Carmel Area Wastewater District

Carmel, California

Annual Financial Report

For the Years Ended June 30, 2024 and 2023

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Annual Financial Report
For the Years Ended June 30, 2024 and 2023

Table of Contents

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THE PUN GROUP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Carmel Area Wastewater District
Carmel, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Carmel Area Wastewater District (the "District"), which comprise the statements of net position as of June 30, 2024 and 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2024 and 2023, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Proportionate Share of the Net Pension Liability and Related Ratios – Single Employer Plan, the Schedule of Contributions – Single Employer Plan, the Schedule of Proportionate Share of the Net Pension Liability and Related Ratios – Cost-Sharing Multiple-Employer Plan, and the Schedule of Contributions – Cost-Sharing Multiple-Employer Plan as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Budgetary Comparison Information but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

The Pun Group, LLP

San Diego, California
January 21, 2025

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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, 2024. 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 2023-24 are as follows:

- The District's net position increased by 5.7% or $6.2M to $113.6M. Total Operating revenues decreased 0.07% or $10K over the prior year and are 0.01% over budget. Sewer user fees, the District's primary source of operating revenue, decreased 4.6% or $488K over the prior year. Pebble Beach Community Services District (PBCSD) treatment fees decreased by 0.1% or $1.9K from the prior year.

- Total non-operating revenues decreased 13.3% or $1.3M over the prior year; and was 15.6% or $759K under budget. Property tax revenue increased 6.1% or $162.1K over the prior year. Interest income increased 32.7% or $290K over the prior year because interest rates rebounded. Reimbursement of capital costs from PBCSD decreased 62.2% or $446K and from Reclamation it decreased 710% or $730K as the Sludge Handling/Electrical Rehab Project was completed.

- Total operating expenses (excluding depreciation) were 5% or $472K under budget and 8.1% less than the prior year reflecting continued focus on rehabilitation, employee protection in the workplace, as well as the effects of inflation and tariffs.

- Non-operating expenses decreased 32.4% or $9.1K from the prior year due to decreases in capital purchases from both PBCSD and Reclamation.

- Total current assets increased 9.5% or $4.9M over the prior year. This was primarily due to an increase in cash and investments of $5.2M.

- Total current liabilities decreased 27.2% over the prior year primarily due to an decrease in accounts payable-trade. Trade payables are primarily due to timing issues.

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 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 deferred outflows of resources and liabilities and deferred inflows of resources, with the difference 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 accepted in the United States and as applied to governmental enterprise funds.

The District has fiduciary responsibility over one private purpose trust fund, The Carmel Area Wastewater District Pension Plan and Trust, for which we have also included financial statement information.

The Notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability for its employees.

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:

	June 30, 2024	June 30, 2023	June 30, 2022
Assets			
Current assets	$ 56,863,694	$ 51,940,828	$ 46,079,198
Noncurrent assets:			
Capital assets, net of depreciation	55,108,684	54,659,889	52,311,915
Net pension asset	974,206	781,869	2,106,925
Restricted investments	702,169	560,900	445,210
Total assets	113,648,753	107,943,486	100,943,248
Deferred Outflows of Resources			
Related to pensions	2,157,601	2,085,585	2,437,697
Total deferred outflows of resources	2,157,601	2,085,585	2,437,697
Liabilities			
Current liabilities	1,060,029	1,457,050	977,872
Long-term debt	-	205,000	400,000
Other noncurrent liabilities	230,814	212,438	205,621
Total liabilities	1,290,843	1,874,488	1,583,493
Deferred Inflows of Resources			
Related to pensions	320,373	409,939	536,504
Total deferred inflows of resources	320,373	409,939	536,504
Net Position			
Net investment in capital assets	54,903,684	54,259,889	51,726,915
Restricted for pension contributions	702,169	560,900	445,210
Unrestricted	57,998,495	52,617,737	49,121,823
Total net position	$ 113,604,348	$ 107,438,526	$ 101,293,948

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

Designation of Cash Balances	Amount
Capital Reserves	$ 15,587,606
Current Year O&M (2023-24)	15,748,464
Current Year Capital (2023-24)	15,263,775
LAIF Investment Fund	1,265,492
Sea Level Rise	6,123,438
Compensated Accruals Fund	307,752
Total	$ 54,296,527

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 and subsequently completed the second phase in 2023. 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 second phase represents the final large construction effort at the plant for the next twenty-five years. There will be smaller projects, but we are not anticipating anything as large as the initial two phases. 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 has dropped to $3.9M over the next fifteen years. The collection system budgeted $11.6M over the same period.

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 completed for the Treatment Plant in 2013. 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 in our system.

A summary of Changes in Net Position is presented below:

	June 30, 2024	June 30, 2023	June 30, 2022
Operating revenues	$ 13,419,156	$ 13,429,059	$ 11,629,212
Nonoperating revenues	4,920,192	5,680,026	4,309,009
Total revenues	18,339,348	19,109,085	15,938,221
Operating expenses	12,154,470	12,936,283	7,763,846
Nonoperating expenses	19,056	28,224	36,538
Total expenses	12,173,526	12,964,507	7,800,384
Changes in net position	6,165,822	6,144,578	8,137,837
Net position, beginning of year	107,438,526	101,293,948	93,156,111
Net position, end of year	$ 113,604,348	$ 107,438,526	$ 101,293,948

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. Starting in 2012-13 we entered funding for Capital Replacement into our rate model, gradually building to $2.275 per year in 2021-22. In 2022-23 the District decided to reduce rates by 10% for each customer category from the published Prop 218 notice. For budget year 2023-24 we left the rates level with the prior year. This funding combined with our property tax revenue means that the District has over $2.3M coming for capital replacement and rehabilitation annually.

We have a long-term capital plan for the treatment plant of $16M over the next 15 years and for the collection system of $62M over the next 15 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 simple water proofing efforts to moving facilities. We believe we have another 40 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 $6.2M or 5.7% and there was an increase in Income before Capital Contributions of 0.39% or $24K. Operating revenues decreased 0.07% or $9K and nonoperating revenues decreased 13.3% or $759K. Operating Expenses decreased 8.1% or $782K and Nonoperating expenses decreased 32.4% or $9K. The primary cause of operating expense decrease was due to a decrease in sewer user fees of 4.85% or $588K.

The District's operations continue to be strong enough to support our plan to "pay-as-you-go" for our long term capital plans. The District has committed to spending an additional $3.5M per year to upgrade the collection system. We may have to increase that to meet external pressures to upgrade the system more quickly. However, in the short term, we see paying cash as offering greater freedom. Our present problem is that we cannot complete the work on nearly the schedule we would like. Permitting, environmental work, and public relations have all slowed down progress. Additionally, our two engineers have indicated that they would like an associate engineer to assist with some of the lower level tasks. 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 fiscal year we budgeted $10M - $9.5M in capital projects and just under half a million in capital equipment. Most of the rehabilitation work at the treatment plant has been completed under the last two major projects. Phase II was completed last year, leaving us free to move on to the Collection system and pipe replacement. Of the $9.5 million budgeted in capital projects, $3.5 was grant funded under the Carmel River Free Project. That project has been held up pending approval from the Federal Emergency Management Agency (FEMA). We are finding that it takes considerably more time to reach the point of being construction-ready because of all the prep work that comes up front.

We have multiple collection line projects in the works. We have found that in addition to having lines in the ground between 60-80 years old, we also have a population that is not familiar with sewer line replacement projects and does not want their neighborhood disturbed. As a result, at year end we have multiple collection projects in the works as seen in the amounts spent to date:

Carmel Meadows/Ribera	$719,843
Scenic Road	576,651
Pescadero Road	239,020
Santa Rita and Guadalupe	165,819

While we are engaged in engineering, permitting, and environmental work we are also trying with a Public Relations firm to help us meet the public and inform them of the projects we are proposing.

After several false starts, in the Carmel Meadows area we are closing in on $1M in engineering for the Carmel Meadows/Ribera line and still do not have it ready to go forward into construction. We feel confident that the Santa Rita and Guadalupe project along with Scenic Road will be shovels in the ground in 2025-26.

While we did not spend 100% of the Equipment budget, we did make a good dent in it. We are still finding that the advance time for equipment remains anywhere from 6 weeks to 6 months due to supply line holdups. There were also items purchased that were not budgeted – the Flygt pumps and the skid steer hydraulic roll-up designed to help with moving a flood wall along the north side of plant.

2023-24 Significant asset additions include:

• Flygt 3153 pump w/ Hard Iron "N" Impeller Pump at Calle la Cruz	$ 28,027
• Lab Autoclave	$ 16,441
• Skid Steer Hydraulic Roll-Up Attachment	$ 16,090
• Flygt NP 3127-070 Hard Iron "N" Impeller Pump at 16th & Monte Verde	$ 15,270

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 2023 the District made a principal payment on the bond of $195,000 and $21,000 in interest, in 2022 the District made a principal payment on the bond of $185,000 and $30,712 in interest. Prior year 2021 principal payment was $175,000 with $39,900 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. The final principal payment is due October 1, 2024.

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.

Over the past year we have struggled with inflationary pressure on costs as well as continued supply line interruptions that are still lingering long after COVID's disappearance. We found ourselves dealing with inflation and long wait times for equipment and supplies. Nonetheless, we continued operations without any overflows or serious permit violations.

- Sewer service fees were 6.6% or $719K under budget – the rate model provided for zero increase in user fees for this fiscal year.

- PBCSD treatment fees were 1.9% or $34K over budget because of the increase in Treatment Plant expenses for continued rehabilitation of the plant and economic impact of inflation. Flow from PBCSD decreased to 33.8% of total plant inflows compared to 37.8% of total inflows to the plant last year. Although inflows can be variable from one year to the next, our experience shows that PBCSD flow to the plant averages one third of the total.

- Total Operating revenues were 0.9% under budget in total – the largest variance being in Point Lobos user fees, permit fees, and CAWD user fees.

- Treatment Plant expenses were spot on with the budget, or 1.1% under or $52,726.

- The Collections department was 5.4% under budget or $136K.

- General & Administrative Expenses were 12.1% under budget or $200K.

- Property tax revenue was 7.6% over budget or $197K. The budget employed a conservative factor of 2.0% to estimate revenue, although revenues typically range from 2.5% to 3.0% as much depends upon the number of property sales during the year and updated assessment valuations.

- Connection fees were 552% over budget. This was due entirely to the line to Carmel Valley Manor and the associated connections along the line. We do not get connection fees of this magnitude on a regular basis because this area is essentially built out. Carmel Valley Manor had a failing leach field and installed the trunk line from their location to Quail Valley Lodge Clubhouse. Any business or residence along the route then had the option to connect to the line.

- Interest income was 521% over budget not only because of the size of the District reserves, but the yield from the County increased each quarter from 3.1% in the first quarter and ending the year at 4.13%.

- PBCSD capital reimbursements were 37.4% under budget or $429K because capital projects did not materialize during the year.

Other Significant Matters

- The employee union had a "re-opener" provision in the Memorandum of Understanding that reopened the contract for salaries, medical, longevity award, and certification awards. The largest cost increase was due to medical where the union was successful in negotiating a change from the Health Savings Account to the Preferred Provider plan as the "base" plan. It did not result in any significant changes to employee enrollment, but did result in higher amounts going to the employee health savings accounts.

- The Carmel River Free Project (CRFree) is still slowly progressing – we are waiting for FEMA approval of funding to proceed. Once the FEMA grant documents are received our attorney can proceed with a contract between CAWD and Monterey County. We are optimistically anticipating the start of construction in 2026.

- The District is navigating the retirement of several key employees in the next few years and transitioning to new staff. We started the process of implementing a succession plan a few years ago that was devised in collaboration with the management team. We have implemented roughly 35% of the proposed changes and are now working on combining Maintenance and Operations under one roof with a "Facilities Manager" as the top position. This will require we either hire or advance a qualified operator to this position as the Regional Water Quality Control Board requires a plant of our size to have at minimum a Grade IV Operator as Chief Plant Operator (CPO). We have engaged a consultant who is skilled in building a "collaborative" workplace culture who can assist us to implement the new organization chart and build employee acceptance.

Economic Factors and Next Year's Budget and Rates

After two years of keeping user fees artificially low to assist the public during COVID, for the fiscal year 2022-23 we returned to rates lower than predicted by our model. In 2023-24 we analyzed flow data as supplied through Smart meters and revised the rate model to more accurately reflect flow. The rate model was summarized and rebuilt to eliminate the "detail" sheets; however, the result is the same as the older model. We have essentially streamlined the process. We are now analyzing flow data and plan to update the rate model accordingly. Until we can increase the number of capital projects we complete we have slowed down revenue accumulation.

Sea Level Rise continues to be a concern for the District. Our first five year report is due in May 2025. For the first period we collaborated with a consultant to provide a conceptual plan for moving the facility. The availability of suitable land is also in short supply. While our Sea Level Rise Study indicates we should have about 40 years at our present location, we are very much aware that is a finite amount of time.

We continue to be keenly aware of the necessary funding to keep our current facility operational at its current location, to upgrade our collection system over the next twenty years, and to move the treatment plant. While it has been suggested to us that we do not need to set funds aside, we have committed to a conservative approach. Our goal is to fund the current facilities and collection system upgrades on a pay-as-you-go basis so as not to incur any debt prior to the anticipated move out of the Carmel Lagoon. We recognize that grant funding is critical to moving the plant, but we also know that grant funding is not always 100%. We think preparation now will enable us to transition much more smoothly in the future.

Our funding model means that we need to place our excess funds in an account that earns more than the County of Monterey. The County has not been open to either carving out a special portfolio for us or to allowing us to remove our funds from the County. We continue to work on a solution. We have engaged legal counsel to assist us with these issues and assume we will need to appeal to the State Attorney General for a decision.

Considering the variety of challenges the District faces, we feel the District is in good financial shape. The challenges we face are significant, but the District has a long history of planning for the future to make sure the community is well served. Over 63% of the District's user fee revenue is derived from residential fees which provides for a solid base, 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. Property tax revenues comprise 56% of our nonoperating income and have proven to be stable and increases 1-2% annually. Going forward we are closely watching inflation and its impact on vendor price increases.

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

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PRIMARY GOVERNMENT

Carmel Area Wastewater District
Statements of Net Position
June 30, 2024 and 2023

	Business-Type Activities	
	2024	2023
ASSETS		
Current assets:		
Cash and investments	$ 54,296,527	$ 49,075,073
Accounts receivable - trade	206,390	204,846
Accounts receivable - affiliates	1,504,396	1,875,060
Prepaid expenses	856,381	785,849
Total current assets	56,863,694	51,940,828
Noncurrent assets:		
Capital assets:		
Capital assets - not being depreciated	12,235,926	9,595,541
Capital assets - being depreciated, net	42,872,758	45,064,348
Capital assets, net	55,108,684	54,659,889
Net pension asset	974,206	781,869
Restricted investment in Section 115 Trust	702,169	560,900
Total noncurrent assets	56,785,059	56,002,658
Total assets	113,648,753	107,943,486
DEFERRED OUTFLOWS OF RESOURCES		
Pension-related deferred outflows of resources	2,157,601	2,085,585
Total deferred outflows of resources	2,157,601	2,085,585

(Continued)

See accompanying Notes to the Basic Financial Statements.

Carmel Area Wastewater District
Statements of Net Position (Continued)
June 30, 2024 and 2023

	Business-Type Activities 2024	Business-Type Activities 2023
LIABILITIES		
Current liabilities:		
Accounts payable - trade	587,278	842,175
Accrued bond interest	2,691	5,250
Unearned revenue	188,122	343,812
Current portion of long-term debt	205,000	195,000
Current portion of compensated absences	76,938	70,813
Total current liabilities	1,060,029	1,457,050
Noncurrent liabilities:		
Long-term debt, net of current portion:		
Revenue bonds	-	205,000
Total long-term debt, net of current portion	-	205,000
Compensated absences, net of current portion	230,814	212,438
Net pension liability	590,790	306,118
Total noncurrent liabilities	821,604	723,556
Total liabilities	1,881,633	2,180,606
DEFERRED INFLOWS OF RESOURCES		
Pension-related deferred inflows of resources	320,373	409,939
Total deferred inflows of resources	320,373	409,939
NET POSITION		
Net investment in capital assets	54,903,684	54,259,889
Restricted for:		
Pension contributions	702,169	560,900
Total restricted	702,169	560,900
Unrestricted	57,998,495	52,617,737
Total net position	$ 113,604,348	$ 107,438,526

(Concluded)

See accompanying Notes to the Basic Financial Statements.

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Carmel Area Wastewater District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2024 and 2023

	Business-Type Activities	
	2024	2023
OPERATING REVENUES		
Sewer service fees	$ 10,054,533	$ 10,542,884
Treatment fees, PBCSD	1,908,429	1,910,374
Reclamation Project operating reimbursements	808,615	766,529
Brine disposal fees	103,434	66,598
Permits and connection fees	544,145	142,674
Total operating revenues	13,419,156	13,429,059
OPERATING EXPENSES		
Collection	2,352,349	2,227,638
Treatment and disposal	4,731,509	5,608,679
Administration	1,456,767	1,511,729
Reclamation Project expenses	648,413	661,230
Brine disposal costs	4,216	147
Depreciation	2,961,216	2,926,860
Total operating expenses	12,154,470	12,936,283
Operating income	1,264,686	492,776
NONOPERATING REVENUES (EXPENSES)		
Property tax revenue	2,797,355	2,635,210
Investment earnings	1,180,469	889,516
PBSCD capital cost reimbursements	718,597	1,165,585
Reclamation Project capital cost reimbursements	102,815	833,405
Intergovernmental	35,179	89,033
Other nonoperating revenue	85,777	67,277
Interest and fiscal expenses	(16,915)	(26,840)
Other nonoperating expenses	(2,141)	(1,384)
Total nonoperating revenues (expenses)	4,901,136	5,651,802
Income before capital contributions	6,165,822	6,144,578
Changes in net position	6,165,822	6,144,578
Net position, beginning of year	107,438,526	101,293,948
Net position, end of year	$ 113,604,348	$ 107,438,526

See accompanying Notes to the Basic Financial Statements.

Carmel Area Wastewater District
Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	Business-Type Activities	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 13,632,586	$ 13,274,473
Payments for operating supplies	(4,312,258)	(3,739,402)
Payments for employee wages, benefits, and related costs	(5,251,391)	(4,272,347)
Net cash provided by operating activities	4,068,937	5,262,724
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property tax revenue	2,797,355	2,635,210
Net cash provided by noncapital financing activities	2,797,355	2,635,210
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(3,371,907)	(5,290,366)
Disposition of capital assets	(38,104)	15,532
Proceeds from capital grant	35,179	89,033
Reimbursements for capital projects	821,412	1,998,990
Principal paid on long-term debt	(195,000)	(185,000)
Interest paid on long-term debt	(19,474)	(29,268)
Other nonoperating revenue	85,777	67,277
Other nonoperating expenses	(2,141)	(1,384)
Net cash (used in) capital and related financing activities	(2,684,258)	(3,335,186)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	1,180,469	889,516
Net cash provided by investing activities	1,180,469	889,516
Net increase in cash and cash equivalents	5,362,503	5,452,264
Cash and cash equivalents, beginning of year	49,635,973	44,183,709
Cash and cash equivalents, end of year	$ 54,998,476	$ 49,635,973
FINANCIAL STATEMENT PRESENTATION		
Cash and cash equivalents		
Current assets:		
Cash and cash equivalents	$ 54,296,527	$ 49,075,073
Noncurrent assets:		
Restricted cash	702,169	560,900
Total cash and cash equivalents	$ 54,998,696	$ 49,635,973

(Continued)

See accompanying Notes to the Basic Financial Statements.

Carmel Area Wastewater District
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2024 and 2023

	Business-Type Activities 2024	Business-Type Activities 2023
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 1,264,686	$ 492,776
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,961,216	2,926,860
Changes in operating assets and liabilities:		
(Increase)/decrease in assets:		
Accounts receivable - trade	(1,544)	(68,544)
Accounts receivable - affiliates	370,664	(337,618)
Prepaid expenses	(70,532)	(118,894)
Net pension liability (asset)	92,335	1,631,174
Deferred outflows of resources from pensions	(72,016)	352,112
Increase (decrease) in liabilities:		
Accounts payable - trade	(254,897)	250,883
Unearned revenue	(155,690)	251,451
Compensated absences	24,501	9,089
Deferred inflows of resources from pensions	(89,566)	(126,565)
Net cash provided by operating activities	$ 4,069,157	$ 5,262,724

(Concluded)

See accompanying Notes to the Basic Financial Statements.

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FIDUCIARY FUND FINANCIAL STATEMENTS

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Carmel Area Wastewater District
Statements of Fiduciary Net Position
June 30, 2024 and 2023

	Pension Trust Fund	
ASSETS	**2024**	**2023**
Cash and cash equivalents	$ 139,880	$ 97,256
Investments, at fair value:		
Bond funds	2,073,142	2,070,869
Mutual funds	3,929,300	3,493,975
Total investments	6,002,442	5,564,844
Total assets	6,142,322	5,662,100
NET POSITION		
Net position restricted for plan benefits	$ 6,142,322	$ 5,662,100

See accompanying Notes to the Basic Financial Statements.

Carmel Area Wastewater District
Statements of Changes in Fiduciary Net Position
For the Years Ended June 30, 2024 and June 30, 2023

	Pension Trust Fund	
ADDITIONS:	**2024**	**2023**
Contributions:		
Employee	$ 4,303	$ 3,231
Total contributions	4,303	3,231
Investment income:		
Dividends and interest	118,656	276,209
Realized gains (losses) on investments	176,018	(201,827)
Unrealized gains on investments	406,348	189,631
Miscellaneous	-	16,850
Total investment income	701,022	280,863
Investment expense	(7,953)	(18,934)
Net investment income	693,069	261,929
Total additions to fiduciary net position	697,372	265,160
DEDUCTIONS:		
Distributions to participants	184,047	173,066
Trustee fees	33,103	35,583
Total deductions from fiduciary net position	217,150	208,649
NET INCREASE IN FIDUCIARY NET POSITION	480,222	56,511
NET POSITION RESTRICTED FOR PLAN BENEFITS:		
Beginning of year	5,662,100	5,605,589
End of year	$ 6,142,322	$ 5,662,100

See accompanying Notes to the Basic Financial Statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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Carmel Area Wastewater District
Index to the Notes to the Basic Financial Statements
For the Years Ended June 30, 2024 and 2023

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Note 1 – Defining the Reporting Entity

Reporting Entity

Primary Government

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 capital contributions to and capital assets of the District.

Fiduciary Activities

The District presents its fiduciary activity information for assessing its accountability and financial reporting in their role as fiduciaries. The definition of a "fiduciary" is:

- The organization acts on behalf of another person or persons to manage assets;
- Fiduciary responsibility refers to the obligation that one party has in relationship with another one to act entirely on the other party's behalf and best interest. It is considered to be the standard of the highest care.

Note 1 – Defining the Reporting Entity (Continued)

Reporting Entity (Continued)

Fiduciary Activities (Continued)

Included within the reporting entity as fiduciary activities is the following:

Single-Employer Employee Retirement Plan: The District's Single-Employer Plan was established on July 1, 1969 by the District and has been amended several times since that date. The Plan provides retirement benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Members are eligible to receive benefits if they were hired prior to October 29, 2005 and retired after reaching age 62 and completing five years of Plan participation. The amount of annual retirement income is determined by the benefit formula and is payable monthly for life with 120 payments guaranteed.

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 three 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

Primary Government

The 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.

Note 2 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statements Presentation

"Measurement focus" is a term used to describe which transactions are recorded within the various financial statements. "Basis of accounting" refers to when transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the "economic resources measurement focus," and the "accrual basis of accounting." Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent) and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for deferred outflows of resources, and deferred inflows of resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net assets) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net assets) that apply to future periods and that, therefore, are not recognized as revenue until that time.

The District distinguishes operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from delivering water and other operating services. The District's principal operating revenues are charges to customers. Operating expenses include the cost of sales and services, general and administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Capital contributions are reported as a separate line item in the Statement of Revenues, Expenses and Changes in Net Position.

Fiduciary Activities

The Fiduciary Fund Financial Statements (i.e., the statement of fiduciary net position and the statement and changes in fiduciary net position) report information on the activities of the Pension Trust Fund. The statement of changes in fiduciary net position demonstrates the degree to which the additions to net position restricted for plan benefits were sufficient to cover deductions for distributions to plan participants and administrative expenses.

This fiduciary pension trust fund is a defined benefit plan which provides retirement and disability benefits, annual cost–of–living adjustments, and death benefits to Plan members and beneficiaries. The Plan's financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized in the period in which the contributions are due and when the employer has made a formal commitment to provide the contributions. Investment income is recognized as earned. Benefits are recognized when due and payable in accordance with the terms of the Plan.

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.

Note 2 – Summary of Significant Accounting Policies (Continued)

Cash and Investments (Continued)

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 pro-rata 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.

The District participates in an investment pool managed by the State of California titled Local Agency Investment Fund ("LAIF"), which has invested a portion of the pool funds in structured notes and asset–backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset–backed securities are subject to market risk and to change in interest rates. The reported value of the pool is the same as the fair value of the pool shares.

Certain disclosure requirements, if applicable for deposit and investment risk, are specified for the following areas:

- Interest Rate Risk
- Credit Risk
  - Overall
  - Custodial Credit Risk
  - Concentration of Credit Risk
- Foreign Currency Risk

GASB Statement No. 72, *Fair Value Measurement and Application*, defined fair value, established a framework for measuring fair value and established disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgement associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

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 they have been placed in the California Employers' Pension Prefunding Trust Fund ("Fund"). The Fund is an IRS Section 115 trust fund dedicated to prefunding employer contributions to defined benefit pension systems for eligible California agencies. Assets held in the Fund are restricted for use as pension contributions. 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.

Note 2 – Summary of Significant Accounting Policies (Continued)

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 and $0 at June 30, 2024 and 2023, respectively. 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.

Capital Assets

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:

	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. Compensated vacation absences are recorded as expenditures when they are paid. Unpaid vacation at year-end is recorded as an expense and a liability when earned by employees. Accrued vacation is paid out when an employee leaves the District. Unused sick hours are reported to CalPERS to be considered for extra service credit. 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 Debt

Long-term debt is reported as a liability 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.

Note 2 – Summary of Significant Accounting Policies (Continued)

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the District's pension plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. The valuation dates, measurement dates, and measurement periods vary by pension plan. See Note 11 for details.

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 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.

Operating and Nonoperating Revenue

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.

Property Taxes

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.

Note 2 – Summary of Significant Accounting Policies (Continued)

Property Taxes (Continued)

- 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 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 IRWUG.

Note 3 – CAWD/PBCSD Reclamation Project (Continued)

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

Note 3 – CAWD/PBCSD Reclamation Project (Continued)

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

A. Primary Government

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

	2024	2023
Statement of Net Position:		
Current assets:		
Cash and investments	$ 54,296,527	$ 49,075,073
Noncurrent assets:		
Restricted investment in Section 115 trust	702,169	560,900
Total cash and investments	$ 54,998,696	$ 49,635,973
Cash and investments consist of the following:		
Deposits with financial institutions	$ 390,932	$ 548,864
Local Agency Investment Fund	1,265,492	1,219,010
Monterey County investment pool	52,640,103	47,307,199
Investment in Section 115 trust	702,169	560,900
Total cash and investments	$ 54,998,696	$ 49,635,973

Note 4 – Cash and Investments (Continued)

A. Primary Government (Continued)

Demand Deposits

As of June 30, 2024, the carrying amount of demand deposits was $390,932 and the bank balance was $664,581 compared to $548,864 and $611,511 at June 30, 2023, of which the total amount was collateralized or insured with securities held by the pledging financial institutions in the District's name.

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.

Local Agency Investment Funds

The District is a participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. As of June 30, 2024, the District had $1,265,492 invested in LAIF, compared to $1,219,010 at June 30, 2023. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. LAIF is reported at amortized cost, which approximates fair value.

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, 2024 and 2023, the Pool had approximately $3.3 billion and $3.0 billion, respectively 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.

As of June 30, 2024 and 2023, the District had $52,640,103 and $47,307,199, respectively, invested in the Monterey County Investment Pool.

Note 4 – Cash and Investments (Continued)

A. Primary Government (Continued)

Investment in Section 115 Trust

The District established a Section 115 trust account with the CalPERS California Employers' Pension Prefunding Trust ("CEPPT") Fund. CEPPT holds assets that are legally restricted for use in administering the District's pension plan. Trust account holders can select one of two strategy options for investments. The District decided to use investment asset allocation Strategy 2 to provide capital appreciation and income consistent with its strategic asset allocation. Both portfolios are invested in various asset classes that are passively managed to an index. CalPERS periodically adjusts the composition of the portfolio in order to match the target allocations. Generally, equities are intended to help build the value of the portfolio over the long term, while bonds are intended to help provide income and stability of principal.

Also, strategies invested in a higher percentage of equities seek higher investment returns (but assume more risk) compared with strategies invested in a higher percentage of bonds. The CEPPT Strategy 2 portfolio consists of the following asset classes and corresponding benchmarks:

Asset Class	Strategy 2 Target Allocation	Target Range	Benchmark
Global equity	21%	+/- 5%	MSCI All Country World Index IMI (net)
Fixed income	61%	+/- 5%	Bloomberg Barclays U.S. Aggregate Bond Index
Treasury Inflation-Protected Securities (TIPS)	9%	+/- 5%	Bloomberg Barclays U.S. TIPS Index, Series L
Real Estate Investment Trusts (REITs)	9%	+/- 5%	FTSE EPRA/NAREIT Developed Index (net)
Cash	0%	+/- 5%	91 day Treasury bill
Total	100%		

At June 30, 2024 and 2023, the District had $702,169 and $560,900, respectively, invested in the Fund.

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:

The outstanding maturities on the District's investments were the following at June 30, 2024:

Investment Type	Total	Remaining Maturity (in Months) 12 Months or Less
Local Agency Investment Fund	$ 1,265,492	$ 1,265,492
Monterey County investment pool	52,640,103	52,640,103
Investment in Section 115 trust	702,169	702,169
Total	$ 54,607,764	$ 54,607,764

Note 4 – Cash and Investments (Continued)

A. Primary Government (Continued)

Interest Rate Risk (Continued)

The outstanding maturities on the District's investments were the following at June 30, 2023:

Investment Type	Total	Remaining Maturity (in Months) 12 Months or Less
Local Agency Investment Fund	$ 1,219,010	$ 1,219,010
Monterey County investment pool	47,307,199	47,307,199
Investment in Section 115 trust	560,900	560,900
Total	$ 49,087,109	$ 49,087,109

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, LAIF, and investment in Section 115 trust 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 and investments 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 deposit 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 June 30, 2024 and 2023, the District had $284,757 and $361,511, respectively, 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 4 – Cash and Investments (Continued)

B. Fiduciary Fund Financial Statements

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

	2024	2023
Statement of Fiduciary Net Position:		
Current assets:		
Cash and cash equivalents	$ 139,880	$ 97,256
Investments	6,002,442	5,564,844
Total cash and investments	$ 6,142,322	$ 5,662,100
Cash and investments consist of the following:		
Deposits with financial institutions	$ 84,103	$ 79,800
Money market mutual funds	55,777	17,456
Bonds and annuities	2,073,142	2,070,869
Mutual funds	3,929,300	3,493,975
Total cash and investments	$ 6,142,322	$ 5,662,100

<u>*Demand Deposits*</u>

As of June 30, 2024, the carrying amount of demand deposits was $84,103 and the bank balance was $84,103 compared to $79,800 and $79,800 at June 30, 2023, of which the total amount was collateralized or insured with securities held by the pledging financial institutions in the Plan's name.

Note 4 – Cash and Investments (Continued)

B. Fiduciary Fund Financial Statements (Continued)

Investments

The fair value of the Plan's investments at June 30, 2024 and 2023 were as follows:

	Fair Value June 30, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value June 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)
Investments by Fair Value Level:				
Bond Funds:				
BNY Mellon Global Fixed Income Fund	$ 342,111	$ 342,111	$ 327,955	$ 327,955
Dodge & Cox Income Class I Fund	347,423	347,423	765,148	765,148
IShares Treasury Floating RA Fund	-	-	220,858	220,858
JP Morgan Chase CDRE Bond Class I Fund	363,516	363,516	424,693	424,693
PGIM Absolut Return Bond Class Z	721,003	721,003	-	-
PIMCO Income Class 13	299,089	299,089	-	-
Vanguard Scottsdale FDS Fund	-	-	332,215	332,215
Total Bonds and Annuities	2,073,142	2,073,142	2,070,869	2,070,869
Mutual Funds:				
Artisan International Value Fund Advisor	246,425	246,425	-	-
BNY Mellon Dynamic Value I Fund	773,259	773,259	667,231	667,231
Bridgeway Small Cap Value Fund	-	-	164,806	164,806
Credit Suisse Strategic Income	228,436	228,436	-	-
Cullen Emerging Market High Dividend Class I	119,566	119,566	-	-
Federated Hermes International Sm Md Cap Fund	183,358	183,358	167,534	167,534
Federated Hermes International Md LG Cap Fund	952,254	952,254	545,216	545,216
Fidelity Large Cap Growth Index Fund	449,174	449,174	-	-
Fidelity Large Cap Value Index Fund	441,233	441,233	-	-
Franklin US Mid Cap Multifactor Index	237,235	237,235	-	-
IShares Core S&P 500 Exchange Traded Fund	-	-	807,126	807,126
IShares TR RUS Mid Cap ETF	-	-	348,482	348,482
IShares Trust Currency Hedged MSCI EAFE	179,233	179,233	-	-
Janus Henderson European Focus Fund	-	-	169,875	169,875
Matthews Emerging Markets Sm Companies Institutional Fund	-	-	115,236	115,236
Oberweiss Small-Cap Opportunities Fund	60,355	60,355	169,408	169,408
Schwab Strategic TR International Equity ETF	-	-	339,061	339,061
Undiscovered Managers Behavior Value	58,772	58,772	-	-
Total Mutual Funds	3,929,300	3,929,300	3,493,975	3,493,975
Total Investments by Fair Value Level	$ 6,002,442	$ 6,002,442	$ 5,564,844	$ 5,564,844

Fair Value Measurement – Investment Valuation

Investments are reported at fair value. Quoted market value (Level 1) in an active market is used to value investments. The calculation of realized gains and losses is independent of the calculation of the change in the fair value of investments, and realized gains and losses of the current period include unrealized amounts from prior periods.

Note 4 – Cash and Investments (Continued)

B. Fiduciary Fund Financial Statements (Continued)

Fair Value Measurement – Investment Valuation (Continued)

During the Plan years, investments, including realized gains and losses on investments and unrealized appreciation (depreciation) on investments held, appreciated (depreciated) in value as follows:

	2024	2023
Unrealized appreciation (depreciation) on investments held	$ 406,348	$ 189,631
Realized gain (loss) on investments	176,018	(201,827)
Net realized and unrealized investment gains (losses)	$ 582,366	$ (12,196)

Concentrations of Investments

The Plan has invested in certain organizations in excess of 5% of the Fiduciary Net Position. The concentrated investments are as follows:

	Fair Value June 30, 2024	%	Fair Value June 30, 2023	%
Investments by Fair Value Level:				
Bonds and Annuities:				
BNY Mellon Global Fixed Income Fund	$ 342,111	5.7%	$ 327,955	5.9%
Dodge & Cox Income Class I Fund	347,423	5.8%	765,148	13.7%
JP Morgan Chase CDRE Bond Class I Fund	363,516	6.1%	424,693	7.6%
PGIM Absolut Return Bond Class Z	721,003	12.0%	-	0.0%
PIMCO Income Class 13	299,089	5.0%	-	0.0%
Mutual Funds:				
BNY Mellon Dynamic Value I Fund	773,259	12.9%	667,231	12.0%
Federated Hermes International Md LG Cap Fund	952,254	15.9%	545,216	9.8%
Fidelity Large Cap Growth Index Fund	449,174	7.5%	-	0.0%
Fidelity Large Cap Value Index Fund	441,233	7.4%	-	0.0%
IShares Core S&P 500 Exchange Traded Fund	-	0.0%	807,126	14.5%
IShares TR RUS Mid Cap ETF	-	0.0%	348,482	6.3%
Schwab Strategic TR International Equity ETF	-	0.0%	339,061	6.1%

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.

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 Plan's investments do not have a rating provided by a nationally recognized statistical rating organization.

Note 4 – Cash and Investments (Continued)

B. Fiduciary Fund Financial Statements (Continued)

Custodial Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments. All securities are held by a third–party custodian, Commonwealth. Commonwealth is a registered member of the Federal Reserve Bank. The securities held by Commonwealth are in their street name, and an account number assigned to the Plan identifies ownership.

Note 5 – Receivables

Receivables at June 30, 2024 and June 30, 2023 consisted of the following:

	June 30, 2024	June 30, 2023
User fees - customers	$ 85,437	$ 163,346
Trade receivables	120,953	41,500
Total accounts receivable	$ 206,390	$ 204,846
Reclamation Project	$ 142,190	$ 179,101
Pebble Beach CSD	1,362,206	1,695,959
Total receivables from affiliates	$ 1,504,396	$ 1,875,060

Note 6 – Capital Assets

Capital assets activity for the year ended June 30, 2024 consisted of the following:

	Balance July 1, 2023	Additions	Deletions	Transfers/ Adjustments	Balance June 30, 2024
Capital assets, not being depreciated:					
Land and land rights	$ 308,060	$ -	$ -	$ -	$ 308,060
Construction in progress	9,287,481	2,640,385	-	-	11,927,866
Total capital assets, not being depreciated	9,595,541	2,640,385	-	-	12,235,926
Capital assets, being depreciated:					
Treatment structures	70,412,106	59,643	-	-	70,471,749
Treatment equipment	9,607,420	177,870	-	-	9,785,290
Collection pump station	1,238,844	26,023	-	-	1,264,867
Collection pump equipment	1,542,149	160,546	-	-	1,702,695
Sewers and appurtenances	15,783,373	286,332	-	-	16,069,705
Disposal facilities	1,643,891	-	-	-	1,643,891
Other assets	4,501,743	21,108	-	-	4,522,851
Total capital assets, being depreciated	104,729,526	731,522	-	-	105,461,048
Less accumulated depreciation	(59,665,178)	(2,961,216)	38,104	-	(62,588,290)
Total capital assets being depreciated, net	45,064,348	(2,229,694)	38,104	-	42,872,758
Total capital assets, net	$ 54,659,889	$ 410,691	$ 38,104	$ -	$ 55,108,684

Note 6 – Capital Assets (Continued)

In the statement of revenue, expenses, and change in net position, total depreciation expense for the year ended June 30, 2024 was charged to the following departments:

Collection	$ 465,611
Treatment and disposal	2,470,116
Administration	25,489
Total	$ 2,961,216

Capital assets activity for the year ended June 30, 2023 consisted of the following:

	Balance July 1, 2022	Additions	Deletions	Transfers/ Adjustments	Balance June 30, 2023
Capital assets, not being depreciated:					
Land and land rights	$ 308,060	$ -	$ -	$ -	$ 308,060
Construction in progress	5,164,888	4,139,925	-	(17,332)	9,287,481
Total capital assets, not being depreciated	5,472,948	4,139,925	-	(17,332)	9,595,541
Capital assets, being depreciated:					
Treatment structures	70,377,202	34,904	-	-	70,412,106
Treatment equipment	8,849,834	740,254	-	17,332	9,607,420
Collection pump station	1,238,844	-	-	-	1,238,844
Collection pump equipment	1,509,600	32,549	-	-	1,542,149
Sewers and appurtenances	15,496,819	286,554	-	-	15,783,373
Disposal facilities	1,643,891	-	-	-	1,643,891
Other assets	4,504,051	56,180	(58,488)	-	4,501,743
Total capital assets, being depreciated	103,620,241	1,150,441	(58,488)	17,332	104,729,526
Less accumulated depreciation	(56,781,274)	(2,926,860)	42,956	-	(59,665,178)
Total capital assets being depreciated, net	46,838,967	(1,776,419)	(15,532)	17,332	45,064,348
Total capital assets, net	$ 52,311,915	$ 2,363,506	$ (15,532)	$ -	$ 54,659,889

In the statement of revenue, expenses, and change in net position, total depreciation expense for the year ended June 30, 2023 was charged to the following departments:

Collection	$ 447,931
Treatment and disposal	2,454,740
Administration	24,189
Total	$ 2,926,860

Note 7 – 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 8 – Long-Term Debt

Long-term debt activity for the year ended June 30, 2024 was as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Due Within One Year	Due in More Than One Year
Publicly-offered:						
Revenue Bonds:						
2004 Wastewater Revenue Bonds	$ 400,000	$ -	$ (195,000)	$ 205,000	$ 205,000	$ -
Revenue bonds, net	$ 400,000	$ -	$ (195,000)	$ 205,000	$ 205,000	$ -

Long-term debt activity for the year ended June 30, 2023 was as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year	Due in More Than One Year
Publicly-offered:						
Revenue Bonds:						
2004 Wastewater Revenue Bonds	$ 585,000	$ -	$ (185,000)	$ 400,000	$ 195,000	$ 205,000
Revenue bonds, net	$ 585,000	$ -	$ (185,000)	$ 400,000	$ 195,000	$ 205,000

Revenue Bonds

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:

Year Ending June 30,	Principal	Interest	Total
2025	$ 205,000	$ 5,381	$ 210,381
Total	$ 205,000	$ 5,381	$ 210,381

Note 9 – Compensated Absences

The accrued compensated absences amounts will be paid from available resources and are classified as current or noncurrent, based upon expected payment dates. The compensated absences activity for the years ended June 30, 2024 and June 30, 2023 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within One Year	Due in More Than One Year
June 30, 2024	$ 283,251	$ 304,675	$ (280,174)	$ 307,752	$ 76,938	$ 230,814
June 30, 2023	274,162	241,267	(232,178)	283,251	70,813	212,438

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 1.25% of an employee's salary to the plan on a monthly 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 years ended June 30, 2024 and 2023 the District contributed $41,742 and $39,731, respectively, to the plan.

Note 11 – Pension Plans

Summary

Net pension liability, pension-related deferred outflows, pension-related deferred inflows of resources, and pension expense are included in the accompanying financial statements as follows:

	June 30, 2024	June 30, 2023
Deferred outflows of resources:		
Pension contribution made after measurement date:		
CalPERS miscellaneous	$ 945,965	$ 257,361
Total pension contribution made after measurement date	945,965	257,361
Changes in assumptions		
Single employer plan	1,150	2,397
CalPERS miscellaneous	35,669	31,368
Total change in assumption	36,819	33,765
Projected earnings on pension plan investments in excess of actual earnings:		
Single employer plan	117,809	473,158
CalPERS miscellaneous	95,654	56,073
Total projected earnings on pension plan investments in excess of actual earnings	213,463	529,231
Adjustment due to difference in proportions		
CalPERS miscellaneous	645,456	874,347
Total adjustment due to difference in proportions	645,456	874,347
Difference between expected and actual experience		
Single employer plan	156,796	71,639
CalPERS miscellaneous	30,181	6,148
Total difference between expected and actual experience	186,977	77,787
Employer contributions in excess of proportionate share of contribution		
CalPERS miscellaneous	128,921	313,094
Total employer contributions in excess of proportionate share of contribution	128,921	313,094
Total deferred outflows of resources		
Single employer plan	275,755	547,194
CalPERS miscellaneous	1,881,846	1,538,391
Total deferred outflows of resources	$ 2,157,601	$ 2,085,585

Note 11 – Pension Plans (Continued)

Summary (Continued)

	June 30, 2024	June 30, 2023
Net pension liability (asset):		
Single employer plan	$ (974,206)	$ (781,869)
CalPERS miscellaneous	590,790	306,118
Total net pension liability (asset)	$ (383,416)	$ (475,751)
Deferred inflows of resources:		
Changes in assumptions		
Single employer plan	2,716	10,140
Total changes in assumptions	2,716	10,140
Adjustment due to difference in proportions		
CalPERS miscellaneous	67,652	164,297
Total adjustment due to difference in proportions	67,652	164,297
Employer contributions in excess of proportionate share of contribution		
CalPERS miscellaneous	226,424	192,014
Total employer contributions in excess of proportionate share of contribution	226,424	192,014
Difference between expected and actual experience		
Single employer plan	18,899	39,371
CalPERS miscellaneous	4,682	4,117
Total difference between expected and actual experience	23,581	43,488
Total deferred inflows of resources		
Single employer plan	21,615	49,511
CalPERS miscellaneous	298,758	360,428
Total deferred inflows of resources	$ 320,373	$ 409,939
Pension expense (credit):		
Single employer plan	$ (51,206)	$ (50,375)
CalPERS miscellaneous	825,512	2,063,688
Total net pension expense (credit)	$ 774,306	$ 2,013,313

Single Employer Defined Benefit Pension Plan

A. General Information About the Plan

<u>Plan Description</u>

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 three 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.

Note 11 – Pension Plans (Continued)

Single Employer Defined Benefit Pension Plan (Continued)

A. General Information About the Plan (Continued)

Benefits Provided

The Plan provides retirement benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Members are eligible to receive benefits if they were hired prior to October 29, 2005 and retired after reaching age 62 and completing five years of Plan participation. The amount of annual retirement income is determined by the benefit formula and is payable monthly for life with 120 payments guaranteed.

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.

Plan Membership

Pension plan membership consisted of the following as of the actuarial valuation dates of June 30, 2024 (reporting date June 30, 2024) and June 30, 2023 (reporting date June 30, 2023):

	2024	2023
Active employees	6	6
Inactive employees currently receiving benefits	5	4
Inactive employees entitled to, but not yet receiving benefits	2	3
Total	13	13

Contributions

The District's funding policy is to provide for employer contributions on a monthly basis. Employer contributions to the plan for the years ended June 30, 2024 and 2023 were both $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.

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

Net Pension Liability

The net pension liability for the Plan is measured as the total pension liability, less the pension Plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2024, using an actuarial valuation as of June 30, 2024. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

	Single Employer Plan - Closed to New Members	
	June 30, 2024	June 30, 2023
Valuation Date	June 30, 2024	June 30, 2023
Measurement Date	June 30, 2024	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	6.00%	6.00%
Inflation	2.51%	2.62%
Salary Increases	3.50%	3.50%
Mortality Rate Table	SOA RP-2006	SOA RP-2006
Retirement age, with 5 years participation	62	62

Note 11 – Pension Plans (Continued)

Single Employer Defined Benefit Pension Plan (Continued)

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

Change in Assumptions – In the current year, the actuarial report did not have any changes in assumptions.

Discount Rate – The discount rate used to measure the total pension liability was 6.00 percent.

A formal cash flow projection was not performed as described under Paragraph 27 of GASB Statement 68. However, Paragraph 29 allows for alternative methods to confirm the sufficiency of the Net Position if the evaluations "can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan…" In our professional judgment, adherence to the actuarial funding policy described above will result in the pension plan's projected Fiduciary Net Position being greater than or equal to the benefit payments projected for each future period. Therefore, the long–term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

The best estimate for the long–term expected rate of return of 6.00 percent was determined by adding expected inflation to expected long–term real returns and reflecting expected volatility and correlation. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The table below reflects long–term expected real rate of return presented as arithmetic and geometric means by asset class.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return [1]
Equity	60.00%	6.01%
Fixed income	38.00%	2.61%
Cash	2.00%	0.38%
Total	100.00%	

[1]JPMorgan 2024 arithmetic Long Term Capital Market assumptions and expected inflation of 2.51%

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

The following presents the District's net pension liability at June 30, 2024 and 2023, calculated using the discount rate, as well as what the District's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Miscellaneous 2024	Miscellaneous 2023
1% Decrease	5.00%	5.00%
Net Pension Liability (Asset)	$ (463,199)	$ (294,840)
Current Discount Rate	6.00%	6.00%
Net Pension Liability (Asset)	$ (974,206)	$ (781,869)
1% Increase	7.00%	7.00%
Net Pension Liability (Asset)	$ (1,407,513)	$ (1,193,609)

Note 11 – Pension Plans (Continued)

Single Employer Defined Benefit Pension Plan (Continued)

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

At June 30, 2024 (measurement date 2024), the change in the Net Pension Liability for the Plan is as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2023 (Measurement Date)	$ 4,880,231	$ 5,662,100	$ (781,869)
Changes during the year:			
Service cost	287,337	-	287,337
Interest on the total pension liability	-	-	-
Differences between expected and actual experience	185,815	-	185,815
Changes in assumptions	-	-	-
Changes in benefit terms	-	-	-
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	667,919	(667,919)
Administrative expenses	-	-	-
Benefit payments	(185,267)	(185,267)	-
Other miscellaneous income/(expense)	-	(2,430)	2,430
Net changes	287,885	480,222	(192,337)
Balance at June 30, 2024 (Measurement Date)	$ 5,168,116	$ 6,142,322	$ (974,206)

At June 30, 2023 (measurement date 2023), the change in the net pension liability (asset) for the Plan is as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2022 (Measurement Date)	$ 4,725,604	$ 5,608,182	$ (882,578)
Changes during the year:			
Service cost	-	-	-
Interest on the total pension liability	278,420	-	278,420
Differences between expected and actual experience	49,273	-	49,273
Changes in assumptions	-	-	-
Changes in benefit terms	-	-	-
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	229,068	(229,068)
Administrative expenses	-	(2,084)	2,084
Benefit payments	(173,066)	(173,066)	-
Other miscellaneous income/(expense)	-	-	-
Net changes	154,627	53,918	100,709
Balance at June 30, 2023 (Measurement Date)	$ 4,880,231	$ 5,662,100	$ (781,869)

Note 11 – Pension Plans (Continued)

Single Employer Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2024 and 2023, the District recognized pension expense/(credit) of $(51,206) and $(50,375), respectively. At June 30, 2024 and 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 156,796	$ (18,899)	$ 71,639	$ (39,371)
Change in assumptions	1,150	(2,716)	2,397	(10,140)
Net differences between projected and actual earnings on plan investments	117,809	-	473,158	-
Total	$ 275,755	$ (21,615)	$ 547,194	$ (49,511)

As of the measurement date, June 30, 2024, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2025	$ 74,228
2026	284,112
2027	(37,451)
2028	(66,749)
2029	-
Thereafter	-
Total	$ 254,140

As of the measurement date, June 30, 2023, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2024	$ 103,375
2025	81,987
2026	291,872
2027	20,449
2028	-
Thereafter	-
Total	$ 497,683

Payable to the Pension Plan – At June 30, 2024 and 2023, the District did not have a payable for an outstanding amount of contributions payable to the pension plan.

Note 11 – Pension Plans (Continued)

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, 2024, are summarized as follows:

	CalPERS Miscellaneous Plan	
	Tier I	PEPRA
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit Formula	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
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 rate	7.000%	7.000%
Required employer contribution rate	10.100%	7.680%

Employees Covered

At June 30, 2024 (valuation date June 30, 2022) and June 30, 2023 (valuation date June 30, 2021), the following employees were covered by the benefit terms:

	2024	2023
Active members	26	15
Transferred members	7	6
Separated members	10	7
Retired members and beneficiaries	14	12
Total	57	40

Note 11 – Pension Plans (Continued)

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Continued)

A. General Information about the Plan (Continued)

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 years ended June 30, 2024 and 2023 (measurement date 2023 and 2022), the plan's proportionate share of aggregate contributions recognized as part of pension expense were:

	2024	2023
Contributions - employer	$ 945,965	$ 257,361
Contributions - employee	249,962	219,411

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

As of June 30, 2024 and 2023 (measurement dates 2023 and 2022), the District reported $590,790 and $306,118 of net pension liability for its proportionate share of the aggregate net pension liability.

The District's plan's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of the plan is measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 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 plans relative to the projected contributions of all participating employers, actuarially determined.

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool:

(1) In determining a cost–sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2022). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2023). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2023 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (FY2023).

Note 11 – Pension Plans (Continued)

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Continued)

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

(3) The individual plan's TPL, FNP, and NPL are also calculated at the valuation date.

(4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from step (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.

(5) The plan's TPL as of the measurement date is equal to the risk pool TPL generated in step (2) multiplied by the TPL ratio generated in step (4). The plan's FNP as of the measurement date is equal to the FNP generated in step (2) multiplied by the FNP ratio generated in step (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

(6) The plan's NPL at the measurement date is the difference between the TPL and FNP calculated in step (5).

The District's proportionate share of the net pension liability as of June 30, 2023, 2022, and 2021 (measurement date) were as follows:

Proportion June 30, 2021	-0.02264%
Proportion June 30, 2022	0.00265%
Change - increase (decrease)	0.02529%
Proportion June 30, 2023	0.00474%
Change - increase (decrease)	0.00209%

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

For the years ended June 30, 2024 and 2023, the District recognized pension expense of $825,512 and $2,063,688, respectively. At June 30, 2024 and 2023, the District reported deferred outflows of resources and deferred inflows of resources related to this pension plan from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 945,965	$ -	$ 257,361	$ -
Differences between actual and expected experience	30,181	(4,682)	6,148	(4,117)
Change in assumptions	35,669	-	31,368	-
Change in employer's proportion	645,456	(67,652)	874,347	(164,297)
Differences between employer's contributions and the proportionate share of contributions	128,921	(226,424)	313,094	(192,014)
Net differences between projected and actual earnings on plan investments	95,654	-	56,073	-
Total	$ 1,881,846	$ (298,758)	$ 1,538,391	$ (360,428)

The $945,965 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

Note 11 – Pension Plans (Continued)

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Continued)

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

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

As of the measurement date June 30, 2023, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2025	$ 357,376
2026	205,418
2027	71,585
2028	2,744
2029	-
Thereafter	-
Total	$ 637,123

In the previous year, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2024	$ 371,918
2025	329,524
2026	184,862
2027	34,298
2028	-
Thereafter	-
Total	$ 920,602

Note 11 – Pension Plans (Continued)

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Continued)

C. Actuarial Assumptions

The total pension liabilities in the June 30, 2022 (reporting date June 30, 2024) and 2021 (reporting date June 30, 2023) actuarial valuation were determined using the following actuarial assumptions:

	CalPERS Miscellaneous Plan	
	June 30, 2024	June 30, 2023
Valuation Date	June 30, 2022	June 30, 2021
Measurement Date	June 30, 2023	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	6.90%	6.90%
Inflation	2.30%	2.30%
Salary Increases (1)		
Mortality Rate Table (2)		
Post Retirement Benefit Increase (3)		

(1) Varies by entry age and service.

(2) The mortality table used was developed based on CalPERS specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study. Pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvements using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report that can be found on the CalPERS website.

(3) The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

Change in Assumptions – GASB 68, paragraph 30 states that the long–term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. In both the current and prior year, the actuarial report did not have a change of assumptions. Further details of the Experience Study can be found on the CalPERS website.

D. Discount Rate

Discount Rate – The discount rate used to measure the total pension liability was 6.90 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 6.90 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 6.90 percent is applied to all plans in the Public Employees Retirement Fund. The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

Long–Term Expected Rate of Return – 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.

Note 11 – Pension Plans (Continued)

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Continued)

D. Discount Rate (Continued)

In determining the long–term expected rate of return, both short–term and long–term market return expectations as well as the expected pension fund cash flows were considered. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short–term (first 10 years) and the long–term (11–60 years) using a building–block approach. Using the expected nominal returns for both short–term and long–term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short–term and long–term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long–term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class [(a)]	Strategic Allocation	Real Return Years 1 - 10 [(b)]
Global Equity	30.00%	4.45%
Global Equity	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Security	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Liquidity	-5.00%	-0.59%
Total	100.00%	

(a) In the CalPERS' ACFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

(b) An expected inflation of 2.30% used for this period

Note 11 – Pension Plans (Continued)

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Continued)

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

Th The following presents the District's proportionate share of the net pension liability as of June 30, 2024 and 2023, calculated using the discount rate, 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 one percentage point lower or one percentage point higher than the current rate:

	Miscellaneous	
	2024	2023
1% Decrease	5.90%	6.15%
Net Pension Liability (Asset)	$ 2,017,649	$ 1,629,232
Current Discount Rate	6.90%	7.15%
Net Pension Liability (Asset)	$ 590,790	$ 306,118
1% Increase	7.90%	8.15%
Net Pension Liability (Asset)	$ (583,638)	$ (782,476)

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

Payable to the Pension Plan – At June 30, 2024 and 2023, the District did not have a payable for an outstanding amount of contributions payable to the pension plan.

Note 12 – 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. The District maintains a third-party insurance policy. 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.

Note 12 – Risk Management (Continued)

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 13 – Commitments

At June 30, 2024 and 2023, the District had the following amounts remaining on contracts:

	2024	2023
Contract commitments outstanding	$ 1,711,202	$ 4,613,063

Note 14 – Net Investment in Capital Assets

At June 30, 2024 and 2023, net investment in capital assets consisted of the following:

	2024	2023
Capital assets, net	$ 55,108,684	$ 54,659,889
Less: current portion of long-term debt	(205,000)	(195,000)
Less: long-term debt, net of current portion	-	(205,000)
Net investment in capital assets	$ 54,903,684	$ 54,259,889

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REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Carmel Area Wastewater District
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2024

Schedule of Changes in the Net Pension Liability and Related Ratios – Single Employer Plan

Last Ten Fiscal Years

Fiscal year ended	**June 30, 2024**	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**
Measurement date	**June 30, 2024**	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**
Total pension liability					
Service cost	$ -	$ -	$ -	$ -	$ -
Interest on total pension liability	287,337	278,420	276,726	269,016	259,881
Differences between expected and actual experience	185,815	-	(80,315)	49,189	84,663
Changes in assumptions	-	49,273	4,891	(16,640)	(17,336)
Changes in benefit terms	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(185,267)	(173,066)	(173,066)	(173,066)	(176,786)
Net change in total pension liability	287,885	154,627	28,236	128,499	150,422
Total pension liability - beginning	4,880,231	4,725,604	4,697,368	4,568,869	4,418,447
Total pension liability - ending (a)	$ 5,168,116	$ 4,880,231	$ 4,725,604	$ 4,697,368	$ 4,568,869
Plan fiduciary net position					
Contributions - employer	$ -	$ -	$ -	$ -	$ -
Contributions - employee	-	-	-	-	-
Investment income (net of administrative expenses)	667,919	229,068	(922,370)	1,348,545	278,846
Benefit payments	(185,267)	(173,066)	(173,066)	(173,066)	(176,786)
Administrative expenses	(2,430)	(2,084)	(1,964)	(2,049)	(2,009)
Net change in plan fiduciary net position	480,222	53,918	(1,097,400)	1,173,430	100,051
Plan fiduciary net position - beginning	5,662,100	5,608,182	6,705,582	5,532,152	5,432,101
Plan fiduciary net position - ending (b)	$ 6,142,322	$ 5,662,100	$ 5,608,182	$ 6,705,582	$ 5,532,152
Net pension liability (asset) - ending (a)-(b)	$ (974,206)	$ (781,869)	$ (882,578)	$ (2,008,214)	$ (963,283)
Plan fiduciary net position as a percentage of the total pension liability (asset)	118.85%	116.02%	118.68%	142.75%	121.08%
Covered payroll	$ 907,499	$ 843,629	$ 804,534	$ 784,366	$ 747,631
Net pension liability (asset) as a percentage of covered-payroll	-107.35%	-92.68%	-109.70%	-256.03%	-128.84%

Carmel Area Wastewater District
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2024

Schedule of Changes in the Net Pension Liability and Related Ratios – Single Employer Plan (Continued)

Last Ten Fiscal Years (Continued)

Fiscal year ended	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Total pension liability					
Service cost	$ -	$ -	$ -	$ -	$ -
Interest on total pension liability	253,702	267,900	271,856	267,034	234,721
Differences between expected and actual experience	6,974	(80,294)	16,907	29,560	103,803
Changes in assumptions	(5,452)	(62,738)	-	-	(907,311)
Changes in benefit terms	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(128,424)	(596,447)	(112,946)	(319,499)	(73,846)
Net change in total pension liability	126,800	(471,579)	175,817	(22,905)	(642,633)
Total pension liability - beginning	4,291,647	4,763,226	4,587,409	4,610,314	5,252,947
Total pension liability - ending (a)	$ 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	-	-	-	-	-
Investment income (net of administrative expenses)	264,302	364,427	374,628	(92,216)	227,644
Benefit payments	(128,424)	(596,447)	(112,946)	(319,499)	(73,846)
Administrative expenses	(1,842)	(1,844)	(1,763)	(6,847)	-
Net change in plan fiduciary net position	168,636	(154,928)	348,599	(287,890)	370,218
Plan fiduciary net position - beginning	5,263,465	5,418,393	5,069,794	5,357,684	4,987,466
Plan fiduciary net position - ending (b)	$ 5,432,101	$ 5,263,465	$ 5,418,393	$ 5,069,794	$ 5,357,684
Net pension liability (asset) - ending (a)-(b)	$ (1,013,654)	$ (971,818)	$ (655,167)	$ (482,385)	$ (747,370)
Plan fiduciary net position as a percentage of the total pension liability (asset)	122.94%	122.64%	113.75%	110.52%	116.21%
Covered payroll	$ 711,527	$ 680,149	$ 683,592	$ 759,350	$ 785,681
Net pension liability (asset) as a percentage of covered-payroll	-142.46%	-142.88%	-95.84%	-63.53%	-95.12%

Schedule of Contributions – Single Employer Plan

Last Ten Fiscal Years

	2024	2023	2022	2021	2020
Contractually required contribution (actuarially determined)	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the actuarially determined contributions	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 907,499	$ 843,629	$ 804,534	$ 784,366	$ 747,631
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Notes to Schedule:					
Valuation date	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020

Schedule of Contributions – Single Employer Plan (Continued)

Last Ten Fiscal Years (Continued)

	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ -	$ 103,838	$ 78,940	$ 88,667	$ 130,567
Contributions in relation to the actuarially determined 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 payroll	$ 711,527	$ 680,149	$ 683,592	$ 759,350	$ 779,176
Contributions as a percentage of covered payroll	4.86%	11.61%	12.97%	17.21%	27.78%
Notes to Schedule:					
Valuation date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios – Cost-Sharing Multiple-Employer Plan

Last Ten Fiscal Years

Fiscal year ended	**June 30, 2024**	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**
Measurement date	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**
District's proportion of the net pension liability	0.00474%	0.00265%	-0.00226%	0.00680%	0.00540%
District's proportionate share of the net pension liability (asset)	$ 590,790	$ 306,118	$ (1,224,348)	$ 736,988	$ 548,928
District's covered payroll	$ 3,086,591	$ 3,002,520	$ 2,949,036	$ 2,758,226	$ 2,531,591
District's proportionate share of the net pension liability as a percentage of its covered payroll	19.14%	10.20%	-41.52%	26.72%	21.68%
Plan fiduciary net position as a percentage of the total pension liability	94.40%	76.68%	88.29%	75.10%	75.27%

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios – Cost-Sharing Multiple-Employer Plan (Continued)

Last Ten Fiscal Years (Continued)

Fiscal year ended	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**	**June 30, 2016**	**June 30, 2015**
Measurement date	**June 30, 2018**	**June 30, 2017**	**June 30, 2016**	**June 30, 2015**	**June 30, 2014**
District's proportion of the net pension liability	0.00410%	0.00450%	0.00330%	0.00050%	0.01010%
District's proportionate share of the net pension liability (asset)	$ 395,657	$ 448,040	$ 285,127	$ (33,002)	$ 629,116
District's covered payroll	$ 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 payroll	17.57%	20.57%	14.04%	-1.61%	33.68%
Plan fiduciary net position as a percentage of the total pension liability	75.26%	73.31%	74.06%	78.40%	79.82%

Schedule of Contributions – Cost-Sharing Multiple-Employer Plan

Last Ten Fiscal Years

	2024	2023	2022	2021	2020
Contractually required contribution (actuarially determined)	$ 301,522	$ 257,361	$ 246,025	$ 276,858	$ 227,991
Contributions in relation to the actuarially determined contributions	(945,965)	(257,361)	(246,025)	(1,058,532)	(227,991)
Contribution deficiency (excess)	$ (644,443)	$ -	$ -	$ (781,674)	$ -
Covered payroll	$ 3,359,314	$ 3,068,253	$ 3,002,520	$ 2,949,036	$ 2,758,226
Contributions as a percentage of covered payroll	28.16%	8.39%	8.19%	35.89%	8.27%
Notes to Schedule:					
Valuation date	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Methods and Assumptions Used to Determine Contribution Rates:					
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Fair value	Fair value	Fair value	Fair value	Fair value
Inflation	2.625%	2.625%	2.625%	2.625%	2.625%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment rate of return	6.90% (3)	6.90% (3)	7.25% (3)	7.25% (3)	7.25% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed

(2) Depending on age, service, and type of employment

(3) Net of pension plan investment expense, including inflation

(4) The probabilities of retirement are based on the CalPERS 2021 Experience Study

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

Schedule of Contributions – Cost-Sharing Multiple-Employer Plan (Continued)

Last Ten Fiscal Years (Continued)

	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 199,800	$ 165,214	$ 152,534	$ 134,094	$ 157,952
Contributions in relation to the actuarially determined contributions	(199,800)	(165,214)	(152,534)	(134,094)	(718,672)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ (560,720)
Covered payroll	$ 2,531,591	$ 2,252,020	$ 2,177,857	$ 2,030,331	$ 2,053,405
Contributions as a percentage of covered payroll	7.89%	7.34%	7.00%	6.60%	35.00%
Notes to Schedule:					
Valuation date	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
Methods and Assumptions Used to Determine Contribution Rates:					
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Fair value	Fair value	Fair value	Fair value	15 year smoothed market
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed
(2) Depending on age, service, and type of employment
(3) Net of pension plan investment expense, including inflation
(4) The probabilities of retirement are based on the CalPERS 2021 Experience Study
(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

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OTHER INFORMATION
(Unaudited)

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Carmel Area Wastewater District
Other Information
For the Year Ended June 30, 2024

Budgetary Comparison Information

	Final Budget (unaudited)	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Sewer service fees	$ 10,774,490	$ 10,054,533	$ (719,957)
Treatment fees, PBCSD	1,873,694	1,908,429	34,735
Reclamation Project operating reimbursements	702,907	808,615	105,708
Brine disposal fees	108,200	103,434	(4,766)
Permits and connection fees	83,510	544,145	460,635
Total operating revenues	13,542,801	13,419,156	(123,645)
OPERATING EXPENSES			
Collection	2,488,418	2,352,349	136,069
Treatment and disposal	4,784,235	4,731,509	52,726
Administration	1,657,661	1,456,767	200,894
Reclamation Project expenses	702,907	648,413	54,494
Brine disposal costs	5,938	4,216	1,722
Total operating expenses	9,639,159	9,193,254	445,905
Operating income (loss)	3,903,642	4,225,902	322,260
NONOPERATING REVENUES (EXPENSES)			
Property tax revenue	2,600,000	2,797,355	197,355
Investment earnings	190,000	1,180,469	990,469
PBSCD capital cost reimbursements	1,148,011	718,597	(429,414)
Reclamation Project capital cost reimbursements	114,521	102,815	(11,706)
Principal payment	-	(195,000)	(195,000)
Intergovernmental	-	35,179	35,179
Other nonoperating revenue	10,000	85,777	75,777
Interest and fiscal expenses	(15,881)	(16,915)	(1,034)
Other nonoperating expenses	(2,600)	(2,141)	459
Total nonoperating revenues (expenses)	4,044,051	4,706,136	662,085
Changes in net position - budgetary basis	$ 7,947,693	8,932,038	$ 984,345
Reconciliation to Full Accrual Basis			
Adjust for depreciation		(2,961,216)	
Adjustment for principal payment		195,000	
Changes in net position - full accrual basis		6,165,822	
Net position, beginning of year		107,438,526	
Net position, end of year		$ 113,604,348	

Notes to Budgetary Comparison Information

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.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' Report

Board of Directors
Carmel Area Wastewater District
Carmel, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Carmel Area Wastewater District, California (the "District"), which comprise the statement of net position as of June 30, 2024, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes, which collectively comprise the basic financial statements and have issued our report thereon dated January 21, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The Pun Group, LLP

San Diego, California
January 21, 2025