-	2,039,912	2,412,553	2,127,410	1,801,800	-	-	-	-	-
Business-type activities										
Water sales	6,328,302	5,661,358	5,513,758	5,379,027	5,359,496	4,175,379	2,344,688	1,840,254	1,807,929	1,915,828

Source: Monterey Peninsula Water Management District, Audited Financial Statements

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30,

Fiscal Year	Installment Purchase Agreement	Line of Credit	Due Pebble Beach Company	Certificates of Participation	Debt	Personal Income	As a percent of Personal Income
2018	$ 3,357,016	$ -	$ 2,760,000	$ 11,900,000	$ 18,017,016	**	**
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	22,142,878	0.12%
2014	3,886,417	-	4,968,000	19,300,000	28,154,417	20,028,430	0.14%
2013	3,961,632	-	5,520,000	21,000,000	30,481,632	19,184,636	0.16%
2012	-	1,275,478	-	22,600,000	23,875,478	18,524,806	0.13%
2011	-	1,069,163	-	24,100,000	25,169,163	17,522,589	0.14%
2010	-	-	-	25,500,000	25,500,000	16,922,093	0.15%
2009	-	-	-	26,800,000	26,800,000	16,596,190	0.16%

(1) U.S Department of Commerce, Bureau of Economic Analysis, Monterey County, in Thousands
** Data not available for 2018

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, 6/30/2018	6/30/2017	6/30/2016	7/1/2015	7/1/2014	7/5/1905	7/4/1905	7/3/1905	7/2/1905	7/1/1905
Governmental activities *										
Debt service coverage										
Water supply charges	$ 3,405,008	$ 3,391,354	$ 3,382,389	$ 3,327,701	$ 3,412,207	$ 3,400,873	N/A	N/A	N/A	N/A
Operating expenses (1)	(1,855,440)	(1,525,501)	(1,847,397)	(1,828,234)	(1,674,940)	(1,533,328)	N/A	N/A	N/A	N/A
Reserve funds available	418,976	396,234	395,792	439,350	442,456	442,456	N/A	N/A	N/A	N/A
Net available revenues	$ 1,968,544	$ 2,262,087	$ 1,930,784	$ 1,938,817	$ 2,179,723	$ 2,310,001	$ -	$ -	$ -	$ -
Debt Service:										
Principal	$ 86,953	$ 83,881	$ 80,508	$ 78,059	$ 75,215	$ 38,368	$ -	$ -	$ -	$ -
Interest	132,183	137,086	138,627	147,150	143,921	41,801	23,333	23,089	-	-
	$ 219,136	$ 220,967	$ 219,135	$ 225,209	$ 219,136	$ 80,169	$ 23,333	$ 23,089	$ -	$ -
Debt service coverage ratio	8.98	10.24	8.81	8.61	9.95	28.81	N/A	N/A	N/A	N/A
Minimum coverage ratio (4)	1.25	1.25	1.25	1.25	1.25	1.25	N/A	N/A	N/A	N/A
Business-type activities										
Debt service coverage										
Gross revenues (2)	$ 6,324,764	$ 5,664,684	$ 5,571,205	$ 5,404,531	$ 5,446,425	$ 6,030,497	$ 4,409,967	$ 4,283,370	$ 4,009,006	$ 4,623,839
Operating expenses (3)	(2,041,565)	(2,053,626)	(2,588,706)	(2,035,882)	(1,960,727)	(1,770,313)	(1,907,355)	(1,716,344)	(1,870,725)	(1,813,080)
Net available revenues	$ 4,283,199	$ 3,611,058	$ 2,982,499	$ 3,368,649	$ 3,485,698	$ 4,260,184	$ 2,502,612	$ 2,567,026	$ 2,138,281	$ 2,810,759
Debt Service:										
Principal:										
PBCo.	$ 552,000	$ 552,000	$ 552,000	$ 552,000	$ 552,000	$ -	$ -	$ -	$ -	$ -
COPs	2,000,000	1,900,000	1,800,000	1,700,000	1,700,000	1,600,000	1,500,000	1,400,000	1,300,000	1,300,000
Interest	185,876	141,828	59,049	40,339	47,688	35,308	307,246	374,014	248,742	497,692
	$ 2,737,876	$ 2,593,828	$ 2,411,049	$ 2,292,339	$ 2,299,688	$ 1,635,308	$ 1,807,246	$ 1,774,014	$ 1,548,742	$ 1,797,692
Debt service coverage ratio	1.56	1.39	1.24	1.47	1.52	2.61	1.38	1.45	1.38	1.56
Minimum coverage ratio (3)	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25

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

Source: Monterey Peninsula Water Management District, Audited Financial Statements

Demographic and Economic Statistics - Monterey County
Last Ten Calendar Years

Calendar Year	Population	Per Capita Income	Total Personal Income	Median Age	School Enrollment	Unemployment Rate
2007	402,116	$ 38,373	$ 15,586,498	32	69,838	7.1%
2008	405,660	42,144	17,205,000	32	69,828	8.4%
2009	410,370	42,356	17,381,644	32	70,523	11.8%
2010	415,057	42,176	17,574,000	33	70,949	12.8%
2011	421,898	41,138	17,355,940	33	72,666	12.4%
2012	426,762	43,034	18,365,298	33	73,460	11.4%
2013	428,826	44,851	19,233,171	33	74,684	10.1%
2014	431,344	46,109	19,889,054	34	75,997	9.1%
2015	433,898	49,836	21,623,627	34	76,768	8.1%
2016	435,232	$ 52,448	$ 22,827,059	34	77,517	7.6%

Source: Monterey County CAFR Report (Fiscal Year Ended June 30, 2017)
2017 data not available at time of print

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

Principal Employment by Industry - Monterey County
For the Year Ended June 30, 2018 and June 30, 2008

	2018			2008	
Industry	Number of Employed	Percent of Total	Industry	Number of Employed	Percent of Total
Agriculture	68,600	32.30%	Agriculture	54,800	29.27%
Natural Resources, Mining and Construction	6,700	3.15%	Natural Resources, Mining and Construction	6,200	3.31%
Manufacturing	6,000	2.82%	Manufacturing	6,100	3.26%
Wholesale Trade	5,900	2.78%	Wholesale Trade	5,500	2.94%
Retail Trade	16,400	7.72%	Retail Trade	16,700	8.92%
Transportation, Warehousing and Utilities	4,300	2.02%	Transportation, Warehousing and Utilities	3,700	1.98%
Information	1,000	0.47%	Information	2,100	1.12%
Financial Activities	4,400	2.07%	Financial Activities	5,500	2.94%
Professional and Business Services	13,500	6.36%	Professional and Business Services	11,500	6.14%
Educational and Health Services	20,200	9.51%	Educational and Health Services	15,600	8.33%
Leisure and Hospitality	25,200	11.86%	Leisure and Hospitality	21,900	11.70%
Other Services	5,300	2.50%	Other Services	4,700	2.51%
Government	34,900	16.43%	Government	32,900	17.57%

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

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

Full-time Equivalent Employees by Department
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Department:										
General Manager's Office	2	2	2	2	2	2	3	3	4	4
Administrative Services Division	5	5	7	7	7	7	7	7	5	5
Planning & Engineering Division	5	5	5	5	5	5	5	6	6	6
Water Resources Division	7	7	7	7	7	7	7	7	7	7
Water Demand Division	6	6	6	5	5	5	5	5	5	5
Total	25	25	27	26	26	26	27	28	27	27

Source: Monterey Peninsula Water Management District

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Use Type:										
Residential	4,242	4,384	4,560	4,936	5,302	5,552	5,513	5,602	6,156	6,362
Multi-Residential	1,367	1,410	1,418	1,637	1,529	1,523	1,323	1,348	1,280	1,306
Commercial	2,194	2,214	2,224	2,414	2,637	2,673	2,750	2,763	2,789	2,980
Industrial	-	-	-	9	4	53	54	6	70	77
Golf Course	169	168	185	201	20	202	201	15	223	402
Public Authority	585	617	560	630	536	503	418	571	934	972
Other	18	39	40	14	2	60	102	11	30	52
Non Revenue Metered	1	2	1	1	-	11	25	10	36	46
Total	8,576	8,834	8,988	9,842	10,030	10,577	10,386	10,326	11,518	12,197

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

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

Connections by Type
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Use Type:										
Residential	32,332	32,355	31,801	32,532	32,633	38,294	**	**	**	**
Multi-Residential	1,732	1,696	1,706	1,720	1,427	1,577	**	**	**	**
Commercial	3,918	3,932	3,890	3,655	3,077	3,537	**	**	**	**
Industrial	-	-	-	4	-	6	**	**	**	**
Golf Course	4	4	4	4	5	5	**	**	**	**
Public Authority	544	545	537	555	543	548	**	**	**	**
Other	66	64	51	274	897	364	**	**	**	**
Non-Revenue Metered	6	6	6	10	12	14	**	**	**	**
Total	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 in Acre-Feet
** Data not available for 2008, 2009, 2010, & 2011 at the time of publishing