CARMEL AREA WASTEWATER DISTRICT

California

Annual Financial Report

Year Ended
June 30, 2020

CARMEL AREA WASTEWATER DISTRICT

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MARCELLO & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Post Office Box 60127 / Sacramento, California 95860-0127

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Carmel Area Wastewater District
Carmel, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Carmel Area Wastewater District, Carmel, California (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The prior year comparative information has been derived from the District's 2019 financial statements and, in our report dated September 28, 2019, we expressed an unmodified opinion on the financial statements of the business-type activities.

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 an opinion on these financial statements based upon our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes 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 estimates made by management, as well as evaluating the overall financial statement presentation.

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

To the Board of Directors
Carmel Area Wastewater District
Carmel, California

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Carmel Area Wastewater District, as of June 30, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension schedules and schedules of funding progress, as listed in the table of contents, 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 (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison information is presented for purposes of additional analysis and is not a required part of the financial statements. The budgetary comparison information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Marcello & Company

Certified Public Accountants
Sacramento, California
December 9, 2020

MANAGEMENT'S DISCUSSION & ANALYSIS

As Prepared by Management

(unaudited)

The following discussion and analysis are supplementary information required by the Governmental Accounting Standards Board (GASB) and is intended to provide an easily readable explanation of the information provided in the attached basic financial statements for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with our financial statements, which follow this narrative.

Financial Highlights

Key financial highlights for 2019-20 are as follows:

- The District's net position increased by 6.1% or $5.0M to $87.2M. Total Operating revenues increased 5.3% or $0.5M over the prior year and is 10.5% over budget. Sewer user fees, the District's primary source of operating revenue, increased 6.8% or $548K over the prior year. The rate model projected a 7.5% increase in residential rates – overwhelmingly the District's largest user category. The increases are reflective of the District's continued efforts to fund its capital improvement and rehabilitation efforts. Pebble Beach Community Services District (PBCSD) treatment fees increased by 3.7% or $55K over prior year. Flow from Del Monte Forest increased to 35.25% compared with 33.8% in 2018-19. Reimbursement from the Reclamation Project for O&M expenses increased 2.3% or $13K.

- Total non-operating revenues decreased $881 over the prior year, it was remarkably level. Property tax revenue increased 4.3%% or $89K over the prior year. Investment income increased 18.8% or $113K over the prior year because projects were deferred. Reimbursement of capital costs from PBCSD decreased 48.7% or $243K and from Reclamation it decreased 0.8% or $172K again as projects were deferred.

- Total operating expenses (excluding depreciation) increased 11.7% or $999K over the prior year reflecting continued focus on rehabilitation as well as the effects of inflation and tariffs.

- Non-operating expenses decreased 22.9% or $16K from the prior year due to lower interest and fiscal expenses.

- Total Current Assets increased 15.6% or $5.2M over the prior year. This was primarily due to an increase in cash and investments of $5.6M.

- Total Current Liabilities decreased 14.9% over the prior year primarily due to an decrease in Accounts Payable-trade. Trade payables are up primarily due to timing issues. The Deposit account represents CCLEAN program revenue collected in advance from participants – the District became lead agency effective July 1, 2017.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (*this section*), the basic financial statements, and other supplementary information. The Financial Statements include Notes which explain in detail some of the information included in the basic financial statements. They are followed by a section of *Supplementary Information* that further explains and supports information in the financial statements.

Required Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components:

- The *Statements of Net Position* present information on all the District's assets and liabilities, with the difference between the two reported as net position.
- The *Statements of Revenue, Expenses, and Changes in Net Position* present information showing how the District's net position changed during the two most recent fiscal years.
- The *Statements of Cash Flows* present information showing how the District's cash position changed during the two most recent fiscal years. It shows the sources and uses of cash.

The District's financial statements utilize the full accrual basis of accounting whereby revenue is recognized when it is earned, and expenses are recognized as they are incurred. The District's accounting methods follow accounting principles generally accepted in the United States and as applied to governmental enterprise funds.

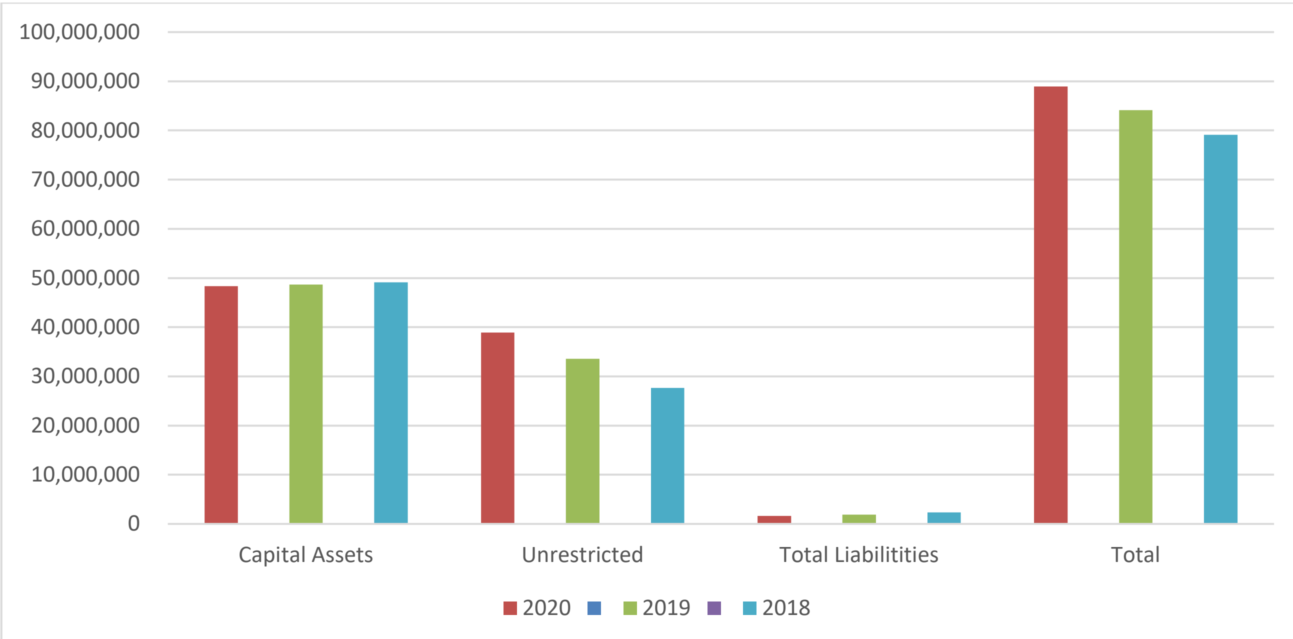
Financial Analysis of the District

The Statements of Net Position and the Statements of Revenue, Expenses and Changes in Net Position provide an indication of the District's financial condition. The District's net position reflects the difference between assets and liabilities. An increase in net position over time typically indicates an improvement in financial condition.

A summary of net position is presented below:

	2020	2019	2018
Assets			
Current Assets	39,019,453	33,751,396	27,804,237
Capital Assets net of depreciation	49,271,695	49,756,407	50,337,616
Total Assets	$ 88,291,148	$ 83,507,803	$ 78,141,853
Deferred Outflow of Resources	628,060	615,708	950,959
Total Assets & deferred outflow of resources	$ 88,919,208	$ 84,123,511	$ 79,092,812
Liabilities			
Current Liabilities	907,793	1,067,713	625,186
Long-term vac/sick pay	184,108	156,912	133,271
Net pension liability	(414,355)	(617,997)	(207,127)
Long-term debt	760,000	930,000	1,090,000
Total Liabilities	$ 1,437,546	$ 1,536,628	$ 1,641,330
Deferred Inflow of Resources	213,513	364,168	707,184
Total Liabilities & Deferred Inflow	$ 1,651,059	$ 1,900,796	$ 2,348,514
Net Position			
Invested in capital assets, net of related debt	48,341,695	48,666,407	49,097,616
Restricted	-	-	-
Unrestricted	38,926,454	33,556,308	27,646,682
Total net position	$ 87,268,149	$ 82,222,715	$ 76,744,298
Total Liabilities & Net Position	$ 88,919,208	$ 84,123,511	$ 79,092,812

CAWD Net Position Comparison June 30, 2018 to 2020



The District's cash balances are segregated by purpose, as approved by the Board, as follows:

Designation of Cash Balances	**Amount**
Capital Reserves	$ 14,213,615
Current Year O&M (2018-19)	14,799,293
Current Year Capital (2018-19)	5,561,862
LAIF Investment Fund	1,184,856
Defend or Managed Retreat Reserve	2,000,000
Compensated Accruals Fund	245,477
Total	$ 38,005,103

After formally accepting the asset management plan prepared for the Treatment plant in April 2013, the District moved forward with implementation of the first phase. The original plan estimated the District will need to spend $30M over the next fifteen years on plant rehabilitation – this is exclusive of engineering costs and construction management. The District has subsequently carried the long term plan out each year to maintain the fifteen-year time horizon. The long-range total required for the treatment plant remains $40M. We have already initiated planning for the next phase of our plant rehabilitation.

The District maintains a long-term capital plan for both the treatment facility and the collection system. West Yost Associates was engaged to complete an Asset Management Study for the collection system like the work that was done for the Treatment Plant in 2012. West Yost also completed a hydraulic model of the collection system to assist in planning for growth and maintenance of the existing system. The State General Waste Discharge Requirements for Sanitary Sewer Systems (Order No. 2006-0003) requires that we establish a proactive approach to ensure that a system-wide operation, maintenance, and management plan is in place to reduce the number and frequency of sanitary sewer overflows. We are working to build long-term resiliency into our system.

A summary of Changes in Net Position is presented below:

	2020	2019	2018
Changes in Net Position:			
Operating revenues	$10,956,640	$ 10,405,550	$ 9,233,334
Nonoperating revenues	3,675,149	3,676,030	4,252,477
total revenues	14,631,789	14,081,580	13,485,811
Operating expenses	7,136,802	6,284,700	5,945,298
Nonoperating expenses	55,226	71,636	67,003
Depreciation expense	2,394,327	2,246,827	2,414,401
total expenses	9,586,355	8,603,163	8,426,702
Income before Cap Contributions	5,045,434	5,478,417	5,059,109
Capital Contribution	-	-	-
Change in net position	5,045,434	5,478,417	5,059,109
Net position, beginning	$ 82,222,715	$ 76,744,298	$ 71,685,189
Restatements		-	-
Net position, ending	$ 87,268,149	$ 82,222,715	$ 76,744,298

The District's strategy for rate-setting has consistently been to cover all operating expenses with operating revenue and to utilize non-operating revenue (i.e., property taxes and interest revenues) to cover capital and other non-operating expenses. The District does not factor depreciation into its rate structure. However, since 2012-13 we have entered an amount for Capital Replacement gradually building to $1.6M per year in 2019-20. This funding combined with our property tax revenue means that the District has roughly $3M coming in each year for capital replacement and rehabilitation. We have a long-term capital plan for the treatment plant of roughly $40M over the next 15 years and for the collection system of roughly $40M over the next 20 years. And there is one more piece to our long-term plan: sea level rise. We have established a dedicated reserve to fund sea level rise mitigation that may range from relatively simple water proofing efforts to moving facilities. We believe we have roughly another 30 years at our current location. We believe our future depends very much on the planning we are doing now.

The District's net position increased by $5.0M or 6.1% but there was a decrease in Income before Capital Contributions of 7.9% or $433K. Operating revenues increased 5.3%% or $551K but nonoperating revenues decreased $881 or remained essentially the same. Operating Expenses increased 13.6% or $852K and Nonoperating expenses decreased 22.9% or $14K. The District's assets exceeded liabilities by $87.2M as of June 30, 2020. Net position, over time, may serve as a useful indicator of an entity's financial position.

The District's operations continue to be strong enough to support our plan to "pay-as-you-go" for our Treatment Plant Rehabilitation. We intend to utilize "pay-as-you-go" for the $8-9M Electrical/Mechanical Rehab and Sludge Holding Tank project at the Treatment Plant. We were awarded a $1M hazard mitigation grant for our Hatton Canyon line. The District has committed to spending roughly an additional $2M per year to upgrade the collection system. We believe we are positioned to pay cash for the first five years of our Collection System long term plan at roughly $2M per year for replacement line projects. We may have to increase that to meet external pressures to upgrade the system more quickly. However, for the short term, we see paying cash as offering greater freedom. While it offers greater freedom to plan and build what we want and need, it does require considerable planning. We recognize that we may not be able to continue to pay cash indefinitely; but our Board of Directors has taken the position for now of not taking on debt.

Capital Assets Activity

This year, while the District waited for the California Coastal Commission to complete our Coastal Development permit, we pivoted from large projects at the treatment facility to working in the Collection system and doing smaller projects at the plant.

The VacCon truck represents replacement of an asset from 2008 that is used daily in the Collection system. It serves as the District's primary hydro cleaning and overflow response vehicle. Digester No. 1 & 2 Cleaning included not only cleaning but an assessment of both digesters in preparation for Phase II at the facility that will include demolition of No. 2 and rehab of No. 1. The Outfall Crossing rehab project was an emergency project of the pipeline on the trestle in the south finger of the lagoon. We had been waiting to see what the County would do with CRFree but decided to move forward because the risk factor of a pipeline failure was simply unacceptable. The pipeline was repaired to withstand current conditions in the lagoon; however, with changes in flow and velocity due to CRFREE we believe the pipeline will no longer be safe and could be subject to failure.

The District received grant funds for two separate projects in Hatton Canyon. First, the Hatton Canyon Trail was a rehabilitation of the roadway in the canyon that was damaged on a yearly basis due to rainfall and the stream jumping its bed onto the roadway. This project was successfully completed and positioned us to move forward with the pipeline replacement in 2020-21.

2019-20 significant asset additions include:

• VacCon Truck	$433,909
• Digester No. 1 & 2 Cleaning	$309,288
• Outfall Crossing Rehab	$291,418
• Secondary Clarifier No. 1 Rehab	$281,511
• Hatton Canyon Trail	$270,853
• Calle la Cruz Force Main	$198,094
• SCADA Programming	$124,715

Debt Service Activity

In 2004, the District entered into an agreement with the Highlands Inn, the Tickle Pink Inn and the Highlands Sanitary Association to manage and obtain the necessary financing for them to construct a pipeline and connect to the District's treatment and collection facilities. The District received $3,000,000 in the form of a 20-year bond issue as part of a pooled financing arrangement with the California Statewide Communities Development Authority Water & Wastewater Revenue Bonds, Series 2004A. In 2019 the District made a principal payment on the bond of $160,000 and $53,025 in interest. Prior year

2018 principal payment was $150,000 with $61,162 in interest. The Highlands Project bond is the District's only outstanding bond obligation; the District had no debt service obligations prior to 2004.

All debt service interest and principal payments are being repaid by the parties that benefit directly from the obligation. The Highlands Project Bond obligation is fully reimbursed by the Highlands Inn, the Tickle Pink Inn, and the Highlands Sanitary Association.

Budget Highlights/Variances

An annual budget is adopted by the CAWD Board of Directors each spring for the subsequent fiscal year. Budget information is reported to the Board, and adjustments to the budget may only be made by resolution of the Board.

2019-20 major variances can be described as follows:

- Sewer service fees were 4.2% or $350K over budget – the rate model provided for an additional $1.6M to be allocated for future capital expenses. At this time, it is unknown how much, if anything, will be rebated to constituents because of COVID-19.

- PBCSD treatment fees were 28.4% or $341K over budget because of the increase in Treatment Plant expenses for continued rehabilitation of the plant. Flow from PBCSD increased to 35.25% of total plant inflows compared to 33.80% of total inflows to the plant last year.

- Total Operating revenues were 10.6% over budget in total – attributable primarily to user fees and PBCSD treatment fees.

- Maintenance was 38.6% or $724K under budget. Salaries & benefits were 20.6% under budget or $142K, operating supplies were 37.8% under budget or $24K, contract services were 48.2% under budget or $274K, and repairs and maintenance 55.1% under budget or $219K. The District continued its efforts at plant rehabilitation in-house, but projects were delayed because COVID-19. Our efforts focused on simply keeping the facility running with limited staff rather than improvements.

- Collections department was 21.5% or $439K under budget. Salary and benefits were 4.2% over budget or $29K, Engineering expenses were 71.9$% under budget or $140K, Contract services were 35.7% under budget or $71K, and Repairs and Maintenance were under budget 45.3% or $147K. Again, what we see in Maintenance repeated itself in Collections that COVID-19 forced a retreat if you will, since the focus was to keep the collection system operational without any sewer overflows. Much in the way of intended improvements were postponed.

- The Treatment Plant was 1.9% under budget or $101K. The treatment facility managed to keep on track with their planned budget but to also manage the Reclamation facility with little budgetary impact from COVID-19.

- General & Administrative Expenses were 35.2% under budget or $607K. The SAM pension plan budgeted $16K in contributions but the actuarial report came received after budget prep was complete indicated the plan was fully funded. Both engineering and legal fees were significantly under budget by 97.7% and 86.9% respectively. Legal fees were lower than anticipated for the Coastal Commission permitting issue.

- Property tax revenue was 18.0% over budget or $327K. The budget employed a conservative factor of 2.0% to estimate revenue, although 2.5% to 3.0% is common.

- Investment revenue was 186.2% over budget or $465K. While interest rates have remained very low, the District also did not spend funds on Phase II thereby maintaining higher balances in its deposit accounts.

- PBCSD capital reimbursements were 174.1% under budget or $731K less than anticipated because as with CAWD expenditures capital projects were behind schedule, particularly the second phase of plant rehabilitation.

Other Significant Matters

- This was the second year of a two-year employee contract. The District agreed to award a 3.0% COLA for 2019-20. Negotiations for the next two-year contract began in the fall of 2020.

- The Carmel River Free Project (CRFree) is progressing due to a Coastal Conservancy grant that allowed us to continue with engineering, environmental and permitting work. We are negotiating with the Monterey County for a Memorandum of Understanding on conditions for funding and reporting on our part of the CRFree project.

- The District was awarded a hazard mitigation grant from Federal Emergency Management Agency/Office of Emergency Services (FEMA/OES) in the amount of $1M for the Hatton Canyon project. We pushed that grant forward to 2020-21 in order to allow us to complete all permitting, engineering, and construction during the allowable construction window.

Economic Factors and Next Year's Budget and Rates

Like just about everyone, the District has been affected by COVID-19. The Monterey County Health Department issued a Shelter-in-Place Order on March 17, 2020 that extended through May 31, 2020. Individuals were required to stay home except when engaging in tasks required for the health and safety of their family. Businesses that were not considered essential had to shut down, and even after May 31st restaurants primarily were serving outside. Wastewater is considered an essential service which meant that the District continued to operate. On an operational level we have implemented protocols in all departments that ensure employees maintain social distancing, wear a mask, and disinfect. Both the treatment plant and the Collection crew are working on split shifts. We go through a cleaning routine daily and we have made it a requirement that employees wear masks. The administration office has been closed to customers since March 2020 when the state imposed its initial Shelter-in-Place directive. Despite COVID-19 we continue to treat wastewater and make reclaimed water every day.

From a revenue perspective, there was no provision made in the 2019-20 budget for COVID-19. However, we have had commercial customers contact us and ask if there will be any rate relief. As of this writing, there has not been a decision made, but the Board has directed that it be moved to the Budget committee for consideration. While we consider a March – June 2020 relief program, the pandemic continues to rage onward, and Monterey County was returned to Shelter-in-Place status on December 13, 2020. The District did cut nearly $600K from its 2020-21 budget but the question of additional relief remains unanswered.

The District was notified this last year by the California Coastal Commission that it should commence plans to move the treatment plant out of the Carmel Lagoon because of concerns over sea level rise. CAWD commissioned a Sea Level Rise Study with ESA Associates and their conclusions were that sea level rise projections do not identify new hazards to the treatment plant of greater concern than the 100-year flood risk that CAWD has previously planned for. Nonetheless, increased storm intensities, as well as higher sea levels, may increase the base flood elevations. According to the ESA study increased storm intensity as well as sea level rise will not detrimentally affect the CAWD facility before the year 2062 under the "Extreme Risk Aversion" scenario. This allows for over 40-years of continued operation in the existing location. While this seems like it should be plenty of time, we are not standing still and have begun the process of providing a formal flood mitigation policy and searching for alternative sites for when we relocate the facility.

This past year we were also approached by California River Watch with a list of demands. We were able to reach a successful settlement agreement with a minimal dollar amount and goals that we should be able to meet within the first five years. We did go back to River Watch in August 2020 and asked for an extension due to COVID-19 which was granted. The River Watch claim primarily resulted because of the repetitive losses in Hatton Canyon. We received a Federal Emergency Management Agency grant to replace the pipeline and anticipate the problem will be solved.

Considering the impacts of the pandemic, fires in California, River Watch, and sea level rise we feel the District is in relatively good financial shape. The challenges we face are significant no doubt, but the District has a long history of planning for the future to make sure the community is well served. Over 61% of the District's user fee revenue is derived from residential fees which provides for a solid base, generally subject to minimal economic volatility. Another 14% of District operating revenues are received from Pebble Beach Community Services District (PBCSD) for the treatment of its sewage. Finally, property tax revenues comprise 13% of our income and have proven to be stable and increase roughly 2% annually. During COVID-19 we saw only a 3% decrease in total inflows to the plant – a minimal change, which bolsters our argument for a solid economic base. Given the economic uncertainty of the coming year we think that may be a good position because so much depends on the rapid and effective deployment of coronavirus vaccines and further stimulus to maintain the nation through winter and possibly spring.

Requests for Information

This financial report is designed to provide an overview of the District's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to James Grover, Principal Accountant, P.O. Box 221428, Carmel, CA 93922 or grover@cawd.org.

BASIC FINANCIAL STATEMENTS

CARMEL AREA WASTEWATER DISTRICT

Statements of Net Position

June 30, 2020 and 2019

Assets	2020	*for comparative purposes only* 2019
Current Assets		
Cash and investments	$ 38,005,103	$ 32,398,290
Accounts receivable - trade	148,528	144,013
Accounts receivable - affiliates	816,571	1,209,093
Prepaid expenses	49,251	-
Total current assets	39,019,453	33,751,396
Noncurrent Assets		
Capital assets not being depreciated	2,389,044	2,223,211
Capital assets, net of depreciation	46,882,651	47,533,196
Total noncurrent assets	49,271,695	49,756,407
Total assets	88,291,148	83,507,803
Deferred Outflows of Resources		
Deferred pension plan inflows	628,060	615,708
Total assets and deferred outflows of resources	$ 88,919,208	$ 84,123,511

The accompanying notes are an integral part of these financial statements

CARMEL AREA WASTEWATER DISTRICT

Statements of Net Position

June 30, 2020 and 2019

Liabilities and Net Position	2020	*for comparative purposes only* 2019
Current Liabilities		
Accounts payable - trade	$ 413,424	$ 681,916
Accrued bond interest	12,206	14,306
Deferred revenue	4,210	159,187
Deposit	246,584	-
Revenue bonds - current	170,000	160,000
Compensated absences - current	61,369	52,304
Total current liabilities	907,793	1,067,713
Noncurrent Liabilities		
Amounts due in more than one year:		
Revenue bonds	760,000	930,000
Compensated absences	184,108	156,912
Net pension liability (overfunded)	(414,355)	(617,997)
Total noncurrent liabilities	529,753	468,915
Total liabilities	1,437,546	1,536,628
Deferred Inflows of Resources		
Deferred pension plan inflows	213,513	364,168
Total liabilities and deferred inflows of resources	1,651,059	1,900,796
Net Position		
Net investment in capital assets	48,341,695	48,666,407
Unrestricted	38,926,454	33,556,308
Total net position	87,268,149	82,222,715
Total liabilities, deferred inflows, and net position	$ 88,919,208	$ 84,123,511

The accompanying notes are an integral part of these financial statements

CARMEL AREA WASTEWATER DISTRICT

Statements of Revenue, Expenses, and Change in Net Position

Years Ended June 30, 2020 and 2019

	2020	*for comparative purposes only* 2019
Operating Revenue		
Sewer service fees	$ 8,557,816	$ 8,024,240
Treatment fees, PBCSD	1,541,642	1,486,410
Reclamation Project operating reimbursements	642,238	647,245
Liquid Food Waste fees	9,884	3,750
Brine Disposal fees	104,714	121,642
Other operating revenue	100,346	122,263
Total operating revenue	10,956,640	10,405,550
Operating Expenses		
Maintenance	1,151,754	1,184,825
Collection	1,601,805	1,313,466
Treatment and disposal	5,054,282	4,454,898
Administration	1,117,264	1,012,399
Reclamation Project expenses	573,988	560,640
Waste to Energy costs	25,114	675
Brine Disposal costs	6,922	4,624
Total operating expenses	9,531,129	8,531,527
Operating income (loss)	1,425,511	1,874,023
Nonoperating Revenue (Expenses)		
Property tax revenue	2,140,553	2,050,675
Investment earnings (loss)	715,611	602,347
Highlands Sewer Project assessment	218,013	215,898
PBSCD capital cost reimbursements	254,606	497,084
Reclamation Project capital cost reimbursements	22,744	195,562
Other nonoperating revenue	323,622	114,464
Interest and fiscal expenses	(54,006)	(62,310)
Other nonoperating expenses	(1,220)	(9,326)
Total nonoperating revenue (expenses)	3,619,923	3,604,394
Change in Net Position	5,045,434	5,478,417
Net Position - beginning	82,222,715	76,744,298
Net Position - end of year	$ 87,268,149	$ 82,222,715

The accompanying notes are an integral part of these financial statements

CARMEL AREA WASTEWATER DISTRICT

Statements of Cash Flows

Years Ended June 30, 2020 and 2019

Cash Flows Provided By (Used For):	2020	*for comparative purposes only* 2019
Operating Activities		
Cash received from customers	$ 11,436,254	$ 9,898,945
Cash payments for operating supplies	(2,729,730)	(2,351,936)
Cash payments for personnel costs	(4,647,919)	(4,004,648)
Net cash provided (used)	4,058,605	3,542,361
Noncapital Financing Activities		
Property tax revenue	2,140,553	2,050,675
Highlands Sewer Project revenue	218,013	215,898
Net cash provided (used)	2,358,566	2,266,573
Capital and Related Financing Activities		
Purchase of property and equipment	(1,909,615)	(1,665,618)
Reimbursements for capital projects	277,350	692,646
Principal paid on revenue bonds	(160,000)	(150,000)
Interest and fiscal expenses	(56,106)	(64,279)
Other nonoperating revenue	323,622	114,464
Other nonoperating expenses	(1,220)	(9,326)
Net cash provided (used)	(1,525,969)	(1,082,113)
Investing Activities		
Investment earnings (loss)	715,611	602,347
Net cash provided (used)	715,611	602,347
Increase (decrease) in cash	5,606,813	5,329,168
Cash and cash equivalents - beginning	32,398,290	27,069,122
Cash and cash equivalents - end of year	$ 38,005,103	$ 32,398,290

The accompanying notes are an integral part of these financial statements

CARMEL AREA WASTEWATER DISTRICT
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	*for comparative purposes only* 2019
Operating Activities Analysis		
Operating Income (Loss)	$ 1,425,511	$ 1,874,023
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Add depreciation, a noncash expense	2,394,327	2,246,827
Changes in current assets and liabilities:		
(increase) decrease in trade receivables	(4,515)	(10,904)
(increase) decrease in affiliate receivables	392,522	(607,087)
(increase) decrease in prepaid expenses	(49,251)	-
increase (decrease) in trade payables	(268,492)	315,230
increase (decrease) in deferred revenue	(154,977)	111,386
increase (decrease) in deposits	246,584	-
increase (decrease) in compensated absences	36,261	31,521
increase (decrease) in pension obligations	203,642	(418,635)
increase (decrease) in net deferrals	(163,007)	-
Net cash provided (used)	$ 4,058,605	$ 3,542,361

The accompanying notes are an integral part of these financial statements

The notes to the financial statements include a summary of significant accounting policies and other notes considered essential to fully disclose and fairly present the transactions and financial position of the District as follows:

Note 1 - Defining the Reporting Entity

Reporting Entity
The Carmel Area Wastewater District (the District), organized July 8, 1908, is governed under the provisions of the Sanitary District Act of 1923, Health and Safety Code, Section 6400 et seq., as amended. The function of the District is to provide, operate and maintain sewage collection, treatment, and disposal facilities for the properties included within its boundaries and for certain contracted adjacent properties, and supply reclaimed water to the Monterey Peninsula Water Management District.

The District's reporting entity includes all significant operation and revenue sources as determined under the criteria established by the Governmental Accounting Standards Board. Oversight responsibility is determined on the basis of selection of the governing board, designation of management, ability to significantly influence operations, accountability for fiscal matters, and the scope of public service. The District is exempt from federal income and state franchise taxes.

In March 1969, the District entered into an agreement with the Pebble Beach Community Services District (PBCSD) for treatment and disposal of sewage service delivered by PBCSD. It was anticipated that the contract would account for approximately one third of the capacity of the District's treatment plant. PBCSD began delivering sewage to the District in fiscal year 1970-71, and reimburses the District for one third of its operating treatment and disposal expenses plus a portion of general and administrative expenses at an agreed upon annual fee for this service. The agreement has been modified several times over the years, and currently operates under the 1994 amended agreement.

Under the same agreement, PBCSD additionally reimburses the District for one-third the cost of capital assets purchased or constructed for sewage treatment and disposal. Carmel Area Wastewater District maintains sole ownership of the wastewater treatment plant and related capital assets. PBCSD has only a contractual "right to use" one-third of the sewage treatment plant's capacity under the terms of the most recent modified 1994 agreement and has no rights to ownership of the District's capital assets. Accordingly, capital assets are recorded by the District at 100 percent of their historic cost or contributed value, and any expense reimbursements received from PBCSD or other affiliates are recorded as revenue to the District.

Intact sewage systems constructed by real estate developers are completed at no cost to the District. These systems, when formally accepted by District engineers and the Board of Directors, are recorded as revenue to the District.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation
The Carmel Area Wastewater District's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The financial transactions of the District are recorded in a Proprietary Fund type.

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the expenses, including depreciation, of providing goods or services to the general public are recovered through user charges.

Enterprise Funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District is such an enterprise fund.

The basic financial statements are prepared using the accrual basis of accounting. Accordingly all assets and liabilities (whether current or noncurrent) are included in the statement of net position. The statement of revenue, expenses, and change in net position presents increases (revenue) and decreases (expenses) in total net position. Capital contributions of property and equipment are reported as a separate line item in the statement of revenue, expenses, and change in net position.

Other Agencies

Accounting principles generally accepted in the United State of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause that reporting entity's financial statements to be misleading or incomplete. The criteria provided in GASB Statement No. 14 have been considered and there are no agencies or entities, which should be presented with the District.

Accounts and Records

Records of the District are maintained at its office in Carmel, California. These records include cash receipts and disbursements journals, a general ledger, complete minutes of the Board of Directors meetings, Resolutions, Ordinances and files of supporting documents. Investment funds of the District are on deposit with the Monterey County Treasurer's investment pool.

Budgets and Budgetary Accounting

A budget of projected cash receipts and disbursements is prepared to meet the requirements of the Monterey County Auditor and for internal use by the Board of Directors. The budget is used to provide financial guidance to the District and to determine the amount of funds required from user fees and other sources. The primary difference between the budgetary basis method, and the accounting principles generally accepted in the United States of America (GAAP) method, is depreciation expense and the principal portion of debt service payments.

OTHER SIGNIFICANT ACCOUNTING POLICIES ARE:

Basis of Accounting

The accounting methods and procedures adopted by the District conform to accounting principles generally accepted in the United States of America as applied to governmental enterprises funds. These financial statements are presented in accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This Statement provides for; recognition of contributions in the Statement of Revenue, Expenses, and Change in Net Position; inclusion of a Management Discussion and Analysis as required supplementary information; and other disclosure requirements.

Cash and Investments

The District maintains an account with the Monterey County Investment Pool, which essentially operates as a demand deposit account. Available cash balances are managed and controlled by the Monterey County Treasurer in pooled investment funds in order to provide safety, liquidity, and high investment returns for all funds. Earnings from these funds are credited to the District's account on a quarterly basis. Assessments in excess of estimated current bond requirements of the District are deposited in the Monterey County account which earns interest based on the fund's prorata share of the cash in the investment fund. The District also maintains financial institution bank accounts for operations and payroll that are FDIC insured up to $250,000 per individual financial institution.

Cash and Cash Equivalents

The District considers all highly liquid assets purchased with an original term to maturity of ninety days or less to be cash equivalents. Cash and cash equivalents are reported as "cash and investments" on the financial statement.

Restricted Assets

Certain cash and investments of the District are classified as restricted because their uses are limited by commitments made by the District with participants for the design and construction of Wastewater Treatment Plan facilities or as restricted by bond covenants. When an expense is incurred for purposes for which there are both restricted and unrestricted cash assets available, restricted cash is used first, then unrestricted cash as it is needed.

Investment Policy

The District has not adopted an investment policy but generally follows the Monterey County Treasurer's investment policy guidelines which allow investments in any security authorized by Section 53635 of the Government Code of the State of California, and any other Government Code that permits investments in various securities, or participation in investment trading techniques or strategies.

Accounts Receivable

Account receivables considered uncollectible are accounted for using the allowance method. The allowance for doubtful accounts was $-0- at June 30, 2020. All annual user fee customer invoices are added to the County assessed property tax invoices, mailed to property owners annually, collected by the County Assessor where the proceeds are deposited into the District's investment account with the County Treasurer.

Property, Plant & Equipment

Capital assets are accounted for at historical cost or estimated cost. In accordance with the District's capital assets policy, minor expenditures under $10,000 for renewals and betterments are charged to expense as incurred. Major expenditures for renewals and betterments are capitalized. In cases where assets are donated to the District, construction costs or estimated market values are recorded on the date received. Costs of assets sold, retired or otherwise disposed of have been eliminated from the accounts, and gains or losses on disposition are included in the applicable year's financial statement. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend lives, are also expensed in the current period.

The cost of property and equipment is depreciated from the date of acquisition, using the straight-line method of depreciation over their estimated useful lives, as follows:

Asset Category	Useful Lives
Treatment Plant - structures	30-40 years
Treatment Plant - equipment	12-15 years
Collections - office	40 years
Collections - pump stations	40 years
Disposal Facilities	20-50 years
Sewer and Appurtenances	25-75 years
Other Assets	25-75 years

Vacation, Sick Leave, and Other Compensated Absences
The District has recorded an accrual for compensated absences in accordance with the District's policy of paying for unused vacation and sick leave of employees. The District's method of calculating the liability is in accordance with GASB Statement No. 16, except that the additional accruals for salary-related payments associated with the payment of compensation absences, for example the employer's share of pension contributions, social security and medicare taxes, have not been accrued as that amount is not considered significant or material to the financial statements taken as a whole. Compensated vacation and sick leave absences are recorded as expenditures when they are paid. Unpaid vacation and sick leave at year-end is recorded as an expense and a liability when earned by employees. These unpaid amounts will be paid from available resources provided for in future year budgets and are classified as current or noncurrent, based upon expected payment dates.

Long-term Obligations
Long-term debt and obligations are reported as liabilities on the statement of net position either as current if payments are to be made within 12 months of the fiscal year-end, otherwise as noncurrent.

Pension Funding Obligations
Defined benefit pension plan (overfunded) or underfunded net liabilities are recognized and disclosed using the accrual basis of accounting.

In general, the District recognizes a net pension liability, which represents the District's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the California Public Employees Retirement System (CalPERS). The net pension liability is measured as of the District's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability and deferred outflows/inflows or resources relating to pensions and pension expense, information about the fiduciary net position of the District's pension plan with CalPERS and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value. Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

Net Position
The business-type activities financial statements utilize a net position presentation. Net position represents the difference between assets plus deferred outflow of resources, as compared to liabilities plus deferred inflow of resources, and is displayed in the following three components:

- *Net Investment in Capital Assets* - this component groups all capital assets, reduced by accumulated depreciation, and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of the assets.

- *Restricted Net Position* - this component represents net position that is subject to constraints either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted Net Position* - this component represents net position of the District, not restricted for any construction project or other purpose.

When both restricted and unrestricted net position is available, restricted resources are used first, then unrestricted resources as they are needed.

<u>Operating and Nonoperating Revenue</u>
Operating revenue and expenses consist of revenue that results from the ongoing principal operations of the District. Operating revenue consists primarily of charges for services. Nonoperating revenue results from non-exchange transactions, ancillary activities or subsidies, and investment earnings.

<u>Property Taxes</u>
Property taxes in the State of California are administered for all local agencies at the County level and consist of secured, unsecured and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

- Property Valuations - are established by the Assessor of Monterey County for the secured and unsecured property tax rolls; the utility property tax roll is valued by the California State Board of Equalization. Under the provisions of Article XIIIA of the State Constitution (Proposition 13), properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increase to full value is allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations and is subject to annual reappraisal.

- Tax Levies - are limited to 1% of full assessed value which results in a tax rate of $1.00 per $100 assessed valuation under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

- Tax Levy Dates - are attached annually on January 1, preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

- Tax Collections - are the responsibility of the Monterey County's tax collector. Taxes and assessments on secured and utility rolls, which constitute a lien against the property, may be paid in two installments: The first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payments.

- Tax Levy Apportionments - due to the nature of the County-wide maximum levy, it is not possible to identify general-purpose tax rates for specific entities such as the District. Under State legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by each County auditor-controller based primarily on the ratio that each agency represented of the total County-wide levy for the three fiscal years prior to fiscal year 1979.

- Property Tax Administration Fees - the State of California fiscal year 1990-91 Budget Act authorized Counties to collect an administrative fee for its collection and distribution of property taxes.

- Monterey County bills and collects property taxes and user fees for the District in addition to its own property taxes.

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

Note 3 - CAWD/PBCSD Reclamation Project

The CAWD/PBCSD Reclamation Project (the Project) is a "cooperative effort" involving the Carmel Area Wastewater District (CAWD), the Pebble Beach Community Service District (PBCSD), the Monterey Peninsula Water Management District (MPWMD), the Pebble Beach Company (PBCo), and the Independent Reclaimed Water Users Group (IRWUG). This cooperative effort did not create a new or separate legal entity. The Project is accounted for as a Proprietary (Enterprise) Fund in the books of the Monterey Peninsula Water Management District, the issuer of the 1992 *Variable Rate Demand Certificates of Participation,* which originally financed the Project. The activities of the Project are overseen by a six member management committee containing two representatives from the CAWD board, two from the PBCSD board, one from the PBCo board, and one from the Independent Reclaimed Water Users Group (IRWUG).

The Project provides treated or reclaimed wastewater to irrigate golf courses and open space areas within the community of Pebble Beach, which frees up potable water previously used for irrigation. The Project operates on the site of CAWD's existing wastewater treatment plant. The Project includes: a tertiary treatment plant, laboratory facilities, a wastewater distribution system, a storage tank used to distribute the treated wastewater to the receptor sites in Pebble Beach, and irrigation system improvements. Recent improvements include a Microfiltration/Reverse Osmosis facility at the CAWD plant, and a reservoir increase capacity project to hold additional reclaimed water at the PBCSD reservoir. The tertiary treatment plant produces water which meets Title 22 standards specified by the California Department of Health Services, which is a quality acceptable for irrigation.

Phase 1
The Project was initially financed in December 1992 by the aforementioned Certificates of Participation (COP) in the amount of $33,900,000 which were executed and delivered at the direction of the MPWMD. Per the COP issuance agreement, the MPWMD agreed to provide the funds necessary to construct and operate the Project with contractual provisions to own the reclaimed water for the express purpose of resale of this water primarily to golf courses located within the Pebble Beach Community to reduce their reliance upon potable water. The PBCo guaranteed payment of construction costs of the Project, plus any operating deficiencies.

Any debt obligations incurred by the MPWMD to finance the Project constitutes limited obligations of MPWMD. These limited obligations are payable solely from the net operating revenue generated by the sale of reclaimed water produced by the Project and, if such reclaimed water revenue is insufficient, from payments on a Bond Letter of Credit, provided by Bank of America (the credit bank), through a reimbursement agreement between PBCo and the credit bank.

Phase 1 Construction of the Project began in January 1993, and was completed in October 1994. The Project assets are owned principally by CAWD and PBCSD, and consist primarily of the following:

Assets owned by CAWD include the following:

- new tertiary treatment plant
- secondary process improvements
- new laboratory facilities
- reclaimed water pump station
- related computer equipment
- small portion of the reclaimed water pipeline

Assets owned by PBCSD include the following:

- approximately seven miles of reclaimed water distribution system pipelines
- 2.5 million gallon storage tank
- portable water pump station
- reclaimed water booster pump station

Phase 2
In 2004, the Carmel Area Wastewater District, the Monterey Peninsula Water Management District, the Pebble Beach Community Services District, and the Pebble Beach Company approved agreements that enabled a significant expansion of the Project's operations known as Phase 2. The goal of the expansion was to enable the Pebble Beach golf courses to be fully dependent on recycled water, thus saving a significant amount of potable water. The expansion was partially funded from the sales of Pebble Beach Company's legal water entitlement agreements to Del Monte Forest residential property owners, currently available at $250,000 per acre foot. Approximately $29 million has been raised through these sales and investment earnings, with the proceeds deposited in a restricted construction escrow account.

The agreements commit the Pebble Beach Company and the Independent Reclaimed Water Users (the unincorporated association of the owners of Cypress Point Golf Club, Poppy Hills Golf Course, and the Monterey Peninsula Country Club) to use and pay for recycled water for irrigation, and make provisions for the beneficial use of any surplus recycled water.

The Project began construction on the Forest Lake Reservoir in 2004 with completion in 2006. Total cost of the reservoir component of the expanded project was approximately $13 million. Upon completion of the reservoir, PBCSD began the application process with the California Division of Safety of Dams to increase the permitted capacity from 320 acre feet to 370 acre feet. Design began in 2006 for the micro-filtration/reverse osmosis (MF/RO) treatment component, along with implementation of a pilot project at Carmel Area Wastewater District's treatment facility. Construction commenced in October 2006 on the MF/RO plant. At June 30, 2009 the entire construction project was complete. Total cost of the MF/RO portion was approximately $21.5 million. The combined improvements are expected to solve water quality issues experienced by the golf courses and should eliminate their use of potable water except in case of emergency. Year-round production is now possible with the Forest Lake Reservoir providing *peak demand* requirements.

Note 4 - Cash and Investments

Cash and investments at fiscal year-end are classified in the accompanying financial statements as follows:

Statement of Net Position	
Cash and investments	$ 38,005,103

Cash and investments are comprised of the following:	
Deposits with financial institutions:	
Checking accounts	$ 623,998
State investment pool	1,184,855
Monterey County investment pool	36,196,250
	$ 38,005,103

Participation in an external County Investment Pool
The District is a voluntary participant in the Monterey County Investment Pool. Funds in the Pool essentially operate as demand deposit accounts. Available cash balances are controlled and invested by the County Treasurer in pooled investment funds in order to provide safety, liquidity and investment returns for all funds. Interest earnings from these funds are credited to the District's account on a quarterly basis. As of June 30, 2020, the Pool had approximately $1.8 billion in investments. The Monterey County Treasurer's Investment policy is in compliance with Section 53635 of the Government Code of the State of California, which permits investments in certain securities and participation in certain investment trading techniques or strategies. Annual reports of the investment pool may be obtained from the Monterey County Treasurer, Post Office Box 390, Salinas, California 93902.

Participation in an external State Investment Pool
The District is a voluntary participant in the Local Agency Investment Fund (LAIF). LAIF, established in 1977, is regulated by California Government Code Section 16429 and under the day to day administration of the California State Treasurer. There is a five member Local Investment Advisory Board that is chaired by the State Treasurer. LAIF determines fair value of its investment portfolio based on market quotations for those securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available. LAIF is part of the Pooled Money Investment Account (PMIA) and under the control of the State Treasurer's Office, which is audited by the Bureau of State Audits on an annual basis. As of June 30, 2020, PMIA had approximately $103 billion in investments. 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. Audited financial statements of PMIA may be obtained from the California State Treasurer's web site at www.treasurer.ca.gov.

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

Investment Pool guidelines and directives are generally followed by District management:

- The legal, final maturity of any single security within the investment portfolio will not exceed five years at purchase.

- The *weighted average life* of the portfolio will not exceed two years.

- The maximum maturity of investments in a money market pool shall not exceed 397 days, and the weighted maturity average maturity of the pool shall not exceed 90 days. A money market pool shall not exceed 10% of the portfolio's book value on the date investments are made; maximum investment in all money market pools shall not exceed 20% of the portfolio's book value on the date that investments are made.

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

		Maturity Date and Yield
Monterey County investment pool	$ 36,196,250	due on demand, 1.89% yield
State investment pool (LAIF)	1,184,855	due on demand, 1.74% yield
Union Bank checking	506,816	due on demand, 0.15% yield
Union Bank payroll	117,182	due on demand, 0.01% yield

Disclosures Relating to Credit Risk
Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County Pool and LAIF do not have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk
The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. At year end, 95% of the District's cash was invested with the Monterey County Investment Pool.

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 California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, 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% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At year end the District had $387,679 in bank financial institutions that

was not covered by the FDIC, but was covered by collateralized securities of the bank financial institutions where the deposits were maintained.

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 County's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 5 - Capital Assets

Capital assets activity for the year consists of the following:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
Non-depreciable Assets				
Land and land rights	$ 308,060	$ -	$ -	$ 308,060
Construction-in-progress	1,915,151	2,075,448	(1,909,615)	2,080,984
totals	2,223,211	2,075,448	(1,909,615)	2,389,044
Depreciable Assets				
Treatment structures	70,224,270	134,182	-	70,358,452
Treatment equipment	7,706,139	609,436	-	8,315,575
Collection pump stations	1,040,749	198,095	-	1,238,844
Collection pump equipment	929,723	19,530	-	949,253
Sewers and appurtenances	11,018,761	100,659	-	11,119,420
Disposal facilities	1,352,473	291,418	-	1,643,891
Other assets	3,825,884	512,094	-	4,337,978
totals	96,097,999	1,865,414	-	97,963,413
Accumulated Depreciation	(48,564,803)	(2,799,809)	283,850	(51,080,762)
Net Capital Assets	$49,756,407	$ 1,141,053	$ (1,625,765)	$49,271,695

In the statement of revenue, expenses, and change in net position, total depreciation expense for the year was charged to the following departments:

Collection	$ 322,705
Treatment and disposal	2,446,841
Administration	30,263
	$ 2,799,809

Note 6 - Receivables

Receivables at year end consist of the following:

User fees - customers	$	85,849
Trade receivables		62,679
Total accounts receivable	$	148,528
Reclamation Project	$	87,421
Pebble Beach CSD		729,150
Total receivables from affiliates	$	816,571

Note 7 - Payables

Payables at year end consist of the following:

Construction, engineering and consultants	$	266,884
Legal, accounting and professionals		84,849
Repairs and maintenance		50,059
Other vendors		11,632
	$	413,424

Note 8 - Deferred Compensation Plan

The District maintains a deferred compensation plan for its eligible employees wherein amounts earned by the employees are paid at a future date. All full-time, regular, salaried employees are permitted to participate in the plan beginning on the first day of the month following their hire date. An employee may elect to make contributions up to the limits established by the Internal Revenue Service for this type of plan, and becomes 100% vested from the first date of participation. Nationwide Retirement Solutions, Inc., and the Variable Annuity Life Insurance Company, both administer the plan, which is in conformity with Section 457 of the Internal Revenue Code.

Note 9 - Long-term Obligations

Long-term debt and obligation activity for the year was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	$ 1,090,000	$ -	$ (160,000)	$ 930,000	$ 170,000
Compensated absences	209,216	36,261	-	245,477	61,369
Single employer net pension liability (overfunded)	(1,013,654)	50,371	-	(963,283)	
CalPERS net pension liability (overfunded)	395,657	153,271	-	548,928	
	$ 681,219	$ 239,903	$ (160,000)	$ 761,122	

<u>Compensated Absences</u>
The accrued compensated absences amounts will be paid from available resources and are classified as current or noncurrent, based upon expected payment dates.

<u>Revenue Bonds</u>
In 2004, the District issued $3,000,000 in *California Statewide Communities Development Authority Water and Wastewater Revenue Series 2004-A Bonds* through a pooled financing program for the design, planning, and construction of sewer facilities for certain properties located within the Carmel Highlands area. The District has signed agreements with (1) the Highlands Inn, (2) the Highlands Sanitary Association (which is comprised of eleven individual owners as members) and (3) the Tickle Pink Inn, to be reimbursed through sewer user fees for all the annual costs associated with the bonds including, but not necessarily limited to, installment payments of principal and interest on the bonds, debt service or administrative fees, and costs or obligations for which the District is obligated to make under the terms of the bond agreement. The sewer user fees and reimbursable costs generated from the customers in the Carmel Highlands area are assessed and included on the Monterey County secured property tax rolls, and submitted by the District annually, as is the same payment program with all District wastewater customers. Principal on the bonds is payable annually beginning October 1, 2004. Interest is payable semi-annually on October 1 and April 1, beginning October 1, 2004.

The interest rates on the bonds range from 1.5% to 5.25%; the bonds mature on October 1, 2024. The bond agreement contains a covenant requiring the District to yield “system net revenues” during each fiscal year equal to at least 120% of the annual debt service in the fiscal year. The covenant has been met.

Future annual principal and interest requirements are as follows:

	Revenue Bonds, Series 2004-A		
Year Ending June 30,	Principal	Interest	Total
2021	$ 170,000	$ 44,363	$ 214,363
2022	175,000	35,306	210,306
2023	185,000	25,856	210,856
2024	195,000	15,881	210,881
2025	205,000	5,381	210,381
totals	$ 930,000	$ 126,787	$ 1,056,787

Note 10 - Postemployment Benefits Other than Pensions

Plan Description
In September 2002, the District established a postemployment health plan (PEHP) to meet its employees' postemployment health care needs and expenses. Under the PEHP plan, Nationwide Retirement Solutions Company (NRS) provides administrative services in exchange for a fee as agreed upon by the District and NRS. The plan does not establish a long-term liability of the District. All employees are permitted to participate in the plan beginning on the first day of the month following their hire date. The District contributes 1% of an employee's salary to the plan on a periodic basis, on behalf of each eligible employee who is a plan participant. Amounts contributed are segregated to either one or both of the following sub-accounts for: (1) reimbursements of qualifying medical care expenses not paid by insurance or (2) reimbursement of health care insurance premiums. Contributions may not vary among eligible employees to fund the qualifying medical care expense sub-account and will be made as an equal dollar amount for each employee. Contributions to fund health care insurance premium sub-accounts may be made as an equal dollar amount or as a percentage of salary, but such percent or dollar amount must apply to all eligible employees. For the year ended June 30, 2020 the District contributed $35,700 to the plan.

Note 11 - Single Employer Defined Benefit Pension Plan

A. General Information about the Plan

Plan Description
The Plan was established on July 1, 1969 by the District and has been amended several times since that date. The benefit formula is 2.5% of the participant's highest calendar year pay times years of benefit service. The Plan was amended effective October 29, 2005 to provide that the Normal retirement age, be age 62 with 5 years participation. Previously it was age 65. Also benefit service was frozen as of October 29, 2005 plus an additional 3.333 years for participants employed on that date. Vesting service was amended to add 3 years for participants employed on the amendment date. Employees hired after October 29, 2005 cannot participate in this plan but are eligible to participate in the District's retirement plan with the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan.

The Plan documents contain a more detailed description of the Plan provisions and should be referred to for a more complete understanding of the terms of the Plan. The District is the Plan Administrator. Additional information concerning this Single Employer Defined Benefit Pension Plan can be obtained from the District's principal accountant.

Contributions

The District's funding policy is to provide for employer contributions on a monthly basis. Employer contributions to the plan for the year ended June 30, 2020 were $-0- since the plan is overfunded. Contributions are actuarially determined under the aggregate actuarial cost method and are designed to accumulate sufficient assets to pay benefits when due. Although service credit to the plan has stopped, employees will only be able to draw their pension account upon separation from District employment.

Plan Membership

As of June 30, 2020, pension plan membership consisted of the following:

Retired members or beneficiaries currently receiving benefits	4
Vested terminated members entitled to, but not yet receiving benefits	3
Active members	6
total	13

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

As of June 30, 2020, the District reported a Net Pension Liability as follows:

Total pension liability	$ 4,418,447
Fiduciary net position (plan assets)	5,432,101
Net pension liability (overfunded)	(1,013,654)

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to this pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ 77,964
Net difference between projected and actual earnings on pension plan investments	26,437	-
Differences between expected and actual experience	85,343	36,185
Totals	$ 111,780	$ 114,149

Amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense in the years ending June 30, 2020 and thereafter as follows:

Year Ended June 30,		
2021	$	(40,696)
2022		(3,998)
2023		19,556
2024		21,747
2025		1,022
thereafter		-
	$	(2,369)

C. Actuarial Assumptions

The Total pension liability was determined as part of actuarial valuation as of July 1, 2020 using the following actuarial methods and assumptions in accordance with GASB No. 68:

Valuation date	June 30, 2020
Measurement date	June 30, 2020
Actuarial cost method	Entry Age Normal
Amortization method	5 years
Remaining amortization method	3-5 years
Long-term inflation rate	2.00%
Salary increases	3.50%
Investment Rate of Return, net	6.00%
Retirement age, with 5 years participation	62
Mortality	RP-2014 tables

D. Discount Rate

The discount rate used to measure the total pension liability was 6.0% which is the long-term expected rate of return on pension plan investments net of pension plan administrative expense, including inflation.

E. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability calculated using the discount rate of 6.0%, 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:

	Discount Rate		
	5.00% (1% Decrease)	6.00% (Current Rate)	7.00% (1% Increase)
Net Pension Liability (overfunded)	$ (435,509)	$ (963,283)	$ (1,402,918)

Note 12 - Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

A. General Information about the Plan

Plan Description
Starting October 29, 2005, the District provides pension benefits to eligible employees through a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS). CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and District ordinance. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided
CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50-55 with statutorily reduced benefits. Death benefits are the pre-retirement Optional Settlement 2W Death Benefit, and the post-retirement death benefit lump sum. The cost of living adjustments for each plan are applied as specified by the Public Employees Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2020, are summarized as follows:

	CalPERS Miscellaneous Plan	
Hire date	Prior to January 1, 2013 (Classic)	On or after January 1, 2013 (PEPRA)
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years svc	5 year svc
Benefit payments	monthly for life	monthly for life
Retirement age	60	62
Monthly benefits, as a % of eligible compensation	2.0%	2.0%
Required employee contribution rates (1)	7.000%	6.750%
Required employer contribution rates (1)	8.081%	6.985%

(1) Subject to annual changes after January 1, 2013

Contributions
The District makes partial contributions required of District employees on their behalf and for their account depending upon date of hire. Employee members are required to make contributions of their annual covered salary in an amount depending upon date of hire. The contribution requirements of plan are established and may be amended by CalPERS. 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 shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 each year, by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any

unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2020, employer pension plan contributions were $227,991.

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

As of June 30, 2020, the District reported a net pension liability for its Proportionate Share of the Net Pension Liability of the CalPERS Public Agency Cost-Sharing Plan as follows:

Total pension liability	$	6,841,185
Fiduciary net position (plan assets)		6,292,257
Net pension liability		548,928

The District's net pension liability for its Plan with CalPERS is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019 (measurement date), and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures.

The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

<u>Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions</u>
For the year ended June 30, 2020, the District recognized $398,446 as pension expense. The District reported deferred outflows of resources and deferred inflows of resources related to this pension plan from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	$	38,125	$	(2,954)
Changes of assumptions		26,175		(9,279)
Net difference between projected and actual earnings on pension plan investments		-		(9,597)
Change in employer's proportion		223,989		-
Differences between employer's contributions and the proportionate share of contributions		-		(77,534)
Pension contributions subsequent to the measurement date		227,991		-
Totals	$	516,280	$	(99,364)

Recognition of Deferred Outflows and Inflows of Resources in Future Pension Expense, as follows:

Year Ending June 30:	
2021	$ 122,190
2022	50,076
2023	14,721
2024	1,938
2025	-
	$ 188,925

C. Actuarial Assumptions

The total pension liability for this plan's actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.0% net of investment expenses

D. Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate, 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 7.0 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.0 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.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.0 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

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 (11-60 years) using a building-block approach.

Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each asset class. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

CalPERS adheres to an Asset Allocation Strategy which establishes asset class allocation policy targets and ranges, and manages those asset class allocations within their policy ranges. The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses. The asset allocation has an expected long-term blended rate of return of 7.0 percent.

Asset Class	Allocation
Global Equity	50.00%
Fixed Income	28.00%
Private Equity	8.00%
Real Assets	13.00%
Liquid Assets	1.00%
	100.00%

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Discount Rate		
	6.15% (1% Decrease)	7.15% (Current Rate)	8.15% (1% Increase)
Net Pension Liability	$ 1,469,089	$ 548,928	$ (210,599)

Note 13 - Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. This policy covers solely the District's property and equipment located on State Route 1 in Carmel, California, and not property and equipment owned by other government agencies that may be physically located on CAWD property.

The District is a member of the California Sanitation Risk Management Authority (CSRMA), an established public entity risk pool that operates as a common risk management and insurance program for 60 government members. The District pays an annual premium to the risk pool for its workers' compensation, excess workers compensation, property, and general coverage. Risk of loss is retained for general liability claims. The agreement with the risk pool provides that it will be self-sustaining through member premiums and additional policies purchased from commercial insurance companies for general liability claims, and for excess workers' compensation claims. The District's share of CSRMA year-end assets, liabilities, and retained earnings has not been calculated by the CSRMA. Financial statements may be obtained from CSRMA, 100 Pine Street, 11th Floor, San Francisco, California 94111.

Health Life and Vision Insurance - the District participates in a group health insurance plan, which provides benefits for all qualified employees.

Dental Insurance - the District has elected to self-insure for dental insurance under a reimbursement plan. The amount of the contingent liability, if any, at fiscal year end is not material, however, the District is not aware of any significant claims currently pending.

Note 14 - Subsequent Events

The management of the District has reviewed the results of operations for the period from its year end June 30, 2020 through December 9, 2020, the date the draft financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

Note 15 - New Pronouncements

The Governmental Accounting Standards Board (GASB) has released the following new pronouncements, which can be read in their entirety at http://www.gasb.org

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements in this Statement are effective for fiscal years beginning after June 30, 2020.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and a right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for fiscal years beginning after June 30, 2020.

In June 2018, GASB issued Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period.* The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement established accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement.

This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared 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, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

(unaudited)

CARMEL AREA WASTEWATER DISTRICT
Required Supplementary Information
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (unaudited)
As of June 30, 2020

Schedule of Proportionate Share of the Net Pension Liability

The proportion (*percentage*) of the collective net pension liability represents the District's share of the cost-sharing plan assets offset against the actuarial determined collective pension liability.

The proportionate share (*dollar amount*) of the collective net pension liability represents the District's share of the cost-sharing plan assets offset against the actuarial determined collective pension liability.

The employer's covered-employee payroll represents the payroll of employees that are provided with pensions through the plan.

Schedule of Contributions

The employer's contributions to the plan is actuarially determined or based on statutory or contractual requirements which comprise the following: (1) the agent employer's actuarially determined contribution to the pension plan (its statutorily/contractually required contribution), (2) the employer's actual contributions, the difference between the actual and actuarially determined contributions (its statutorily/contractually required contributions), and (3) a ratio of the actual contributions divided by covered-employee payroll.

CARMEL AREA WASTEWATER DISTRICT
Required Supplementary Information (unaudited)
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Last 6 Fiscal Years *

Schedule of the District's Proportionate Share of the Plan's Net Pension Liability	Measurement Date - Fiscal Year Ending June 30					
	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.0054%	0.0041%	0.0045%	0.0033%	0.0005%	0.0101%
District's proportionate share of the net pension liability	$ 548,928	$ 395,657	$ 448,040	$ 285,127	$ (33,002)	$ 629,116
District's covered-employee payroll **	$ 2,531,591	$ 2,252,020	$ 2,177,857	$ 2,030,331	$ 2,053,405	$ 1,868,031
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	21.68%	17.57%	20.57%	14.04%	-1.61%	33.68%
Plan fiduciary net position as a percentage of the total pension liability	75.27%	75.26%	73.31%	74.06%	78.40%	79.82%

Schedule of the District's Contributions	Fiscal Year Ending June 30					
	2020	2019	2018	2017	2016	2015
Contractually required employer contribution	$ 227,991	$ 199,800	$ 165,214	$ 152,534	$ 134,094	$ 157,952
Contributions in relation to the contractually required employer contribution	227,991	199,800	165,214	152,534	134,094	718,672
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ (560,720)
District's covered-employee payroll ***	$ 2,758,226	$ 2,531,591	$ 2,252,020	$ 2,177,857	$ 2,030,331	$ 2,053,405
Contributions as a percentage of covered-employee payroll	8.27%	7.89%	7.34%	7.00%	6.60%	35.00%

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

** for the measurement date fiscal year

*** for the fiscal year ending on the date shown

CARMEL AREA WASTEWATER DISTRICT
Required Supplementary Information (unaudited)
Single Employer Defined Benefit Pension Plan
As of June 30, 2020

Schedule of Changes in the Net Pension Liability

The beginning and ending balances of the total pension liability, the plan assets available for pension benefits, and the net pension liability, as well as the change in those amounts during the year are presented by cause.

Total pension liability, plan net position, net pension liability, a ratio of plan net position divided by the total pension liability, payroll amount for current employees in the plan (covered-employee payroll), and a ratio of the net pension liability divided by covered-employee payroll.

Schedule of Contributions

The employer's contributions to the plan is actuarially determined or based on statutory or contractual requirements which comprise the following: (1) the agent employer's actuarially determined contribution to the pension plan (its statutorily/contractually required contribution), (2) the employer's actual contributions, the difference between the actual and actuarially determined contributions (its statutorily/contractually required contributions), and (3) a ratio of the actual contributions divided by covered-employee payroll.

CARMEL AREA WASTEWATER DISTRICT
Required Supplementary Information (unaudited)
Single Employer Defined Benefit Pension Plan
Last 6 Fiscal Years *

Schedule of Changes in the District's Net Pension Liability

	Fiscal Year Ending June 30					
Total Pension Liability:	2020	2019	2018	2017	2016	2015
Service Cost	$ -	$ -	$ -	$ -	$ -	$ -
Interest on total pension liability	259,881	253,702	267,900	271,856	267,034	234,721
Differences between expected and actual	84,663	6,974	(80,294)	16,907	29,560	103,803
Changes of assumptions	(17,336)	(5,452)	(62,738)	-	-	(907,311)
Benefit payments, includes refunds	(176,786)	(128,424)	(596,447)	(112,946)	(319,499)	(73,846)
Net change in total pension liability	150,422	126,800	(471,579)	175,817	(22,905)	(642,633)
Total pension liability - beginning	4,418,447	4,291,647	4,763,226	4,587,409	4,610,314	5,252,947
Total pension liability - ending	$ 4,568,869	$ 4,418,447	$ 4,291,647	$ 4,763,226	$ 4,587,409	$ 4,610,314
Plan Fiduciary Net Position:						
Contributions - employer	$ -	$ 34,600	$ 78,936	$ 88,680	$ 130,672	$ 216,420
Contributions - employee	-	-	-	-	-	-
Net investment income	278,846	264,302	364,427	374,628	(92,216)	227,644
Benefit payments, includes refunds	(176,786)	(128,424)	(596,447)	(112,946)	(319,499)	-
Administrative expense	(2,009)	(1,842)	(1,844)	(1,763)	(16,821)	(73,846)
Net change in plan fiduciary net position	100,051	168,636	(154,928)	348,599	(297,864)	370,218
Plan fiduciary net position - beginning	5,432,101	5,263,465	5,418,393	5,069,794	5,367,658	4,987,466
Plan fiduciary net position - ending	$ 5,532,152	$ 5,432,101	$ 5,263,465	$ 5,418,393	$ 5,069,794	$ 5,357,684
Net Pension Liability / (Overfunded)	$ (963,283)	$ (1,013,654)	$ (971,818)	$ (655,167)	$ (482,385)	$ (747,370)

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability:

	2020	2019	2018	2017	2016	2015
Covered employee payroll	$ 747,631	$ 711,527	$ 680,149	$ 683,592	$ 759,350	$ 785,681
NPL as percentage of covered employee payroll	128.8%	122.9%	122.6%	-95.8%	-64.0%	-97.0%

Schedule of District's Contributions:

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ -	$ -	$ 103,838	$ 78,940	$ 88,667	$ 130,567
Actual contributions	-	(34,600)	(78,936)	(88,680)	(130,672)	(216,420)
Contribution deficiency / (excess)	$ -	$ (34,600)	$ 24,902	$ (9,740)	$ (42,005)	$ (85,853)
Covered employee payroll	$ 747,631	$ 711,527	$ 680,149	$ 683,592	$ 759,350	$ 779,176
Contributions as a percentage of covered payroll	0.00%	-4.86%	-11.61%	-12.97%	-17.21%	-27.78%

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

OTHER SUPPLEMENTARY INFORMATION

CARMEL AREA WASTEWATER DISTRICT
Budgetary Comparison Information
Revenue and Expenses
Year Ended June 30, 2020

	Final Budget *(unaudited)*	Actual	Variance Favorable (Unfavorable)
Operating Revenue			
Sewer service fees	$ 8,207,479	$ 8,557,816	$ 350,337
PBCSD treatment fees	1,200,000	1,541,642	341,642
Reclamation Project O&M reimbursements	471,937	642,238	170,301
Liquid Food Waste fees	-	9,884	9,884
Brine Disposal fees	-	104,714	104,714
Other operating revenue	27,000	100,346	73,346
Total operating revenue	9,906,416	10,956,640	1,050,224
Operating Expenses			
Maintenance	1,876,166	1,151,754	724,412
Collection	2,040,959	1,601,805	439,154
Treatment and disposal	5,155,757	5,054,282	101,475
General and administrative	1,724,824	1,117,264	607,560
Reclamation Project O&M expenses	471,937	573,988	(102,051)
Waste to Energy costs	9,108	25,114	(16,006)
Brine Disposal costs	7,910	6,922	988
Other operating expenses	-	-	-
Total operating expenses	11,286,661	9,531,129	1,755,532
Operating income (loss)	(1,380,245)	1,425,511	2,805,756
Nonoperating Revenue and (Expenses)			
Property tax revenue	1,812,897	2,140,553	327,656
Investment earnings	250,000	715,611	465,611
Highlands Sewer Project revenue	215,625	218,013	2,388
PBCSD capital reimbursements	985,739	254,606	(731,133)
Reclamation Project capital reimbursements	58,021	22,744	(35,277)
Debt Service - Interest and fiscal expenses	(53,025)	(54,006)	(981)
Other nonoperating revenue	-	323,622	323,622
Other nonoperating (expenses)	(2,600)	(1,220)	1,380
Total non-operating revenue and (expenses)	3,266,657	3,619,923	353,266
Net income (loss)	$ 1,886,412	$ 5,045,434	$ 3,159,022
GAAP Reconciling Adjustment			
Depreciation expense	2,669,000	2,799,809	130,809
Net income - budgetary basis	$ 4,555,412	$ 7,845,243	$ 3,289,831