an Enterprise Fund of the Monterey Peninsula Water Management District

Annual Financial Report June 30, 2021

# **Table of Contents**

INDEPENDENT AUDITOR'S REPORT	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)	
Required Supplementary Information, as prepared by management	4-9
FINANCIAL STATEMENTS	
Statements of Net Position	10
Statements of Revenue, Expenses, and Change in Net Position	11
Statements of Cash Flows	
NOTES TO FINANCIAL STATEMENTS	13-25
SUPPLEMENTARY INFORMATION	
Budgetary Comparison Information	26
Summary of Net Position	27

# MARCELLO & COMPANY CERTIFIED PUBLIC ACCOUNTANTS

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#### INDEPENDENT AUDITOR'S REPORT

Board of Directors and Members CAWD/PBCSD Reclamation Project Carmel, California

# **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the CAWD/PBCSD Reclamation Project, Carmel, California, an enterprise fund of the Monterey Peninsula Water Management District (the Project) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Project's basic financial statements as listed in the table of contents. The prior year comparative information has been derived from the Project's 2020 financial statements and, in our report dated October 12, 2020, we expressed an unqualified 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 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. 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.

Board of Directors and Members CAWD/PBCSD Reclamation Project 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 CAWD/PBCSD Reclamation Project, as of June 30, 2021, 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 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or 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 CAWD/PBCSD Reclamation Project's financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary 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 September 15, 2021

# 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 of the CAWD/PBCSD Reclamation Project (the Project) for the fiscal year ended June 30, 2021. 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 2020-21 are as follows:

- Water Sales revenue decreased 3.2% over the prior year with a corresponding decrease of 1.0% to the budget.
  - Total amount of water sold was 3.8% less than in fiscal year 2019-20. Last year total water sales included 1066 acre feet (AF) of reclaimed water. That figure contrasts with 1,025 AF of reclaimed water for the current year.
- Net Non-operating expenses decreased 30.9% over the prior year primarily due to a decrease in Bond and Letter or Credit carrying costs of 26.2% and bond interest expense of 93.3%. Additionally, this year there were no costs assigned to abandoned wells.
- Long-term obligations include the bonds issued in 1992 that mature in 2022 with current year
  principal due of \$2.5M. The Project has been able to take advantage of lower interest rates over the
  last several years the interest due remained low during the entire fiscal year. The other long-term
  obligation is a loan from the Monterey Peninsula Water Management District for \$1M that matures in
  October 2021.
- Total operating expenses were 4.4% lower than the prior year as follows:
  - o Plant operating expenses were 4.7% less than in fiscal year 2019-20 and 4.8% below budget. Briefly the reasons they were so close:
    - Plant labor expenses were 2.1% lower than in 2020, reflected most significantly in the lab supervisor up 15.3%, plant operators up 5.1%, and maintenance workers up 44.6%.
    - Electricity costs increased 8.2%. over prior year and 1.1% over budget.
    - Chemical costs were down 13.9% from budget; however, that could be attributable to delivery timing, all chemicals are expensed when received and may carry over into the next year. COVID-19 supply chain issues has caused chemical deliveries to be at the very limits of what we need and certainly less than our comfort level.
    - Operating Supplies were 10.5% under budget and 22.9% below prior year. In 2019-20 there was a purchase of RO membrane elements that would account for the disparity.
    - Contractual services were under budget by 14.4% and also below prior year actual by 2.4%. Work on plant instrumentation and system software are nearly identical yearto-year.
  - Distribution costs were 21.7% below budget and 11.0% less than prior year 2019-20. Pebble Beach Community Services District (PBCSD) administrative and engineering salaries were under budget 34.9% while staff salaries were under Administration budget 13.6%. Utilities were 23.3% less than prior year and 13.6% under budget. Other O&M expenses were 7.7% less than prior year and 27.0% under budget.

- Pebble Beach Company and Independent Golf Club Users liaison expenses were 0.2% over budget and 0.2% greater than prior year.
- Carmel Area Wastewater District (CAWD) administrative salaries and other expenses were 1.5% over budget and 59.0% greater than prior year. CAWD operating expenses were 0.4% over budget, and 34.4% less than prior year due largely to expenses related to sea level rise negotiations with the California Coastal Commission (CCC) and engineering salaries in 2019-20. Agreement with the CCC was arrived at in April 2019 whereby Sea Level Rise costs were shared between CAWD, PBCSD, and the Project at 20%.
- o Monterey Peninsula Water Management District (MPWMD) general and administrative costs were 6.1% below budget and 5.8% higher than prior year.

#### **Using this Financial Report**

This annual report consists of three parts: management's discussion and analysis (*this section*), the basic financial statements, and notes to the financial statements. This discussion and analysis are intended to serve as an introduction to the Project's basic financial statements. The Project's basic financial statements consist of three components:

- The Statements of Net Position present information on all of the Project'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 Project's net position changed during the two most recent fiscal years.
- The Statements of Cash Flows present information showing how the Project's cash changed during the two most recent fiscal years. It shows the sources and uses of cash.

The financial statements also include *Notes* that explain some of the information in the financial statements and provide more detailed information. They are followed by a section of *Supplementary Information* that further explains and supports information in the financial statements.

#### **Financial Analysis**

The "Amended and Restated Construction & Operation Agreement" became effective July 1, 2013. Revenue derived from recycled water on and after that date, including all costs necessary to recover operating capital, reserve, financing, and other costs of the Project became the responsibility Pebble Beach Company, the Independent Reclaimed Water Users Group (IRWUG) and Robert Louis Stevenson School. IRWUG refers to the unincorporated association of the owners of Cypress Point Golf Club, Northern California Golf Association, and the Monterey Peninsula County Club. The amended agreement permits IRWUG to take a full voting seat on the Project's Reclamation Management Committee.

As part of the negotiations, the IRWUG agreed to pay the amounts necessary to recover all operating, capital, reserves, financing, and other costs of the Project during each fiscal year. As in the past this includes all operation and maintenance expenses, the capital reserve fund, and bond carrying costs. New costs include all principal installments on the Certificates of Participation (COP), all interest payments on the COP, an amount equal to the Bond Carrying Cost Annual Amortization Amount, and the cost of IRWUG and Pebble Beach Company Project representatives. Because California American Water Company (CalAm) potable water increases are projected well into the future and the value of water on the Monterey Peninsula in general is a scarce resource; the IRWUG users became full partners in the Project on the assumption that they would be better off if the price of water was "delinked" from CalAm rates. The operating and

capital costs are calculated each year as part of the annual budget process and allocated by usage formula to each of the users.

Current assets increased 12.1%. Cash on hand decreased 10.5%; however Accounts Receivables from water sales increased 60.7%. This swing between cash and receivables is a timing issue and is not unusual from one year to the next. The Project does not provide an allowance for doubtful accounts because all receivables are collected within 60 days of each fiscal year end.

Current liabilities decreased 4.3% from the prior year. Trade payables decreased 11.1%. Water sales were only slightly less than prior year (-3.2%) although the per acre foot cost based on operating costs increased 8.2% from \$2,649.51/AF in 2019-20 to \$2,884.69 in 2020-21. Total water sales, both the operating and fixed cost component, were 1.0% over budget. Affiliates payables, or payables between Project partners, also decreased 30.5%.

In May 2019 the Project entered into a lending agreement with the Monterey Peninsula Water Management (MPWMD) district for \$1M. In fiscal year 2020-21 this required one principal payment of \$500K and two interest payments totaling \$22,875. The final principal and interest payment is scheduled for October 2021. The second major debt taken on by the Project is the Certificates of Participation (COP) finance in 1992 in the amount of \$33.9M. The COPs will mature in 2022, but until then bear interest at a variable rate. Given the current low interest rate environment this has been remarkably low cost money for the Project.

Noncurrent liabilities decreased 52.9% because of changes in the Bond payable schedule and amount due Pebble Beach Company and the decrease in the long-term portion due to MPWMD. In addition to the COPs and the amount due to MPWMD the repayment of \$5.5M for bond costs incurred and advanced by Pebble Beach Company over ten years is to be paid off in 2023. The annual decrease is reflected in the noncurrent liabilities.

Construction-in-Progress included \$338K for rehabilitation of the Recycled Water Storage Tank located near the Poppy Hills Golf Course in Pebble Beach.

With the implementation of the "Amended and Restated Construction & Operation Agreement" in June 2013, the intent was to budget annually for a break-even position. The budgeted cost of operations, capital, and debt service are all incorporated into the water sales rate structure.

# Financial Analysis of the Project (Condensed comparative data)

A summary of Net Position is presented below:

		%		%	
	2021	Change	2020	Change	2019
Net Assets					
Current Assets	2,808,159	12.1%	2,504,993	-11.4%	2,826,842
Restricted Cash	1,176	0.0%	1,176	1.0%	1,164
Water Rights (net of amortization)	38,759,314	2.1%	37,947,686	-2.6%	38,946,365
,					
Construction-in-Progress	338,903	-87.3%	2,674,387	85.1%	1,444,970
Other assets		n/a		n/a	
	41,907,552	-2.8%	43,128,242	-0.2%	43,219,341
Liabilities					
Current Liabilities	4,290,782	-4.3%	4,483,941	-4.5%	4,692,778
Long-term debt	3,152,000	-53.0%	6,704,000	-26.8%	9,156,000
	7,442,782	-33.5%	11,187,941	-19.2%	13,848,778
Net Position	\$ 34,464,770	7.9%	\$ 31,940,301	8.7%	\$ 29,370,563

#### **Capital Assets**

The MF/RO facility constructed at the Carmel Area Wastewater District's plant site was completed in June 2009. Preliminary engineering study on this project was started in 2000. Over the ensuing nine years there were multiple engineering and regulatory hurdles, but the facility was finally put into service in 2008 and construction was completed the following year.

Significant asset additions in 2020-21 were as follows:

•	Reclamation Storage Facilities Improvements	\$2,540,450
•	Polymer Feed System	\$ 9,764
•	Lab Autotitrator	\$ 5,583

The Monterey Peninsula County Club (MPCC) Bird Rock Well project was completed 12.7% under budget and went online in April 2020. There are four alternative water sources for the CAWD/PBCSD Reclamation Project. The four include the 4<sup>th</sup> Fairway Diversion well, the MPCC No. 8 well, the MPCC No. 9 well, and the Bird Rock Well completed in 2020. Combined, these four alternative water sources provided 36 AF of water for fiscal year 2021.

The Reclamation Storage Facilities Improvements was an extensive rehabilitation of the Poppy Hills storage tank. This was a multi-year project that included rehab of the steel roof for corrosion damage. Expectations are that this work should stand the storage tank in good stead for at least the next 15 years.

The Project does not own the capital equipment it uses; it is owned by the public agencies that manage and operate the Project. For this reason, the value earned for the capital expenditures incurred is reflected on the Project books as water resale rights, an intangible capital asset.

The value of capital assets owned by each entity involved in the Project at year end was as follows:

	2021	2020	2019
Carmel Area Wastewater District	\$39,712,653	\$39,697,306	\$39,277,349
Pebble Beach Community Services			
District	27,711,456	25,171,006	24,909,369
MPWMD	29,056	29,056	29,056
Open Space Users	1,459,777	1,459,777	1,459,777
Cal-Am	853,727	853,727	853,727
	\$69,766,669	\$67,210,872	\$66,529,278

# **Long-Term Debt**

The "Variable Rate Demand Certificates of Participation-Wastewater Reclamation Project Series 1992 Bonds" were issued in the amount of \$33,900,000 to finance the construction of the Project's reclamation facilities and have a maturity date of July 2022. As agreed to in the "Amended and Restated Construction & Operation Agreement" effective July 1, 2013, annual principal and interest payments, and bond carrying costs, became a part of the annual charge to be recovered from all recycled water buyers during each fiscal year. The Pebble Beach Company remains the fiscal guarantor to the COP debt. The Certificate of Participation variable interest rate has dropped considerably due to the low interest rate environment from \$76,688 in 2019-20 to \$3,450 in 2020-21, or a 95.5% decrease. Current year actual on other interest income and gain (loss) on securities was 93.6% under budget of \$35K.

A summary of Changes in Net Position is presented as follows:

	2021	% Change	2020	% Change	2019
Changes in Net Position				011011194	
Operating Revenues	\$ 6,838,738	-3.2%	\$ 7,063,288	12.1%	\$ 6,299,411
Operating Expenses	(2,356,918)	-5.9%	(2,504,551)	-3.1%	(2,584,234)
Amortization	(1,744,169)	3.8%	(1,680,274)	1.0%	(1,663,234)
Operating income/(loss)	2,737,651	-4.9%	2,878,463	40.3%	2,051,943
Interest revenue	2,256	-93.3%	33,923	-20.8%	42,855
Subsidy from PBCo	-	n/a	-	n/a	-
PBCo (withdrawal)	-	n/a	-	n/a	-
Non-operating expenses	(215,438)	-37.1%	(342,576)	-12.4%	(391,183)
Non-operating contrib/withdrawal	-	-100.0%	(72)	-73.8%	(276)
Other	 	n/a	_	-100.0%	(17,968)
subtotal	(213,182)	-30.9%	(308,725)	-15.8%	(366,572)
Change in net position	2,524,469	-1.8%	2,569,738	52.5%	1,685,371
Net position, beginning	 31,940,301	8.7%	 29,370,563	6.1%	27,685,192
Net position, ending	\$ 34,464,770	7.9%	\$ 31,940,301	8.7%	\$ 29,370,563

#### **Budget Highlights/Variances**

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

During fiscal year ended June 30, 2021 the following budget variances were noted:

- Water sales were over budget 2.5%. Budgeted reclaimed water sales were 1,000 AF while actual sales were 1,025 AF.
- Net investment earnings were 93.3% less than the prior year and were nearly identically less than budget or 93.6% lower.
- CAWD Plant operating expenses were 4.8% under budget. The two largest cost centers (Salaries 1.8% and Power 1.1%) tracked closely to budget. Chemicals tracked 13.9% under budget.
- Plant distribution costs were 21.7% under budget. Admin labor costs were 35.0% under budget and field labor was 13.6% under budget. O&M costs were 27.1% under budget.
- CAWD general and administrative salary costs were 1.5% over budget along with other miscellaneous costs over budget 0.4%. MPWMP salaries were 48.5% over budget while other administrative costs were 31.7% under budget.
- Potable water costs (including meter charges) was 3.9% over budget. There were not any purchases made of potable water.
- Bond carrying costs were 30.2% under budget and letter of credit costs were 8.6% under budget.
   Interest rate environment this fiscal year was very low and therefore favorable to the project.
- Interest income on reserves was 64.2% under budget, again, reflecting the low interest rate environment.
- Monterey Peninsula Water Management user fee was 19.1% under budget.

#### **Other Significant Matters**

Securing an adequate water supply continues to be the single biggest challenge facing the future. The Project has continued efforts to explore opportunities for new water supplies – primarily by drilling wells in Del Monte Forest and exploring stormwater diversion to the treatment facility. At the treatment plant we continue efforts to increase recovery although the drought in California has resulted in reduced plant influent as conservation efforts by the public increase.

#### **Requests for Information**

This financial report is designed to provide an overview of the Project'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, at Carmel Area Wastewater District, P.O. Box 221428, Carmel, CA 93922, telephone (831) 624-1248, or email grover@cawd.org.

# FINANCIAL STATEMENTS

# Statements of Net Position June 30, 2021 and 2020

ound 00, 2021 and 2020				
			for	comparative
ASSETS			pu	rposes only
Current Assets		2021		2020
Cash and investments (note 3)	\$	1,525,436	\$	1,704,828
Accounts receivable - water sales (note 4)		1,262,642		785,295
Accounts receivable - other (note 4)		20,081		14,870
Total current assets		2,808,159		2,504,993
Capital Assets				
Water resale rights, net of amortization		38,759,314		37,947,686
Construction-in-progress		338,903		2,674,387
Total capital assets (note 5)		39,098,217		40,622,073
Cash Restricted for				
Debt service (note 3)		1,176		1,176
Total assets	\$	41,907,552	\$	43,128,242
LIABILITIES  Oursent Liebilities				
Current Liabilities	ф	100 127	\$	112 740
Accounts payable - trade (note 6)	\$	100,127 638,655	Φ	112,749
Accounts payable - affiliates (note 6)		2,500,000		919,192 2,400,000
Bond payable - current portion (note 7)		500,000		500,000
Due to MPWMD (note 7)  Due Pebble Beach Company - current portion (note 7)		552,000		552,000
Total current liabilities		4,290,782		4,483,941
Total current liabilities		4,290,702		4,400,941
Noncurrent Liabilities				
Bond payable (note 7)		2,600,000		5,100,000
Due to MPWMD (note 7)		-		500,000
Due Pebble Beach Company (note 7)		552,000		1,104,000
Total noncurrent liabilities		3,152,000		6,704,000
Total liabilities		7,442,782		11,187,941
NET POSITION				
Net investment in capital assets		33,998,217		33,122,073
Restricted for debt service		1,176		1,176
Unrestricted		465,377		(1,182,948)
Total net position (page 27)		34,464,770		31,940,301
Total liabilities and net position	\$	41,907,552	\$	43,128,242

The accompanying notes are an integral part of these financial statements

# Statements of Revenue, Expenses, and Change in Net Position Years Ended June 30, 2021 and 2020

		for	comparative
		pu	rposes only
	 2021		2020
Operating Revenue			
Water sales	\$ 2,718,134	\$	3,014,672
Fixed cost charge	 4,120,604		4,048,616
Total	6,838,738		7,063,288
Operating Expenses			
Plant operating costs	1,757,523		1,845,316
Distribution costs	395,403		444,669
General and administrative	196,979		211,049
Potable water purchases	7,013		3,517
Amortization (note 5)	 1,744,169		1,680,274
Total operating expenses	 4,101,087		4,184,825
Operating income (loss)	 2,737,651		2,878,463
Nonoperating Revenue (Expenses)			
Bond and LC carrying costs	(72,161)		(97,843)
Interest expense - PBCo	(46,718)		(70,870)
Interest expense - MPWMD	(20,333)		(20,333)
Interest expense - Bonds	(3,450)		(76,688)
Investment earnings (loss)	2,256		33,923
MPWMD user fee	(72,776)		(76,842)
Other revenue (expenses)	 <u> </u>		(72)
Total nonoperating revenue (expenses)	 (213,182)		(308,725)
Change in Net Position	2,524,469		2,569,738
Net Position - beginning	 31,940,301		29,370,563
Net Position - end of year	\$ 34,464,770	\$	31,940,301

# **Statements of Cash Flows**

# **Years Ended June 30, 2020 and 2019**

			for	comparative
Cash Flows Provided By (Used For):				rposes only
,		2021	•	2020
Operating Activities				
Cash received from customers	\$	6,356,180	\$	7,566,869
Cash payments for operating expenses		(2,650,077)		(3,313,388)
Net cash provided (used)		3,706,103		4,253,481
Noncapital Financing Activities				
Other cash receipts (expenses)				(72)
Net cash provided (used)		<del>-</del>		(72)
Capital and Related Financing Activities				
Principal paid on bond debt		(2,400,000)		(2,300,000)
Principal paid on PBCo debt		(552,000)		(552,000)
Proceeds from (principal paid to) MPWMD interfund loan		(500,000)		1,000,000
Interest expense		(70,501)		(167,891)
Bond carrying costs		(72,161)		(97,843)
Additions to Water Resale Rights		(220,313)		(1,911,012)
MPWMD user fee		(72,776)		(76,842)
Net cash provided (used)		(3,887,751)		(4,105,588)
Investing Activities				
Investment earnings (losses)		2,256		33,923
Net cash provided (used)		2,256		33,923
rect sacin provided (assa)		2,200	-	00,020
Increase (decrease) in cash		(179,392)		181,744
Cash and investments - beginning		1,706,004		1,524,260
Cash and investments - end of year	\$	1,526,612	\$	1,706,004
Cash on the Statement of Net Assets consists of:				
Cash and investments	\$	1,525,436	\$	1,704,828
Restricted cash	Ψ	1,176	Ψ	1,176
Total	\$	1,526,612	\$	1,706,004
			-	
Operating Activities Analysis				
Operating Income (Loss)	\$	2,737,651	\$	2,878,463
Reconciliation Adjustments:	•	•	•	. ,
Add amortization, a noncash expense		1,744,169		1,680,274
(Increase) decrease in receivables		(482,558)		503,581
Increase (decrease) in payables		(293,159)		(808,837)
Net cash provided (used)	\$	3,706,103	\$	4,253,481

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 Project as follows:

- Note 1 Defining the Reporting Entity
- Note 2 Summary of Significant Accounting Policies
- Note 3 Cash and Investments
- Note 4 Receivables
- Note 5 Capital Assets
- Note 6 Payables
- Note 7 Long-term Obligations
- Note 8 Risk Management
- Note 9 Subsequent Events
- Note 10 New Accounting Pronouncements

#### Note 1 - Defining the Reporting Entity

#### Reporting Entity

The CAWD/PBCSD Reclamation Project (the Project) is a cooperative effort involving the Carmel Area Wastewater District (CAWD), the Pebble Beach Community Services District (PBCSD), the Monterey Peninsula Water Management District (MPWMD), and the Pebble Beach Company (PBCo). This cooperative effort did not create a new or separate legal entity. The Project is a proprietary (enterprise) fund of the Monterey Peninsula Water Management District, the issuer of the Certificates of Participation which financed the Project's first construction project.

The Project provides treated wastewater to irrigate golf courses and open space areas in the Pebble Beach community, which freed up potable water previously used for irrigation. The original Project involved the construction of a new tertiary treatment plant and laboratory facilities located on the site of the existing CAWD secondary wastewater treatment plant, the construction of a new reclaimed distribution system, including a 2.5 million gallon storage tank, and irrigation system improvements. Construction of the original Project began in January 1993 and was completed in October 1994. The tertiary treatment plant produces water which meets Title 22 standards specified by the California Department of Health Services, which is a quality acceptable for human contact.

The Project's assets are owned principally by CAWD and PBCSD, and consist primarily of the following:

- Assets owned by CAWD: (1) a tertiary treatment plant, (2) secondary process improvements, (3) laboratory facilities, (4) a reclaimed water pump station, (5) related computer equipment, and (6) a small portion of the reclaimed water pipeline.
- Assets owned by PBCSD: (1) approximately seven miles of reclaimed water distribution system pipeline, (2) the Forest Lake Reservoir, (3) a 2.5 million gallon storage tank, and (4) a potable water pump station.

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

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

Subsequent to the completion of the original facilities, the Project has been expanded to increase the quantity and quality of reclaimed water. The expanded project utilizes the Forest Lake Reservoir located in Pebble Beach, which provides up to 115 million gallons of storage capacity. The Reservoir is filled with reclaimed water during winter months when there is excess production at the treatment plant. The stored water is used during summer months when the daily irrigation demand exceeds treatment plant production capacity. In 1998, PBCSD purchased the Reservoir from the California-American Water

Company. Rehabilitation and reservoir expansion was completed in 2009 in accordance with State Water Resources Division of Safety of Dams requirements. Construction costs of \$13,052,530 were financed by the sale of Pebble Beach Company water entitlements.

The Microfiltration/Reverse Osmosis (MF/RO) phase of the project (phase II), located at the CAWD treatment plant site, began in 2006 and was completed in 2009. The intent of the MF/RO phase is to reduce the sodium content of the tertiary reclaimed water from 150 mg/l to less than 55 mg/l, to reduce the stress on the golf greens and eliminate the need for flushing the courses with potable water. The design capacity for the MF/RO is 1.5 million gallons with an expected blend of 80% RO water and 20% MF water. The total cost of the MF/RO project was \$21,379,792, which was financed through the sale of water entitlements owned by PBCo to residential property owners within the Pebble Beach community.

The following is a brief description of each of the participants involved in the Project:

Carmel Area Wastewater District - CAWD (formerly the Carmel Sanitary District) was formed in 1908 to service the community of Carmel-by-the-Sea and is one of the oldest sanitary districts in the State. In 1934, CAWD was reorganized under the Health and Safety Code Sanitary District Act of 1923. In 1939 work began on the construction of a primary treatment plant. The primary treatment plant was built at the site of the current Wastewater Treatment Facility and had a design capacity of 0.8 million gallons per day (MGD). The primary treatment plant was the first sewage treatment plant on the Monterey Peninsula. Current permit capacity is 3.0 MGD. CAWD also provides treatment and disposal services to PBCSD, which owns one-third of the "capacity" of CAWD's treatment facility. CAWD is an independent government entity operating under authority of the Health and Safety Code of the State of California, and is governed by its own five member Board of Directors who are elected for terms of four years each.

Pebble Beach Community Services District - PBCSD provides wastewater collection and treatment; fire protection and emergency medical; supplemental law enforcement; garbage and recycling collection; reclaimed water distribution services; and undergrounding of overhead utilities within Pebble Beach. It was organized on July 1, 1982 under the Community Service District Act (Section 61000 et seq. Government Code). PBCSD is governed by a five member Board of Directors who are elected at large for a four year term and who must be residents of the District. PBCSD owns and operates its wastewater collection system and contracts with CAWD for wastewater treatment and disposal. The District provides fire protection and emergency medical services through a contract with the California Department of Forestry and Fire Protection (CAL FIRE), supplemental law enforcement services through a contract with California Highway Patrol, and garbage and recycling collection services through a contract with GreenWaste Recovery Inc.

Monterey Peninsula Water Management District - MPWMD is a special district created by the Monterey Peninsula Water Management District Act, Statutes of 1977, Chapter 527, to provide regional water supply planning within a 170 square mile area consisting primarily of the Monterey Peninsula and Carmel Valley, California. Within MPWMD's boundaries are the incorporated cities of Carmel-by-the-Sea, Del Rey Oaks, Monterey, Pacific Grove, Sand City and Seaside, in addition to portions of unincorporated Monterey County. The District is empowered to manage and regulate the use, reuse, reclamation, conservation, storage, distribution, treatment, and disposal of water and wastewater within its jurisdiction. MPWMD is governed by a seven member Board of Directors, five elected at large and two appointed. The District's revenue is derived from property taxes, user fees, and connection charges.

The District's stated goals and objectives are to: (1) augment the water supply, (2) prevent degradation of resources, (3) optimize the production capability of present resources, (4) manage water demand, (5) promote water reclamation, and (6) promote water conservation and education regarding water issues. All tertiary treated water produced by the Project is owned by MPWMD.

**Pebble Beach Company** - Lone Cypress Company LLC, a Delaware limited liability company (the Company or Lone Cypress) and its two wholly owned subsidiaries, Cypress I LLC and Cypress II LLC (Cypress I and Cypress II are the general partners), were formed in June 1999 for the purpose of acquiring the partnership interest in the Pebble Beach Company (PBCo) on July 30, 1999, the date of acquisition. Substantially all the operations are conducted through PBCo, a California general partnership. PBCo generates the majority of its revenue through the ownership and operation of resort hotels, four golf courses, a full service spa, restaurants, retail outlets, a beach and tennis club, an athletic club, certain properties leased to others, and the scenic route known as "17-Mile Drive." In addition, PBCo owns land held for development of residential and commercial real estate.

**Independent Reclaimed Water Users Group** - IRWUG represents and includes members from the Cypress Point Golf Course, Poppy Hills Golf Course, and the Monterey Peninsula Country Club.

# Note 2 - Summary of Significant Accounting Policies

**Accounting Policies** - The accounting policies of the Project conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA) as applicable to governments. The Project is organized as a fund and its financial statements are prepared under the principles of fund accounting. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts which carry an activity's assets, liabilities, equity, revenue and expenses. The Project is an enterprise (proprietary) fund of MPWMD.

#### Other significant accounting policies are:

Basis of accounting - As a proprietary fund, the Project utilizes the accrual basis of accounting. Under this method, revenue is recognized in the accounting period in which it is earned, and expenses are recognized in the accounting period in which the liability is incurred. Operating revenue comes from sales of reclaimed water. When both restricted and unrestricted resources are available for use, the Project uses restricted resources first, then unrestricted resources. The Project distinguishes operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from producing and delivering reclaimed water. Operating expenses include the cost of sales, general and administrative expenses, and amortization of capital assets and water resale rights. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

**Cash and Cash Equivalents** - The Project 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 accounts of the Project are classified as restricted because their uses are limited by commitments made by the Project to the purchasers of its Certificates of Participation (bonds). When applicable, construction projects cash is an escrowed account for receipt of water entitlement sales by PBCo, who is entitled to reimbursement for its cash advances.

**Accounts Receivable** - Accounts receivable are accounted for using the allowance method. The allowance for doubtful accounts was \$-0- at year end.

**Capitalization of Construction Period Interest** - Construction period interest paid on the Certificates of Participation have been capitalized into the value of the Water Resale Rights, net of interest earned on the Certificates proceeds.

**Amortization** - The water resale rights are amortized using the straight line method over the expected useful life of the reclamation plant, which is forty years, in accordance with Statement of Financial Accounting Standards Number 142, which specifies that an intangible asset shall be amortized over its useful life, unless that life is determined to be indefinite.

**Net Position** - In the Statement of Net Position, the Project's net position is classified in the following categories:

- Net Investment in Capital Assets this category groups all capital assets reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.
- Restricted this category presents external restrictions imposed by creditors, grantors, contributors, or government laws or regulations.
- Unrestricted this category represents net position that is not restricted for any project or purpose.

**Income Taxes** - The Project is an enterprise fund of the Monterey Peninsula Water Management District, a special district, and is therefore exempt from federal and state income taxes.

**Use of Estimates** - Preparing the Project'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.

**Operating and Nonoperating Revenue -** Operating revenue consist of revenue that results from the sale of treated wastewater. When an expense is incurred for purposes for which there are both restricted and unrestricted cash assets available, it is the Project's policy to apply those expenses to restricted cash to the extent such are available and then to unrestricted cash. Nonoperating revenue results from non-exchange transactions, ancillary activities or subsidies, and investment earnings.

#### Note 3 - Cash and Investments

Cash and investments are comprised of the following:

Deposits with financial institutions:	
Money market accounts	\$ 79,846
Checking accounts	1,180,411
Monterey County Investment Pool	1,347
Investment in Municipal Bonds	15,400
Certificates of Deposit	249,608
	\$ 1,526,612

Cash and investments are classified in the accompanying financial statements as follows:

#### Statement of Net Position

Cash and investments	\$ 1,525,436
Restricted cash and investments	1,176
Cash and investments	\$ 1,526,612

#### Investments Authorized by the Project's Investment Policy

The Project does not have a specific investment policy, therefore it is required to follow the guidelines of California Code Section 53900, et. seq.

#### 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 Project's investments to market interest rate fluctuations is provided by the following table that shows the maturity date and yield of each investment:

		Maturity and Effective Yield
Monterey County Investment Pool	\$ 1,347	due on demand, 0.69% annual yield
Investment in Municipal Bonds	15,400	76 months average maturity, 3.0% yield
Investment in Certificates of Deposit	249,608	19 months average maturity, 2.58% yield
Money Market funds	78,670	due on demand, yield 0.01%
Checking account	852,809	due on demand, yield 0.00%
Checking account	327,602	due on demand, yield 0.00%

# 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 does not have a rating provided by a nationally recognized statistical rating organization.

# 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 Project deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits." At year end the Project had \$696,688 in financial institutions that were not covered by FDIC, but were covered by collateralized securities of the 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.

#### Concentration of Credit Risk

The informal investment policy of the Project contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

#### Investment in County Investment Pool

The Project 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 Project's account on a quarterly basis. The Monterey County Treasurer's Investment policy is in compliance with Section 53635 of the Government Code of the State of California, which permits investments in certain securities and participation in certain investment trading techniques or strategies. Annual reports of the investment pool may be obtained from the Monterey County Treasurer, Post Office Box 891, Salinas, California 93902.

#### **Designated Reserve**

A Renewal and Replacement Reserve was established by the Board of Directors to pay for future major repairs and capital replacements, and is held in a segregated account designated for its intended purposes. At year end, the balance in this account was \$343,678.

#### Note 4 - Receivables

At year end, receivables consist of the following:

Water Sales - Due from Pebble Beach Co & affiliated golf courses	\$ 1,262,642
Due from CAWD	483
Due from Vendors	19,598
	\$ 1,282,723

These balances are believed to be collectible in full; therefore an allowance for doubtful accounts has not been established. All water sales receivables were collected by August 31, 2021.

#### Note 5 - Capital Assets

Proceeds from the issuance of the 1992 Certificates of Participation were used to construct facilities for wastewater reclamation and distribution. The Project does not own these facilities, but instead owns the rights to the reclaimed water for resale. The value of these rights is amortized using the straight-line method over the expected useful life of the wastewater reclamation plant and distribution system, which is forty years.

The recorded amortizable value of the water rights is equal to the costs incurred to construct facilities for wastewater reclamation and distribution, as well as other capital costs, in order to account for these in accordance with accounting principles generally accepted in the United States for intangible assets. As a result, capital outlay and construction period interest incurred have been capitalized into this account.

Capital asset activity for the year was as follows:

	Beginning	Beginning Additions/		Ending
	Balance	Completions	Transfers	Balance
Non-depreciable Assets				
Construction-in-progress	\$ 2,674,387	\$ 231,025	\$ (2,566,509)	\$ 338,903
Amortizable Assets				
Water resale rights	67,210,872	2,555,797	-	69,766,669
Accumulated Amortization				
Water resale rights	(29,263,186)	(1,744,169)		(31,007,355)
Total capital assets, net	\$ 40,622,073	\$ 1,042,653	\$ (2,566,509)	\$ 39,098,217

The water resale rights are owned by MPWMD, but title to the construction assets are held by CAWD, PBCSD and others. The dollar value at historic cost of the portions owned by each entity is as follows:

CAWD (plant)	\$ 39,712,653
PBCSD (distribution system)	27,711,456
MPWMD (software)	29,056
Open Space Users (irrigation systems)	1,459,777
Cal-Am (pump station partial ownership)	 853,727
	69,766,669
Construction-in-progress	 338,903
	\$ 70,105,572

#### Note 6 - Payables

At year end, payables consist of the following:

Accounts Payable - trade	
Vendors for operating supplies	\$ 100,127
Accounts Payable - affiliates	
PBCo (debt svc reimb)	\$ 255,316
MPWMD (salaries, software, fee)	115,545
CAWD (O&M)	60,481
PBCSD (O&M)	207,313
	\$ 638,655

## Note 7 - Long-term Obligations

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

	Beginning			Ending	Due Within
Business-type Activities	Balance	Additions	Reductions	Balance	One Year
Certificates of Participation	\$ 7,500,000	\$ -	\$ (2,400,000)	\$ 5,100,000	\$ 2,500,000
MPWMD	1,000,000	-	(500,000)	500,000	500,000
Due Pebble Beach Co.	1,656,000		(552,000)	1,104,000	552,000
	\$ 10,156,000	\$ -	\$ (3,452,000)	\$ 6,704,000	\$ 3,552,000

# <u>Certificates of Participations - Variable Rate Bonds</u>

To finance the original construction project, MPWMD issued *Variable Rate Demand Certificates of Participation - Wastewater Reclamation Project Series 1992 Bonds* (COPs) in December 1992 in the amount of \$33,900,000, that will mature in July 2022. The COPs are in minimum denominations of \$100,000 or any integral multiple thereof or, during any reset period on or after the conversion date, in the minimum denomination of \$5,000 or any integral multiple thereof. The COPs bear interest at a variable rate unless the interest rate is converted to a reset rate for a rest period or to a fixed rate to the maturity of the COPs. The variable rate is the rate necessary to produce a par bid if the COPs were sold on the day the rate is computed. The COPs accrue interest at a variable rate determined weekly, as provided in the official statement of the COPs.

#### Security for Repayment

The Project assets have not been pledged to secure payment of the COPs, nor have any other assets of MPWMD. However, pursuant to the Water Purchase Agreement, all net operating revenue from the operations of the Project is irrevocably pledged by MPWMD for debt service payment of the COPs.

This pledge constitutes a first lien on the net operating revenue and, subject to application of amount on deposit therein as permitted in the Water Purchase Agreement, is to be used for the payment of the COPs in accordance with the terms of the Water Purchase Agreement and of the Trust Agreement.

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

#### Scheduled COP Bond Payments

Interest is paid to the holders of the COPs monthly at a variable rate as described above. Predetermined Principal payments per the 1992 COP issue are not shown below. Due to the nature of variable rate bonds, interest rates fluctuate weekly as a result of economic market conditions.

For the last week in June of 2021, the interest rate was 0.04% per annum. Interest expense for the year was \$3,450 as compared to the anticipated 1992 issuance annual 2.3% interest rate. Consequently the Interest column below is revised using a more current and conservative fixed annual rate of 1%, which is presented for information purposes only.

Future principal and estimated interest payments are as follows:

	Certificates of Participation							
Year Ending June 30,	Principal	Interest	Total					
2022	\$ 2,500,000	\$ 51,000	\$ 2,551,000					
2023	2,600,000	26,000	2,626,000					
Totals	\$ 5,100,000	\$ 77,000	\$ 5,177,000					

#### Due to Monterey Peninsula Water Management District

Repayment of \$1,000,000 loan dated May 21, 2019, for the recycled water storage tank rehabilitation project, to be repaid over the next two years with interest at 3.05% per annum. Final payment is due October 31, 2021.

Future principal and interest payments are as follows:

	Due to MPWMD							
Year Ending June 30,	Principal			Interest		Total		
2022	\$	500,000		\$	7,625		507,625	
Totals	\$	500,000		\$	7,625	\$	507,625	

#### Due to Pebble Beach Company

Repayment of \$5,520,000 for bond costs incurred and advanced by PBCo prior to July 1, 2013, to be reimbursed over the next ten years at \$552,000 per year.

Future payments are as follows:

	Due Pebble Beach Company							
	Line of Bond							
Year Ending June 30,	Credit Fees		Credit Fees Carry Costs				Total	
2022	\$	452,000		\$	100,000		\$	552,000
2023		452,000			100,000			552,000
Totals	\$	904,000		\$	200,000		\$	1,104,000

# Note 8 - Risk Management

The Project is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omission, injuries to employees, and natural disasters. Although ownership of all assets is transferred to either CAWD or PBCSD once they are placed in service, the Project purchases property, liability, and earthquake insurance for the aforementioned assets.

CAWD purchases its share of property and liability insurance through the California Sanitation Risk Management Authority (CSRMA). CSRMA is an established public entity risk pool that operates as a common risk management and insurance program for 60 government members. Liability insurance is purchased as a separate policy for the Project. Property insurance is covered under CAWD's policy and the costs are allocated back to the Project. The deductible 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. Financial statements may be obtained from CSRMA, 100 Pine Street, 11<sup>th</sup> Floor, San Francisco, California 94111.

ACWA/JPIA was formed under a joint powers agreement pursuant to California Government Code to provide insurance protection for its members. The property, general liability and workers compensation programs are ACWA/JPIA's pooled programs. The member districts are provided coverage for losses in excess of their individually selected retrospective allocation points ("RAP") which are similar to a deductible. A portion of the excess is self-insured by ACWA/JPIA where all members share the losses. Individual claims (and aggregate public liability and property claims) in excess of ACWA/JPIA's self-insured levels are covered by excess insurance policies purchased from outside commercial insurance carriers. Financial statements may be obtained from ACWA/JPIA, Post Office Box 619082, Roseville, California 95661.

PBCSD purchases insurance against various risks of loss through the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA). PBCSD also purchases a Dam failure liability insurance policy and an earthquake insurance policy which are not pooled programs. These coverage policies are provided by ACWA/JPIA through purchases from outside commercial insurance carriers. Dam failure liability insurance provides coverage resulting from failure of Forest Lake Reservoir, and earthquake insurance provides coverage for certain Reclamation Project assets including the Poppy Hills Storage Tank, Forest Lake Reservoir embankments and hyperon liner.

Workers compensation insurance is provided by the entities contracted from CAWD and PBCSD to provide operations and maintenance for the Project.

# Note 9 - Subsequent Events

The management of the Project has reviewed the results of operations for the period from its fiscal year end of June 30, 2021 through October 1, 2021, 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 10 - New Accounting 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 2020, GASB issued Statement No. 92 – Omnibus 2020. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to leases, fiduciary activities, measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition, reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature and terminology used to refer to derivative instruments.

In March 2020, GASB issued Statement No. 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements. A public-private and public-public partnership arrangement (PPP) is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This statement addresses issues related to PPPs. PPPs that meet the definition of a lease apply the guidance in Statement No. 87, Leases, as amended. This Statement provides accounting and financial reporting requirements for all other PPPs: those that either (1) meet the definition of a service concession arrangement (SCA) or (2) are not within the scope of Statement 87, as amended (as clarified by this Statement).

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs), which are defined in this Statement as an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Early application is encouraged. PPPs should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or if applicable to earlier periods, the beginning of the earliest period restated).

In May 2020, GASB issued Statement No. 95 – Postponement of the Effective Dates of Certain Authority Guidance, which was effective immediately. This Statement provided temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and postponed the effective dates of certain

provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

In June 2020, GASB issued Statement No. 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. Paragraphs 4 and 5 are applicable to fiscal year 2019-2020. This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or another employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform. This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, Financial Reporting for Pension Plans, or paragraph 3 of Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, respectively.

# SUPPLEMENTARY INFORMATION

# Budgetary Comparison Information Resources and Charges to Appropriations Year Ended June 30, 2021

Resources (Inflows)		Budget unaudited)	Actual	wit	rariance h Budget Positive legative)
Water sales	\$	2,649,508	\$ 2,718,134	\$	68,626
Fixed cost charge		4,120,602	4,120,604		2
Investment earnings (loss)		35,265	2,256		(33,009)
Other revenue		-	 -		-
Amounts Available for Appropriation		6,805,375	 6,840,994		35,619
Charges to Appropriations (Outflow)					
Plant operating costs		1,847,900	1,757,523		90,377
Distribution costs		505,000	395,403		109,597
General and administrative		199,857	196,979		2,878
Potable water purchases		6,750	7,013		(263)
Amortization-noncash expense excluded		-	-		-
Bond and LC carrying costs		76,735	72,161		4,574
Interest expense - PBCo		70,000	46,718		23,282
Interest expense - MPWMD loan		22,875	20,333		2,542
Interest expense - Bonds		51,000	3,450		47,550
MPWMD user fee		90,000	72,776		17,224
Principal reduction payment - PBCo		-	552,000		(552,000)
Principal reduction payment - Bonds		-	2,400,000	(	2,400,000)
Water resale rights - capital purchases/projects		-	220,313		(220,313)
Other expenses		125	 		125
Total Charges to Appropriations		2,870,242	 5,744,669	(	2,874,427)
Budgetary Surplus (Deficit)	\$	3,935,133	\$ 1,096,325	\$ (	2,838,808)
Reconciliation of Budgetary to GAAP Basis					
Less: Amortization - noncash expense			(1,744,169)		
Add: Principal debt payments - PBCo			552,000		
Add: Principal debt payments - Bonds			2,400,000		
Add: Additions to water resale rights/capital purchases	i		 220,313		
Change in Net Position - page 11			\$ 2,524,469		

# CAWD/PBCSD RECLAMATION PROJECT Summary of Net Position Year Ended June 30, 2021

The following represents a detailed cumulative summary of the components that comprise Net Position from inception to June 30, 2021:

	2021	2020
	(unaudited)	(unaudited)
Operating income (loss) excluding amortization expense	\$ 40,221,358	\$ 35,739,538
Accumulated amortization	(31,007,355)	(29,263,186)
PBCo subsidy - operations	21,356,226	21,356,226
PBCo subsidy - construction	5,951,644	5,951,644
PBCo water entitlement sales, net of withdrawals	24,436,516	24,436,516
PBCo withdrawal	(1,641,213)	(1,641,213)
PBCo bond carrying costs reimbursement	(5,520,000)	(5,520,000)
Investment earnings, net of capitalized earnings	2,595,568	2,593,312
Bond carrying costs	(7,812,414)	(7,740,253)
Bond interest expense, net of capitalized interest	(13,147,416)	(13,143,966)
PBCo reimbursement - interest expense	(348,985)	(302,267)
MPWMD interest expense	(40,666)	(20,333)
MPWMD fee	(469,277)	(396,501)
Other nonoperating revenue (expense)	(8,479)	(8,479)
Arbitrage rebate	(22,468)	(22,468)
Equipment dispositions	(78,269)	(78,269)
	\$ 34,464,770	\$ 31,940,301