MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED
JUNE 30, 2017 AND 2016

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MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017

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MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

BOARD OF DIRECTORS

FOR THE YEARS ENDED
JUNE 30, 2017 AND 2016

Member	Office	Representing	Term Expires
Bruce Delgado	Chair	Marina	December 2020
Carrie Theis	Vice-Chair	Carmel-By-The-Sea	December 2018
Gary Bales	Director	Pacific Grove	December 2018
Leo Laska	Director	Pebble Beach Community Services District	December 2019
Libby Downey	Director	Monterey	December 2018
Jane Parker	Director	Monterey County	December 2018
Dennis Allion	Director	Del Rey Oaks	December 2020
Jason Campbell	Director	Seaside	December 2020
Jerry Blackwelder	Director	Sand City	December 2020
Timothy Flanagan	General Manager/ Secretary of the Board		

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Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Monterey Regional Waste Management District
Marina, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Monterey Regional Waste Management District (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 conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Monterey Regional Waste Management District, as of June 30, 2017, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

260 Sheridan Avenue, Suite 440 Palo Alto, CA 94306 Tel: 650.462.0400 www.vtdcpa.com Fax: 650.462.0500

Other Matters

Prior-Year Comparative Information

The prior year summarized comparative financial information has been derived from the District's 2016 financial statements which were audited by other auditors and whose report dated November 4, 2016 expressed an unmodified opinion on the financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the net pension liability and related ratios, schedule of pension contributions, and schedule of OPEB funding progress on pages 4—13 and 48—50 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The District and Monterey Regional Waste Management Authority combining schedules (combining schedules) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Vavrinek, Trine, Day LLP

Palo Alto, California
January 2, 2018

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

This section of Monterey Regional Waste Management District's (District) annual financial report presents a discussion and analysis of the District's performance during the fiscal year that ended June 30, 2017. Please read it in conjunction with the District's financial statements, which follow this section.

The District was formed in 1951 under the California Health and Safety Code. The primary purpose of the District is to dispose of solid waste in the Monterey Peninsula area. The District's role has expanded to include the recovery of recyclable materials in the waste stream (cardboard, newspaper, glass, wood waste, plastic, metals, concrete, asphalt, reusable building materials and resale items) and to receive non-hazardous liquid wastes. In addition, the District operates a landfill gas to electrical energy system, with capacity to generate about 5,000 kilowatts of continuous power. The District also accepts household hazardous waste.

The Monterey Regional Waste Management Authority (Authority) was formed pursuant to the provisions of the Government Code of the State of California and a Joint Powers Agreement (JPA), dated April 1, 1993, by and between the cities of Carmel-by-the-Sea, Del Rey Oaks, Marina, Monterey, Pacific Grove, Sand City and Seaside. During the fiscal year ending June 30, 1996, the Pebble Beach Community Services District also became a member of the Authority. During the fiscal year ending June 30, 2015, Monterey County also became a member of the Authority. The Authority was formed to assist in the financing of public capital improvements, such as the design, acquisition and construction of additions, betterments and improvements to the District's facilities.

Accounting principles generally accepted in the United States of America require that these financial statements present the District (the primary government) and its component units. The Authority is included in the District's financial statements because of its significant financial relationship to the District.

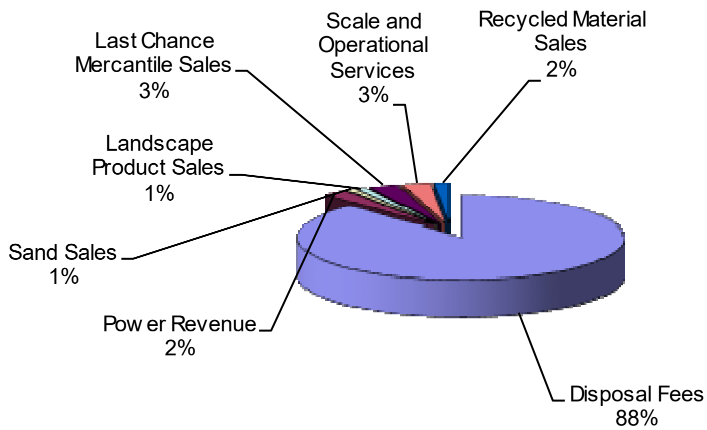
FINANCIAL HIGHLIGHTS

- Operating revenues increased by 7.3% to $26.4 million and operating expenses increased by 15.2% to $24.0 million.
- Capital expenditures for buildings, equipment and infrastructure were $10.8 million.
- Operating revenues were above budgeted revenues by $4.8 million. Operating expenses were above budgeted amounts by $2.3 million. Capital outlay was below budgeted amounts by $3.2 million. Non-operating revenues/expenses were unfavorable to budgeted levels by $0.3 million.

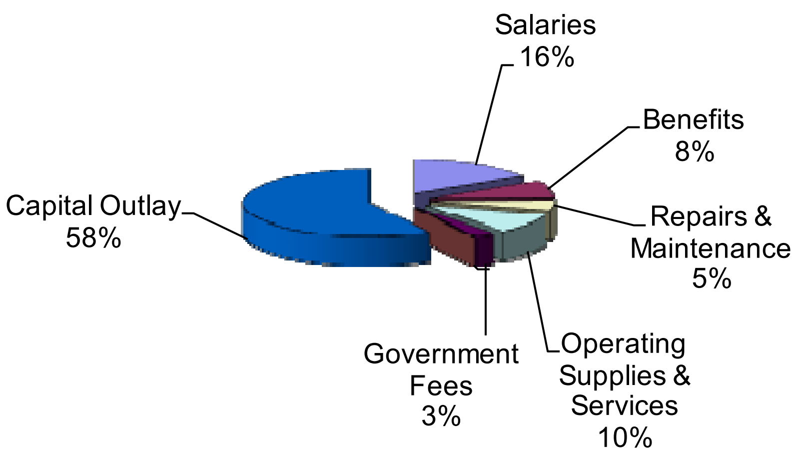
FINANCIAL HIGHLIGHTS (Continued)

The following figures show the District's sources of revenues and areas of expenditures for fiscal year 2017:

Sources of Revenue



Areas of Expense



OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of five parts: management's discussion and analysis (this section), the basic financial statements, the notes to the financial statements, required supplementary information and other 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 a section of schedule of required supplementary information and a section of other 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 Revenues, Expenses and Changes in Net Position. All assets and liabilities associated with the operation of the District are included in the Statement of Net Position.

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: Invested in Capital Assets – Net of Debt, Restricted and Unrestricted. Invested in Capital Assets – net of related debt is the cost of the District's buildings, equipment and infrastructure after deducting accumulated depreciation and debt still owed on these assets. Restricted assets are the funds the District is required to set aside for landfill closing/cleanup reserves and revenue bond proceeds that are restricted for the acquisition of Materials Recovery Facility Improvement Project and the Franchise Hauler Truck Parking and Maintenance Facility Project. The negative unrestricted portion of the Net Position is primarily the result of recording the Net Pension Liability in accordance with Governmental Accounting Standards Statement No. 68 (GASB 68).

The District's total net position at June 30, 2017, was approximately $35.1 million, a 3.4% increase over net position at June 30, 2016 (See Table A-1). Total assets and deferred outflows increased by 6.9% to $86.4 million and total liabilities and deferred inflows increased 9.4% to $51.4 million.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Net Position (Continued)

Table A–1
Net Position
(in thousands of dollars)

	2017	2016	2015	Change 2017 to 2016	Change 2016 to 2015
Current Assets	$ 16,567	$ 13,468	$ 10,089	23.0%	33.5
Restricted Assets	5,316	11,927	33,024	(55.4%)	(63.9%)
Deposit	155	155	49	0.0%	216.3%
Capital Assets–Net	60,847	53,934	32,763	12.8%	64.6%
Intangible Assets–Net	137	154	170	(10.4%)	(9.4%)
Total Assets	83,022	79,638	79,095	4.2%	0.7%
Deferred Outflows	3,422	1,216	815	281.4%	49.2%
Total Assets and Deferred Outflows	$ 86,444	$ 80,854	$ 76,910	6.9%	5.1%
Current Liabilities	$ 4,528	$ 3,573	$ 2,497	26.7%	43.1%
Non–Current Liabilities	11,934	7,938	6,656	50.3%	19.2%
Revenue Bonds Payable	29,627	30,786	31,885	(3.8%)	(3.4%)
Est. Closure/Post Closure Costs	4,948	4,001	3,778	23.7%	5.9%
Total Liabilities	51,037	46,298	44,816	10.2%	3.3%
Deferred Inflows	341	655	1,618	(48.0%)	(59.5%)
Net Position:					
Invested in Capital Assets– Net of Debt	29,782	29,440	28,441	1.2%	3.5%
Restricted	4,850	4,709	4,736	3.0%	(0.6%)
Unrestricted	434	(248)	(2,701)	274.9%	(90.8%)
Total Net Position	35,066	33,901	30,476	3.4%	11.2%
Total Liabilities, Deferred Inflows, and Net Position	$ 86,444	$ 80,854	$ 76,910	6.9%	5.1%

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Revenues, Expenses and Changes in Net Position

Operating revenues increased by 7.3% to $26,429,000 (See Table A-2). Some of the major impacts on District revenues are from:

- Revenues from disposal fees increased by 9.3% due primarily to a 29.2% increase in tonnage received under contract for disposal only.
- Power revenue decreased by 18.0% due primarily to the decrease in the market price for electricity, taking one of the engine/generators offline due to increased maintenance requirements to comply with air emissions and the premature failure of one engine.
- Recycled material sales increased by 6.7% due primarily to increased prices for commodities.
- Scale and operational services were stable compared to the prior year.
- Sand sales decreased 10.6% compared to the prior year.
- Last Chance Mercantile sales decreased by 2.7% due to decreased donations of higher valued items for resale and the shutdown of the material recovery facility for the installation of new processing machinery.

Operating expenses increased by 15.2% to $24,030,000. Salaries increased by 11.7% or $834,000, due to the step increases and cost of living increase in the union contracts, the filling of open positions in preparation for the enhanced operations resulting from the improved material recovery facility. Benefits increased by 27.2% due to increases in health insurance participation and pension as computed in accordance with GASB 68 and partially offset by a reduction in workers compensation costs. Repairs and maintenance increased by 67.0% or $520,400 due to increased repairs on mobile refuse handling offset by decreased expenditures for landfill gas-to-energy project equipment. Operating Supplies and Services increased by 14.5% or $616,000 from the cost of recovery from the federally declared disasters during January and February 2017, increased recycling service cost from increased redemption at the California can and bottle buyback program. Taxes, licenses and permits increased by 12.0% due primarily to the increase in waste received subject to contract pricing. The Closure/Postclosure Costs increased by 324.7% or $724,000 resulting from the submission of revised plans as part of the 5-year permit review process. The revised plans have not been approved and the regulating body as determined that the higher of the approved or revised plans should be used to calculate the current year’s costs.

The loss on the removal of the material recovery facility equipment for replacement compared to the disposition of a landfill gas to energy engine and the increase in rental income from the truck yard facility were the only significant change from the prior year to non-operating revenues (expenses).

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Revenues, Expenses and Changes in Net Position (Continued)

Table A–2
Revenues, Expenses and Changes in Net Position
(in thousands of dollars)

	2017	2016	2015	Change 2017 to 2016	Change 2016 to 2015
Operating Revenues					
Disposal Fees	$ 23,286	$ 21,302	$ 18,463	9.3%	15.4%
Power Sales	668	815	1,584	(18.0%)	(48.5%)
Last Chance Mercantile Sales	799	822	810	(2.7%)	1.5%
Recycled Material Sales	404	378	473	6.9%	(20.1%)
Landscape Product Sales	284	308	438	(7.8%)	(29.7%)
Scale and Operational Services	772	763	242	1.0%	216.0%
Sand Sales	216	242	241	(10.6%)	0.2%
Total Operating Revenues	26,429	24,630	22,251	7.3%	10.7%
Operating Expenses					
Salaries	7,955	7,121	6,969	11.7%	2.2%
Employee Benefits	4,335	3,409	3,309	27.2%	3.0%
Depreciation and Amortization	2,677	2,497	2,605	7.2%	(4.1%)
Repairs and Maintenance	1,934	2,188	2,004	(11.6%)	9.2%
Operating Supplies, Services and Other Expenses	4,857	4,241	3,521	14.5%	20.4%
Taxes, Licenses and Permits	1,325	1,183	1,041	12.0%	13.7%
Closure/Post Closure Costs	947	223	206	324.7%	8.3%
Total Operating Expenses	24,030	20,862	19,655	15.2%	6.1%
Operating Income	2,399	3,768	2,596	(36.3%)	45.1%
Non-Operating Revenues (Expenses)					
Interest Income	117	89	65	30.7%	37.3%
Other Revenue (Expenses)	(977)	(432)	(374)	(126.3%)	(15.6%)
Interest Expense-Revenue Bonds and Capital Leases	(373)	-	-	-	-
Total Non-Operating Revenues (Expenses)	(1,233)	(343)	(309)	260.0%	10.9%
Change in Net Position	1,165	3,425	2,287	(66.0%)	49.7%
Total Net Position- Beginning of Year	33,901	30,476	34,698	11.2%	(12.2%)
Prior Period Adjustment	-	-	(6,509)	-	100.0%
Beginning of Year, as restated	33,901	30,476	28,189	11.2%	8.1%
Total Net Position- End of Year	$ 35,066	$ 33,901	$ 30,476	3.4%	11.2%

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Operating Expenses by Department (Continued)

- Administration/Organization includes senior management, administrative, accounting and engineering staff, along with organization-wide supplies and services, such as the computer network and telephone systems.
- Household Hazardous Waste (HHW) income is from charges for small quantity generators.
- Last Chance Mercantile (LCM) income is from the sale of items received from the public and recovered from the Materials Recovery Facility along with the reimbursement for recycled e-waste, can and bottle buyback operations. The costs to sell and handle these items are included in the LCM operations.
- In fiscal year 2016 – 2017, the Landfill Gas Power operations experienced an engine failure and a fire that interrupted power production from two engines. These events are covered by insurance subject to the policy deductibles. The District continues to incur expenses for increased air emission testing and compliance requirements resulting in taking one of the four engine/generators out of service and revenues decreased as the market value of renewable power sales decreased. The District operations benefits from “free electricity” of an annual avoided cost savings of approximately $350,000.
- The revenue for the Materials Recovery Facility (MRF) includes the disposal fees for refuse and green waste diverted at the facility, along with the revenues for sales of recycled materials, scrap metal and landscape materials. The District’s expenses related to these sales are included in MRF operations.
- Certified weights for the public make up the Scale’s revenue.
- Site/Landfill revenue reflects all the disposal fees not allocated to the MRF, along with sand sales, services provided to the franchise hauler and loading and push off service fees. The negative net cost shows that the fees for landfilling refuse are set at a level to support the other District programs.

Budget Highlights

The District’s operating revenues of $26.4 million were $4.8 million above budget. The increase resulted primarily from increased tonnage delivered for processing and disposal. Last Chance Mercantile, Scale and Operational services and Sand Sales remained stable to budget. Landscape product sales decreased due primarily to decreased availability of processed wood based products resulting from reduced operations at the Landfill Gas to Energy facility from mechanical and accidental incidents. Power sales decreased 44% due to lower prices for renewable energy and operational interruptions.

Operating expenses of $24.0 million were $2.3 million above budget and non-operating expenses were $0.3 million above budget amounts. Salary expenses and benefits are $0.75 million above budget due increased headcount for the start-up of the Material Recovery Facility and the pension expense recognizing the differences between actuarial assumptions and projected and actual plan investment earnings. Closure/Post Closure costs were $717,000 above budget due to the revised maintenance plans being submitted as part of the 5-year permit review process. The plans have not been approved and the higher of the previous approved or submitted costs were used to calculate the Closure/Post Closure costs. (see Note 6.) Repairs and maintenance combined were at budget, however, the gas engine/generators were offline for a significant portion of the year resulting in below budget expenditures. The repairs and maintenance to structures and equipment, contractual services, operating supplies, recycling services and utilities were above budget due to unusual weather events in January and February that have resulted in federal emergency declarations. Actions are being taken to pursue recovery of certain costs that were not insured. Other categories over budget were fuel – $75,000, taxes, licenses and permits – $230,000, professional services – $69,000, operating supplies – $30,000, office – $30,000, education, meetings and travel – $21,000, safety equipment and supplies – $14,000, public awareness - $19,000 and bad debt expense – $27,000.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Budget Highlights (Continued)

There were several items under budget; depreciation and amortization – $573,000, insurance – $28,000, environmental services – $57,000, directors' fees – $10,000 and hazardous waste disposal – $33,000.

The increase in salary and benefits represents the majority of change for all the departments, except for the Landfill Gas Power's decreased salaries and benefits and LFG gas purchases partially offset by increased repair and maintenance costs, the Material Recovery Facility's reduction in staff and maintenance costs were partially offset by the cost of haul recycled materials and depreciation expense and the Site/Landfill's decreases in cost of diesel fuel, equipment repairs and maintenance and government fees from decreased refuse. (Table A-3)

Table A–3
Operating Expenses by Department
(in thousands of dollars)

	Total Costs of Services			Change		Revenues			Change	
	2017	2016	2015	2016-17	2015-16	2017	2016	2015	2016-17	2015-16
Admin/Organization	$5,335	$3,648	$3,767	46.2%	(3.2%)	$0	$0	$0	0.0%	0.0%
Public Awareness	592	498	412	18.9%	20.9%	0	0	0	0.0%	0.0%
Household Haz. Waste	669	613	618	9.1%	(0.8%)	15	25	29	(40.0%)	(13.8%)
Last Chance Mercantile	1,309	1,281	1,100	2.2%	16.5%	1,036	1,090	997	(5.0%)	9.3%
Landfill Gas Power	1,730	2,470	2,398	(30.0%)	3.0%	668	815	1,584	(18.0%)	(48.5%)
Shop	1,273	1,220	1,152	4.3%	5.9%	0	0	0	0.0%	0.0%
Material Recovery Fac.	5,560	4,993	4,981	11.4%	0.2%	3,495	3,845	3,993	(9.1%)	(3.7%)
Scales	656	591	535	11.0%	10.5%	8	10	12	(20.0%)	(16.7%)
Site/Landfill	6,907	5,548	4,694	24.5%	18.2%	21,208	18,845	15,636	12.5%	20.5%
	$24,031	$20,862	$19,657	15.2%	6.1%	$26,430	$24,630	$22,251	7.3%	10.7%

	Net Costs of Services			Change	
	2017	2016	2015	2016-17	2015-16
Admin/Organization	$5,335	$3,648	$3,767	46.2%	(3.2%)
Public Awareness	592	498	412	18.9%	20.9%
Household Haz. Waste	654	588	589	11.2%	(0.2%)
Last Chance Mercantile	273	191	103	42.9%	85.4%
Landfill Gas Power	1,062	1,655	814	(35.8%)	103.3%
Shop	1,273	1,220	1,152	4.3%	5.9%
Material Recovery Fac.	2,065	1,148	988	79.9%	16.2%
Scales	648	581	523	11.5%	11.1%
Site/Landfill	(14,301)	(13,297)	(10,942)	7.6%	21.5%
	($2,399)	($3,768)	($2,594)	(36.3%)	45.3%

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Capital Assets and Debt Administration

Capital Assets

The District's capital assets, net of accumulated depreciation, at June 30, 2017, totaled $60.8 million. (See Table A-4). The increase of $9.6 million from the prior year is due to the activity offsetting one another, as capital expenditures were $10.8 million less depreciation expense of $2.7 million less net book value of $1.2 million for the retirement of the material recovery facility and landfill gas engine.

Table A–4
Capital Assets
(net of depreciation, in thousands of dollars)

	2017	2016	2015	Change 2017-2016	Change 2016-2015
Land	$ 578	$ 578	$ 578	0.0%	0.0%
Facilities and Infrastructure	23,279	8,722	8,815	166.9%	(1.1%)
Equipment	3,098	3,509	3,718	20.3%4	(5.6%)
Power Project	6,710	5,604	4,282	19.7%	30.9%
Module Development	6,843	6,941	7,038	(1.4%)	(1.4%)
Intangible Assets	138	154	170	(10.4%)	(9.4%)
Construction in Progress	20,339	28,581	8,332	(28.8%)	243.0%
	$60,985	$54,089	$32,933	12.7%	64.2%

This year's major capital asset additions include:

- $6,258,000 for materials recovery facility improvement project construction in progress.
- $1,860,000 for truck maintenance, parking and fueling infrastructure construction in progress.
- $1,190,000 for 836K Caterpillar landfill compactor.
- $620,000 for landfill gas engine/generator replacement construction in progress.
- $560,000 for power distribution upgrade to material recovery facility and truck yard complex.
- $125,000 for forklift replacement (2).

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Capital Assets and Debt Administration (Continued)

Debt Administration

On May 28, 2015, through the bond underwriter, the District issued $31,145,000 in 2015 Series A and Series B Integrated Waste Management Revenue Bonds to fund the acquisition of the Materials Recovery Facility Improvement Project and the Franchise Hauler Truck Parking and Maintenance Facility Project.

Through the bond trustee, the District continues to make its regularly scheduled payments on the 2015 Series A and B Integrated Waste Management Revenue Bonds. During 2017, principal payments of $1,080,000 were made, leaving a balance of $29,170,000. The District was in compliance with the bond covenants at June 30, 2017 and 2016.

Bond Rating – In May 2015, Standard and Poor's assigned the Series 2015 Bonds the rating of AA- and view the outlook as stable.

In March 2017, the District executed a five-year instalment sale agreement with an option to purchase a Caterpillar Model 836K Landfill Compactor in the amount of $1,150,000. The first installment payment is due in March 2018.

Economic Factors and Next Year's Budget and Rates

Operating revenues and expenses are projected to increase in conjunction with the completion of the Materials Recovery Improvement Project that is scheduled to go into operation early in 2018. There is a scheduled refuse rate increase of 8.2% effective July 1, 2017. The Materials Recovery Facility Improvement Project will produce incremental revenues from enhanced recovery equipment that improves the current resource recovery operations of the District. This project is to increase revenues from the sale of materials recovered from the curbside recyclable program and refuse collections from the local franchise haulers. In September 2010, the District entered an agreement to accept a guaranteed minimum of 75,000 tons of refuse subject to long term contract pricing. In October 2011, the District entered an amendment to this agreement to increase the guaranteed minimum to 125,000 tons per year. In October 2012, the District entered an amendment to reduce the guaranteed annual tons of refuse to 75,000 per year and increase the guaranteed annual tons of alternative daily cover to 10,000 per year. The District Board has approved the utilization of unrestricted cash reserves to cover purchases of capital assets and debt principal payments.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, customers, bondholders and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Peter Skinner, Director of Finance and Administration, at (831) 384–5313.

BASIC FINANCIAL STATEMENTS

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2017 AND COMPARATIVE 2016

	2017	2016
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS:		
Cash and cash equivalents – Note 3	$ 12,772,132	$ 10,155,185
Accounts receivable – trade – net	1,720,921	1,877,829
Power sales receivable	562,038	216,460
Accrued interest receivable	34,192	13,820
Other receivables	719,779	562,024
Prepaid expenses	757,966	642,403
Total current assets	16,567,028	13,467,721
NONCURRENT ASSETS		
RESTRICTED CASH AND CASH EQUIVALENTS – Note 3	5,315,885	11,927,045
DEPOSIT	155,000	155,000
CAPITAL ASSETS – NET – Note 4	60,984,685	54,088,073
Total noncurrent assets	66,455,570	66,016,547
Total assets	83,022,598	79,637,839
DEFERRED OUTFLOWS RELATED TO PENSIONS – Note 6	3,421,685	1,216,596
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 86,444,283	$ 80,854,435

The accompanying notes are an integral part of these financial statements.

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

STATEMENT OF NET POSITION (Continued)

JUNE 30, 2017 AND COMPARATIVE 2016

	2017	2016
LIABILITIES, DEFERRED INFLOWS AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	$ 2,127,179	$ 1,525,681
Security deposits	52,893	2,671
Accrued liabilities:		
Compensated absences and OPEB	318,761	283,850
State/County waste management fees	274,262	255,098
Payroll and payroll liabilities	111,451	101,588
Unearned revenue	-	8,500
Revenue bonds and equipment lease interest payable	315,139	316,052
Current portion of revenue bonds payable – Note 8	1,110,000	1,080,000
Current portion of installment sale obligation – Note 9	218,784	-
Total current liabilities	4,528,469	3,573,440
NONCURRENT LIABILITIES:		
Compensated absences	1,284,939	1,200,434
Long-term portion of installment sale obligation – Note 9	931,216	-
Net Pension Liabilities – Note 6	9,717,640	6,737,269
Revenue Bonds Payable – Net – Note 8	29,627,389	30,786,072
Estimated Liabilities For Landfill Closure And Post Closure Care Costs – Note 5	4,948,000	4,001,000
Total noncurrent liabilities	46,509,184	42,724,775
Total liabilities	51,037,653	46,298,215
DEFERRED INFLOWS RELATED TO PENSIONS – Note 6	340,502	655,339
NET POSITION:		
Net investment in capital assets	29,782,040	29,440,121
Restricted, debt service	2,349,925	2,349,925
Restricted, landfill closure	1,500,000	1,359,000
Restricted, environmental impairment	1,000,000	1,000,000
Unrestricted	434,163	(248,165)
Total net position	35,066,128	33,900,881
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 86,444,283	$ 80,854,435

The accompanying notes are an integral part of these financial statements.

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017 AND COMPARATIVE 2016

	2017	2016
OPERATING REVENUES:		
Disposal fees	$ 23,286,074	$ 21,302,194
Last Chance Mercantile sales	799,070	821,584
Scale and operational services	771,760	763,309
Power sales	667,986	815,000
Recycled material sales	403,642	378,299
Landscape product sales	284,008	308,019
Sand sales	216,364	241,950
Total operating revenues	26,428,904	24,630,355
OPERATING EXPENSES:		
Salaries	7,955,365	7,120,734
Employee benefits	4,335,132	3,408,960
Depreciation and amortization	2,676,923	2,497,308
Taxes, licenses and permits	1,324,725	1,182,727
Maintenance of structures and equipment	1,296,724	776,270
Fuel	1,060,102	1,565,597
Landfill closure and post closure care costs	947,000	223,000
Recycling	790,788	508,582
Gas project maintenance	637,315	1,412,081
Professional services	599,312	539,169
Contractual services	569,514	443,495
Operating supplies	565,234	155,178
Hazardous waste program	202,022	207,034
Utilities	194,931	88,135
Insurance	181,783	173,358
Public awareness	168,811	118,092
Office	155,621	152,107
Safety equipment and supplies	123,601	79,718
Environmental services	93,348	93,209
Education, meetings and travel	91,007	68,705
Miscellaneous	28,785	15,762
Bad debt expense	27,549	25,142
Directors' fees	4,865	8,202
Total operating expenses	24,030,457	20,862,565
OPERATING INCOME	2,398,447	3,767,790

The accompanying notes are an integral part of these financial statements.

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Continued)

FOR THE YEARS ENDED JUNE 30, 2017 AND COMPARATIVE 2016

	2017	2016
OPERATING INCOME – Forward	$ 2,398,447	$ 3,767,790
NON–OPERATING REVENUES (EXPENSES):		
Interest income	116,930	89,466
Rents and leases	178,237	55,848
Loss on sale of capital assets – net	(1,203,349)	-
Interest expense – revenue bonds and installment sales	(372,588)	(495,716)
Other income (expense)	47,570	7,830
Total non-operating revenues (expenses)	(1,233,201)	(342,572)
INCREASE IN NET POSITION	1,165,246	3,425,218
NET POSITION, BEGINNING OF YEAR	33,900,881	30,475,663
NET POSITION, END OF YEAR	$ 35,066,128	$ 33,900,881

The accompanying notes are an integral part of these financial statements.

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2017 AND COMPARATIVE 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 26,096,653	$ 25,471,295
Cash paid to employees	(11,700,954)	(10,539,095)
Cash payments for goods and services	(7,588,459)	(6,880,471)
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,807,240	8,051,729
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES –		
Other non-operating revenues	230,144	64,441
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	230,144	64,441
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments for capital acquisitions	(10,776,884)	(25,050,895)
Proceeds from installment sale agreement	1,150,000	-
Proceeds from disposition of capital assets	-	865,000
Principal paid on revenue bonds	(1,128,683)	(895,000)
Interest paid on revenue bonds and capital leases	(372,588)	(872,793)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(11,128,155)	(25,953,688
CASH FLOWS FROM INVESTING ACTIVITIES –		
Investment income	96,560	81,230
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,994,212)	(17,756,288)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	22,082,230	39,838,518
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 18,088,019	$ 22,082,230

The accompanying notes are an integral part of these financial statements.

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2017 AND COMPARATIVE 2016
(Continued)

	2017	2016
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 2,398,447	$ 3,767,790
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	2,676,923	2,497,308
Loss from disposition of assets	-	902,696
Estimated liability for landfill closure and post closure care costs	947,000	223,000
Effect of changes in:		
Accounts receivable – trade – net	156,909	(90,461)
Power sales receivable	(345,579)	387,294
Other receivables	(157,753)	(342,008)
Prepaid expenses	(115,563)	15,588
Deferred outflows	(2,205,090)	(401,622)
Increase (decrease) in:		
Accounts payable	596,427	660,720
Security deposits	50,222	61
Accrued compensated absences	119,416	132,726
Accrued State/County waste management fees	19,165	30,642
Accrued payroll and payroll liabilities	9,863	13,704
Unearned revenue	(8,500)	8,500
Pension liabilities and related deferrals	2,665,353	245,791
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 6,807,240	$ 8,051,729

The accompanying notes are an integral part of these financial statements.

NOTE 1. DESCRIPTION OF ENTITY

Reporting Entity – The Monterey Regional Waste Management District (District), was formed in 1951 under the California Health and Safety Code. The primary purpose of the District is to dispose of solid waste in the Monterey Peninsula area. The District's role has expanded to include the recovery of recyclable materials in the waste stream (cardboard, newspaper, glass, wood waste, plastic, metals, concrete, asphalt, reusable building materials and resale items) and to receive nonhazardous liquid wastes. In addition, the District operates a landfill gas to electrical energy system which generates more than 5,000 kilowatts of continuous power. The accompanying financial statements conform to generally accepted accounting principles as applicable to governments.

The District is governed by a nine-member board made up of representatives from the following entities: City of Carmel-by-the-Sea, City of Del Rey Oaks, City of Marina, City of Monterey, City of Pacific Grove, City of Sand City, City of Seaside, Pebble Beach Community Services District and the unincorporated area representing the western portion of Monterey County.

The Monterey Regional Waste Management Authority (Authority component unit of the District) was formed pursuant to the provisions of the Government Code of the State of California and a Joint Powers Agreement, dated April 1, 1993, by and between the City of Carmel-by-the-Sea, City of Del Rey Oaks, City of Marina, City of Monterey, City of Pacific Grove, City of Sand City and City of Seaside. During the fiscal year ended June 30, 1996, the Pebble Beach Community Services District also became a member of the Authority. The Authority was formed to assist in the financing and public capital improvements, such as the design, acquisition and construction of additions, betterments and improvements to the District's facilities.

The Authority has issued revenue bonds to finance the capital improvements and will maintain the debt from the revenue bonds on its books. The District has received ownership of the constructed assets and will maintain these assets on its books. In consideration for these assets, the District has pledged its revenue to the Authority, in sufficient amounts to pay the principal and interest payments of the revenue bonds. The Bank of New York Mellon Trust Company (Trustee) is described in the Integrated Waste Management Improvement Agreement and the Trust Agreement by and between the Authority, the District and the Trustee.

The accompanying financial statements present the activities of the District and its component unit, the Authority, a legally separate organization for which the District is financially accountable. The governing board of the District serves as the governing board of the Authority. The Authority exists solely to finance the acquisition and construction of equipment and facilities for the County. The Authority is so intertwined with the District that it is, in substance, the same as the District and, therefore, is reported as a blended component unit of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting – Enterprise funds are financed in whole or in part by fees charged to external parties, and are accounted for in an enterprise fund. Enterprise funds maintain their records using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows.

The statement of net position and the statement of revenues, expenses, and changes in net position displays information about the primary government (the District) and its component unit (the Authority). Eliminations have been made to minimize the double-counting of activities between the entities.

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values.

Net Position – The District's net position is required to be classified for accounting and reporting purposes into the following categories:

Net Investment in Capital Assets – This component of net position, includes capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, that restrict the use of net position

Unrestricted – This component of net position consists of assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Cash and Cash Equivalents – The District has defined cash and cash equivalents as cash on hand, demand deposits, amounts in the California State Treasurer's Investment Fund, known as the Local Agency Investment Fund (LAIF), and United States treasury bills.

Accounts Receivable – Accounts receivable are composed of amounts due from customers for tipping fees. At June 30, 2017 and 2016, the balances are shown net of the allowance for uncollectible accounts of $220,000 and $200,000, respectively. The District used the allowance method to account for uncollectible accounts receivable. The allowance is based on prior experience and management's analysis of bad debts.

Capital Assets – Purchased capital assets are accounted for at cost, or for contributed assets, their estimated fair value on the date received.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives used to depreciate assets, by asset class, are as follows:

Administrative and scale	5–40	Years
Disposal and recycling	3–60	Years
Power project	5–40	Years
Module development	5–80	Years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Compensated Absences – The District allows employees to accrue vacation and compensation time. The accrued liability is based on the employee's hourly rate at year end. All accumulated vacation and compensation time is recorded as an expense and a liability in the proprietary fund at the time the liability is incurred and depending on classification, as a current or long-term liability. Upon termination of an employee, the District is required to pay accrued vacation and compensation time. Sick leave is recorded as an expense when it is paid and it is not required to be paid upon termination of an employee.

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

Accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. The following timeframes are used:

Year Ended June 30, 2017

Valuation Date (VD)	June 30, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

Year Ended June 30, 2016

Valuation Date (VD)	June 30, 2014
Measurement Date (MD)	June 30, 2015
Measurement Period (MP)	July 1, 2014 to June 30, 2015

Deferred Outflows and Inflows of Resources - In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the Statement of Net Position will reports a separate section for deferred inflows of resources. 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.

Revenues and Expenses – Revenue is recognized when earned. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions.

Spending Order Policy – When an expense is incurred for which there are both restricted and unrestricted net position is available, it is the District's policy to apply these expenses to restricted net position to the extent that such are available and then to unrestricted net position.

Budget Policy – The District's Board of Directors annually adopts the budget for the District. Board of Directors' actions are required for the approval of budget revisions.

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

New Accounting Pronouncements

Effective This Year

GASB Statement No. 82 – In March 2016, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73.* The objective of the Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* Specifically, the Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Statement is effective for the reporting periods beginning after June 15, 2016. The District has implemented this Statement as of July 1, 2016.

Effective in Future Years

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement is effective for fiscal years beginning after June 15, 2017, or the 2017–2018 fiscal year. The District has not determined the effect of this statement.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 81 – In March 2016, GASB issued Statement No. 81, *Irrevocable Split–Interest Agreements.* The objective of the Statement is to improve financial reporting for irrevocable split–interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, the Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The Statement is effective for the reporting periods beginning after December 15, 2016. The District has not determined the effect of this statement.

GASB Statement No. 83 – 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 asset 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 ARO, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, or the 2018-19 fiscal year. The District has not determined the effect of this statement.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *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 of this Statement are effective for reporting periods beginning after December 15, 2018, or the 2019-20 fiscal year. The District has not determined the effect of this statement.

GASB Statement No. 85 – 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 Statement is effective for the reporting periods beginning after June 15, 2017, or 2017-18 fiscal year. The District has not determined the effect of this statement.

GASB Statement No. 86 – In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The Statement is effective for the reporting periods beginning after June 15, 2017, or 2017–18 fiscal year. The District has not determined the effect of this statement.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 87 – 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 Statement is effective for the reporting periods beginning after December 15, 2019, or 2020-21 fiscal year. The District has not determined the effect of this statement.

NOTE 3. CASH AND CASH EQUIVALENTS

Custodial Credit Risk for Deposits – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside 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 deposits, other than the following provision: 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 by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As at June 30, 2017 and June 30, 2016, respectively, the District's bank balance of $3,078,771 and $10,652,681 was exposed to custodial credit risk because it was uninsured and collateralized with securities held be the pledging financial institution's trust department or agent, but not in the name of the District.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the State Local Agency Investment Fund. The sensitivity of the fair values of the District's investments to market interest rate fluctuation is measured as the weighted average maturity of the investment portfolio, which was 194 days and 167 days respectively on June 30, 2017 and June 30, 2016.

Fair Value Measurements – The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy has three levels, and is based on the valuation inputs used to measure an asset's fair value. Deposits and withdrawals in the State Local Agency Investment Fund are made in the basis of $1 and not fair value. Accordingly, the District's proportionate share of investments in those funds at June 30, 2017, and June 30, 2016, is an uncategorized input not defined as Level 1, Level 2 or Level 3 input.

NOTE 3. CASH AND CASH EQUIVALENTS (Continued)

Cash and cash equivalents held by the District are summarized below:

Unrestricted Cash and Cash Equivalents	**2017**	**2016**
Cash on hand	$ 8,119	$ 8,120
Cash in bank	3,078,771	10,652,681
LAIF	15,001,127	11,421,429
Amounts held by Trustee for reserve account	(2,349,925)	(2,349,925)
Amounts held by LAIF for landfill closure and post closure care costs	(1,500,000)	(1,359,000)
Amounts held by LAIF for environmental impairment fund	(1,000,000)	(1,000,000)
Total unrestricted cash and cash equivalents	$ 12,772,132	$ 10,155,185
Restricted Cash and Cash Equivalents		
Cash held by Trustee for reserve account	2,349,925	2,349,925
In LAIF – held for landfill closure and post closure care costs	1,500,000	1,359,000
In LAIF – held for environmental impairment fund	1,000,000	1,000,000
Total restricted cash and cash equivalents	$ 5,315,885	$11,927,045

Investments Authorized by the District's Investment Policy

The District's investment policy only authorizes investment in the local government investment pool administered by the State of California (LAIF) and United States Treasury securities. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk and concentration of credit risk, other than as contained in California Government Code.

Credit Risk – Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE 3. CASH AND CASH EQUIVALENTS (Continued)

The District did not directly enter into any derivative investments. The District's total investment in the LAIF managed by the Treasurer for the State of California at June 30, 2017 and 2016, was $15,001,127 and $11,421,429, respectively. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State statute. The District investment in LAIF is unrated as of June 30, 2017, and June 30, 2016. LAIF is not registered with the SEC.

NOTE 4. CAPITAL ASSETS

The following is a summary of changes in capital assets and depreciation for the year ended June 30, 2017:

	CAPITAL ASSETS AT JUNE 30, 2016	ADDITIONS AND TRANSFERS	DISPOSITIONS AND TRANSFERS	CAPITAL ASSETS AT JUNE 30, 2017
CAPITAL ASSETS BEING DEPRECIATED				
Administrative and scale:				
Equipment	$ 707,023	$ 6,218	$ -	$ 713,241
Facilities	1,396,210	15,613,927	-	17,010,137
Disposal and recycling:				
Equipment	17,064,574	1,436,452	(2,378,369)	16,122,657
Facilities	18,192,686	13,135	(725,493)	17,480,328
Power project	13,748,195	1,948,703	(520,812)	15,176,086
Module development	11,617,905	-	-	11,617,905
Total capital assets being depreciated	62,726,593	19,018,435	(3,624,674)	78,120,354
Accumulated depreciation	(37,797,354)	(2,676,923)	2,421,325	(38,052,952)
Total capital assets being depreciated – Net	25,514,225	16,341,513	(1,203,349)	40,067,402
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	578,210	-	-	578,210
Construction in progress	28,580,624	9,295,203	(17,536,754)	20,339,073
Total capital assets not being depreciated	29,158,834	9,295,203	(17,536,754)	20,917,283
CAPITAL ASSETS – NET	$ 54,673,059	$ 25,636,716	$ (18,740,103)	$ 60,984,685

NOTE 4. CAPITAL ASSETS (Continued)

The following is a summary of changes in capital assets and depreciation for the year ended June 30, 2016:

	CAPITAL ASSETS AT JUNE 30, 2015	ADDITIONS AND TRANSFERS	DISPOSITIONS AND TRANSFERS	CAPITAL ASSETS AT JUNE 30, 2016
CAPITAL ASSETS BEING DEPRECIATED				
Administrative and scale:				
Equipment	$ 692,180	$ 14,843	$ -	$ 707,023
Facilities	1,358,030	38,180	-	1,396,210
Disposal and recycling:				
Equipment	17,424,504	653,898	(1,013,828)	17,064,574
Facilities	17,593,234	599,452	-	18,192,686
Power project	11,613,234	2,134,961	-	13,748,195
Module development	11,617,905	-	-	11,617,905
Total capital assets being depreciated	60,299,087	3,441,334	(1,013,828)	62,726,593
Accumulated depreciation	(36,276,177)	(2,497,308)	976,131	(37,797,354)
Total capital assets being depreciated - Net	24,022,910	944,206	(37,697)	25,514,225
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	578,210	-	-	578,210
Construction in progress	8,331,777	24,326,046	(4,077,199)	28,580,624
Total capital assets not being depreciated	8,909,987	24,326,046	(4,077,199)	29,158,834
CAPITAL ASSETS – NET	$ 32,932,897	$ 25,270,072	$ (4,114,896)	$ 54,673,059

NOTE 5. LANDFILL CLOSURE AND POST CLOSURE CARE COSTS

State and federal laws and regulations require that the Monterey Regional Waste Management District place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the estimated future closure and post closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The District's updated Site Master Plan and Closure and Post closure Plan were approved by state regulatory agencies during the fiscal year ended June 30, 2006. The District completed an Updated Preliminary Closure and Post closure Maintenance Plan and a Joint Technical Document for Landfill Development in April 2010. In December 2016 revised Closure and Post Closure Maintenance Plans were submitted as part of the 5-Year Permit Review. These plans have not received official approval. The liability recognized for the estimated landfill closure and post closure care cost used the greater cost estimates and are $4,948,000 and $4,001,000 as of June 30, 2017 and 2016, respectively which was based on 19.0% and 18.0% usage (filled) of the landfill at that date. It is estimated that an additional $21,120,000 will be recognized as landfill closure and post closure care expenses between June 30, 2017, and the date the landfill is expected to be filled to capacity (in the year 2176). The current estimated total cost of the landfill closure and post closure care of $26,067,000 is based on the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the landfill were required as of June 30, 2017.

However, the actual cost of the landfill closure and post closure care may be higher due to inflation, changes in technology or changes in landfill laws and regulations.

The Monterey Regional Waste Management District is required by state and federal laws and regulations to make annual contributions to finance closure and post closure care. The District is in compliance with these requirements. At June 30, 2017 and 2016, investments of $1,500,000 and $1,359,000 were held to meet the state requirements. These investments are presented on the District's statements of net position as restricted assets. It is anticipated that future inflation costs will be financed in part from earnings on investments. The District meets the financial assurance test for federal purposes. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that might arise from changes in post closure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users.

NOTE 6. NET PENSION LIABILITIES

Plan Description, Benefits Provided and Employees Covered

The Plan is an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2016, Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

All permanent District employees are eligible to participate in the Public Employees' Retirement (Fund) of California's Public Employees' Retirement System (CalPERS). The Fund is an agent multiple-employer defined benefit plan that acts as a common investment and administrative agent for various local and state government agencies with the State of California. The Fund provides retirement, disability, and death benefits based on employees' age, years of service, and the highest year's compensation. Employees vest after five years of service and may receive retirement benefits commencing at age 50. These benefit provisions and all other requirements are established be state statute. A stand-alone report for the District's plan is not available; however, CalPERS' annual financial report can be found on their website: 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 yeas 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 Benefits, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are as specified by the California 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 to January 1, 2013
Benefit formula	2.0% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefits payments	monthly for life	monthly for life
Retirement age	50 – 63	52 – 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.0%	6.25%
Required employer contribution rates	14.35%	6.25%

NOTE 6. NET PENSION LIABILITIES (Continued)

Employees Covered

At June 30, 2015 and June 30, 2014, valuation dates, the following employees were covered by the benefit terms for each Plan:

Valuation as of June 30 –	2015	2014
Inactive employees or beneficiaries currently receiving benefits	45	40
Inactive employees entitled to but not receiving benefits	62	59
Active employees	106	107
Total	**213**	**206**

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

For the years ended June 30, 2017 and 2016, the District has paid the employer's and the employee has paid the employees' shares of the contributions. The contributions, were as follows:

	2017	2016
Employer	1,029,394	882,891
Employee	490,252	454,764

Net Pension Liability

The District's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability as of June 30, 2017, for the Plan is measured as of June 30, 2016, using an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

NOTE 6. NET PENSION LIABILITIES (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2015, actuarial valuation rolled forward to June 30, 2016, using standard update procedures, were determined using the following actuarial assumptions:

	Miscellaneous
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%
Payroll Growth	3.00%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return	7.50%
Mortality	Based on CalPERS Experience Study using Scale AA

Discount Rate – The discount rate used to measure the total pension liability was 7.65%. There was a change in the discount rate assumption due to the fact that the June 30, 2014 (measurement date), discount rate netted administrative expenses and therefore the rate was 7.5% for fiscal year ending June 30, 2015. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress-tested 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% 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% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

NOTE 6. NET PENSION LIABILITIES (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)

Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

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.

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

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-2018 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as CalPERS has changed their methodology.

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, staff 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 employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all 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.

NOTE 6. NET PENSION LIABILITIES (Continued)

The table below reflects 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. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 101(a)	Real Return Years Years 11+(b)
Global Equity	46.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	9.0%	0.45%	3.36%
Private Equity	8.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Other	2.0%	4.50%	5.09%
Liquidity	4.0%	-0.55%	-1.05%
Total	100.0%		

NOTE 6. NET PENSION LIABILITIES (Continued)

Changes in the Net Pension Liability

The following tables show the changes in net pension liability recognized over the measurement periods.

	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2015 (VD)	31,377,710	24,640,441	6,737,269
Changes Recognized for the Measurement Period:			
Service Cost	961,817	-	961,817
Interest on the Total Pension Liability	2,472,105	-	2,472,105
Changes of Benefit Terms	-	-	-
Differences between Expected and Actual Experience	1,022,612	-	1,022,612
Changes of Assumptions	-	-	-
Plan to Plan Resource Movement	-	-	-
Contributions from the Employer	-	882,891	(882,891)
Contributions from Employees	-	454,237	(454,237)
Net Investment Income	-	154,052	(154,052)
Benefit Payments, including Refunds of Employee Contributions	(1,132,272)	(1,132,272)	-
Administrative Expense	-	(15,017)	15,017
Net Changes during 2015–16	3,324,262	343,891	2,980,371
Balance at: 6/30/2016 (MD)	34,701,972	24,984,332	9,717,640

Notes to table:

Valuation Date (VD), Measurement Date (MD)

NOTE 6. NET PENSION LIABILITIES (Continued)

Changes in the Net Pension Liability (Continued)

	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2014 (VD)	29,291,415	23,762,462	5,528,953
Changes Recognized for the Measurement Period:			
Service Cost	911,692	-	911,692
Interest on the Total Pension Liability	2,229,562	-	2,229,562
Changes of Benefit Terms	-	-	-
Differences between Expected and Actual Experience	417,131	-	417,131
Changes of Assumptions	(567,504)	-	(567,504)
Plan to Plan Resource Movement	-	181	(181)
Contributions from the Employer	-	800,476	(800,476)
Contributions from Employees	-	458,764	(458,764)
Net Investment Income	-	557,377	(557,377)
Benefit Payments, including Refunds of Employee Contributions	(904,586)	(904,586)	-
Administrative Expense	-	(34,233)	34,233
Net Changes during 2014-15	2,086,295	877,979	1,208,316
Balance at: 6/30/2015 (MD)	31,377,710	24,640,441	6,737,269

Notes to table:

Valuation Date (VD), Measurement Date (MD)

NOTE 6. NET PENSION LIABILITIES (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate:

	2017	2016
1% Decrease	6.65%	6.65%
Net Pension Liability	$ 14,566,911	$ 11,170,211
Current Discount Rate	7.65%	7.65%
Net Pension Liability	$ 9,717,640	$ 6,737,269
1% Increase	8.65%	8.65%
Net Pension Liability	$ 5,714,165	$ 3,081,766

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the measurement periods ending June 30, 2015 and 2016 (the measurement dates), the District incurred a pension expense of $1,489,839 and $712,562, respectively for the Plan. A complete breakdown of the pension expense is as follows:

	2017	**2016**
Service cost	961,817	911,692
Interest on the total pension liability	2,472,105	2,229,562
Recognized differences between expected and actual experience	301,003	83,426
Plan to Plan Resource Movement	-	(181)
Recognized changes of assumptions	(113,501)	(113,501)
Employee contributions	(454,237)	(458,764)
Projected earnings on pension plan investments	(1,887,629)	(1,822,454)
Recognized differences between projected and actual earnings on:		
Plan investments	195,264	(151,451)
Administrative Expense	15,017	34,233
Total Pension Expense	1,489,839	712,562

NOTE 6. NET PENSION LIABILITIES (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the District for each Plan, calculated using the discount rate for the Plan, as well as what the District's 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 (in thousands):

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

Deferred Outflows/Inflows of Resources Related to Pensions

At June 30, 2017 and 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	2017		2016	
	Deferred Outflow	Deferred Inflow of Resources	Deferred Outflow	Deferred Inflow of Resources
Pension contributions subsequent to measurement date	$ 1,029,394	$ -	$ 882,891	$ -
Difference between actual and expected experience	$ 1,055,314	$ -	$ 333,705	$ -
Changes in assumptions	$ -	$ (340,502)	$ -	$ (454,003)
Net differences between projected and actual earnings on plan investments	$ 1,336,977	$ -	$ -	$ (201,336)
Total	$ 3,421,685	$ (340,502)	$ 1,216,596	$ (655,339)

The amounts above are net of outflows and inflow recognized in the 2015-2016 measurement period expense. $1,029,394 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2017	$ 382,766
2018	382,766
2019	787,236
2020	499,021
	$ 2,051,789

NOTE 7. POST EMPLOYMENT HEALTHCARE BENEFITS (OPEB)

Plan Description

The District maintains a single-employer, defined benefit healthcare plan (administered by the District). The District is obligated by a memorandum of understanding to contribute toward health insurance premiums for certain employees retired from the District at the age of 55 or older with at least five years of continuous employment with the District. Plan terms may be amended by the District and its bargaining units. Retirees are reimbursed at the rate of $20 a month for each year of District service. Payments are made until the retiree reaches the age of 65. Beginning in 2006, the monthly rate is increased by 2% each calendar year.

Funding Policy

The contribution requirements of the District are based on a pay-as-you go basis. The funding policy may be amended by the District and its bargaining units. For the fiscal year ended June 30, 2017 and 2016, the District contributed to the plan approximately $12,000 and $14,000, respectively.

As of June 30, 2017 and 2016, the District had 5 and 6 retirees, respectively, receiving benefits and 65 and 64 active employees eligible to receive benefits in the future, respectively.

Annual OPEB Cost and Net OPEB Obligation

Annual OPEB Cost and Net OPEB Obligation – The District's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB obligation to the Retiree Health Plan:

The District's annual other postemployment benefits (OPEB) expense is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any unfunded actuarial liabilities (or funding excess) amortized over thirty years.

NOTE 7. POST EMPLOYMENT HEALTHCARE BENEFITS (OPEB) (Continued)

The District's Annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2017 and June 30, 2016, are as follows:

	June 30, 2017	June 30, 2016
Annual OPEB cost/ARC	$77,000	$74,000
Less contributions made	(12,000)	(14,000)
Change in net OPEB obligation	65,000	60,000
Net OPEB obligation, beginning of year	438,000	378,000
Net OPEB obligation, end of year	$503,000	$438,000

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	$ 71,000	15.5%	$ 378,000
6/30/2016	$ 74,000	18.9%	$ 438,000
6/30/2017	$ 77,000	15.6%	$ 503,000

Funding Status and Funding Progress

The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45. The funded status of the plan was as follows:

	July 1, 2016	July 1, 2015	July 1, 2014
Actuarial accrued liability (AAL)	$640,000	$620,000	$600,000
Actuarial value of plan assets	-	-	-
Unfunded actuarial accrued liability (UAAL)	$640,000	$620,000	$600,000
Funded ratio (actuarial value of plan assets/AAL)	0.00%	0.00%	0.00%
Covered payroll	$5,750,000	$5,200,000	$4,900,000
UAAL as percentage of covered payroll	11.13%	11.92%	12.24%

NOTE 7. POST EMPLOYMENT HEALTHCARE BENEFITS (OPEB) (Continued)

The District's annual OPEB expense, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 and the two preceding fiscal years were as follows:

Methods and Assumptions

The projection of future benefit payments for an ongoing plan involves 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 cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer (ARC) 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, will present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan 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 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, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees- Active plan members were assumed to retire at age 62.

Mortality – Life expectancies were based on mortality tables from the National Center for Health Statistics. The 1999 United States Life Tables for Males and for Females were used.

Turnover – The District is not using historical age-based turnover experience of the covered group of employees. The District in accordance with GASB Statement 43, paragraph 40 has used Table 1 and Table 2 to determine the probability of remaining employed until assumed retirement age and the expected future working lifetime respectfully for purposes of allocating to periods the present value of total benefits to be paid.

Reimbursement cost trend rate – The expected rate of increase in reimbursement amounts was based on the plan at $20 a month per year of service escalated at 2.0% per year beginning in 2006.

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare and Medicaid Services. A rate of 9.5 percent initially, reduced to an ultimate rate of 5.6 percent after six years, was used.

Health insurance premiums – 2017 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

NOTE 7. POST EMPLOYMENT HEALTHCARE BENEFITS (OPEB) (Continued)

Inflation rate – The expected long-term inflation assumption of 3.3 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI–W) in the 2016 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds for an intermediate growth scenario

The discount rate used, 5.0%, is a blended rate reflecting the expected long-term investment returns on plan assets and the District's investments. The calculation of the blended rate was based on the historical and expected levels of employer contributions in relation to the ARC. In addition, the entry age actuarial cost method was used, and the actuarial value of plan assets is measured at fair value. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2017, was 22 years.

NOTE 8. REVENUE BONDS PAYABLE - NET

The 2015 Series A and B Revenue Bonds (revenue bonds) were sold, executed and delivered in the aggregate principal amount of $31,145,000 only as fully registered bonds in the denomination of $5,000 or any integral multiples thereof. The revenue bonds are dated and bear interest from May 28, 2015, at the rates per annum set forth below, payable semiannually on October 1 and April 1, commencing October 1, 2015, and will mature April 1 in the years and in the principal amounts set forth below. The Bank of New York Mellon Trust Company, Los Angeles, California, acts as trustee and Cede & Co, as the nominee of The Depository Trust Company, New York, New York, as registrar and paying agent for the 2015 Series A and Series B Revenue Bonds.

	June 30, 2016	ADDITIONS	REDUCTIONS	June 30, 2017	AMOUNTS DUE WITHIN ONE YEAR
BUSINESS-TYPE ACTIVITIES					
Revenue Bonds:					
Series A	$ 19,122,280	$ -	$ 660,636	$ 18,461,644	$ 650,000
Series B	12,743,792	-	468,047	12,275,745	460,000
Total Revenue Bonds	$ 31,866,072	$ -	$ 1,128,683	$ 30,737,389	$ 1,110,000

NOTE 8. REVENUE BONDS PAYABLE – NET (Continued)

The Trust Agreement provides that the 2015 Series A and Series B Revenue Bonds and the interest thereon are payable from, and are secured by a first pledge of and charge and lien upon the revenues derived by the Authority from the District under the Improvement Agreement, the Reserve Fund held under the Trust Agreement, and certain interest, profit and other income derived from certain funds held under the Trust Agreement, all under the terms and conditions set forth in the Trust Agreement.

The debt service requirements of the bonds for the remaining term is as follows.

Fiscal Year	Principal	Interest
2018	$ 1,192,762	$ 1,233,081
2019	1,254,903	1,188,681
2020	1,327,530	1,142,481
2021	1,411,498	1,094,281
2022	1,485,354	1,036,981
2023-28	9,884,490	4,881,724
2029-34	11,952,662	2,400,319
2035	2,228,190	92,300
	$ 30,737,389	$ 13,069,848

NOTE 9. INSTALLMENT SALE ARGEEMENT OBLIGATIONS

The District entered into an installment sale agreement in March 2017 for the purchase of disposal and recycling equipment. The installment sale agreement expires in 2022. The assets and liabilities under this agreement are recorded at the present value of the installment payments. The asset is depreciated over its estimated productive live as title transfers at the end of the agreement. Depreciation of asset under the installment agreement is included in depreciation expense.

Following is a summary of property held under capital leases at June 30, 2017:

	Balance at Beginning of Year	Additions	Disposals	Balance at End of Year
Disposal/recycling equipment	$ -	$ 1,150,000	$ -	$ 1,150,000
Accumulated Depreciation	$ -	$ (48,707)	$ -	$ (48,707)
	$ -	$ 1,101,293	$ -	$ 1,101,293

NOTE 9. INSTALLMENT SALE ARGEEMENT OBLIGATIONS (Continued)

Minimum future payments under agreement as of June 30, 2017 for each of the next five years and in the aggregate are:

Fiscal Year	Amount
2018	$ 247,534
2019	247,534
2020	247,534
2021	247,534
2022	247,534
Total minimum payments	1,237,670
Less amount representing interest	87,670
Present value of future minimum payments	1,150,000
Less current portion of installment sale obligations	218,784
Total long term installment sale obligations	$ 931,216

NOTE 10. JOINT POWERS AGREEMENT

The District participates in a joint powers agreement (JPA) with the Special District Risk Management Authority (SDRMA). The relationship between the District and the SDRMA is such that the JPA is not a component unit of the District for financial reporting purposes.

SDRMA was formed under a joint powers agreement pursuant to California Government Code Section 6500 et seq. effective August 1, 1986, to provide general liability, comprehensive/collision liability, property damage and errors and omissions risk financing for the member districts. SDRMA merged with Special District Workers' Compensation Authority (SWCA) on July 1, 2003, and now provides its members with workers' compensation coverage. 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 participating districts. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by 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 District's share of year-end assets, liabilities and risk margin has not been calculated by the SDRMA. For the year ended June 30, 3017, the District made payments of $606,311 to SDRMA for insurance premiums.

NOTE 11. COMMITMENTS

In January 2015, the District entered into an agreement for the design, construction, operation and maintenance of a compressed methane vehicle fueling facility using natural gas or biogas. The cost of the agreement will be recovered from the sale of the fuel. The ownership of the fueling facility will transfer to the District after the delivery of 6.1 million gasoline-gallon-equivalents of fuel. The fuel will be used by the District vehicles, the franchise hauler serving the local jurisdictions and for sale under contract to other fleet operators.

In October 2015, the District entered into an agreement for the purchase and installation of Materials Recovery Facility improvement project. The contract price including change orders of $15,561,035 is for the design, manufacture and installation of the mixed waste and commingle/single stream and construction/demolition of self-haul material recovery facility system of equipment. As of June 30, 2017, the balance to finish plus retainage was $740,745.

In March 2017, the District entered into an agreement for the Material Recovery Facility Building Improvements in the amount of $5,790,861 including change orders. As of June 30, 2017, the balance to finish plus retainage was $3,439,318.

In August 2017, the District entered into an agreement for the Material Recovery Facility Site Improvements in the amount of $1,077,128.

NOTE 12. CONCENTRATION IN SALES TO CUSTOMERS

In 2017, the District's two largest customers accounted for approximately 36% and 15% of sales. In 2016, the largest customers accounted for 27% and 14% of sales.

NOTE 13. CONTINGENCIES

The District is, from time to time, involved in lawsuits arising in the ordinary course of District operations, which, in the opinion of management, will not have a material effect on the results of operations.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS DURING THE MEASUREMENT PERIODS

Measurement Period	2016	2015[1]	2014[1]
Total Pension Liability			
Service Cost	$ 961,817	$ 911,692	$ 911,220
Interest	2,472,105	2,229,562	2,042,432
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	1,022,612	417,131	-
Changes of Assumptions	-	(567,504)	-
Benefit Payments, Including Refunds of Employee Contributions	(1,132,272)	(904,586)	(878,085)
Net Change in Total Pension Liability	3,324,262	2,086,295	2,075,567
Total Pension Liability – Beginning	31,377,710	29,291,415	27,215,848
Total Pension Liability – Ending (a)	$ 34,701,972	$ 31,377,710	$ 29,291,415
Plan Fiduciary Net Position:			
Contributions – Employer	$ 882,891	$ 800,476	$ 722,039
Contributions – Employee	454,237	458,764	411,403
Net Investment Income[2]	154,052	557,377	3,522,944
Benefit Payments, Including Refunds of Employee Contributions	(1,132,272)	(904,586)	(878,085)
Plan to Plan Resource Movement	-	181	-
Administrative Expense	(15,017)	(34,233)	-
Other Changes in Fiduciary Net Position	-	-	-
Net Change in Fiduciary Net Position	343,891	877,979	3,778,301
Plan Fiduciary Net Position – Beginning	$ 24,640,441	$ 23,762,462	$ 19,984,161
Plan Fiduciary Net Position – Ending (b)	24,984,332	24,640,441	23,762,462
Plan Net Pension Liability – Ending (a) – (b)	$ 9,717,640	$ 6,737,269	$ 5,528,953
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.00%	78.53%	81.12%
Covered Payroll	$ 6,527,433	$ 6,066,619	$ 5,829,943
Plan Net Pension Liability as a Percentage of Covered – Payroll	148.87%	111.05%	94.84%

Notes to Schedule:

[1] Historical information is required only for measurement periods for which GASB 68 is applicable.

[2] Net of administrative expenses.

The discount rate was changed from 7.5% in 2015 to 7.65% in 2016.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS DURING THE MEASUREMENT PERIODS (Continued)

Notes to the schedule of changes in net pension liability:

Changes of Assumptions: In 2016, there were no changes. In 2015, the amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

SCHEDULE OF PENSION PLAN CONTRIBUTIONS [1]

Fiscal Year	2017	2016	2015	2014
Actuarially Determined Contribution [2]	$1,029,394	$ 882,891	$ 800,476	$ 722,039
Contributions in Relation to the Actuarially Determined Contribution [2]	(1,029,394)	(882,891)	(800,476)	(722,039)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll [3]	9,234,169	6,527,433	6,066,619	5,829,943
Contributions as a Percentage of Covered Payroll [3]	11.15%	13.53%	13.19%	12.39%

Notes to Schedule:

1 Historical information is required only for measurement periods for which GASB 68 is applicable.

2 Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions toward their unfounded liability. Employer contributions for such plans exceed the actuarially determined contributions.

3 Includes one year’s payroll growth using 3.00 percent payroll assumption.

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

POST EMPLOYMENT HEALTHCARE BENEFITS (OPEB)

Schedule of Funding Progress for the Retiree Health Plan

	Actuarial accrued liability (AAL)	Actuarial value of plan assets	Unfunded actuarial accrued liability (UAAL)	Funded ratio (actuarial value of plan assets/AAL)	Covered payroll	UAAL as percentage of covered payroll
July 1, 2016	$640,000	-	$640,000	0.00%	$5,750,000	11.13%
July 1, 2015	$620,000	-	$620,000	0.00%	$5,200,000	11.92%
July 1, 2014	$600,000	-	$600,000	0.00%	$4,900,000	12.24%

See Independent Auditor’s Report.

OTHER SUPPLEMENTARY INFORMATION

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

COMBINING SCHEDULE OF NET POSITION (Unaudited)

JUNE 30, 2017

	DISTRICT	AUTHORITY	TOTALS	ELIMI–NATING ENTRIES	TOTALS
CURRENT ASSETS:					
Cash and cash equivalents	$ 12,772,133	$ –	$ 12,772,133	$ –	$ 12,772,133
Accounts receivable – trade–net	1,720,921	–	1,720,921	–	1,720,921
Power sales receivable	562,038	–	562,038	–	562,038
Accrued interest receivable	34,191	–	34,191	–	34,191
Other receivables	719,779	–	719,779	–	719,779
Prepaid expenses	757,966	–	757,966	–	757,966
Total current assets	16,567,028	–	16,567,028	–	16,567,028
RESTRICTED CASH AND CASH EQUIVALENTS:					
Cash and cash equivalents held by Trustee for reserve account	–	2,349,925	2,349,925	–	2,349,925
Cash and cash equivalents held by Bank for bond capital expenditures	465,960	–	465,960	–	465,960
Cash and cash equivalents held by LAIF – reserved for landfill closure and post closure care costs	1,500,000	–	1,500,000	–	1,500,000
Cash and cash equivalents held by LAIF – reserved for environmental impairment fund	1,000,000	–	1,000,000	–	1,000,000
Total restricted cash and cash equivalents	2,965,960	2,349,925	5,315,885	–	5,315,885
DEPOSIT	155,000	–	155,000	–	155,000
DUE FROM DISTRICT	–	26,820,075	26,820,075	(26,820,075)	–
CAPITAL ASSETS – NET	60,847,139	–	60,847,139	–	60,847,139
INTANGIBLE ASSETS – NET	137,546	–	137,546	–	137,546
Total Assets	80,672,673	29,170,000	109,842,673	(26,820,075)	83,022,598
DEFERRED OUTFLOWS	3,421,685	–	3,421,685	–	3,421,685
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 84,094,358	$ 29,170,000	$113,264,358	$(26,820,075)	$ 86,444,283

See Independent Auditor's Report.

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

COMBINING SCHEDULE OF NET POSITION (Unaudited) (Continued)

JUNE 30, 2017

	DISTRICT	AUTHORITY	TOTALS	ELIMI– NATING ENTRIES	TOTALS
CURRENT LIABILITIES:					
Accounts payable	$ 2,122,108	$ –	$ 2,122,108	$ –	$ 2,122,108
Security deposits	52,893	–	52,893	–	52,893
Accrued liabilities:					
Compensated absences	318,761	–	318,761	–	318,761
State/County waste management fees	274,262	–	274,262	–	274,262
Payroll and payroll liabilities	111,451	–	111,451	–	111,451
Revenue bonds and equipment lease interest	315,139	–	315,139	–	315,139
Current portion of capital lease payable	223,855	–	223,855	–	223,855
Current portion of revenue bonds payable	–	1,110,000	1,110,000	–	1,110,000
Total current liabilities	3,418,469	1,110,000	4,528,469	–	4,528,469
ACCRUED LIABILITES:					
Compensated absences	1,284,939	–	1,284,939	–	1,284,939
Capital lease payable	931,216	–	931,216	–	931,216
Net pension liability	9,717,640	–	9,717,640	–	9,717,640
Due to Authority	26,820,075	–	26,820,075	(26,820,075)	–
Revenue bonds payable - net	1,567,389	28,060,000	29,627,389	–	29,627,389
ESTIMATED LIABILITY FOR LANDFILL CLOSURE AND POST CLOSURE CARE COSTS	4,948,000	–	4,948,000	–	4,948,000
Total liabilities	48,687,728	29,170,000	77,857,728	(26,820,075)	51,037,653
DEFERRED INFLOWS	340,502	–	340,502	–	340,502
NET POSITION:					
Net investment in capital assets	32,131,965	(2,349,925)	29,782,040	–	29,782,040
Restricted	2,500,000	2,349,925	4,849,925	–	4,849,925
Unrestricted	434,163	–	434,163	–	434,163
Total net position	35,066,128	–	35,066,128	–	35,066,128
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 84,094,358	$ 29,170,000	$113,264,358	$(26,820,075)	$ 86,444,283

See Independent Auditor’s Report.

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Unaudited)

FOR THE YEAR ENDED JUNE 30, 2017

	DISTRICT	AUTHORITY	TOTALS	ELIMI–NATING ENTRIES	TOTALS
OPERATING REVENUES:					
Disposal fees	$ 23,286,074	$ –	$ 23,286,074	$ –	$ 23,286,074
Last Chance Mercantile sales	799,070	–	799,070	–	799,070
Scale and operational services	771,760	–	771,760	–	771,760
Power sales	667,986	–	667,986	–	667,986
Recycled material sales	403,642	–	403,642	–	403,642
Landscape product sales	284,008	–	284,008	–	284,008
Sand sales	216,364	–	216,364	–	216,364
Total operating revenues	26,428,904	–	26,428,904	–	26,428,904
OPERATING EXPENSES:					
Salaries	7,955,365	–	7,955,365	–	7,955,365
Employee benefits	4,335,132	–	4,335,132	–	4,335,132
Depreciation and amortization	2,676,923	–	2,676,923	–	2,676,923
Taxes, licenses and permits	1,324,725	–	1,324,725	–	1,324,725
Maintenance of structures and equipment	1,296,724	–	1,296,724	–	1,296,724
Fuel	1,060,102	–	1,060,102	–	1,060,102
Landfill closure and post closure care costs	947,000	–	947,000	–	947,000
Recycling	790,788	–	790,788	–	790,788
Gas project maintenance	637,315	–	637,315	–	637,315
Professional services	599,312	–	599,312	–	599,312
Contractual services	569,514	–	569,514	–	569,514
Operating supplies	565,234	–	565,234	–	565,234
Hazardous waste program	202,022	–	202,022	–	202,022
Utilities	194,931	–	194,931	–	194,931
Insurance	181,783	–	181,783	–	181,783
Public awareness	168,811	–	168,811	–	168,811
Office	155,621	–	155,621	–	155,621
Safety equipment and supplies	123,601	–	123,601	–	123,601
Environmental services	93,348	–	93,348	–	93,348
Education, meetings and travel	91,007	–	91,007	–	91,007
Miscellaneous	28,785	–	28,785	–	28,785
Bad debt expense	27,549	–	27,549	–	27,549
Directors' fees	4,865	–	4,865	–	4,865
Total operating expenses	24,030,457	–	24,030,457	–	24,030,457
OPERATING INCOME	2,398,447	–	2,398,447	–	2,398,447

See Independent Auditor's Report.

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Unaudited) (Continued)

FOR THE YEAR ENDED JUNE 30, 2017

	DISTRICT	AUTHORITY	TOTALS	ELIMI– NATING ENTRIES	TOTALS
OPERATING INCOME – Forward	$ 2,398,447	$ –	$ 2,398,447	$ –	$ 2,398,447
NON–OPERATING REVENUES (EXPENSES):					
Interest income	116,930	–	116,930	–	116,930
Rents and leases	178,237	–	178,237	–	178,237
Loss on disposition of Fixed Assets	(1,203,349)	–	(1,203,349)	–	(1,203,349)
Interest expense – revenue bonds and capital leases	(372,588)	–	(372,588)	–	(372,588)
Other income (expense)	47,569	–	47,569	–	47,570
Total non–operating revenues (expenses)	(1,233,201)	–	(1,233,201)	–	(1,233,201)
INCREASE IN NET POSITION	1,165,246	–	1,165,246	–	1,165,246
NET POSITION, BEGINNING OF YEAR	33,900,881	–	33,900,881	–	33,900,881
NET POSITION, END OF YEAR	$ 35,066,127	$ –	$ 35,066,127	$ –	$ 35,066,128

See Independent Auditor's Report.

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

COMBINING SCHEDULE OF CASH FLOWS (Unaudited)

FOR THE YEAR ENDED JUNE 30, 2017

	DISTRICT	AUTHORITY	TOTALS	ELIMI– NATING ENTRIES	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	$ 26,096,653	$ –	$ 26,096,653	$ –	$ 26,096,653
Cash paid to employees	(11,700,954)	–	(11,700,954)	–	(11,700,954)
Cash payments for goods and services	(7,588,459)	–	(7,588,459)	–	(7,588,459)
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,807,240	–	6,807,240	–	6,807,240
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES –					
Other non-operating revenues	230,144	–	230,144	–	230,144
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	230,144	–	230,144	–	230,144
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Payments for capital acquisitions	(10,776,884)	–	(10,776,884)	–	(10,776,884)
Proceeds from installment sale agreement	1,150,000	–	1,150,000	–	1,150,000
Principal paid on revenue bonds	(1,128,683)	–	(1,128,683)	–	(1,128,683)
Interest paid on revenue bonds and capital leases	(372,588)	–	(372,588)	–	(372,588)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(11,128,155)	–	(11,128,155)	–	(11,128,155)
CASH FLOWS FROM INVESTING ACTIVITIES –					
Investment income	96,559	–	96,559	–	96,559
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,994,212)	–	(3,994,212)	–	(3,994,212)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	22,082,230	–	22,082,230	–	22,082,230
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 18,088,018	$ –	$ 18,088,018	$ –	$ 18,088,018

See Independent Auditor’s Report.

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

COMBINING SCHEDULE OF CASH FLOWS (Unaudited) (Continued)

FOR THE YEAR ENDED JUNE 30, 2017

	DISTRICT	AUTHORITY	TOTALS	ELIMI– NATING ENTRIES	TOTALS
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income	$ 2,398,447	$ –	$ 2,398,447	$ –	$ 2,398,447
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	2,676,923	–	2,676,923	–	2,676,923
Estimated liability for landfill closure and post closure care costs	947,000	–	947,000	–	947,000
(Increase) decrease in:					
Accounts receivable – trade–net	156,909	–	156,909	–	156,909
Power sales receivable	(345,579)	–	(345,579)	–	(345,579)
Other receivables	(157,753)	–	(157,753)	–	(157,753)
Prepaid expenses	(115,563)	–	(115,563)	–	(115,563)
Deferred outflows	(2,205,090)	–	(2,205,090)	–	(2,205,090)
Increase (decrease) in:					
Accounts payable	596,427	–	596,427	–	596,427
Security deposits	50,222	–	50,222	–	50,222
Accrued compensated absences	119,416	–	119,416	–	119,416
Accrued State/County waste management fees	19,165	–	19,165	–	19,165
Accrued payroll and payroll liabilities	9,863	–	9,863	–	9,863
Deferred revenue	(8,500)	–	(8,500)	–	(8,500)
Net pension liabilities/Deferred inflows	2,665,353	–	2,665,353	–	2,665,353
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 6,807,240	$ –	$ 6,807,240	$ –	$ 6,807,240
CASH AND CASH EQUIVALENTS AT JUNE 30:					
Unrestricted cash and cash equivalents	$ 12,772,133	$ –	$ 12,772,133	$ –	$ 12,772,133
Restricted cash and cash equivalents held with:					
Bank for bond restricted capital projects	465,960	–	465,960	–	465,960
Bond Trustee for bond reserve fund	2,349,925	–	2,349,925	–	2,349,925
LAIF for landfill closure and post closure care costs	1,500,000	–	1,500,000	–	1,500,000
LAIF for environmental impairment fund	1,000,000	–	1,000,000	–	1,000,000
Total restricted cash and cash equivalents	5,315,885	–	5,315,885	–	5,315,885
TOTAL CASH AND CASH EQUIVALENTS, END OF YEAR	$ 18,088,018	$ –	$ 18,088,018$	$ –	$ 18,088,018

See Independent Auditor's Report.

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION ACTUAL TO BUDGET (Unaudited)

FOR THE YEAR ENDED JUNE 30, 2017

	ACTUAL	DISTRICT BUDGET	VARIANCE
OPERATING REVENUES:			
Disposal fees	$ 23,286,074	$ 17,960,000	$ 5,326,074
Last Chance Mercantile sales	799,070	775,000	24,070
Scale and operational services	771,760	750,000	21,760
Power sales	667,986	1,200,000	(532,014)
Recycled material sales	403,642	275,000	128,642
Landscape product sales	284,008	400,000	(115,992)
Sand sales	216,364	250,000	(33,636
Total operating revenues	26,428,904	21,610,000	4,818,904
OPERATING EXPENSES:			
Salaries	7,955,365	7,620,000	335,365
Employee benefits	4,335,132	3,923,000	412,132
Depreciation and amortization	2,676,923	3,250,000	(573,077)
Taxes, licenses and permits	1,324,725	1,095,000	229,725
Maintenance of structures and equipment	1,296,724	635,000	661,724
Fuel	1,060,102	985,000	75,102
Landfill closure and post closure care costs	947,000	230,000	717,000
Recycling	790,788	455,000	335,788
Gas project maintenance	637,315	1,275,000	(637,685)
Professional services	599,312	530,000	69,312
Contractual services	569,514	475,000	94,514
Operating supplies	565,234	130,000	435,234
Hazardous waste program	202,022	235,000	(32,978)
Utilities	194,931	50,000	144,931
Insurance	181,783	210,000	(28,217)
Public awareness	168,811	150,000	18,811
Office	155,621	125,000	30,621
Safety equipment and supplies	123,601	110,000	13,601
Environmental services	93,348	150,000	(56,652)
Education, meetings and travel	91,007	70,000	21,007
Miscellaneous	28,785	20,000	8,785
Bad debt expense	27,549	–	27,549
Directors' fees	4,865	15,000	(10,135)
Total operating expenses	24,030,457	21,738,000	2,292,457
INCOME FROM OPERATIONS	2,398,447	(128,000)	2,526,447

See Independent Auditor's Report.

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION ACTUAL TO BUDGET (Unaudited) (Continued)

FOR THE YEAR ENDED JUNE 30, 2017

	ACTUAL	DISTRICT BUDGET	VARIANCE
INCOME FROM OPERATIONS	$ 2,398,447	$ (128,000)	$ 2,526,447
NON–OPERATING REVENUES (EXPENSES)			
Interest income	116,930	30,000	86,930
Rent and leases	178,237	295,000	(116,763)
Loss on disposition of fixed assets	(1,203,349)	-	(1,203,349)
Interest expense	(372,588)	(1,265,000)	892,412
Other income (expense)	47,569	5,000	42,569
Total non-operating revenues (expenses)	(1,233,201)	(935,000)	(298,201)
INCREASE (DECREASE) IN NET POSITION	$ 1,165,246	$ (1,063,000)	$ 2,228,246

See Independent Auditor’s Report.