MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED
JUNE 30, 2018 AND 2017

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT
ANNUAL REPORT

TABLE OF CONTENTS
JUNE 30, 2018

BOARD OF DIRECTORS

FOR THE YEAR ENDED
JUNE 30, 2018

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		

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 years ended June 30, 2018 and 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.

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Opinion

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, 2018 and 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in note 1, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

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 ratio, schedule of pension plan contributions, and schedule of changes in the district's total OPEB liability and related ratios on pages 4—14 and 50—52 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 combining schedules and the budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules and the budgetary comparison schedules 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 schedules and the budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Vavrinek, Trine, Day LLP

Palo Alto, California
February 7, 2019

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2018 and JUNE 30, 2017

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, 2018. 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.

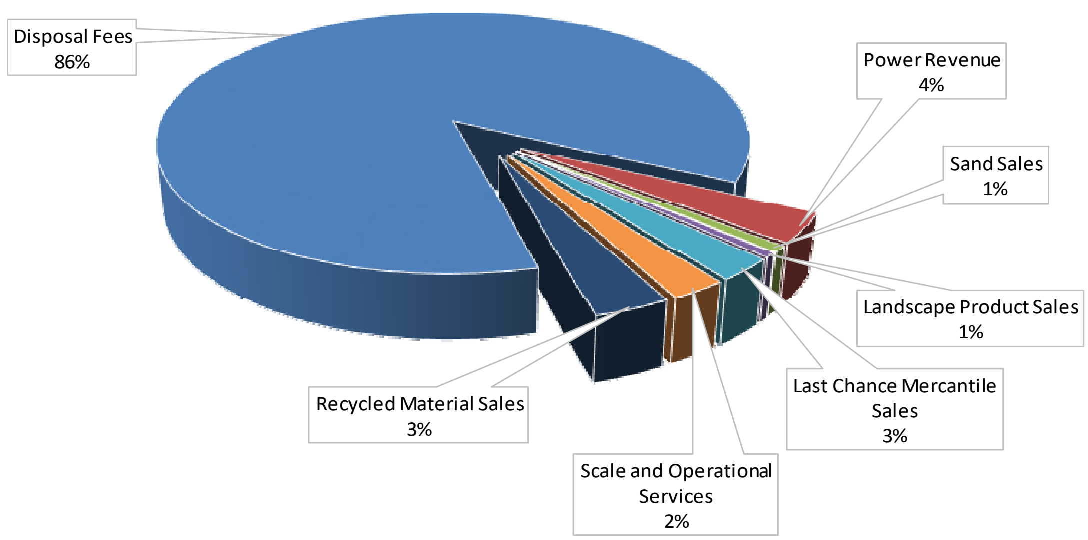
FINANCIAL HIGHLIGHTS

- Operating revenues increased by 11.4 percent to $29.4 million and operating expenses increased by 20.9 percent to $29.0 million.
- Capital expenditures for buildings, equipment and infrastructure were $10.4 million.
- Operating revenues were above budgeted revenues by $3.0 million. Operating expenses were above budgeted amounts by $3.1 million. Non-operating revenues/expenses were unfavorable to budgeted levels by $1.0 million.

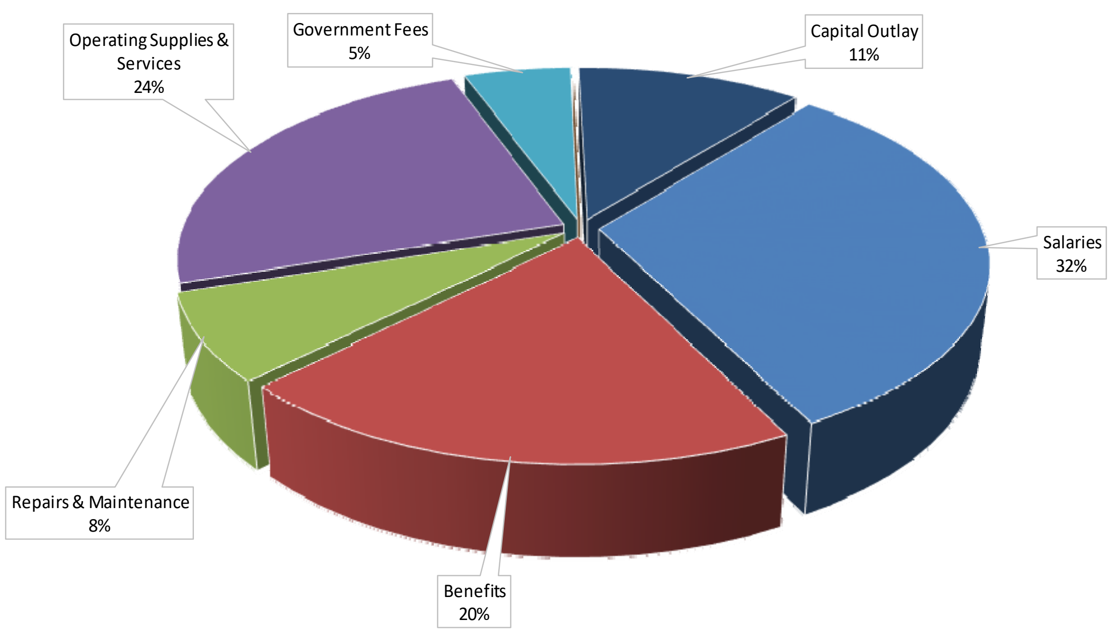
FINANCIAL HIGHLIGHTS (Continued)

The following figures show the District's sources of revenues and areas of expenditures for fiscal year 2018:

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 deficit 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 ($11.6 million) and the Total Other Postemployment Benefits Liability in accordance with GASB Statement No. 75. ($2.3 million).

The District's total net position at June 30, 2018, was approximately $34.0 million, a 3.14 percent decrease over net position at June 30, 2017 (See Table A-1). Total assets and deferred outflows increased by 2.0 percent to $88.2 million and total liabilities and deferred inflows increased 5.4 percent to $54.2 million.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

				Change	
	2018	2017	2016	2018 to 2017	2017 to 2016
Current Assets	$ 11,011	$ 16,567	$ 13,468	-33.5%	23.0%
Restricted Assets	4,850	5,316	11,927	-8.8%	-55.4%
Deposits	155	155	155	0.0%	0.0%
Capital Assets–Net	68,394	60,848	53,934	12.4%	12.8%
Intangible Assets–Net	138	137	154	0.4%	-11.0%
Total Assets	84,548	83,023	79,638	1.8%	4.2%
Deferred Outflows	3,636	3,422	1,216	6.3%	181.4%
Total Assets and Deferred Outflows	$ 88,184	$ 86,444	$ 80,854	2.0%	6.9%
Current Liabilities	$ 4,807	$ 4,528	$ 3,573	6.1%	26.7%
Non–Current Liabilities	15,460	11,401.79	7,938	35.6%	43.6%
Revenue Bonds Payable	28,390	29,627	30,786	-4.2%	-3.8%
Estamated Closure/Post Closure Costs	5,336	4,948	4,001	7.8%	23.7%
Total Liabilities	53,992	50,506	46,298	6.9%	9.1%
Deferred Inflows	227	341	655	-33.3%	-48.0%
Total Liabilities and Deferred Inflows	$ 54,219	$ 50,846	$ 46,298	6.6%	9.8%
Net Position:					
Invested in Capital Assets– Net of Debt	38,056	29,782	29,440	27.8%	1.2%
Restricted	4,850	4,850	4,709	0.0%	3.0%
Unrestricted	(8,941)	434	(248)	-2159.3%	-275.1%
Total Net Position	33,965	35,066	33,901	-3.1%	3.4%
Total Liabilities, Deferred Inflows, and Net Position	$ 88,184	$ 85,912	$ 80,854	2.6%	6.3%

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Revenues, Expenses and Changes in Net Position

Operating revenues increased by 11.4% to $29,446,000 (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 16.8% increase in tonnage received under contract for disposal only.
- Power revenue increased by 55.4% due primarily to fewer operational interruptions compared to the prior year when the power generating engines were offline due to repairs.
- Recycled material sales increased by 285.1% due primarily to the re-opening of the material recovery facility (MRF) in February 2018 and increased commodity shipments.
- Scale and operational services decreased 2.3% compared to the prior year.
- Sand sales increased 0.8% compared to the prior year.
- Last Chance Mercantile sales decreased by 1.1% due to decreased donations of higher valued items for resale as a result of competition from other sellers of recycled products and the shutdown of the material recovery facility for the installation of new processing machinery.

Operating expenses increased by 20.9% to $29,043,000. Salaries increased by 15.3%, 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 35.7% due to increases in health insurance participation and pension and OPEB as computed in accordance with GASB 68 and GASB 75 and partially offset by a reduction in workers compensation costs. Repairs and maintenance increased by 11.8% 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 44.9% 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 16.2% due primarily to the increase in waste received subject to contract pricing. The Closure/Postclosure Costs increased by 117.1% 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)

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

	2018	2017	2016	Change 2018 to 2017	Change 2017 to 2016
Operating Revenues					
Disposal Fees	$ 25,459	$ 23,286	$ 21,302	9.3%	9.3%
Power Sales	1,038	668	815	-1.1%	-18.0%
Last Chance Mercantile Sales	790	799	822	55.4%	-2.8%
Recycled Material Sales	1,034	404	378	-4.3%	6.9%
Landscape Product Sales	168	284	308	0.8%	-7.8%
Scale and Operational Services	739	772	763	156.1%	1.2%
Sand Sales	218	216	242	-40.8%	-10.7%
Total Operating Revenues	29,446	26,429	24,630	11.4%	7.3%
Operating Expenses					
Salaries	9,174	7,955	7,121	15.3%	11.7%
Employee Benefits	5,883	4,335	3,409	35.7%	27.2%
Depreciation and Amortization	2,865	2,677	2,497	7.0%	7.2%
Repairs and Maintenance	2,414	1,894	2,188	27.4%	-11.6%
Operating Supplies, Services and Other Expenses	5,514	5,779	4,241	-4.6%	14.5%
Taxes, Licenses and Permits	1,892	791	1,183	139.3%	12.0%
Closure/Post Closure Costs	1,301	599	223	117.1%	324.7%
Total Operating Expenses	29,043	24,030	20,862	20.9%	15.2%
Operating Income	402	2,398	3,768	-83.2%	-36.3%
Non-Operating Revenues (Expenses)					
Interest Income	188	117	89	30.7%	30.7%
Other Revenue (Expenses)	357	(978)	(432)	(126.3%)	(126.3%)
Interest Expense-Revenue Bonds and Capital Leases	(490)	(373)	-	-	-
Total Non-Operating Revenues (Expenses)	55	(1,233)	(343)	-104.5%	259.5%
Change in Net Position	458	1,165	3,425	-60.7%	-66.0%
Total Net Position - Beginning of Year*	33,508	33,901	30,476	-1.2%	11.2%
Total Net Position - End of Year	$ 33,965	$ 35,066	$ 33,901	-3.1%	3.4%

* The beginning net position of 2018 was restated due to implementation of GASB Statement No. 75, postemployment benefits other than pension (OPEB).

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Operating Revenue and Expenses by Department

- 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) revenue is from charges for small quantity generators.
- Last Chance Mercantile (LCM) revenue 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 benefit 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 $29.4 million were $1.7 million above budget and non-operating revenue were $1.0 million above budget amounts. 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 increased 55.4% due to fewer operational interruptions this year compared to the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Budget Highlights (Continued)

Operating expenses of $29.0 million were $3.2 million above budget. Salary expenses and benefits are $1.86 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. Recycling costs were $757,000 above budget due to credits given to the District's contract waste customer and increased wood waste processing costs. Gas project maintenance were $70,000 above budget due to higher maintenance costs on the power generating engines. Professional services costs were $604,000 above budget due in part to costs incurred to monitor landfill gas. 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). The contractual services were above budget due to the cost of more temporary workers in the MRF. Recycling services were above budget due to higher wood waste processing costs and higher costs related to processing MRF material Other categories over budget were fuel – $100,000, taxes, licenses and permits – $394,000, Closure/Post Closure – $128,000, operating supplies – $485,000, office – $12,000, education, meetings and travel – $45,000, contractual services – $175,000, public awareness – $16,000, utilities – $5,000, insurance – $5,000, and miscellaneous – $27,000.

There were several items under budget; depreciation and amortization – $1,385,000, maintenance of structures and equipment – $455,000, hazardous waste program – $85,000, environmental services – $182,000, safety equipment and supplies - $2,000, directors' fees – $14,000 and bad debt expense – $1,000.

Capital Assets and Debt Administration

Capital Assets

The District's capital assets, net of accumulated depreciation, at June 30, 2018, totaled $68.5 million. (See Table A-3). The increase of $7.5 million from the prior year is expenditures for the material recovery facility improvement project.

Capital Assets and Debt Administration (Continued)

Table A–3
Capital Assets
(net of depreciation, in thousands of dollars)

	2018	2017	2016	Change 2018-17	Change 2016-15
Land	$ 578	$ 578	$ 578	0.0%	0.0%
Facilities and Infrastructure	22,143	23,279	8,722	-4.9%	166.9%
Equipment	28,235	3,098	3,509	811.4%	-11.7%
Power Project	6,093	6,710	5,604	-9.2%	19.7%
Module Development	6,745	6,843	6,941	-1.4%	-1.4%
Intangible Assets	45	138	154	-67.6%	-10.7%
Construction in Progress	4,615	20,339	28,581	-77.3%	-28.8%
	$ 68,455	$ 60,985	$ 54,089	12.2%	12.7%

This year's major capital asset additions include:

- $18,245,000 for materials recovery facility improvement project construction in progress.
- $510,000 for landfill gas engine/generator replacement construction in progress.

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 2018, principal payments of $1,110,000 were made, leaving a balance of $28,060,000. The District was in compliance with the bond covenants at June 30, 2018 and 2017.

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

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 went into operation in March 2018. There is a scheduled refuse rate increase of 10.7% effective July 1, 2018. 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 and California Recycling claims. 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, 2018 AND 2017

	2018	2017
ASSETS AND DEFERRED OUTFLOWS		
Current assets		
Cash and cash equivalents (Note 3)	$ 6,327,312	$ 12,772,132
Accounts receivable, net	2,012,967	1,720,921
Power sales receivable	873,005	562,038
Accrued interest receivable	45,000	34,192
Other receivables	564,094	719,779
Prepaid expenses	1,188,528	757,966
Total current assets	11,010,906	16,567,028
Non-current assets		
Restricted cash and cash equivalents (Note 3)	4,849,926	5,315,885
Deposits	155,000	155,000
Capital assets, net (Note 4)	68,531,986	60,984,685
Total noncurrent assets	73,536,912	66,455,570
Total assets	84,547,818	83,022,598
Deferred outflows of resources		
Pension related amounts (Note 6)	3,636,428	3,421,685
Total assets and deferred outflows of resources	$ 88,184,246	$ 86,444,283

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

STATEMENT OF NET POSITION (Continued)
JUNE 30, 2018 AND 2017

LIABILITIES, DEFERRED INFLOWS AND NET POSITION	2018	2017
Current liabilities		
Accounts payable	$ 2,322,893	$ 2,127,179
Security deposits	52,944	52,893
Compensated absences	318,761	318,761
State/County waste management fees	309,615	274,262
Payroll and payroll liabilities	120,751	111,451
Revenue bonds and equipment lease interest payable	302,688	315,139
Current portion of revenue bonds payable (Note 8)	1,155,000	1,110,000
Current portion of installment sale obligation (Note 9)	224,253	218,784
Total current liabilities	4,806,905	4,528,469
Non-current liabilities		
Compensated absences	878,599	752,931
Long-term portion of installment sale obligation (Note 9)	706,963	931,216
Net pension liability (Note 6)	11,596,359	9,717,640
Total OPEB liability (Note 7)	2,277,639	-
Net OPEB obligation	-	532,008
Revenue bonds payable, net (Note 8)	28,389,626	29,627,389
Landfill closure and post closure care (Note 5)	5,336,000	4,948,000
Total noncurrent liabilities	49,185,186	46,509,184
Total liabilities	53,992,091	51,037,653
Deferred inflows of resources		
Pension related amounts (Note 6)	227,001	340,502
Total liabilities and deferred inflows of resources	54,219,092	51,378,155
Net position		
Net investment in capital assets	38,056,144	29,782,040
Restricted for		
Debt service	2,349,925	2,349,925
Landfill closure	1,500,000	1,500,000
Environmental impairment	1,000,000	1,000,000
Unrestricted (deficit)	(8,940,915)	434,163
Total net position	$ 33,965,154	$ 35,066,128

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 YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Operating revenues		
Disposal fees	$ 25,458,692	$ 23,286,074
Power sales	1,038,257	667,986
Recycled material sales	1,033,762	403,642
Last chance mercantile sales	790,047	799,070
Scale and operational services	738,720	771,760
Sand sales	217,996	216,364
Landscape product sales	168,126	284,008
Total operating revenues	29,445,600	26,428,904
Operating expenses		
Salaries	9,174,475	7,955,365
Employee benefits	5,882,706	4,335,132
Depreciation and amortization	2,864,901	2,676,923
Recycling	1,892,227	790,788
Taxes, licenses and permits	1,538,701	1,324,725
Maintenance of structures and equipment	1,454,702	1,296,724
Professional services	1,300,824	599,312
Fuel	1,075,913	1,060,102
Contractual services	875,028	569,514
Gas project maintenance	707,617	637,315
Operating supplies	635,224	565,234
Landfill closure and post closure care costs	388,000	947,000
Insurance	254,622	181,783
Public awareness	166,202	168,811
Office	161,967	155,621
Safety equipment and supplies	158,190	123,601
Education, meetings and travel	154,657	91,007
Hazardous waste program	150,490	202,022
Environmental services	87,694	93,348
Utilities	80,397	194,931
Miscellaneous	39,942	28,785
Directors’ fees	15	4,865
Bad debt expense	(1,240)	27,549
Total operating expenses	29,043,254	24,030,457
Operating income	$ 402,346	$ 2,398,447

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, 2018 AND 2017

	2018	2017
Operating income	402,346	2,398,447
Non–operating revenues (expenses):		
Interest income	$ 188,414	$ 116,930
Rents and leases	314,590	178,237
Gain (loss) on sale of capital assets – net	25,000	(1,203,349)
Interest expense – revenue bonds and installment sales	(489,815)	(372,588)
Other income (expense)	17,048	47,570
Total non-operating revenues (expenses)	55,237	(1,233,200)
Change in net position	457,583	1,165,247
Net position, beginning of year - restated (note 14)	33,507,571	33,900,881
Net position, end of year	$ 33,965,154	$ 35,066,128

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, 2018 AND 2017

	2018	2017
Cash flows from operating activities		
Cash received from customers	$ 28,998,273	$ 26,096,653
Cash payments to employees for services	(13,184,664)	(11,700,954)
Cash payments to suppliers of goods or services	(10,932,616)	(7,588,459)
Net cash provided by operating activities	4,880,993	6,807,240
Cash flows from noncapital financing		
Other non-operating revenues	331,636	230,144
Net cash provided by noncapital financing activities	331,636	230,144
Cash flows from capital and related financing activities		
Payments for capital acquisitions	(10,412,201)	(10,776,884)
Principal payments for capital leases	(218,784)	1,150,000
Proceeds from disposition of capital assets	25,000	-
Principal paid on revenue bonds	(1,192,763)	(1,128,683)
Interest paid on revenue bonds and capital leases	(502,266)	(372,588)
Net cash used in capital and related financing activities	(12,301,014)	(11,128,155)
Cash flows from investing activities		
Investment income	177,604	96,560
Net cash provided by capital and related financing activities	177,604	96,560
Net decrease in cash and cash equivalents	(6,910,781)	(3,994,211)
Cash and cash equivalents, beginning of year	18,088,019	22,082,230
Cash and cash equivalents, end of year	$ 11,177,238	$ 18,088,019

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

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

STATEMENT OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2018 AND COMPARATIVE 2017

	2018	2017
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 402,346	$ 2,398,447
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	2,864,901	2,676,923
Landfill closure and post closure care	388,000	947,000
Changes in assets and liabilities:		
Accounts receivable	(292,046)	156,909
Power sales receivable	(310,967)	(345,579)
Other receivables	155,685	(157,753)
Prepaid expenses	(430,562)	(115,563)
Deferred outflows - pension	(214,743)	(2,205,090)
Accounts payable	195,714	596,427
Security deposits	52	50,222
Accrued compensated absences	125,668	119,416
Accrued State/County waste management fees	35,353	19,165
Accrued payroll and payroll liabilities	9,300	9,863
Unearned revenue	-	(8,500)
Net pension liability	1,765,218	2,665,353
Total other postemployment benefits liability	187,074	-
Total reconciling adjustments	4,478,647	4,408,793
Net cash provided by operating activities	$ 4,880,993	$ 6,807,240

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 (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 (District) and its component unit (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 position 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 “net investment in capital assets.”

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

Accounts Receivable – Accounts receivable are composed of amounts due from customers for tipping fees. At June 30, 2018 and 2017, the balances are shown net of the allowance for uncollectible accounts of $10,892 and $220,000, 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 contributed assets are recorded at estimated acquisition 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, 2018	
Valuation Date (VD)	June 30, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017
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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Postemployment Benefits Other Than Pensions (OPEB) – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense and additions to/deductions from the District Plan. For this purpose, the District Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

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.

In addition to liabilities, the Statement of Net Position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent 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 user charges for disposal fees. 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 Principles from the Governmental Accounting Standards Board (GASB)

GASB Statement No. 75 – In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.* The primary 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). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The District has implemented the provisions of this Statement as of July 1, 2017 resulting in a restatement to beginning net position described at note 15.

GASB Statement No. 85 – In March 2017, the 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.

The District has implemented the provisions of this Statement as of June 30, 2018.

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

The District has implemented the provisions of this Statement as of June 30, 2018.

GASB Statement No. 83 – In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The District has not yet determined the effect of this pronouncement to its financial statements.

GASB Statement No. 84 – In January 2017, the 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.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The District has not yet determined the effect of this pronouncement to its financial statements.

GASB Statement No. 87 – In June 2017, the GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. The District has not yet determined the effect of this pronouncement to its financial statements.

GASB Statement No. 88 – In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The District has not yet determined the effect of this pronouncement to its financial statements.

GASB Statement No. 89 – In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The requirements of this Statement should be applied prospectively. The District has not yet determined the effect of this pronouncement to its financial statements.

GASB Statement No. 90 – In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61*. The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The District has not yet determined the effect of this pronouncement to its financial statements.

NOTE 3. CASH AND CASH INVESTMENTS

The District maintains cash and investments that are available for general use subject to prior Board designations and debt covenant or legal restrictions. At June 30, cash and investments are comprised of the following:

	2018	2017
Cash on hand and in banks	$ 3,012,859	$ 3,086,890
Investments - State of California Local Agency Investment Fund (LAIF)	8,164,379	15,001,127
	$ 11,177,238	$ 18,088,017

Cash and investments are classified as restricted or unrestricted in the financial statements as follows:

	2018	2017
Unrestricted	$ 6,327,313	$ 12,772,132
Restricted		
Held by trustee for bond reserve account	2,349,926	2,349,925
For landfill closure and post closure care costs	1,500,000	1,500,000
For environmental impairment fund	1,000,000	1,000,000
Central Coast Recycling Media Coalition	-	465,960
Total restricted	4,849,926	5,315,885
Total cash and investments	$ 11,177,239	$ 18,088,017

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.

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.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in LAIF are not rated as of June 30, 2018 or June 30, 2017.

NOTE 3. CASH AND CASH INVESTMENTS (Continued)

Custodial Credit Risk

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 custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited 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 percent of the secured public deposits.

As of June 30, 2018 and June 30, 2017, the District's bank balance of $2,254,239 and $2,328,770 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District. As of June 30, 2018 and June 30, 2017, the District's investment portfolio was not exposed to custodial credit risk because LAIF is a governmental investment pool.

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 193 days and 194 days respectively on June 30, 2018 and June 30, 2017.

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, 2018, and June 30, 2017, is an uncategorized input not defined as Level 1, Level 2 or Level 3 input.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	CAPITAL ASSETS AT JUNE 30, 2017	ADDITIONS AND TRANSFERS	DISPOSITIONS AND TRANSFERS	CAPITAL ASSETS AT JUNE 30, 2018
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land and improvements	$ 578,210	$ -	$ -	$ 578,210
Construction in progress	20,339,073	8,978,141	(24,701,974)	4,615,240
Total capital assets not being depreciated	20,917,283	8,978,141	(24,701,974)	5,193,450
Other capital assets				
Administrative and scale:				
Equipment	713,241	-	-	713,241
Facilities	17,010,137	-	-	17,010,137
Disposal and recycling:				
Equipment	16,122,657	26,123,030	(159,484)	42,086,203
Facilities	17,480,328	-	-	17,480,328
Power project	15,176,086	13,004	-	15,189,090
Module development	10,879,348	-	-	10,879,348
Intangible site master plan	738,557	-	-	738,557
Total other capital assets at historical cost	78,120,354	26,136,034	(159,484)	104,096,904
Less accumulated depreciation for				
Administrative and scale	(1,859,303)	(608,092)	-	(2,467,395)
Disposal and recycling	(35,592,638)	(2,240,783)	159,484	(37,673,937)
Intangible site master plan	(601,011)	(16,025)	-	(617,036)
Total accumulated depreciation	(38,052,952)	(2,864,900)	159,484	(40,758,368)
Other capital assets, net	40,067,402	23,271,134	-	63,338,536
Business-type activities capital assets, net	$ 60,984,685	$ 32,249,275	$ (24,701,974)	$ 68,531,986

NOTE 4. CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2017 was as follows:

	CAPITAL ASSETS AT JUNE 30, 2016	ADDITIONS AND TRANSFERS	DISPOSITIONS AND TRANSFERS	CAPITAL ASSETS AT JUNE 30, 2017
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land and improvements	$ 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
Other capital assets				
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	10,879,348	-	-	10,879,348
Intangible site master plan	738,557	-	-	738,557
Total other capital assets at historical cost	62,726,593	19,018,435	(3,624,674)	78,120,354
Less accumulated depreciation for				
Administrative and scale	(1,521,740)	(337,563)	-	(1,859,303)
Disposal and recycling	(35,690,628)	(2,323,335)	2,421,325	(35,592,638)
Intangible site master plan	(584,986)	(16,025)	-	(601,011)
Total accumulated depreciation	(37,797,354)	(2,676,923)	2,421,325	(38,052,952)
Other capital assets, net	24,929,239	16,341,512	(1,203,349)	40,067,402
Business-type activities capital assets, net	$ 54,088,073	$ 25,636,715	$ (18,740,103)	$ 60,984,685

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 $5,336,000 and $4,948,000 as of June 30, 2018 and 2017, respectively which was based on 20.1 percent and 19.0 percent 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, 2018, 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 $26,536,384 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, 2018.

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, 2018 and 2017, investments of $1,500,000 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

The District participates in 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, 2017, 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. 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, 2018 are summarized as follows:

	Miscellaneous	
Hire Date	Prior to January 1, 2013	On or after to January 1, 2013
Benefit formula	2% @ 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 percent 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, 2016 and June 30, 2015, valuation dates, the following employees were covered by the benefit terms for each Plan:

Valuation as of June 30 –	2016	2015
Inactive employees or beneficiaries currently receiving benefits	49	45
Inactive employees entitled to but not receiving benefits	62	62
Active employees	107	106
Total	**218**	**213**

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, 2018 and 2017, the District has paid the employer's and the employee has paid the employees' shares of the contributions. The contributions, were as follows:

	2018	2017
Employer	655,368	1,029,394
Employee	536,153	490,252

Net Pension Liability

The District's net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability as of June 30, 2018, for the Plan is measured as of June 30, 2017, using an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown on the following page.

NOTE 6. NET PENSION LIABILITIES (Continued)

Actuarial Assumptions

The total pension liabilities in the June 30, 2016, actuarial valuation rolled forward to June 30, 2017, using standard update procedures, were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
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

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

NOTE 6. NET PENSION LIABILITIES (Continued)

Discount Rate

The discount rate used to measure the total pension liability at 2017 was 7.15 percent, down from 7.65 percent in 2016 due to change in assumptions. 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 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11- + 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 equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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 - 11	Real Return Years 11+
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.80%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	100.0%		

NOTE 6. NET PENSION LIABILITIES (Continued)

Changes in the Net Pension Liability

The changes in the net pension liability for the plan during the year ended June 30, 2018 follows:

	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2017	$ 34,701,972	$ 24,984,332	$ 9,717,640
Changes Recognized for the Measurement Period:			
Service Cost	1,095,795	-	1,095,795
Interest on the Total Pension Liability	2,649,437	-	2,649,437
Differences between Expected and Actual Experience	151,713	-	151,713
Changes of Assumptions	2,296,067	-	2,296,067
Contributions from the Employer	-	1,029,394	(1,029,394)
Contributions from Employees	-	492,056	(492,056)
Net Investment Income	-	2,829,731	(2,829,731)
Benefit Payments, including Refunds of Employee Contributions	(1,285,185)	(1,285,185)	-
Administrative Expense	-	(36,888)	36,888
Net Changes	4,907,827	3,029,108	1,878,719
Balance at: 6/30/2018	$ 39,609,799	$ 28,013,440	$ 11,596,359

NOTE 6. NET PENSION LIABILITIES (Continued)

The changes in the net pension liability for the plan during the year ended June 30, 2017 follows:

	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2016	$ 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
Differences between Expected and Actual Experience	1,022,612	-	1,022,612
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	3,324,262	343,891	2,980,371
Balance at: 6/30/2017	$ 34,701,972	$ 24,984,332	$ 9,717,640

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, calculated using the discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	2018	2017
1% Decrease	6.15%	6.65%
Net Pension Liability	$ 17,268,161	$ 14,566,911
Current Discount Rate	7.15%	7.65%
Net Pension Liability	$ 11,596,359	$ 9,717,640
1% Increase	8.15%	8.65%
Net Pension Liability	$ 6,923,355	$ 5,714,165

Pension Plan Fiduciary Net Position

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

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

For the years ended June 30, 2018 and 2017, the District recognized pension expense of $2,534,087 and $4,009,765 respectively. At June 30, 2018 and 2017, the District reported deferred outflows of sources and deferred inflows of resources related to pensions from the following sources:

	2018	2017
Service cost	$ 1,095,795	$ 961,817
Interest on the total pension liability	2,649,437	2,472,105
Recognized differences between expected and actual experience	333,984	301,003
Plan to Plan Resource Movement	-	-
Recognized changes of assumptions	385,644	(113,501)
Employee contributions	(492,056)	(454,237)
Projected earnings on pension plan investments	(1,791,459)	(1,887,629)
Recognized differences between projected and actual earnings on:	(12,390)	
Plan investments	-	195,264
Administrative Expense	36,888	15,017
Total Pension Expense	$ 2,205,843	$ 1,489,839

NOTE 6. NET PENSION LIABILITIES (Continued)

$655,368 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2019	$ 707,238
2020	1,111,708
2021	823,493
2022	111,620
	$ 2,754,059

NOTE 7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

As of June 30, 2018, the District reported the following amounts for total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense:

Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
$ 2,277,639	$ -	$ -	$ 241,273

General Information about the OPEB Plan

Plan description and benefits provided

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 percent each calendar year. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

NOTE 7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2018 measurement date, the following employees were covered by the benefit terms:

Active plan members	5
Inactive employees or beneficiaries currently receiving benefit payments	-
Inactive employees entitled to but not yet receiving benefit payments	112
Total	117

Total OPEB liability

The District's total OPEB liability of $2,277,639 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

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

Inflation	2.75	percent
Salary increases	2.75	percent, average, including inflation
Discount rate	3.8	percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	4	percent per year

The Discount rate of return is based on the Bond Buyer 20 Bond Index.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2017	$ 2,090,564
Changes for the year:	
Service cost	159,907
Interest on the TPL	81,366
Benefit payments	(54,198)
Net changes	187,075
Balance at June 30, 2018	$ 2,277,639

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

NOTE 7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Total OPEB Liability
1% decrease (1.75%)	$ 2,481,065
Current discount rate (2.75%)	2,277,639
1% increase (3.75%)	2,099,510

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rate	Total OPEB Liability
1% decrease (3%)	$ 2,115,927
Current healthcare cost trend rate (4%)	2,277,639
1% increase (5%)	2,446,926

OPEB Expense Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $241,273.

Annual OPEB Cost and Net OPEB Obligation for the year ended June 30, 2017

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. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (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 is as follows:

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

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

Methods and Assumptions for the year ended June 30, 2017

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.

NOTE 7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

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 percent 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.

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 percent, 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

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, 2017	Additions	Reductions	June 30, 2018	Amounts Due within One Year
BUSINESS-TYPE ACTIVITIES					
Revenue Bonds:					
Series A	$ 17,200,000	$ -	$ 650,000	$ 16,550,000	$ 675,000
Series B	11,970,000	-	460,000	11,510,000	480,000
Total Revenue Bonds	29,170,000	-	1,110,000	28,060,000	1,155,000
Bond premiums	1,567,388	-	82,762	1,484,626	99,903
	$ 30,737,388	$ -	$ 1,192,762	$ 29,544,626	$ 1,254,903

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
2019	$ 1,155,000	$ 1,188,681
2020	1,205,000	1,142,481
2021	1,250,000	1,094,281
2022	1,310,000	1,036,981
2023	1,370,000	976,881
2024-28	7,130,000	3,904,843
2029-33	10,225,000	2,209,206
2034-35	4,415,000	273,413
	$ 28,060,000	$ 11,826,767

NOTE 9. INSTALLMENT SALE ARGEEMENT OBLIGATIONS

The District entered into an installment sale agreement (capital lease) 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, 2018:

	Beginning Balance	Additions	Payments	Ending Balance
Disposal/recycling equipment	$ 1,150,000	$ -	$ (218,784)	$ 931,216
Accumulated depreciation	(48,707)	(146,119)	-	(194,826)
	$ 1,101,293	$ (146,119)	$ (218,784)	$ 736,390

Minimum future payments under agreement as of June 30, 2018 for each of the next four years are:

Fiscal Year	Amount
2019	$ 247,534
2020	247,534
2021	247,534
2022	247,534
Total minimum payments	990,136
Less amount representing interest	(58,920)
Present value of future minimum payment	$ 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, 3018, the District made payments of $592,222 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, 2018, the balance to finish plus retainage was $280,054.

In March 2017, the District entered into an agreement for the Material Recovery Facility Building Improvements in the amount of $7,224,677 including change orders. As of June 30, 2018, the balance to finish plus retainage was $285,122.

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 2018, the District's two largest customers accounted for approximately 46 percent and 14 percent of sales. In 2017, the largest customers accounted for 37 percent and 17 percent of sales.

NOTE 13. CONTINGENCIES

The District is involved in various litigation arising from the normal course of business. In the opinion of management, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2018.

NOTE 14. RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of July 1, 2017. As a result, the effect on the current fiscal year is as follows:

Net Position - Beginning	$ 35,066,128
Changes from adoption of new GASB accounting pronouncement as of July 1, 2017	
Deletion of the GASB Statement No. 45 Net OPEB Obligation	532,008
Recognition of the GASB Statement No. 75 Total OPEB Liability	(2,090,565)
Restatement of beginning net position	(1,558,557)
Net Position - Beginning at Restated	$ 33,507,571

NOTE 15. SUBSEQUENT EVENTS

On November 7, 2018, $22,970,000 of revenue bonds were issued at 4.00 to 5.00 percent with a maturity date of April 1, 2038.

REQUIRED SUPPLEMENTARY INFORMATION

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

SCHEDULE OF CHANGES IN PENSION LIABILITY AND RELATED RATIOS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Measurement Period	2017	2016	2015
Total Pension Liability			
Service Cost	$ 1,095,795	$ 961,817	$ 911,692
Interest	2,649,437	2,472,105	2,229,562
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	151,713	1,022,612	417,131
Changes of Assumptions	2,296,067	-	(567,504)
Benefit Payments, Including Refunds of Employee Contributions	(1,285,185)	(1,132,272)	(904,586)
Net Change in Total Pension Liability	4,907,827	3,324,262	2,086,295
Total Pension Liability – Beginning	34,701,972	31,377,710	29,291,415
Total Pension Liability – Ending (a)	39,609,799	34,701,972	31,377,710
Plan Fiduciary Net Position:			
Contributions – Employer	$ 1,029,394	$ 882,891	$ 800,476
Contributions – Employee	492,056	454,237	458,764
Net Investment Income[2]	2,829,731	154,052	557,377
Benefit Payments, Including Refunds of Employee Contributions	(1,285,185)	(1,132,272)	(904,586)
Plan to Plan Resource Movement	-	-	181
Administrative Expense	(36,888)	(15,017)	(34,233)
Other Changes in Fiduciary Net Position	-	-	-
Net Change in Fiduciary Net Position	3,029,108	343,891	877,979
Plan Fiduciary Net Position – Beginning	24,984,332	24,640,441	23,762,462
Plan Fiduciary Net Position – Ending (b)	28,013,440	24,984,332	24,640,441
Plan Net Pension Liability – Ending (a) – (b)	$ 11,596,359	$ 9,717,640	$ 6,737,269
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.72%	72.00%	78.53%
Covered Payroll	$ 6,809,566	$ 6,527,433	$ 6,066,619
Plan Net Pension Liability as a Percentage of Covered – Payroll	170.30%	148.87%	111.05%

Notes to the schedule of changes in net pension liability:

Changes of Assumptions: In 2017, the amounts reported reflect an adjustment of the discount rate from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, the amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

SCHEDULE OF PENSION PLAN CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Fiscal Year	2018	2017	2016	2015
Actuarially Determined Contribution	$ 655,368	$ 1,029,394	$ 882,891	$ 800,476
Contributions in Relation to the Actuarially Determined Contribution	(655,368)	(1,029,394)	(882,891)	(800,476)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	9,707,403	6,809,566	6,527,433	6,066,619
Contributions as a Percentage of Covered Payroll	6.75%	15.12%	13.53%	13.19%

Notes to Schedule of Pension Plan Contributions:

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. Until the full ten year trend is compiled, information is presented only for those years which information is available.

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018
Total OPEB Liability	
Service cost	$ 159,907
Interest	81,366
Benefit payments	(54,198)
Net change in total OPEB liability	187,075
Total OPEB liability - beginning	2,090,564
Total OPEB liability - ending	$ 2,277,639
Covered-employee payroll	9,174,477
Total OPEB liability as a percentage of covered-employee payroll	24.8%

Notes to Schedule of Changes in the District's Total OPEB Liability and Related Ratios:

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the total OPEB liability.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75 as of June 30, 2018.

Until the full ten-year trend is compiled, information is presented only for those years which information is available.

OTHER SUPPLEMENTARY INFORMATION

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

COMBINING SCHEDULE OF NET POSITION
JUNE 30, 2018

	DISTRICT	AUTHORITY	TOTALS	ELIMI–NATING ENTRIES	TOTALS
CURRENT ASSETS:					
Cash and cash equivalents	$ 6,327,312	$ -	$ 6,327,312	$ -	$ 6,327,312
Accounts receivable – trade–net	2,012,967	-	2,012,967	-	2,012,967
Power sales receivable	873,005	-	873,005	-	873,005
Accrued interest receivable	45,000	-	45,000	-	45,000
Other receivables	564,094	-	564,094	-	564,094
Prepaid expenses	1,188,528	-	1,188,528	-	1,188,528
Total current assets	11,010,906	-	11,010,906	-	11,010,906
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	1	-	1	-	1
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	2,500,001	2,349,925	4,849,926	-	4,849,926
DEPOSIT	155,000	-	155,000	-	155,000
DUE FROM DISTRICT	-	27,140,327	27,140,327	(27,140,327)	-
CAPITAL ASSETS – NET	68,487,481	-	68,487,481	-	68,487,481
INTANGIBLE ASSETS – NET	44,505	-	44,505	-	44,505
Total Assets	82,153,388	29,490,252	111,688,145	(27,140,327)	84,547,818
DEFERRED OUTFLOWS	3,636,428	-	3,636,428	-	3,636,428
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 85,789,816	$ 29,490,252	$115,324,573	$ (27,140,327)	$ 88,184,246

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
JUNE 30, 2018

	DISTRICT	AUTHORITY	TOTALS	ELIMI–NATING ENTRIES	TOTALS
CURRENT LIABILITIES:					
Accounts payable	$ 2,322,893	$ -	$ 2,322,893	$ -	$ 2,322,893
Security deposits	52,944	-	52,944	-	52,944
Accrued liabilities:					
Compensated absences	318,761	-	318,761	-	318,761
State/County waste management fees	309,615	-	309,615	-	309,615
Payroll and payroll liabilities	120,751	-	120,751	-	120,751
Revenue bonds and equipment lease interest	302,688	-	302,688	-	302,688
Current portion of capital lease payable	224,253	-	224,253	-	224,253
Current portion of revenue bonds payable	-	1,155,000	1,155,000	-	1,155,000
Total current liabilities	3,651,905	1,155,000	4,806,905	-	4,806,905
ACCRUED LIABILITES:					
Compensated absences	878,599	-	878,599	-	878,599
Capital lease payable	706,963	-	706,963	-	706,963
Total OPEB liability	2,277,639	-	2,277,639	-	2,277,639
Net pension liability	11,596,359	-	11,596,359	-	11,596,359
Due to Authority	27,140,327	-	27,140,327	(27,140,327)	-
Revenue bonds payable - net	54,374	28,335,252	28,389,626	-	28,389,626
ESTIMATED LIABILITY FOR LANDFILL CLOSURE AND POST CLOSURE CARE COSTS	5,336,000	-	5,336,000	-	5,336,000
Total liabilities	51,642,166	29,490,252	81,132,418	(27,140,327)	53,992,091
DEFERRED INFLOWS	227,001	-	227,001	-	227,001
NET POSITION:					
Net investment in capital assets	40,406,069	(2,349,925)	38,056,144	-	38,056,144
Restricted	2,500,000	2,349,925	4,849,925	-	4,849,925
Unrestricted	(8,940,915)	-	(8,940,915)	-	(8,940,915)
Total net position	33,965,154	-	33,965,154	-	33,965,154
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 85,834,321	$ 29,490,252	$115,324,573	$ (27,140,327)	$ 88,184,246

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	DISTRICT	AUTHORITY	TOTALS	ELIMI–NATING ENTRIES	TOTALS
OPERATING REVENUES:					
Disposal fees	$ 25,458,692	$ -	$ 25,458,692	$ -	$ 25,458,692
Last Chance Mercantile sales	1,038,257	-	1,038,257	-	1,038,257
Scale and operational services	1,033,762	-	1,033,762	-	1,033,762
Power sales	790,047	-	790,047	-	790,047
Recycled material sales	738,720	-	738,720	-	738,720
Landscape product sales	217,996	-	217,996	-	217,996
Sand sales	168,126	-	168,126	-	168,126
Total operating revenues	29,445,600	-	29,445,600	-	29,445,600
OPERATING EXPENSES:			-		
Salaries	9,174,475	-	9,174,475	-	9,174,475
Employee benefits	5,882,706	-	5,882,706	-	5,882,706
Depreciation and amortization	2,864,901	-	2,864,901	-	2,864,901
Taxes, licenses and permits	1,892,227	-	1,892,227	-	1,892,227
Maintenance of structures and equipment	1,538,701	-	1,538,701	-	1,538,701
Fuel	1,454,702	-	1,454,702	-	1,454,702
Landfill closure and post closure care costs	1,300,824	-	1,300,824	-	1,300,824
Recycling	1,075,913	-	1,075,913	-	1,075,913
Gas project maintenance	875,028	-	875,028	-	875,028
Professional services	707,617	-	707,617	-	707,617
Contractual services	635,224	-	635,224	-	635,224
Operating supplies	388,000	-	388,000	-	388,000
Hazardous waste program	254,622	-	254,622	-	254,622
Utilities	166,202	-	166,202	-	166,202
Insurance	161,967	-	161,967	-	161,967
Public awareness	158,190	-	158,190	-	158,190
Office	154,657	-	154,657	-	154,657
Safety equipment and supplies	150,490	-	150,490	-	150,490
Environmental services	87,694	-	87,694	-	87,694
Education, meetings and travel	80,397	-	80,397	-	80,397
Miscellaneous	39,942	-	39,942	-	39,942
Bad debt expense	15	-	15	-	15
Directors' fees	(1,240)	-	(1,240)	-	(1,240)
Total operating expenses	29,043,254	-	29,043,254	-	29,043,254
OPERATING INCOME	$ 402,346	$ -	$ 402,346	$ -	$ 402,346

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	DISTRICT	AUTHORITY	TOTALS	ELIMI–NATING ENTRIES	TOTALS
OPERATING INCOME	$ 402,346	$ -	$ 402,346	$ -	$ 402,346
NON–OPERATING REVENUES (EXPENSES):					
Interest income	188,414	-	188,414	-	188,414
Rents and leases	314,590	-	314,590	-	314,590
Loss on disposition of Fixed Assets	25,000	-	25,000	-	25,000
Interest expense – revenue bonds and capital leases	(489,815)	-	(489,815)	-	(489,815)
Other income (expense)	17,048	-	17,048	-	17,048
Total non–operating revenues (expenses)	55,237	-	55,237	-	55,237
INCREASE IN NET POSITION	457,583	-	457,583	-	457,583
NET POSITION, BEGINNING OF YEAR	33,507,571	-	33,507,571	-	33,507,571
NET POSITION, END OF YEAR	$ 33,965,154	$ -	$ 33,965,154	$ -	$ 33,965,154

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ACTUAL TO BUDGET (Unaudited)
FOR THE YEAR ENDED JUNE 30, 2018

	ACTUAL	DISTRICT BUDGET	VARIANCE - POSITIVE (NEGATIVE)
OPERATING REVENUES:			
Disposal fees	$ 25,458,692	$ 20,820,000	$ 4,638,692
Last chance mercantile sales	1,038,257	775,000	263,257
Scale and operational services	1,033,762	750,000	283,762
Power sales	790,047	1,300,000	(509,953)
Recycled material sales	738,720	3,500,000	(2,761,280)
Landscape product sales	217,996	400,000	(182,004)
Sand sales	168,126	200,000	(31,874)
Total operating revenues	29,445,600	27,745,000	1,700,600
OPERATING EXPENSES:			
Salaries	9,174,475	8,671,000	(503,475)
Employee benefits	5,882,706	4,530,000	(1,352,706)
Depreciation and amortization	2,864,901	4,250,000	1,385,099
Taxes, licenses and permits	1,892,227	1,145,000	(747,227)
Maintenance of structures and equipment	1,538,701	1,910,000	371,299
Fuel	1,454,702	975,000	(479,702)
Landfill closure and post closure care costs	1,300,824	260,000	(1,040,824)
Recycling	1,075,913	1,135,000	59,087
Gas project maintenance	875,028	-	(875,028)
Professional services	707,617	697,000	(10,617)
Contractual services	635,224	700,000	64,776
Operating supplies	388,000	150,000	(238,000)
Hazardous waste program	254,622	235,000	(19,622)
Utilities	166,202	75,000	(91,202)
Insurance	161,967	250,000	88,033
Public awareness	158,190	150,000	(8,190)
Office	154,657	150,000	(4,657)
Safety equipment and supplies	150,490	160,000	9,510
Environmental services	87,694	270,000	182,306
Education, meetings and travel	80,397	110,000	29,603
Miscellaneous	39,942	20,000	(19,942)
Bad debt expense	15	-	(15)
Directors’ fees	(1,240)	15,000	16,240
Total operating expenses	29,043,254	25,858,000	(3,185,254)
INCOME FROM OPERATIONS	402,346	1,887,000	(1,484,654)

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

SCHEDULE 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	$ 402,346	$ 1,887,000	$ (1,484,654)
NON–OPERATING REVENUES (EXPENSES)			
Interest income	188,414	15,000	173,414
Rent and leases	314,590	295,000	19,590
Gain on disposition of fixed assets	25,000	-	25,000
Interest expense	(489,815)	(1,319,100)	829,285
Other income (expense)	17,048	20,000	(2,952)
Total non-operating revenues (expenses)	55,237	(989,100)	1,044,337
INCREASE (DECREASE) IN NET POSITION	$ 457,583	$ 897,900	$ (440,317)