Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2017

(Photo: Ventana Mesa Creek)

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, 2017

Prepared by:

Administrative Services Division

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

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(Photo: Carmel Lagoon)

December 18, 2017

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, 2017. 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 five-year Capital Improvement Program (CIP). Both serve as the District's financial planning and fiscal control. Budgets are adopted on a basis consistent with governmental GAAP. Budgetary controls are set at the department level and are maintained to ensure compliance with the budget approved by the Board of Directors. The District's budget is a detailed operating plan that identifies estimated costs in relation to estimated revenues. The budget includes the projects, services and activities to be carried out during the fiscal year and the estimated revenue available to finance these operating and capital costs. The budget represents a process wherein policy decisions made by the Board of Directors are adopted, implemented and controlled. Budget control is maintained through the use of project codes and account appropriations. Actual expenditures are then compared to these appropriations on a monthly basis. The General Manager or the Administrative Services Manager/CFO has the discretion to transfer appropriations between activities. Board approval is required for any overall increase in appropriations or changes to the Capital Improvement Program. Additionally, a mid-year budget adjustment is prepared and presented to the District's Board for adoption.

Economic Condition and Outlook

In Water Year 2016, 12,002 AF of water was legally available to serve 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.

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.

Pure Water Monterey Project – The District provided the majority of funding and provided services for work on this innovative water recycling plant, working in partnership with the Monterey One Water (formerly Monterey Regional Water Pollution Control Agency) which will own and operate the system.

This past year, the project partners successfully obtained water rights for the project, secured State Revolving Fund loan monies from the State Water Resources Control Board (SWRCB) to build the project, and certified an Addendum to the Environmental Impact Report to add the Monterey Pipeline and Hilby Pump Station. Construction on the Monterey Pipeline began in late 2016 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 excess Carmel River water to be delivered to the ASR wells in the winter.

Aquifer Storage and Recovery (ASR) – The District operated the ASR facilities in coordination with Cal-Am while diverting 699 acre-feet (AF) of Carmel River Basin water for injection and storage in the Seaside Basin during the 2016 water year (WY). Since inception of the ASR program, a total of 5,685 AF has been diverted from the Carmel River for storage and subsequent recovery through the end of WY 2016.

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. In addition, the District completed a draft instream flow study and hydraulic model to simulate flow requirements for steelhead in the Carmel River. These models will be finalized in mid-2017, and allow the District to model different water supply scenarios and their impacts on the Carmel River environment.

Well Permitting – MPWMD issued 11 Water Distribution System Permits and 13 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 – An agreement for sharing Proposition 1 funds in the Central Coast funding area was executed that will allow the Monterey Peninsula region to receive $4.2 million for implementation of projects. Initial scopes of work were also developed for projects to ensure the involvement of Disadvantaged Communities in IRWM planning efforts.

Legally-Mandated Carmel River Mitigation and Stewardship – Approved an Initial Study/Mitigated Negative Declaration and completed 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 total project cost is estimated at $2.2 million and will be reimbursed from funds generated by a Settlement Agreement between Cal-Am and the National Marine Fisheries Service (NMFS). The project is scheduled to be completed in 2018.

The District successfully rescued 425 wild steelhead from approximately 10.9 miles of the Carmel River, and reared them in the Sleepy Hollow Steelhead Rearing Facility. All fish were electronically tagged and released into the lower river in early December. An additional 239 steelhead were rescued from an isolated pool below Los Padres Dam and released into the river.

Los Padres Dam Improvements – A study of upstream volitional fish passage alternatives was started and proposals received for studying alternatives to the dam and management of reservoir sediment. 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 developed a final Plan of Study for 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) – Received a federal grant of $280,000 to prepare 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 to be coordinated with the Basin Plan.

Conservation – Approved 1,602 rebate applications totaling $537,239 for annual savings of 28.9 acre-feet of water. MPWMD began inspecting building-by-building for compliance with the non-residential water efficiency requirements (Rule 143). More than 744 businesses were inspected. All businesses will be verified by late 2019. 1,163 properties were inspected to verify compliance with water efficiency standards (Retrofit upon Change of Ownership or Use). 933 water permits were issued, including 108 water permits for water entitlement holders.

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Monterey Peninsula Water Management District for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2016. This was the second year that the government has achieved this prestigious award.

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

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

Association of California Water Agencies Award

The District received the Association of California Water Agencies Region 5 Outstanding Outreach Participation Award. The District entered in a drought tolerant landscape display in the Monterey County Fair and was awarded second place in the Water-Wise Landscape category, and second place in the category of Gardens of Monterey County, featuring Native/Drought Tolerant Landscaping, by the Water Awareness Committee of Monterey County.

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

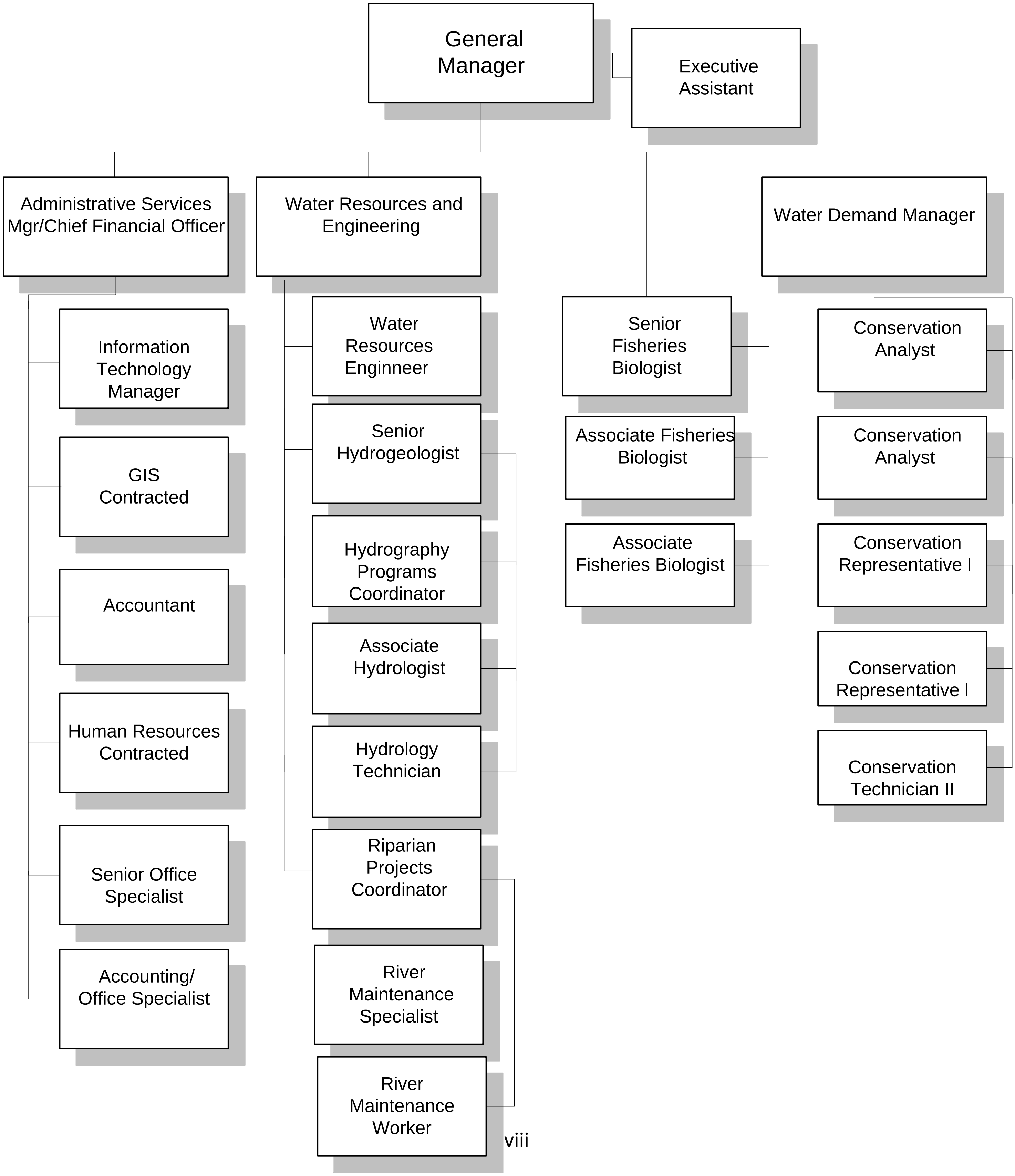
For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

ORGANIZATION CHART

FY 2016-2017



MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

June 30, 2017

Board of Directors

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

FINANCIAL SECTION

(Photo: Laguna Seca Area)

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, 2017, 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 80% 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, 2017, 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 48 through 51, the Schedule of Funding Progress of Other Post Employment Benefits on page 52, the Schedule of Proportionate Share of the Net Pension Liability on page 53 and the Schedule of Contributions on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

December 18, 2017 Hayashi Wayland, LLP

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2017

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, 2017. 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, 2017 by $558 thousand (net position). However, $3.3 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, 2017 by $25.5 million (net position). However, $27.6 million is net investment in capital assets.
- The District's total governmental activities net position increased by approximately $869 thousand for the year ended June 30, 2017. The increase in net position can mostly be attributed to the resumption of the User Fee revenue from Cal-Am rate payers. Depreciation expenses for the year were $341,936.
- The District's total business-type activities net position increased by approximately $1.6 million for the year ended June 30, 2017. The increase in net position can mostly be attributed to deferral of capital projects included in the current year water rates. Amortization expenses for the year were $1,607,679.
- Capital outlay and capitalized project expenditures of $1,275,228 consisted mostly of funds expended to construct an additional injection well for the District's Aquifer Storage & Recovery Project, routine computer equipment upgrades, transportation equipment and upgrades to the reclamation project.

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 47 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 48 to 54 of this report.

GOVERNMENT–WIDE FINANCIAL ANALYSIS

Net Position

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

Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and Other Assets	$ 5,680,066	$ 4,862,937	$ 2,626,555	$ 2,929,762	$ 8,306,621	$ 7,792,699
Capital Assets – Net	5,317,585	5,464,440	41,466,748	41,994,280	46,784,333	47,458,720
Total Assets	10,997,651	10,327,377	44,093,303	44,924,042	55,090,954	55,251,419
Deferred outflows of resources	1,107,581	904,591	–	–	1,107,581	904,591
Liabilities						
Current Liabilities	1,067,335	1,517,664	3,909,844	3,828,699	4,977,179	5,346,363
Long-Term Liabilities	10,207,252	9,045,940	14,660,000	17,212,000	24,867,252	26,257,940
Total Liabilities	11,274,587	10,563,604	18,569,844	21,040,699	29,844,431	31,604,303
Deferred inflows of resources	272,693	979,012	–	–	272,693	979,012
Net Position						
Net Investment in Capital Assets	3,279,341	3,454,077	27,566,748	26,194,280	30,846,089	29,648,357
Restricted	221,214	220,772	1,122,685	1,119,639	1,343,899	1,340,411
Unrestricted (deficit)	(2,942,603)	(3,985,497)	(3,165,974)	(3,430,576)	(6,108,577)	(7,416,073)
Total Net Position	$ 557,952	$ (310,648)	$ 25,523,459	$ 23,883,343	$ 26,081,411	$ 23,572,695

The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by approximately $26.1 million at the end of the current year, which is an increase of approximately 10.6 % since June 30, 2016.

Capital assets decreased due to depreciation/amortization of $1,949,615 offset by capital additions of $1,275,228.

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

Long-term liabilities decreased due to an increase in the OPEB obligation and 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

Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenue:						
Charges for Services	$ 8,592,237	$ 7,861,518	$ 5,661,358	$ 5,513,758	$ 14,253,595	$ 13,375,276
Operating Grants	89,276	334,864	–	–	89,276	334,864
General Revenues:						
Property Taxes	1,811,861	1,788,896	–	–	1,811,861	1,788,896
Investment Income	35,837	48,125	3,326	56,685	39,163	104,810
Miscellaneous	22,955	29,207	–	762	22,955	29,969
Total Revenues	10,552,166	10,062,610	5,664,684	5,571,205	16,216,850	15,633,815
Expenses:						
Conservation	1,881,138	1,928,518	–	–	1,881,138	1,928,518
Mitigation	2,343,392	2,261,058	–	–	2,343,392	2,261,058
Water Supply	5,459,036	7,196,554	–	–	5,459,036	7,196,554
Reclamation Project	–	–	4,024,568	4,347,080	4,024,568	4,347,080
Total Expenses	9,683,566	11,386,130	4,024,568	4,347,080	13,708,134	15,733,210
Change in Net Position	868,600	(1,323,520)	1,640,116	1,224,125	2,508,716	(99,395)
Net Position - Beginning of Year	(310,648)	1,012,872	23,883,343	22,659,218	23,572,695	23,672,090
Net Position - End of Year	$ 557,952	$ (310,648)	$ 25,523,459	$ 23,883,343	$ 26,081,411	$ 23,572,695

Governmental activities increased the District's net position by approximately $869 thousand. Key elements resulting in the net increase are as follows:

- Project expenditures of about $4.6 million, consisting mainly of Los Padres Dam project, additional work for the Aquifer Storage & Recovery Project, groundwater replenishment project and various minor project expenditures contributed to the increase. Additional increase can be attributed to lower project expenditures costs over prior year, such as aquifer storage recovery costs, and ground water replenishment project costs.

- Capital outlay of approximately $195 thousand, mostly routine computer equipment upgrades, building upgrades, and transportation equipment contributed to the increase.

- Depreciation expense of approximately $342 thousand added to the decrease.

- Early resumption of the User Fee paid by Cal-Am rate payers contributed to the increase. The User Fee was anticipated to resume July 1, 2017, however, the collection started from April 19, 2017.

GOVERNMENT–WIDE FINANCIAL ANALYSIS (Continued)

Business-type activities increased the District's net position by approximately $1.6 million. Key elements resulting in the net increase are as follows:

- Operating revenues increased 2.6% over the prior year.
- Total amount of water sold was 16.1% less than the prior year. Last year total water sales included 1,006 acre feet (AF) of reclaimed water and 24 AF of potable water. That figure contrasts with 839 AF of reclaimed water for the current year. There was no potable water purchased this year. The operating component of water sales decreased 5.3%. The non-operating or capital component of the rates increased 9.1%.
- Net Non-operating expenses increased 50.9% over prior year due to the increase in interest expense on the Bonds.
- Long-term obligations include the COPs issued in 1992 that mature in 2023. Principal of $1.9M and interest of $94,973 or 0.87% per annum as compared with the original scheduled interest expense of approximately $507,350. The Project has been able to take advantage of lower interest rates over the last several years – rates have crept up slightly to 0.87% compared with 0.47% in 2016.
- Total operating expenses (exclusive of amortization) were 16.5% less than the prior year as follows:
    - Plant operating expenses were 17.7% lower than in fiscal year 2016 and 24.3% under budget. The most significant cause was that the Project did not need to invest in a set of microfiltration membranes.
    - Distribution costs were 26.0% below budget and 13.1% higher than prior year 2016. Pebble Beach Company Community Services District (PBCSD) Administrative and engineering salaries were over budget 14.3% while staff salaries were under budget 9.1%, Utilities were 1.0% under budget, and O&M expenses 46.0% under budget (Poppy Hills storage tank painting has been rescheduled for 2017-18).
    - Carmel Area Wastewater District (CAWD) and Monterey Peninsula Water Management District (MPWMD) General and Administrative costs were 1.7% lower than in 2016 and 3.3% 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 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 cost of water.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

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

At the end of the current fiscal year, the District's governmental funds reported a total fund balance of $4,856,407. The Water Supply Fund has a fund balance of $912,447, the Conservation Fund has a fund balance of $1,898,766 and the Mitigation Fund has a fund balance of $2,045,194.

During the current fiscal year, the fund balance of the District's Water Supply Fund decreased $103,848, the Conservation Fund increased $349,478 and the Mitigation Fund increased $979,226. The increases in the Conservation Fund and the Mitigation Fund are due to revenues and other financing sources exceeding expenditures primarily due to deferment of some expenditures to next fiscal year.

The District's uses an enterprise fund to account for the CAWD/PBCSD Wastewater Reclamation Project. At the end of the current fiscal year, the District's enterprise fund reported a net position of $25,523,459.

During the current fiscal year, the net position of the District's enterprise fund increased $1,640,116.

BUDGET HIGHLIGHTS/VARIANCES

Original budget compared to final budget – During the year, the District made slight modifications to its water supply original budget. There was a need for slight amendments to increase or decrease either the original estimated revenues or original budgeted appropriations. After careful review of six months revenues and appropriations, modifications were made to the revenue line items based on more accurate projections for the remainder of the year. Appropriations were modified in the same manner based on accurate projections for the next six months. Most of the changes occurred in the project expenditures part of the budget. Generally, the movement of the appropriations between departments was not significant. Total appropriations were increased from the original budget by $604,195.

Final budget compared to actual results – The District's budget projected expenditures for the water supply fund of $7.2 million. The District finished the budget year with expenditures of $5.4 million, which was $1.8 million or 25.3% 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 $6.2 million. The District finished the budget year with operating revenues of $6.4 million, which was $145 thousand or 2.3% more than budgeted. The difference was mostly attributable to property taxes being approximately $217 thousand over budget and connection charges being approximately $158 thousand over budget offset by project reimbursements being approximately $200 thousand under budget.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's capital assets, net of accumulated depreciation/amortization, at June 30, 2017 totaled $46.8 million as shown below. This amount represents a net decrease, including additions and disposals, net of depreciation/amortization, of approximately $675 thousand or 1.4% from June 30, 2016.

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

- Aquifer storage and recovery project additions at a cost of $80,260.
- Various computer and software upgrades at a cost of $25,458.
- Transportation equipment at a cost of $79,457.
- New 3 ton HVAC at a cost of $9,906.
- Various additions to the Reclamation Project, which included RO recovery system improvements, MPCC maintenance yard well #8, MPCC well #9 and pump P-920 and P-931 rehabilitation at a cost of $1,080,147.

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)

	2017	2016
Governmental Activities:		
Office Equipment	$ 2,266	$ 1,797
Computer Equipment	297,066	359,531
Transportation Equipment	150,155	100,008
Project Equipment	–	2,048
Building and Improvements	1,088,913	1,132,844
ASR Facilities	3,765,845	3,849,778
Fish Rearing Facility	1,698	3,820
Leasehold improvements	11,642	14,614
	$ 5,317,585	$ 5,464,440
Business-type Activities:		
Water resale rights	$ 40,005,115	$ 40,996,379
Construction in progress	1,461,633	997,901
	$ 41,466,748	$ 41,994,280
Total	$ 46,784,333	$ 47,458,720

Debt Administration

The District has an installment purchase agreement with a balance of $3,643,969 at June 30, 2017. Retirements were made in the amount of $83,881.

The District has variable rate demand certificates of participation with a balance of $13,900,000 at June 30, 2017. Retirements were made in the amount of $1,900,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

The District has a payable to Pebble Beach Company for bond carrying costs with a balance of $3,312,000 at June 30, 2017. 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 2017–2018 budget, the staff and management had to consider a number of factors that would impact the District's economy and finances. The 2017–2018 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 2017-2018 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.

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, 2017
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2016)

	Governmental Activities	Business–type Activities	2017 Total	2016 Total
ASSETS:				
Cash and cash equivalents	$ 1,260,335	$ 459,529	$ 1,719,864	$ 1,042,618
Investments	2,700,113	–	2,700,113	2,450,728
Receivables, net	1,498,404	1,044,341	2,542,745	2,958,942
Restricted reserves	221,214	1,122,685	1,343,899	1,340,411
Capital assets, net:				
Water rights	–	40,005,115	40,005,115	40,996,379
Nondepreciable	–	1,461,633	1,461,633	997,901
Depreciable	5,317,585	–	5,317,585	5,464,440
Total assets	10,997,651	44,093,303	55,090,954	55,251,419
DEFERRED OUTFLOWS OF RESOURCES:				
PERS contributions	391,816	–	391,816	370,709
Deferred pension adjustments	715,765	–	715,765	533,882
Total deferred outflows of resources	1,107,581	–	1,107,581	904,591
LIABILITIES:				
Accounts payable	607,068	1,357,844	1,964,912	2,399,550
Accrued liabilities	102,521	–	102,521	89,120
Long-term debt:				
Due within one year	357,746	2,552,000	2,909,746	2,857,693
Due in more than one year	10,207,252	14,660,000	24,867,252	26,257,940
Total liabilities	11,274,587	18,569,844	29,844,431	31,604,303
DEFERRED INFLOWS OF RESOURCES –				
Deferred pension adjustments	272,693	–	272,693	979,012
NET POSITION:				
Net investment in capital assets	3,279,341	27,566,748	30,846,089	29,648,357
Restricted for debt service	221,214	1,136	222,350	221,908
Restricted for capital replacement	–	1,121,549	1,121,549	1,118,503
Unrestricted (deficit)	(2,942,603)	(3,165,974)	(6,108,577)	(7,416,073)
Total net position	$ 557,952	$ 25,523,459	$ 26,081,411	$ 23,572,695

See Notes to Basic Financial Statements.

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2016)

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business–Type Activities	2017 Total	2016 Total
FUNCTIONS/PROGRAMS:							
Governmental activities:							
Conservation	$ 1,881,138	$ 996,234	$ –	$ (884,904)	$ –	$ (884,904)	$ (923,281)
Mitigation	2,343,392	3,052,020	89,276	797,904	–	797,904	616,325
Water supply	5,459,036	4,543,983	–	(915,053)	–	(915,053))	(2,882,792)
Total governmental activities	9,683,566	8,592,237	89,276	(1,002,053)	–	(1,002,053)	(3,189,748)
Business–type activities – Reclamation Project	4,024,568	5,661,358	–	–	1,636,790	1,636,790	1,166,678
Total business–type activities	4,024,568	5,661,358	–	–	1,636,790	1,636,790	1,166,678
Total	$ 13,708,134	$ 14,253,595	$ 89,276	(1,002,053)	1,636,790	634,737	(2,023,070)
GENERAL REVENUES:							
Property taxes				1,811,861	–	1,811,861	1,788,896
Investment earnings				35,837	3,326	39,163	104,810
Miscellaneous				22,955	–	22,955	29,969
Total general revenues				1,870,653	3,326	1,873,979	1,923,675
CHANGE IN NET POSITION				868,600	1,640,116	2,508,716	(99,395)
NET POSITION – BEGINNING OF YEAR				(310,648)	23,883,343	23,572,695	23,672,090
NET POSITION – END OF YEAR				$ 557,952	$ 25,523,459	$ 26,081,411	$ 23,572,695

See Notes to Basic Financial Statements.

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2017
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2016)

	Water Supply	Conservation	Mitigation	2017 Total	2016 Total
ASSETS:					
Cash and cash equivalents	$ –	$ 654,358	$ 605,977	1,260,335	$ 482,374
Investments	544,439	1,234,499	921,175	2,700,113	2,450,728
Receivables, net	745,084	145,741	607,579	1,498,404	1,709,063
Restricted reserves	221,214	–	–	221,214	220,772
Total assets	1,510,737	2,034,598	2,134,731	5,680,066	4,862,937
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Accounts payable	510,379	44,829	51,860	607,068	1,022,851
Accrued liabilities	45,249	19,595	37,677	102,521	89,120
Total liabilities	555,628	64,424	89,537	709,589	1,111,971
Deferred Inflows of resources –					
Deferred tax revenue	42,662	71,408	–	114,070	119,415
Total deferred inflows of resources	42,662	71,408	–	114,070	119,415
Fund balances:					
Restricted	221,214	–	–	221,214	220,772
Committed	833,920	–	–	833,920	739,717
Assigned:					
Insurance/litigation	–	11,906	66,740	78,646	250,000
Capital equipment	–	44,533	95,801	140,334	144,000
Flood/drought emergencies	–	–	328,944	328,944	328,944
Project expenditures	–	1,842,327	1,553,709	3,396,036	2,067,332
Unassigned	(142,687)	–	–	(142,687)	(119,214)
Total fund balances	912,447	1,898,766	2,045,194	4,856,407	3,631,551
Total liabilities, deferred inflows of resources, and fund balances	$ 1,510,737	$ 2,034,598	$ 2,134,731		
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				5,317,585	5,464,440
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds				114,070	119,415
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				1,107,581	904,591
Deferred outflows of resources				(272,693)	(979,012)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds				(10,564,998)	(9,451,633)
NET POSITION OF GOVERNMENTAL ACTIVITIES				$ 557,952	$ (310,648)

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, 2017
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2016)

	Water Supply	Conservation	Mitigation	2017 Total	2016 Total
REVENUES:					
Property taxes	$ 1,817,206	$ –	$ –	$ 1,817,206	$ 1,744,833
Water supply charge	3,391,354	–	–	3,391,354	3,382,389
User fees	88,526	78,687	989,151	1,156,364	79,018
Connection charges, net of refunds	370,255	–	–	370,255	502,298
Permit fees	–	220,830	22,957	243,787	225,374
Project reimbursements	693,848	696,717	–	1,390,565	1,259,886
Investment income	22,126	8,432	5,279	35,837	48,125
Legal fee reimbursements	–	2,914	–	2,914	2,728
Recording fees	–	12,039	–	12,039	12,047
Mitigation revenue	–	–	2,039,912	2,039,912	2,412,553
Miscellaneous	3,189	500	4,313	8,002	14,432
Grants	–	–	89,276	89,276	334,864
Total revenues	6,386,504	1,020,119	3,150,888	10,557,511	10,018,547
EXPENDITURES:					
Personnel:					
Salaries	824,182	534,273	979,776	2,338,231	2,406,887
Employee benefits and other personnel	338,110	271,763	428,274	1,038,147	991,170
Services and supplies:					
Project expenditures	3,595,023	671,537	313,692	4,580,252	6,527,761
Operating expenditures	143,059	133,850	191,798	468,707	523,698
Professional fees	214,106	121,632	235,792	571,530	704,422
Capital outlay	17,334	75,157	22,330	114,821	130,822
Debt service:					
Principal	83,881	–	–	83,881	80,508
Interest and other charges	137,086	–	–	137,086	138,627
Total expenditures	5,352,781	1,808,212	2,171,662	9,332,655	11,503,895
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,033,723	(788,093)	979,226	1,224,856	(1,485,348)
OTHER FINANCING SOURCES (USES):					
Transfers in	–	1,137,571	–	1,137,571	1,271,950
Transfers out	(1,137,571)	–	–	(1,137,571)	(1,271,950)
Total other financing sources (uses)	(1,137,571)	1,137,571	–	–	–
NET CHANGE IN FUND BALANCES	(103,848)	349,478	979,226	1,224,856	(1,485,348)
FUND BALANCES – BEGINNING OF YEAR	1,016,295	1,549,288	1,065,968	3,631,551	5,116,899
FUND BALANCES – END OF YEAR	$ 912,447	$ 1,898,766	$ 2,045,194	$ 4,856,407	$ 3,631,551

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, 2017

NET CHANGE IN FUND BALANCES		$ 1,224,856
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	$ 80,260	
Capital outlay	114,821	
Depreciation expense	(341,936)	
	$ (146,855)	(146,855)
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.		(5,345)
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	$83,881	83,881
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	$ (32,736)	
OPEB costs	(216,579)	
Current year pension cost difference	(38,622)	
	$ (287,937)	(287,937)
CHANGE IN NET POSITION		$ 868,600

See Notes to Basic Financial Statements.

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
STATEMENT OF NET POSITION – PROPRIETARY FUND
(CAWD/PBCSD WASTEWATER RECLAMATION PROJECT)
JUNE 30, 2017
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2016)

	2017	2016
ASSETS:		
Current assets:		
Cash and investments	$ 459,529	$ 560,244
Accounts receivable – water sales	1,033,606	1,230,290
Accounts receivable – other	10,735	19,589
Total current assets	1,503,870	1,810,123
Noncurrent assets:		
Capital assets, net:		
Water resale rights	40,005,115	40,996,379
Construction-in-progress	1,461,633	997,901
Total noncurrent assets	41,466,748	41,994,280
Cash restricted for:		
Debt service	1,136	1,136
Capital replacements	1,121,549	1,118,503
Total restricted cash	1,122,685	1,119,639
Total assets	44,093,303	44,924,042
LIABILITIES:		
Current liabilities:		
Accounts payable – trade	96,133	60,182
Accounts payable – affiliates	1,261,711	1,316,517
Certificates of participation – current portion	2,000,000	1,900,000
Due to Pebble Beach Company – current portion	552,000	552,000
Total current liabilities	3,909,844	3,828,699
Noncurrent liabilities:		
Certificates of participation	11,900,000	13,900,000
Due to Pebble Beach Company	2,760,000	3,312,000
Total noncurrent liabilities	14,660,000	17,212,000
Total liabilities	18,569,844	21,040,699
NET POSITION:		
Net investment in capital assets	27,566,748	26,194,280
Restricted for debt service	1,136	1,136
Restricted for capital replacements	1,121,549	1,118,503
Unrestricted (deficit)	(3,165,974)	(3,430,576)
Total net position	$ 25,523,459	$ 23,883,343

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, 2017
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2016)

	2017	2016
OPERATING REVENUES:		
Water sales	$ 2,321,784	$ 2,452,758
Fixed cost charge	3,339,574	3,061,000
Total operating revenues	5,661,358	5,513,758
OPERATING EXPENSES:		
Plant costs	1,565,507	1,903,920
Distribution costs	323,703	325,982
General and administration	160,820	117,683
Potable water	3,596	111,378
Amortization	1,607,679	1,592,269
Total operating expenses	3,661,305	4,051,232
Operating income (loss)	2,000,053	1,462,526
NON–OPERATING REVENUES (EXPENSES):		
Bond and LC carrying costs	(168,961)	(191,049)
Interest expense – COP	(94,973)	(24,394)
Interest expense – PBCo.	(46,855)	(34,655)
Investment earnings	3,326	56,685
MPWMD fee	(52,408)	(45,750)
Other revenue (expenses)	(66)	762
Total non-operating revenue (expenses)	(359,937)	(238,401)
CHANGE IN NET POSITION	1,640,116	1,224,125
NET POSITION – BEGINNING OF YEAR	23,883,343	22,659,218
NET POSITION – END OF YEAR	$ 25,523,459	$ 23,883,343

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, 2017
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 5,866,896	$ 5,238,659
Cash payments for operating expenses	(2,072,481)	(1,656,997)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,794,415	3,581,662
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES –		
Other cash receipts (expenses)	(66)	762
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(66)	762
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal payments on certificates of participation	(1,900,000)	(1,800,000)
Principal paid on PBCo debt	(552,000)	(552,000)
Interest expense	(141,828)	(59,049)
Bond carrying and interest expenses	(168,961)	(191,049)
Water resale rights – capital additions	(1,080,147)	(828,984)
MPWMD user fee	(52,408)	(45,750)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(3,895,344)	(3,476,832)
CASH FLOWS FROM INVESTING ACTIVITIES –		
Investment earnings	3,326	56,685
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,326	56,685
INCREASE (DECREASE) IN CASH AND INVESTMENTS	(97,669)	162,277
CASH AND INVESTMENTS, BEGINNING OF YEAR	1,679,883	1,517,606
CASH AND INVESTMENTS, END OF YEAR	$ 1,582,214	$ 1,679,883

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
(CAWD/PBCSD WASTEWATER RECLAMATION PROJECT)
FOR THE YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2016)
(Continued)

	2017	2016
RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION:		
Cash and investments	$ 459,529	$ 560,244
Restricted cash	1,122,685	1,119,639
Total	$ 1,582,214	$ 1,679,883
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	$ 2,000,053	$ 1,462,526
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:		
Amortization	1,607,679	1,592,269
(Increase) decrease in:		
Receivables	205,538	(275,182)
Prepaid expenses	–	42
Increase (decrease) in –		
Accounts payable	(18,855)	802,007
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 3,794,415	$ 3,581,662

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund:

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

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

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

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. The allowance is based on an assessment of the current status of individual accounts. At June 30, 2017, 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. <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)</u>

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.

<u>Tier 1 – Employees hired before July 2013.</u>

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.

<u>Tier 2 – Employees hired after July 2013.</u>

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

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

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

Net Position – The Statement of Net Position presents the Districts assets and 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.

The District reports the following classifications:

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *Committed* – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by the Board. Committed amounts cannot be used for any other purpose unless the Board removes those constraints by taking some type of action (passage of a resolution). Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the Board. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions or enabling legislation.

- *Assigned* – Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purpose, but are neither restricted nor committed. Intent is 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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Comparative Financial Information – The financial statements include certain prior-year summarized comparative information in total but not by activities or fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Subsequent Events – Subsequent events have been evaluated through December 18, 2017, which is the date the financial statements were available to be issued.

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.

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

The Project provides treated wastewater to irrigate golf courses and open space areas in Pebble Beach community, which freed up potable water previously used for irrigation. The original Project involved the construction of a new tertiary treatment plant and laboratory facilities located on the site of the existing CAWD secondary wastewater treatment plant, the construction of a new reclaimed distribution system, including a 2.5 million gallon storage tank and irrigation system improvements. Construction of the original Project began in January 1993 and was completed in October 1994. The 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 new tertiary treatment plant, (2) secondary process improvements, (3) laboratory facilities, (4) a reclaimed water pump station, (5) related computer equipment and, (6) a small portion of the reclaimed water pipeline.
- Assets owned by PBCSD: (1) approximately seven miles of reclaimed water distribution system pipeline, (2) the Forest Lake Reservoir, (3) a 2.5 million gallon storage tank, and (4) a potable water pump station.

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

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

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

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

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

Custodial Credit Risk-Deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a deposit policy that complies with the California Government Code commencing at Section 53630 (Public Deposits). As of June 30, 2017, $1,440,840 of the District's bank balances of $3,347,268 were exposed to custodial credit risk as uninsured but are collateralized by the pledging bank's trust department not in the District's name.

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

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

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

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

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

Investments at June 30, 2017 consisted of the following:

Governmental activities:	
Local Agency Investment Fund	$ 1,178,026
Wells Fargo – fixed income fund	1,500,522
Wells Fargo – money market	21,565
Subtotal Governmental activities	2,700,113
Business-type activities:	
Money market accounts	33,527
Certificates of deposit	998,295
Municipal obligations	90,863
	1,122,685
Less restricted reserves	1,122,685
Subtotal Business-type activities	–
Total Investments	$ 2,700,113

NOTE 4. RECEIVABLES

Receivables consist of the following at June 30, 2017:

	Conservation	Mitigation	Water Supply	Total
Governmental activities:				
Property taxes	$ 71,408	$ –	$ 42,662	$ 114,070
Reimbursements	71,593	591,519	699,611	1,362,723
Interest	2,740	3,107	2,811	8,658
Other	–	12,953	–	12,953
Total Governmental activities	$ 145,741	$ 607,579	$ 745,084	1,498,404
Business-type activities:				
Water sales				364,822
Affiliates (Reclamation)				668,784
Other				10,735
Total Business-type activities				1,044,341
TOTAL				$ 2,542,745

NOTE 5. CAPITAL ASSETS

Capital assets experienced the following changes for the year ended June 30, 2017:

	Balance Beginning of Year	Current Additions	Deletions/ Transfers	Balance End of Year
Depreciable assets:				
Equipment:				
Office	$ 146,117	$ 1,243	$ –	$ 147,360
Computer	1,089,675	24,215	–	1,113,890
Operating	21,415	–	–	21,415
Transportation	378,165	79,457	–	457,622
Project	262,669	–	–	262,669
Phone	43,851	–	–	43,851
Total equipment	1,941,892	104,915		2,046,807
Building and improvements	2,028,208	9,906	–	2,038,114
Monitoring stations	45,214	–	–	45,214
ASR facilities	4,916,996	80,260	–	4,997,256
Fish rearing facility	949,833	–	–	949,833
Leasehold improvements	17,698	–	–	17,698
Total depreciable assets	9,899,841	195,081	–	10,094,922

NOTE 5. CAPITAL ASSETS (Continued)

	Balance Beginning of Year	Current Additions	Deletions/ Transfers	Balance End of Year
Less accumulated depreciation for:				
Equipment:				
Office	144,320	774	–	145,094
Computer	730,144	86,680	–	816,824
Operating	21,415	–	–	21,415
Transportation	278,157	29,310	–	307,467
Project	260,621	2,048	–	262,669
Phone	43,851	–	–	43,851
Total equipment	1,478,508	118,812	–	1,597,320
Building and improvements	895,364	53,837	–	949,201
Monitoring stations	45,214	–	–	45,214
ASR Facilities	1,067,218	164,193	–	1,231,411
Fish rearing facility	946,013	2,122	–	948,135
Leasehold improvements	3,084	2,972	–	6,056
Total accumulated depreciation	4,435,401	341,936	–	4,777,337
Total depreciable assets, net	5,464,440	(146,855)	–	5,317,585
Total governmental activities capital assets, net	5,464,440	(146,855)	–	5,317,585
Business-type activities:				
Nondepreciable assets:				
Construction in progress	997,901	1,080,147	(616,415)	1,461,633
Water resale rights	63,690,658	–	616,415	64,307,073
Less accumulated amortization for:				
Water resale rights	22,694,279	1,607,679	–	24,301,958
Total water resale rights, net	40,996,379	(1,607,679)	616,415	40,005,115
Total business type activities Capital assets, net	41,994,280	(527,532)	–	41,466,748
Total capital assets, net	$ 47,458,720	$ (674,387)	$ –	$ 46,784,333

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

Conservation	$ 48,088
Mitigation	80,544
Water supply	213,304
Total depreciation expense	$ 341,936

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, 2017, accounts receivable from these affiliates were as follows:

Receivable from PBCo. and affiliated golf courses –	
Water sales	$ 1,033,606
Total	$ 1,033,606

At June 30, 2017, accounts payable to these affiliates were as follows:

Payable to CAWD for operations and maintenance	$ 227,227
Payable to PBCSD for operations and maintenance	54,915
Payable to MPWMD for salaries, software, and fee	79,663
Payable to PBCo. for debt service reimbursements	899,906
Total	$ 1,261,711

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.

Restricted Reserves – A Renewal and Replacement Reserve was established to pay for future major repairs and capital replacements, and is held in a segregated account restricted for its intended purposes. At June 30, 2017, the balance in this account was $1,121,549.

Security for Repayment – The Project assets have not been pledged to secure payment of the COPs, nor have any other assets of the District. However, pursuant to the Water Purchase Agreement, all net operating revenues from the operations of the Project are irrevocably pledged by the District to the payment of COPs. This pledge constitutes a first lien on the net operating revenues and, subject to application of amounts on deposit therein as permitted in the Water Purchase Agreement, for the payment of the COPs in accordance with the terms of

NOTE 7. LONG–TERM DEBT (Continued)

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

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

At June 30, 2017, the interest rate was 0.87% per annum. Interest expense for the year was $94,973 as compared to the original scheduled interest expense of $507,350. Consequently, the pre-determined scheduled interest payments column below is presented for information purposes only, based upon the original 1992 COP offering.

Future principal and interest payments are as follows:

	Certificates of Participation		
Year Ending June 30	Principal	Interest	Total
2018	$ 2,000,000	$ 434,350	$ 2,434,350
2019	2,100,000	357,700	2,457,700
2020	2,300,000	273,750	2,573,750
2021	2,400,000	186,150	2,586,150
2022	2,500,000	94,900	2,594,900
2023	2,600,000	–	2,600,000
Total	$ 13,900,000	$ 1,346,850	$ 15,246,850

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, 2017, the balance in this account was $221,214.

NOTE 7. LONG–TERM DEBT (Continued)

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

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

Year Ending June 30	Installment Purchase Agreement Principal	Interest	Total
2018	$ 89,016	$ 130,120	$ 219,136
2019	92,249	126,887	219,136
2020	95,601	123,535	219,136
2021	99,073	120,063	219,136
2022	102,672	116,464	219,136
2023	3,165,358	1,340,665	4,506,023
Total	$ 3,643,969	$ 1,957,734	$ 5,601,703

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

Long-term debt activity for the year ended June 30, 2017 is as follows:

	2016	Additions	Reductions	2017	Due Within One Year
Governmental activities:					
Installment Purchase Agreement	$ 3,727,850	$ –	$ 83,881	$ 3,643,969	$ 89,016
Compensated Absences	741,744	401,788	369,052	774,480	268,730
OPEB	1,433,196	301,058	84,479	1,649,775	–
Net pension liability	3,548,843	1,366,687	418,756	4,496,774	–
Total Governmental activities	9,451,633	2,069,533	956,168	10,564,998	357,746
Business-type activities:					
COPs	15,800,000	–	1,900,000	13,900,000	2,000,000
Due Pebble Beach Company	3,864,000	–	552,000	3,312,000	552,000
Total Business-type activities	19,664,000	–	2,452,000	17,212,000	2,552,000
Total	$ 29,115,633	$ 2,069,533	$ 3,408,168	$ 27,776,998	$ 2,909,746

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

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:

2018	$	11,880
2019		11,761
Total	$	23,641

Rent expense for the year ended June 30, 2017 was $13,857.

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.

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, 2017, other than claims liabilities and capital lease obligations. The District's share of year-end assets, liabilities and risk margin has not been calculated by the SDRMA.

NOTE 10. DEFERRED COMPENSATION PLAN

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

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

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

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

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

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

Funding Policy – The contribution requirements of the District are based on a pay-as-you go basis. For the fiscal year ended June 30, 2017, the District paid $84,479 for retiree health benefits. As of June 30, 2017, the District had ten retirees receiving benefits and 25 active employees eligible to receive benefits in the future. The District currently contributes enough money to the plans to satisfy current obligations on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the

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

components of the District's annual OPEB cost (expense) of the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

Annual required contribution (ARC)	$ 304,674
Interest on net OPEB obligation	71,659
Adjustment to ARC	(75,275)
Annual OPEB cost (expense)	301,058
Contributions made	(84,479)
Increase in net OPEB obligation	216,579
Net OPEB obligation, beginning of year	1,433,196
Net OPEB obligation, end of year	$ 1,649,775

Trend Information – The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation were as follows:

Fiscal Year Ending	Annual OPEB Cost	Actual Contribution Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	$ 257,958	$ 57,182	22.2%	$ 1,203,508
2016	$ 292,764	$ 63,076	21.5%	$ 1,433,196
2017	$ 301,058	$ 84,479	28.1%	$ 1,649,775

Funding Status and Funding Progress – As of June 30, 2016, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $3,227,615, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2017 was $2,256,164, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 143.06%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plans (the plans as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, if any, consistent with the long-term perspective of the calculations.

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

In the June 30, 2016 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include a 5% investment rate of return (discount rate) and an annual health care cost trend rate of actual premiums initially, reduced by decrements to an ultimate rate of 4.7% after ten years. The unfunded actuarial liability is being amortized over a closed thirty year period using the level percentage of payroll on an open basis. The remaining amortization period at June 30, 2017 was 24 years.

NOTE 12. PENSION PLAN

General Information about the Pension Plan

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

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, 2017, 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%	6.250%
Required employer contribution rates	8.880%	6.250%

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

NOTE 12. PENSION PLAN (Continued)

finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2017, the contributions recognized as part of pension expense for the Plan were as follows:

	Miscellaneous
Contributions	$ 370,709

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the net pension liability of the Miscellaneous Plan as $4,496,774.

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, 2016, 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, 2015 rolled forward to June 30, 2016 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, 2015 and 2016 was as follows:

	Miscellaneous
Proportion - June 30, 2015	0.12936%
Proportion - June 30, 2016	0.12945%
Change - Increase (Decrease)	(0.00009)%

For the year ended June 30, 2017, the District recognized pension expense of $435,172. Pension expense is allocated to the functions based on full time equivalents. At June 30, 2017, 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	$ 10,224	$ –
Changes in assumptions	–	125,475
Differences between projected and actual investment earnings	653,058	–
Differences between employer's contributions and proportionate share of contributions	–	138,346
Change in employer’s proportion	52,483	8,872
Pension contributions made subsequent to measurement date	391,816	–
Total	$ 1,107,581	$ 272,693

NOTE 12. PENSION PLAN (Continued)

Deferred outflows of resources in the amount of $391,816 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, 2018. 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		
2018	$	(32,098)
2019	$	17,747
2020	$	288,274
2021	$	169,150

Actuarial Assumptions – The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous/Safety
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by entry age and service
Mortality Rate Table	Derived using CalPERS' membership data for all funds (1)
Post Retirement Benefit Increase	Contract COLA up to 2.75% Until Purchasing Power Protection Allowance Floor On Purchasing Power applies 2.75% thereafter

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

All other actuarial assumptions used in the June 30, 2015 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 – There were no changes in assumptions.

NOTE 12. PENSION PLAN (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.65 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The 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	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-0.55%	-1.05%
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	6.65%
Net Pension Liability	$ 6,801,064
Current Discount Rate	7.65%
Net Pension Liability	$ 4,496,774
1% Increase	8.65%
Net Pension Liability	$ 2,592,393

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, 2017, the District has several ongoing projects with outstanding contracts as follows:

Vendor/Contractor	Project	Original Contract Date	Total Contract Amount	Amount Outstanding at 6/30/17
AECOM Technical Services	Los Padres Dam Alternative Study	01/2017	$ 499,700	$ 188,994
Brown and Caldwell	North Mo. Co. Drought Contingency Plan	03/2016	422,939	312,954
	Basin Study Plan	09/2016	45,000	31,286
City of Pacific Grove	Storm Water Project	10/2015	75,000	34,744
HDR Engineering	Los Padres Dam Fish Passage Study	04/2016	282,034	57,252
Pueblo Water Resources	Engr Support – ASR 1 Site Grading	07/2016	300,729	208,690
Total			$ 1,625,402	$ 833,920

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

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

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statements No. 45 and No. 57 related to postemployment benefits other than pensions. Statement No. 75 establishes new accounting and financial reporting requirements for OPEB plans. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and will enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. The provisions in this Statement are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The District has no plan for early implementation of this Statement. At this time, the District is not certain of the effect the adoption of Statement No. 75 will have on the accompanying financial statements.

In 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 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 16. AUTHORITATIVE PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED (Continued)

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 other postemployment benefits [OPEB]). The requirements of this Statement will enhance 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 requirements of this Statement are effective for fiscal years beginning after June 30, 2017. Earlier application is encouraged. The District has no plan for early implementation of this Statement. At this time the District is not certain of the effect the adoption of Statement No. 85 will have on the accompanying financial statements.

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 decreased in substance. The requirements of this Statement are effective for fiscal years beginning after June 30, 2017. Earlier application is encouraged. The District has no plan for early implementation of this Statement. At this time the District is not certain of the effect the adoption of Statement No. 86 will have on the accompanying financial statements.

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.

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, 2017

	Budgeted Amounts		Actual	Variance With Final
	Original	Final	Amounts	Amounts
REVENUES:				
Property taxes	$ 1,600,000	$ 1,600,000	$ 1,817,206	$ 217,206
Water supply charge	3,400,000	3,400,000	3,391,354	(8,646)
User fees	–	–	88,526	88,526
Connection charges, net of refunds	212,500	212,500	370,255	157,755
Project reimbursements	594,600	893,200	693,848	(199,352)
Investment income	14,000	14,000	22,126	8,126
Grants	110,400	110,400	–	(110,400)
Miscellaneous	11,000	11,000	3,189	(7,811)
Total revenues	5,942,500	6,241,100	6,386,504	145,404
EXPENDITURES:				
Personnel:				
Salaries	830,200	830,200	824,182	6,018
Employee benefits and other personnel	335,000	335,000	338,110	(3,110)
Services and supplies:				
Project expenditures	4,656,550	5,246,745	3,595,023	1,651,722
Operating expenditures	194,000	195,100	143,059	52,041
Professional fees	292,700	305,100	214,106	90,994
Capital outlay	19,800	20,300	17,334	2,966
Debt service:				
Principal	–	–	83,881	(83,881)
Interest and other charges	230,000	230,000	137,086	92,914
Total expenditures	6,558,250	7,162,445	5,352,781	1,809,664
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(615,750)	(921,345)	1,033,723	1,955,068
OTHER FINANCING SOURCES (USES) – Transfers out	(1,001,600)	(1,001,600)	(1,137,571)	(135,971)
Total other financing sources (uses)	(1,001,600)	(1,001,600)	(1,137,571)	(135,917)
NET CHANGE IN FUND BALANCE	(1,617,350)	(1,922,945)	(103,848)	1,819,097
FUND BALANCE – BEGINNING OF YEAR	(107,235)	1,016,295	1,016,295	–
FUND BALANCE – END OF YEAR	$(1,724,585)	$ (906,650)	$ 912,447	$ 1,819,097

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, 2017

	Budgeted Amounts		Actual	Variance With Final
	Original	Final	Amounts	Amounts
REVENUES:				
User fees	$ 7,500	$ 7,500	$ 78,687	$ 71,187
Permit fees	175,000	175,000	220,830	45,830
Project reimbursements	1,333,700	1,246,700	696,717	(549,983)
Investment income	3,500	3,500	8,432	4,932
Legal fee reimbursements	10,000	10,000	2,914	(7,086)
Recording fees	8,000	8,000	12,039	4,039
Grants	20,000	20,000	–	(20,000)
Miscellaneous	6,000	6,000	500	(5,500)
Total revenues	1,563,700	1,476,700	1,020,119	(456,581)
EXPENDITURES:				
Personnel:				
Salaries	558,900	558,900	534,273	24,627
Employee benefits and other personnel	269,200	269,200	271,763	(2,563)
Services and supplies:				
Project expenditures	1,391,700	1,332,200	671,537	660,663
Operating expenditures	183,900	180,800	133,850	46,950
Professional fees	93,900	104,700	121,632	(16,932)
Capital outlay	70,100	74,900	75,157	(257)
Total expenditures	2,567,700	2,520,700	1,808,212	712,488
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,004,000)	(1,044,000)	(788,093)	255,907
OTHER FINANCING SOURCES (USES) – Transfers in	1,001,600	1,001,600	1,137,571	135,971
Total other financing sources (uses)	1,001,600	1,001,600	1,137,571	135,971
NET CHANGE IN FUND BALANCE	(2,400)	(42,400)	349,478	391,878
FUND BALANCE – BEGINNING OF YEAR	1,111,900	1,549,288	1,549,288	–
FUND BALANCE – END OF YEAR	$ 1,109,500	$ 1,506,888	$ 1,898,766	$ 391,878

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, 2017

	Budgeted Amounts		Actual	Variance With Final
	Original	Final	Amounts	Amounts
REVENUES:				
User fees	$ 87,500	$ 87,500	$ 989,151	$ 901,651
Permit fees	56,000	56,000	22,957	(33,043)
Project reimbursement	426,900	–	–	–
Investment income	2,500	2,500	5,279	2,779
Mitigation revenue	2,518,500	2,518,500	2,039,912	(478,588)
Grants	200,000	200,000	89,276	(110,724)
Miscellaneous	39,000	39,000	4,313	(34,687)
Total revenues	3,330,400	2,903,500	3,150,888	247,388
EXPENDITURES:				
Personnel:				
Salaries	1,017,600	1,017,600	979,776	37,824
Employee benefits and other personnel	420,900	420,900	428,274	(7,374)
Services and supplies:				
Project expenditures	701,850	607,450	313,692	293,758
Operating expenditures	235,700	237,300	191,798	45,502
Professional fees	183,400	200,200	235,792	(35,592)
Capital outlay	25,600	26,300	22,330	3,970
Total expenditures	2,585,050	2,509,750	2,171,662	338,088
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	745,350	393,750	979,226	585,476
NET CHANGE IN FUND BALANCE	745,350	393,750	979,226	585,476
FUND BALANCE – BEGINNING OF YEAR	453,670	1,065,968	1,065,968	–
FUND BALANCE – END OF YEAR	$ 1,199,020	$ 1,459,718	$ 2,045,194	$ 585,476

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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS OF OTHER POST EMPLOYMENT BENEFITS
FOR THE YEAR ENDED JUNE 30, 2017

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2015	6/30/2014	$ –	$ 2,666,140	$ 2,666,140	0%	$ 2,146,340	124.22%
2016	6/30/2016	$ –	$ 3,227,615	$ 3,227,615	0%	$ 2,406,886	134.10%
2017	6/30/2016	$ –	$ 3,227,615	$ 3,227,615	0%	$ 2,256,164	143.06%

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last 10 Years*
FOR THE YEAR ENDED JUNE 30, 2017

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%

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.

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

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT
SCHEDULE OF CONTRIBUTIONS
Last 10 Years*
FOR THE YEAR ENDED JUNE 30, 2017

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	$ 391,816	$ 391,816	$ –	$ 2,222,576	17.63%

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, 2012	Funding valuation report
FYE 2015–2016	June 30, 2013	Funding valuation report
FYE 2016–2017	June 30, 2014	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	7.65
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 three years are shown.

STATISTICAL SECTION

(Photo: Carmel Lagoon)

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 55-59)

Revenue Capacity
These schedules contain information to help the reader assess the District's most significant local revenue sources. (Pages 60-62)

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 63-64)

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 65-67)

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 68-69)

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

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

	Fiscal Year Ended June 30, 2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities										
Net investment in capital assets	$ 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	$ 4,022,151
Restricted for debt service	221,214	220,772	220,330	219,136	219,136	-	-	-	-	-
Unrestricted (deficit)	(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	1,984,225
Total governmental activities net position	$ 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	$ 6,006,376
Business-type activities										
Net investment in capital assets	$ 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	$ 22,852,527
Restricted for construction project	-	-	-	-	15,276	-	-	-	-	-
Restricted for debt service	1,136	1,136	1,136	1,137	1,137	1,136	1,136	1,136	1,136	2,755
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	733,451
Unrestricted (deficit)	(3,165,974)	(3,430,576)	(3,772,838)	(4,393,080)	-	250,873	245,551	422,876	493,122	(341,413)
Total business-type activities net position	$ 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	$ 23,247,320
Primary government										
Net investment in capital assets	$ 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	$ 26,874,678
Restricted for construction project	-	-	-	-	15,276	-	-	-	-	-
Restricted for debt service	222,350	221,908	221,466	220,273	220,273	1,136	1,136	1,136	1,136	2,755
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	733,451
Unrestricted (deficit)	(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	1,642,812
Total primary government net position	$ 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	$ 29,253,696

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:	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Conservation	$ 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	$ 870,287
Mitigation	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	3,208,565
Water supply	5,459,036	7,196,554	5,290,834	8,075,379	4,191,428	1,200,978	1,291,349	1,404,760	1,349,966	1,199,742
Total Governmental Activities expenses	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	5,278,594
Business- type activities:										
Reclamation Project	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	3,500,939
Total business-type activities expenses	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	3,500,939
Total Primary Government Expenses	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	8,779,533
Program Revenues (by function)										
Governmental activities:										
Charges for service:										
Conservation	996,234	1,005,237	1,584,188	1,374,724	761,990	439,798	717,546	1,286,516	770,659	778,012
Mitigation	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	2,781,238
Water supply	4,543,983	4,313,762	4,223,966	5,728,874	5,523,491	305,849	420,552	603,777	695,933	764,685
Operating grants and contributions	89,276	334,864	169,214	602,499	391,797	165,528	-	-	-	299,870
Total governmental activities program revenues	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	4,623,805
Business-type activities:										
Charges for services -										
Water sales	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	2,235,363
Total Business-type activities revenue	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	2,235,363
Total Primary Government Program Revenues	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	6,859,168
Net (Expenses)/Revenue										
Governmental activities	(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)	(654,789)
Business-type activities	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)	(1,265,576)
Total Primary Net (Expenses)/Revenue	$ 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)	$ (1,920,365)

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

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

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes	$ 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	$ 1,352,826
Investment earnings	35,837	48,125	26,092	20,042	11,524	2,080	4,772	11,485	48,260	93,640
Miscellaneous	22,955	29,207	39,507	56,653	62,211	69,200	80,253	71,285	62,547	64,977
Gain (loss) on sale of capital assets	-	-	-	-	-	(288)	-	-	-	2,772
Special items -										
Transfer of capital assets	-	-	-	-	(2,147,054)	-	-	-	-	-
Total governmental activities	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	1,514,215
Business-type activities:										
Investment earnings	3,326	56,685	25,504	26,185	1,909	36,196	19,518	64,771	42,251	195,441
Miscellaneous	-	762	-	-	-	3,004	1,436	3,580	-	269
Special items:										
Subsidy, Pebble Beach Company	-	-	-	-	1,600,006	1,732,903	1,667,322	1,444,976	1,467,828	2,205,070
Capital contributions (withdrawals)	-	-	-	-	-	-	(176,083)	(995,219)	2,269,395	4,677,468
Withdrawal, Pebble Beach Company	-	-	-	-	(1,641,213)	-	-	-	-	-
Water entitlement sales	-	-	-	-	253,203	293,176	-	687,570	1,197,932	1,056,931
Water entitlement (withdrawals)	-	-	-	(15,276)	(1,130,000)	(531,000)	-	-	-	-
Total business-type activities	3,326	57,447	25,504	10,909	(916,095)	1,534,279	1,512,193	1,205,678	4,977,406	8,135,179
Total Primary Government	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	9,649,394
Change in Net Position										
Governmental activities	868,600	(1,323,520)	(208,489)	(1,502,597)	233,397	(364,902)	441,232	109,372	316,729	859,426
Business-type activities	1,640,116	1,224,125	1,458,759	1,541,464	(174,952)	85,219	(312,433)	(677,563)	3,011,404	6,869,603
Total Primary Government	2,508,716	(99,395)	1,250,270	38,867	58,445	(279,683)	128,799	(568,191)	3,328,133	7,729,029
Net position - beginning of year	23,572,695	23,672,090	22,454,481	26,401,199	26,342,754	32,142,437	32,013,638	32,581,829	29,253,696	21,524,667
Net position - end of year	$ 26,081,411	$ 23,572,695	$ 23,704,751	$ 26,440,066	$ 26,401,199	$ 31,862,754	$ 32,142,437	$ 32,013,638	$ 32,581,829	$ 29,253,696

Notes:

Net position - beginning of the year for the fiscal year ended June 30, 2007 has been restated for a prior period adjustment related to subsidies made by PBCo.

Net position - beginning of the year for the fiscal year ended June 30, 2013 has been restated for a prior period adjustment related to a liability to PBCo. For reimbursement of bond carrying costs.

Net position - beginning of the year for the fiscal year ended June 30, 2015 has been restated for implementation of GASB 68.

Net position - beginning of the year for the fiscal year ended June 30, 2016 has been restated for implementation of GASB 82.

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

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

	Fiscal Year Ended June 30, 2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental Funds:										
Reserved for prepaid expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 38,220	$ 87,701	$ 90,533
Unreserved, designated:										
Insurance/litigation	-	-	-	-	-	-	-	250,000	250,000	250,000
Capital equipment	-	-	-	-	-	-	-	286,600	183,000	183,000
Flood/drought emergencies	-	-	-	-	-	-	-	443,944	443,944	443,944
Unreserved, undesignated	-	-	-	-	-	-	-	937,688	1,322,390	1,602,501
Nonspendable - prepaid expenses	-	-	-	-	36,025	39,869	44,743	-	-	-
Restricted	221,214	220,772	220,330	219,136	219,136	-	-	-	-	-
Committed	833,920	739,717	485,060	644,294	1,590,590	707,984	822,901	-	-	-
Assigned:										
Insurance/litigation	78,646	250,000	250,000	250,000	250,000	183,260	250,000	-	-	-
Capital equipment	140,334	144,000	232,000	244,900	304,100	99,599	304,100	-	-	-
Flood/drought emergencies	328,944	328,944	254,891	443,944	443,944	-	443,944	-	-	-
Project expenditures	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	$ 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

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,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Property Taxes	$ 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	$ 1,352,826
Water supply charge	3,391,354	3,382,389	3,327,701	3,412,207	3,400,873	-	-	-	-	-
User fees	1,156,364	79,018	95,321	93,931	1,815,986	1,620,375	3,048,993	2,879,934	2,653,827	2,945,384
Connection charges, net of refunds	370,255	502,298	159,250	223,625	115,972	194,510	319,728	466,297	481,724	556,370
Permit fees	243,787	225,374	193,609	240,079	277,956	225,616	296,735	278,610	294,053	327,700
Project reimbursements	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	490,016
Investment income	35,837	48,125	26,092	20,042	11,524	2,080	4,772	11,485	48,260	93,640
Legal fee reimbursements	2,914	2,728	2,637	18,441	32,756	27,136	23,638	22,210	21,832	27,375
Recording fees	12,039	12,047	11,340	15,061	13,785	11,797	11,987	11,735	13,087	11,950
Mitigation revenue	2,039,912	2,412,553	2,127,410	1,801,800	-	-	-	-	-	-
Miscellaneous	8,002	14,432	25,530	23,151	15,670	30,267	44,628	37,340	27,628	29,691
Grants	89,276	334,864	169,214	602,499	391,797	165,528	-		-	299,870
Total revenues	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	6,134,822
Expenditures:										
Current:										
Water Supply	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	1,105,236
Conservation	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	840,318
Mitigation	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	3,917,407
Capital outlay	114,821	130,822	117,221	107,340	53,145	42,892	73,136	45,108	447,313	150,731
Debt Service:										
Principal	83,881	80,508	78,059	75,215	38,368	-	-	-	-	-
Interest and other charges	137,086	138,627	147,150	143,921	41,801	23,333	23,089	-	-	-
Total expenditures	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	6,013,692
Excess (deficiency) of revenues over (under) expenditures	1,224,856	(1,485,348)	(193,884)	(1,462,274)	2,803,826	(1,549,260)	(437,961)	(330,583)	(282,943)	121,130
Other Financing Sources (Uses):										
Transfers in	1,137,571	1,271,950	948,721	-	-	-	-	-	-	-
Transfers out	(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	1,224,856	(1,485,348)	(193,884)	(1,462,274)	6,803,826	(1,549,260)	(437,961)	(330,583)	(282,943)	121,130
Fund balances, beginning of year	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	2,448,848
Fund balances, end 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
Debt service as a percentage of noncapital expenditures	2.48%	2.00%	2.34%	1.80%	1.09%	0.47%	0.34%	0.00%	0.00%	0.00%

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

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

Fiscal Year Ended June 30	(1) Secured Roll	(2) Unsecured Roll	(3) Exemptions	Net Assessed Valuations	* MPWMD Property Tax Allocations	Percentage Over Net Assessed Value
2007	$ 47,388,757	$ 1,999,660	$ (1,471,788)	$ 47,916,629	$ 1,280,201	2.7%
2008	51,334,367	2,035,086	(1,525,258)	51,844,195	1,352,826	2.6%
2009	52,454,129	2,234,086	(1,608,033)	53,080,182	1,436,800	2.7%
2010	50,655,874	2,254,022	(1,679,121)	51,230,775	1,339,138	2.6%
2011	48,774,186	2,116,423	(1,770,929)	49,119,680	1,402,646	2.9%
2012	48,980,011	2,103,408	(1,856,776)	49,226,643	1,388,301	2.8%
2013	49,595,091	2,122,678	(1,914,519)	49,803,250	1,690,645	3.4%
2014	51,396,835	2,159,991	(2,009,761)	51,547,065	1,582,796	3.1%
2015	54,354,520	2,231,717	(2,119,791)	54,466,446	1,689,619	3.1%
2016	$ 57,571,743	$ 2,333,413	$ (2,196,512)	$ 57,708,644	$ 1,744,833	3.0%

Source: Monterey County CAFR Report (Fiscal Year Ended June 30, 2016)
* Source: Monterey Peninsula Water Management District, Audited Financial Statements
2017 data not available at time of print

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

Principal Property Taxpayers - Monterey County
For the Year Ended June 30, 2016 and June 30, 2007

		2016			2007		
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	$ 739,718	1	1.28%	$ 608,452	2	1.27%
Pacific Gas & Electric Company	Utility	550,188	2	0.95%	300,571	3	0.63%
Chevron USA Inc	Petroleum	464,349	3	0.80%	-		
Dynergy Moss Landing LLC	Utility	351,373	4	0.61%	-		
Aera Energy LLC	Utility	276,200	5	0.48%	-		
Northridge Owner LP	Retail	123,436	6	0.21%	81,562	7	0.17%
AAT Del Monte LLC	Real Estate	118,500	7	0.21%	-		
California-American Water Company	Utility	114,497	8	0.20%	94,792	4	0.20%
Pacific Bell Telephone Company	Utility	101,738	9	0.18%	85,092	6	0.18%
Scheid Vineyards California Inc	Agriculture	96,676	10	0.17%	-		
Duke Energy Moss Landing LLC	Real Estate	-			690,000	1	1.44%
Pacific Oceanside Holdings	Real Estate	-			88,322	5	0.18%
Texaco Inc	Utility	-			66,441	8	0.14%
Dole Fresh Vegetables Inc	Agriculture	-			64,511	9	0.13%
DDI Salinas II LLC et al	Real Estate	-			42,737	10	0.09%
Ten Largest Taxpayers' Total		2,936,675		5.09%	2,122,480		4.43%
All Other Taxpayers' Total		54,771,969		94.91%	45,794,149		95.57%
Total		$ 57,708,644		100%	$ 47,916,629		100%

Source: Monterey County CAFR Report (Fiscal Year Ended June 30, 2016)
2017 data not available at time of print

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

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

	Fiscal Year Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities										
Property Taxes	$ 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	$ 1,352,826
Water supply charge	3,391,354	3,382,389	3,327,701	3,412,207	3,400,873	-	-	-	-	-
User fees	1,156,364	79,018	95,321	93,931	1,815,986	1,620,375	3,048,993	2,879,934	2,653,827	2,945,384
Mitigation revenue	2,039,912	2,412,553	2,127,410	1,801,800	-	-	-	-	-	-
Business-type activities										
Water sales	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	2,235,363

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
2017	$ 3,643,969	$ -	$ 3,312,000	$ 13,900,000	$ 20,855,969	**	**
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%
2008	-	-	-	28,100,000	28,100,000	16,738,324	0.17%

(1) U.S Department of Commerce, Bureau of Economic Analysis, Monterey County, in Thousands
** Data not available for 2017

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, 2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities *										
Debt service coverage										
Water supply charges	$ 3,391,354	$ 3,382,389	$ 3,327,701	$ 3,412,207	$ 3,400,873	N/A	N/A	N/A	N/A	N/A
Operating expenses (1)	(1,525,501)	(1,847,397)	(1,828,234)	(1,674,940)	(1,533,328)	N/A	N/A	N/A	N/A	N/A
Reserve funds available	396,234	395,792	439,350	442,456	442,456	N/A	N/A	N/A	N/A	N/A
Net available revenues	$ 2,262,087	$ 1,930,784	$ 1,938,817	$ 2,179,723	$ 2,310,001	$ -	$ -	$ -	$ -	$ -
Debt Service:										
Principal	$ 83,881	$ 80,508	$ 78,059	$ 75,215	$ 38,368	$ -	$ -	$ -	$ -	$ -
Interest	137,086	138,627	147,150	143,921	41,801	23,333	23,089	-	-	-
	$ 220,967	$ 219,135	$ 225,209	$ 219,136	$ 80,169	$ 23,333	$ 23,089	$ -	$ -	$ -
Debt service coverage ratio	10.24	8.81	8.61	9.95	28.81	N/A	N/A	N/A	N/A	N/A
Minimum coverage ratio (4)	1.25	1.25	1.25	1.25	1.25	N/A	N/A	N/A	N/A	N/A
Business-type activities										
Debt service coverage										
Gross revenues (2)	$ 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	$ 5,693,074
Operating expenses (3)	(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)	(1,356,232)
Net available revenues	$ 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	$ 4,336,842
Debt Service:										
Principal:										
PBCo.	$ 552,000	$ 552,000	$ 552,000	$ 552,000	$ -	$ -	$ -	$ -	$ -	$ -
COPs	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	1,200,000
Interest	141,828	59,049	40,339	47,688	35,308	307,246	374,014	248,742	497,692	1,006,133
	$ 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	$ 2,206,133
Debt service coverage ratio	1.39	1.24	1.47	1.52	2.61	1.38	1.45	1.38	1.56	1.97
Minimum coverage ratio (3)	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25

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

Source: Monterey Peninsula Water Management District, Audited Financial Statements

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

Demographic and Economic Statistics - Monterey County
Last Ten Fiscal Years

Calendar Year	Population	Per Capita Income	Total Personal Income	Median Age	School Enrollment	Unemployment Rate
2006	401,374	$ 38,193	$ 15,667,000	32	69,851	7.0%
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%

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

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

Principal Employment by Industry - Monterey County
For the Year Ended June 30, 2017 and June 30, 2007

	2017			2007	
Industry	Number of Employed	Percent of Total	Industry	Number of Employed	Percent of Total
Agriculture	70,000	33.46%	Agriculture	53,000	28.65%
Natural Resources, Mining and Construction	6,500	3.11%	Natural Resources, Mining and Construction	7,200	3.89%
Manufacturing	5,700	2.72%	Manufacturing	6,000	3.24%
Wholesale Trade	5,600	2.68%	Wholesale Trade	5,300	2.86%
Retail Trade	16,100	7.70%	Retail Trade	16,700	9.03%
Transportation, Warehousing and Utilities	4,700	2.25%	Transportation, Warehousing and Utilities	3,600	1.95%
Information	1,100	0.53%	Information	2,100	1.14%
Financial Activities	4,200	2.01%	Financial Activities	6,100	3.30%
Professional and Business Services	13,100	6.26%	Professional and Business Services	12,000	6.49%
Educational and Health Services	19,100	9.13%	Educational and Health Services	14,600	7.89%
Leisure and Hospitality	25,300	12.09%	Leisure and Hospitality	21,600	11.68%
Other Services	5,400	2.58%	Other Services	4,700	2.54%
Government	32,400	15.49%	Government	32,100	17.35%

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Department:										
General Manager's Office	2	2	2	2	2	3	3	4	4	4
Administrative Services Division	5	7	7	7	7	7	7	5	5	5
Planning & Engineering Division	5	5	5	5	5	5	6	6	6	6
Water Resources Division	7	7	7	7	7	7	7	7	7	7
Water Demand Division	6	6	5	5	5	5	5	5	5	6
Total	25	27	26	26	26	27	28	27	27	28

Source: Monterey Peninsula Water Management District Human Resources Department

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Use Type:										
Residential	4,384	4,560	4,936	5,302	5,552	5,513	5,602	6,156	6,362	6,509
Multi-Residential	1,410	1,418	1,637	1,529	1,523	1,323	1,348	1,280	1,306	1,302
Commercial	2,214	2,224	2,414	2,637	2,673	2,750	2,763	2,789	2,980	3,029
Industrial	-	-	9	4	53	54	6	70	77	93
Golf Course	168	185	201	20	202	201	15	223	402	421
Public Authority	617	560	630	536	503	418	571	934	972	962
Other	39	40	14	2	60	102	11	30	52	59
Non Revenue Metered	2	1	1	-	11	25	10	36	46	144
Total	8,834	8,988	9,842	10,030	10,577	10,386	10,326	11,518	12,197	12,519

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

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

Customers by Type
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Use Type:										
Residential	32,355	31,801	32,532	32,633	38,294	**	**	**	**	**
Multi-Residential	1,696	1,706	1,720	1,427	1,577	**	**	**	**	**
Commercial	3,932	3,890	3,655	3,077	3,537	**	**	**	**	**
Industrial	-	-	4	-	6	**	**	**	**	**
Golf Course	4	4	4	5	5	**	**	**	**	**
Public Authority	545	537	555	543	548	**	**	**	**	**
Other	64	51	274	897	364	**	**	**	**	**
Non-Revenue Metered	6	6	10	12	14	**	**	**	**	**
Total	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 2007, 2008, 2009, 2010, & 2011 at the time of publishing

Monterey Peninsula Water Management District