

**Carmel Area Wastewater District/
Pebble Beach
Community Services District
Reclamation Project**

**An Enterprise Fund of the
Monterey Peninsula Water Management District**

Carmel, California

Annual Financial Report

For the Years Ended June 30, 2022 and 2021

**Carmel Area Wastewater District/Pebble Beach Community Services District
Reclamation Project
Annual Financial Report
For the Years Ended June 30, 2022 and 2021**

Table of Contents

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Independent Auditors' Report	1
Management's Discussion and Analysis – Required Supplementary Information (Unaudited).....	5
Basic Financial Statements:	
Statements of Net Position	13
Statements of Revenues, Expenses, and Changes in Net Position	15
Statements of Cash Flows	16
Notes to the Basic Financial Statements	23
Other Information (Unaudited):	
Budgetary Comparison Information.....	43

This page intentionally left blank.



INDEPENDENT AUDITORS' REPORT

Board of Directors and Members
Carmel Area Wastewater District/Pebble Beach Community Services District Reclamation Project
Carmel, California

Opinion

We have audited the accompanying financial statements of the Carmel Area Wastewater District ("CAWD")/Pebble Beach Community Services District ("PBCSD") Reclamation Project (the "Project"), as of and for the year ended June 30, 2022 and the related notes to financial statements, which collectively comprise the Project's 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 Project, as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Project, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

As described in Note 1, the financial statements present only the Project and do not purport to, and do not, present fairly the financial position of the CAWD, the PBCSD, the Monterey Peninsula Water Management District, or the Pebble Beach Company, as of June 30, 2022 and 2021, the changes in its financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 Project'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 auditor's report that includes our opinion. 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 GAAS 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 generally accepted 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 Project'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 Project'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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 10, 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 auditor's 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.

2021 Financial Statements

The Project's basic financial statements for the year ended June 30, 2021 were audited by other auditors whose report thereon dated September 15, 2021, expressed an unmodified opinion.

A handwritten signature in black ink that reads "The Pen Group, LLP". The signature is written in a cursive, flowing style.

San Diego, California
November 16, 2022

This page intentionally left blank.

CAWD/PBCSD RECLAMATION PROJECT
Management's Discussion and Analysis
June 30, 2022

The following discussion and analysis is supplementary information required by the Governmental Accounting Standards Board (GASB) and is intended to provide an easily readable explanation of the information provided in the attached basic financial statements of the CAWD/PBCSD Reclamation Project (the Project) for the fiscal year ended June 30, 2022. 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 2021-22 are as follows:

- Water Sales revenue increased 5.6% over the prior year with a corresponding increase of 7.7% over the budget.

Total amount of water sold was 5.0% higher than in fiscal year 2020-21. Last year total water sales included 1,025 acre-feet (AF) of reclaimed water. That figure contrasts with 1,077 AF of reclaimed water for the current year.

- Net Non-operating expenses decreased 18.7% over the prior year primarily due to a decrease in Bond and Letter of Credit carrying costs of 41.8% and bond interest expense due to the Monterey Peninsula Water Management District of 75.0%.
- Long-term obligations include the bonds issued in 1992 that mature in 2022 with the final principal payment of \$2.6M due July 1, 2022. The Project has been able to take advantage of lower interest rates over the last several years – the interest due remained low during the entire fiscal year. The long-term obligation from the Monterey Peninsula Water Management District for \$1M matured in October 2021. The final payment for bond carrying costs of \$552,000 is due June 2023.
- Total operating expenses less amortization was 22.9% higher than the prior year as follows:
 - Plant operating expenses were 22.3% higher than in fiscal year 2020-21 and 7.2% over budget. Briefly the reasons they were so close:
 - Plant labor expenses were 12.4% higher than in 2021, reflected most significantly in the Plant Engineer up 192.7%, plant operators up 16.7%, and safety officer up 26.5%.
 - Electricity costs increased 4.4% over prior year and 2.6% over budget.
 - Chemical costs were up 61.0% from 2021 and 26.6% from budget. Timing is one culprit, but more specifically we continue to experience supply chain delivery issues and severe inflationary pressure on chemicals. We now find that supplies run out and are delivered on nearly the same day. It means that we must be continually on top of supply issues.
 - Operating Supplies were 8.4% over budget and 30.6% above prior year. Primary overages in plant pump parts (81.2%), Cartridge filters (146.3%), and Reverse Osmosis membrane elements (100%).
 - Contractual services were under budget by 15.1% and over prior year actual by 6.0%. System software/IT consulting increased 63.4% over prior year.
 - Distribution costs were 6.4% below budget and 30.2% higher than prior year 2021-22. Pebble Beach Community Services District (PBCSD) administrative and engineering salaries were under budget 20.0% while staff salaries were under budget 0.2%. Utilities were 12.5% greater than prior year and 12.7% under budget. Other O&M expenses were 35.2% greater than prior year and 15.6% under budget.

CAWD/PBCSD RECLAMATION PROJECT
Management's Discussion and Analysis
June 30, 2022

- Pebble Beach Company and Independent Golf Club Users liaison expenses were 5.0% over budget and 22.9% greater than prior year.
- Carmel Area Wastewater District (CAWD) administrative salaries and other expenses were 21.4% over budget and 27.9% greater than prior year. Primary overages were in salaries, specifically Admin Service Coordinator over budget 84.8%.
- Monterey Peninsula Water Management District (MPWMD) general and administrative costs were 18.6% over budget and 2.8% higher than prior year.

Using this Financial Report

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

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

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

Financial Analysis

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

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

**CAWD/PBCSD RECLAMATION PROJECT
Management's Discussion and Analysis
June 30, 2022**

Current assets increased 14.2% from the prior year. Cash on hand increased 10.0%; and Accounts Receivables from water sales increased 21.0%. The Project does not provide an allowance for doubtful accounts because all receivables are collected within 60 days of each fiscal year end.

Current liabilities decreased 5.3% from the prior year. Trade and affiliates payables increased 23.4% from prior year, largely due to timing. Water sales were slightly higher than prior year (5.5%) although the per acre increased 8.2%. Accounts payables, trade and between Project partners, increased 23.4%.

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

Noncurrent liabilities decreased 100% because of the final payment on the bonds was due July 1, 2022, and all amount due to MPWMD were paid off. There are no further long-term liabilities.

Construction-in-Progress included \$152K for the SCADA Migration Project, \$125K for the Sulfuric Acid Tank, \$116K for the Electrical/Mechanical Rehab Project and \$94K for Forest Lake Mixers.

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

Financial Analysis of the Project (Condensed comparative data)

A summary of Net Position is presented below:

	June 30, 2022	June 30, 2021	\$ Change	% Change	June 30, 2020
Assets					
Current assets	\$ 3,206,464	\$ 2,808,159	\$ 398,305	14.2%	\$ 2,504,993
Noncurrent assets:					
Restricted cash	1,175	1,176	(1)	-0.1%	1,176
Water rights, net	37,198,823	38,759,314	(1,560,491)	-4.0%	37,947,686
Construction in progress	505,755	338,903	166,852	49.2%	2,674,387
Total assets	<u>40,912,217</u>	<u>41,907,552</u>	<u>(995,335)</u>	<u>-2.4%</u>	<u>43,128,242</u>
Liabilities					
Current liabilities	4,064,065	4,290,782	(226,717)	-5.3%	4,483,941
Long-term debt	-	3,152,000	(3,152,000)	-100.0%	6,704,000
Total liabilities	<u>4,064,065</u>	<u>7,442,782</u>	<u>(3,378,717)</u>	<u>-45.4%</u>	<u>11,187,941</u>
Net Position					
Net investment in capital assets	34,553,753	32,395,393	2,158,360	6.7%	33,122,073
Restricted for debt service	1,175	1,176	(1)	-0.1%	1,176
Unrestricted	2,297,199	2,068,201	228,998	11.1%	(1,182,948)
Total net position	<u>\$ 36,852,127</u>	<u>\$ 34,464,770</u>	<u>\$ 2,387,357</u>	<u>6.9%</u>	<u>\$ 31,940,301</u>

**CAWD/PBCSD RECLAMATION PROJECT
Management's Discussion and Analysis
June 30, 2022**

Capital Assets

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

Significant asset additions in 2021-22 were as follows:

- Forest Lake Slide Gates \$ 15,960
- Forest Lake Chemical System \$ 172,428

There are four electric gate operators on the outlet structure that should be replaced/rehabbed every fifteen years. At the start of this budget year one of the operators had failed and two had issues with their controls. The Forest Lake Chemical System is for dosing to the reservoir to prevent any biological growth.

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

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

	June 30, 2022	June 30, 2021	June 30, 2020
Carmel Area Wastewater District	\$ 39,712,653	\$ 39,712,653	\$ 39,697,306
Pebble Beach Community Services District	27,899,845	27,711,456	25,171,006
MPWMD	29,056	29,056	29,056
Open space users	1,459,777	1,459,777	1,459,777
Cal-Am	853,726	853,727	853,727
Total water resale rights	<u>\$ 69,955,057</u>	<u>\$ 69,766,669</u>	<u>\$ 67,210,872</u>

Long-Term Debt

The "Variable Rate Demand Certificates of Participation-Wastewater Reclamation Project Series 1992 Bonds" were issued in the amount of \$33,900,000 to finance the construction of the Project's reclamation facilities and have a maturity date of July 2022. As agreed to in the "Amended and Restated Construction & Operation Agreement" effective July 1, 2013, annual principal and interest payments, and bond carrying costs, became a part of the annual charge to be recovered from all recycled water buyers during each fiscal year. The Pebble Beach Company remains the fiscal guarantor to the COP debt. The Certificate of Participation variable interest rate increased slightly due to the interest rate environment from \$3,450 in 2020-21 to \$5,957 in 2021-22, or a 72.6% increase.

**CAWD/PBCSD RECLAMATION PROJECT
Management's Discussion and Analysis
June 30, 2022**

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

	2022	%	2021	%	2020
		Change		Change	
Changes in Net Position					
Operating Revenues	\$ 7,220,935	5.6%	\$ 6,838,738	-3.2%	\$ 7,063,288
Operating Expenses	(2,895,612)	22.9%	(2,356,918)	-5.9%	(2,504,551)
Amortization	(1,748,879)	0.3%	(1,744,169)	3.8%	(1,680,274)
Operating income/(loss)	<u>2,576,444</u>	-5.9%	<u>2,737,651</u>	-4.9%	<u>2,878,463</u>
Interest revenue	(13,962)	-718.9%	2,256	-93.3%	33,923
Subsidy from PBCo	-	n/a	-	n/a	-
PBCo (withdrawal)	-	n/a	-	n/a	-
Non-operating expenses	(175,125)	-18.7%	(215,438)	-37.1%	(342,576)
Non-operating contrib/withdrawal	-	n/a	-	-100.0%	(72)
Other	-	n/a	-	n/a	-
subtotal	<u>(189,087)</u>	-11.3%	<u>(213,182)</u>	-30.9%	<u>(308,725)</u>
Change in net position	2,387,357	-5.4%	2,524,469	-1.8%	2,569,738
Net position, beginning	<u>34,464,770</u>	7.9%	<u>31,940,301</u>	8.7%	<u>29,370,563</u>
Net position, ending	<u>\$ 36,852,127</u>	6.9%	<u>\$ 34,464,770</u>	7.9%	<u>\$ 31,940,301</u>

Budget Highlights/Variations

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

During fiscal year ended June 30, 2022, the following budget variances were noted:

- Water sales were over budget 3.2%. Budgeted reclaimed water sales were 1,000 AF while actual sales were 1,077 AF.
- Net investment earnings were 146.3% less than budget.
- CAWD Plant operating expenses were 1.5% over budget. The two largest cost centers (Salaries/Benefits -3.1% and Electricity -2.6%) tracked closely to budget. Chemicals tracked 26.6% over budget due largely to supply chain issues and inflationary pressures.
- Plant distribution costs were 6.4% under budget. Admin labor costs were 20.0% under budget and field labor was 0.2% under budget. O&M costs were 15.6% under budget.
- CAWD general and administrative salary costs were 46.9% over budget along with other miscellaneous costs over budget 7.7%. MPWMP salaries were 27.4% over budget while other administrative costs were 18.6% over budget.

**CAWD/PBCSD RECLAMATION PROJECT
Management's Discussion and Analysis
June 30, 2022**

- Potable water costs (including meter charges) were 26.2% under budget. There were not any purchases made of potable water.
- Bond carrying costs were 38.1% under budget and letter of credit costs were 8.0% under budget. Interest rate environment this fiscal year was very low and continued to be favorable to the project.
- Interest income on reserves was 56.8% under budget, again, reflecting the low interest rate environment.
- Monterey Peninsula Water Management user fee was 14.2% under budget.

Other Significant Matters

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

Requests for Information

This financial report is designed to provide an overview of the Project's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to James Grover, Principal Accountant, at Carmel Area Wastewater District, P.O. Box 221428, Carmel, CA 93922, telephone (831) 624-1248, or email grover@cawd.org.

FINANCIAL STATEMENTS

This page intentionally left blank.

Carmel Area Wastewater District/Pebble Beach Community Services District
Reclamation Project
Statements of Net Position
June 30, 2022 and 2021

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 1,387,574	\$ 1,260,428
Investments (Note 3)	266,557	265,008
Accounts receivable - water sales (Note 4)	1,528,782	1,262,642
Accounts receivable - other (Note 4)	23,551	20,081
Total current assets	<u>3,206,464</u>	<u>2,808,159</u>
Noncurrent assets:		
Capital assets (Note 5):		
Construction in progress	505,755	338,903
Water resale rights, net of amortization	37,198,823	38,759,314
Capital assets, net	<u>37,704,578</u>	<u>39,098,217</u>
Cash restricted for debt service (Note 3)	1,175	1,176
Deposits	3,975	-
Total noncurrent assets	<u>37,709,728</u>	<u>39,099,393</u>
Total assets	<u>40,916,192</u>	<u>41,907,552</u>
LIABILITIES		
Current liabilities:		
Accounts payable - trade (Note 6)	158,923	100,127
Accounts payable - affiliates (Note 6)	753,142	638,655
Bonds payable, due within one year (Note 7)	2,600,000	2,500,000
Advance from MPWMD, due within one year (Note 8)	-	500,000
Advance from Pebble Beach Company, due within one year (Note 8)	552,000	552,000
Total current liabilities	<u>4,064,065</u>	<u>4,290,782</u>
Noncurrent liabilities:		
Long-term debt, net of current portion (Note 7):		
Bonds payable, due in more than one year (Note 7)	-	2,600,000
Advance from Pebble Beach Company, due in more than one year (Note 8)	-	552,000
Total long-term debt, net of current portion	<u>-</u>	<u>3,152,000</u>
Total noncurrent liabilities	<u>-</u>	<u>3,152,000</u>
Total liabilities	<u>4,064,065</u>	<u>7,442,782</u>
NET POSITION		
Net investment in capital assets (Note 10)	34,553,753	32,395,393
Restricted for debt service	1,175	1,176
Unrestricted	2,297,199	2,068,201
Total net position	<u>\$ 36,852,127</u>	<u>\$ 34,464,770</u>

See accompanying Notes to Financial Statements.

This page intentionally left blank.

**Carmel Area Wastewater District/Pebble Beach Community Services District
Reclamation Project
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2022 and 2021**

	2022	2021
OPERATING REVENUES		
Water sales	\$ 3,104,935	\$ 2,718,134
Fixed cost charge	4,116,000	4,120,604
Total operating revenues	7,220,935	6,838,738
OPERATING EXPENSES		
Plant operating costs	2,148,504	1,757,523
Distribution costs	514,914	395,403
General and administrative	227,214	196,979
Potable water purchases	4,980	7,013
Monterey Peninsula Water Management District user fee	77,184	72,776
Amortization (Note 5)	1,748,879	1,744,169
Total operating expenses	4,721,675	4,173,863
Operating income	2,499,260	2,664,875
NONOPERATING REVENUES (EXPENSES)		
Bond carrying costs	(41,970)	(72,161)
Interest expense - Pebble Beach Company	(44,931)	(46,718)
Interest expense - Monterey Peninsula Water Management District	(5,083)	(20,333)
Interest expense - bonds	(5,957)	(3,450)
Investment earnings (loss)	(13,962)	2,256
Total nonoperating revenues (expenses)	(111,903)	(140,406)
Changes in net position	2,387,357	2,524,469
Net position, beginning of year	34,464,770	31,940,301
Net position, end of year	\$ 36,852,127	\$ 34,464,770

See accompanying Notes to Financial Statements.

**Carmel Area Wastewater District/Pebble Beach Community Services District
Reclamation Project
Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 6,951,325	\$ 6,356,180
Payments for operating expenses	<u>(2,803,488)</u>	<u>(2,722,853)</u>
Net cash provided by operating activities	<u>4,147,837</u>	<u>3,633,327</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on bond debt	(2,500,000)	(2,400,000)
Principal paid on Pebble Beach Company debt	(552,000)	(552,000)
Principal paid on Monterey Peninsula Water Management District loan	(500,000)	(500,000)
Interest paid on long-term debt	(55,971)	(70,501)
Bond carrying costs	(41,970)	(72,161)
Additions to water resale rights	<u>(355,240)</u>	<u>(220,313)</u>
Net cash (used in) capital and related financing activities	<u>(4,005,181)</u>	<u>(3,814,975)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	6,490	2,256
Proceeds from sale and maturities of investments	135,999	-
Purchase of investments	<u>(158,000)</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>(15,511)</u>	<u>2,256</u>
Net increase (decrease) in cash and cash equivalents	127,145	(179,392)
Cash and cash equivalents, beginning of year	<u>1,261,604</u>	<u>1,440,996</u>
Cash and cash equivalents, end of year	<u>\$ 1,388,749</u>	<u>\$ 1,261,604</u>
FINANCIAL STATEMENT PRESENTATION		
Cash and cash equivalents		
Current assets:		
Cash and cash equivalents	\$ 1,387,574	\$ 1,260,428
Restricted cash and cash equivalents:		
For debt service	<u>1,175</u>	<u>1,176</u>
Total cash and cash equivalents	<u>\$ 1,388,749</u>	<u>\$ 1,261,604</u>

(Continued)

**Carmel Area Wastewater District/Pebble Beach Community Services District
Reclamation Project
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2022 and 2021**

	2022	2021
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 2,499,260	\$ 2,664,875
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization	1,748,879	1,744,169
Changes in operating assets and liabilities:		
(Increase)/decrease in assets:		
Accounts receivable	(269,610)	(482,558)
Deposits	(3,975)	-
Increase (decrease) in liabilities:		
Accounts payable	173,283	(293,159)
Net cash provided by operating activities	\$ 4,147,837	\$ 3,633,327
SUPPLEMENTAL DISCLOSURES		
Non-cash investing and financing activities:		
Unrealized gains (losses) on investments	\$ (20,452)	\$ (4,927)

(Concluded)

This page intentionally left blank.

NOTES TO FINANCIAL STATEMENTS

This page intentionally left blank.

**Carmel Area Wastewater District/Pebble Beach Community Services District
Reclamation Project
Index to the Notes to Financial Statements
June 30, 2022 and 2021**

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

Note 1 – Defining the Reporting Entity	23
Note 2 – Summary of Significant Accounting Policies	25
Note 3 – Cash and Investments	30
Note 4 – Receivables	34
Note 5 – Capital Assets	35
Note 6 – Payables	36
Note 7 – Long-Term Debt	36
Note 8 – Advances Payable	38
Note 9 – Risk Management	39
Note 10 – Net Investment in Capital Assets	40

This page intentionally left blank

**Carmel Area Wastewater District/Pebble Beach Community Services District
Reclamation Project
Notes to Financial Statements
June 30, 2022 and 2021**

Note 1 – Defining the Reporting Entity

Reporting Entity

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

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

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

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

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

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

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

**Carmel Area Wastewater District/Pebble Beach Community Services District
Reclamation Project
Notes to Financial Statements (Continued)
June 30, 2022 and 2021**

Note 1 – Defining the Reporting Entity (Continued)

Reporting Entity (Continued)

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

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

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

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

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

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

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

**Carmel Area Wastewater District/Pebble Beach Community Services District
Reclamation Project
Notes to Financial Statements (Continued)
June 30, 2022 and 2021**

Note 1 – Defining the Reporting Entity (Continued)

Reporting Entity (Continued)

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

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

Note 2 – Summary of Significant Accounting Policies

A. Accounting Policies

The accounting policies of the Project conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) as applicable to governments. The Project is an enterprise (proprietary) fund of MPWMD.

B. 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 and liabilities (whether current or noncurrent) 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.

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

**Carmel Area Wastewater District/Pebble Beach Community Services District
Reclamation Project
Notes to Financial Statements (Continued)
June 30, 2022 and 2021**

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Cash and Cash Equivalents

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

Risk Disclosures – 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

Investment Valuation – GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and establishes 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.

D. Restricted Assets

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

Sometimes the Project will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted - net position in the Statement of Net Position, a flow assumption must be made about the order in which the resources are considered to be applied.

When both restricted and unrestricted resources are available for use, it is the Project's policy to use restricted resources first and then unrestricted resources, as necessary.

E. Accounts Receivable and Allowance for Doubtful Accounts

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

**Carmel Area Wastewater District/Pebble Beach Community Services District
Reclamation Project
Notes to Financial Statements (Continued)
June 30, 2022 and 2021**

Note 2 – Summary of Significant Accounting Policies (Continued)

F. Amortization

The water resale rights are amortized using the straight-line method over the expected useful life of the reclamation plant, which is forty years, in accordance with GASB Statement No. 60, *Intangible Assets*, which specifies that an intangible asset shall be amortized over its useful life, unless that life is determined to be indefinite.

G. Net Position

Net position of the Project is classified into three components: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. These classifications are defined as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation plus deferred amounts on refunding, and reduced by the outstanding balances of notes or borrowing that are attributable to the acquisition of the asset, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

Restricted Net Position – This component of net position consists of net position with constrained use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This component of net position consists of net position that does not meet the definition of “net investment in capital assets,” or “restricted net position”.

H. Use of Estimates

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

I. Implementation of New GASB Pronouncements for the Year Ended June 30, 2022

During fiscal year ended June 30, 2022, the Project implemented the following new GASB Pronouncements:

- In June 2017, GASB issued Statement No. 87, *Leases* (GASB Statement No. 87), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Implementation of this Statement did not have a significant effect on the Project’s financial statements for the year ended June 30, 2022.

**Carmel Area Wastewater District/Pebble Beach Community Services District
Reclamation Project
Notes to Financial Statements (Continued)
June 30, 2022 and 2021**

Note 2 – Summary of Significant Accounting Policies (Continued)

I. Implementation of New GASB Pronouncements for the Year Ended June 30, 2022 (Continued)

- In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Implementation of this Statement did not have a significant effect on the Project's financial statements for the year ended June 30, 2022.
- In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Implementation of this Statement did not have a significant effect on the Project's financial statements for the year ended June 30, 2022.
- In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. Implementation of this Statement did not have a significant effect on the Project's financial statements for the year ended June 30, 2022.
- In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Implementation of this Statement did not have a significant effect on the Project's financial statements for the year ended June 30, 2022.

**Carmel Area Wastewater District/Pebble Beach Community Services District
Reclamation Project
Notes to Financial Statements (Continued)
June 30, 2022 and 2021**

Note 2 – Summary of Significant Accounting Policies (Continued)

J. Upcoming Governmental Accounting Standards Implementation

The Project is currently evaluating its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

- In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB Statement No. 91), to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 91 is effective for the Project's fiscal year ending June 30, 2023.
- In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Application of this statement is effective for the Project's fiscal year ending June 30, 2023.
- In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. Application of this statement is effective for the Project's fiscal year ending June 30, 2023.
- In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Application of this statement is effective for the Project's fiscal year ending June 30, 2023.
- In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Application of this statement is effective for the Project's fiscal year ending June 30, 2024.
- In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Application of this statement is effective for the Project's fiscal year ending June 30, 2025.

**Carmel Area Wastewater District/Pebble Beach Community Services District
Reclamation Project
Notes to Financial Statements (Continued)
June 30, 2022 and 2021**

Note 3 – Cash and Investments

Cash and investments at June 30, 2022 and 2021 are classified in the accompanying financial statements as follows:

	2022	2021
Statement of Net Position:		
Current assets:		
Cash and cash equivalents	\$ 1,387,574	\$ 1,260,428
Restricted cash and cash equivalents:		
For debt service	1,175	1,176
Investments	266,557	265,008
Total cash and investments	\$ 1,655,306	\$ 1,526,612
Cash and investments consist of the following:		
Deposits with financial institutions:		
Checking accounts	\$ 1,166,418	\$ 1,180,411
Money market accounts	220,977	79,846
Monterey County Investment Pool	1,354	1,347
Municipal bonds	-	15,400
Negotiable certificates of deposit	266,557	249,608
Total cash and investments	\$ 1,655,306	\$ 1,526,612

Demand Deposits

As of June 30, 2022, the carrying amount of demand deposits was \$1,166,418 and the bank balance was \$1,178,143 compared to \$1,180,411 and \$1,181,288 at June 30, 2021, of which the total amount was collateralized or insured with securities held by the pledging financial institutions in the Project's name as discussed below under *Disclosures Relating Custodial Credit Risk*.

Investments Authorized by the Project's Investment Policy

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

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Project manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Project's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Project's investments by maturity.

**Carmel Area Wastewater District/Pebble Beach Community Services District
Reclamation Project
Notes to Financial Statements (Continued)
June 30, 2022 and 2021**

Note 3 – Cash and Investments (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

Information about the sensitivity of the fair values of the Project's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Project's investments by maturity at June 30, 2022.

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	Over 60 Months
Monterey County Investment Pool	\$ 1,354	\$ 1,354	\$ -	\$ -	\$ -
Negotiable certificates of deposit	266,557	-	266,557	-	-
Money market accounts	220,977	220,977	-	-	-
Total	\$ 488,888	\$ 222,331	\$ 266,557	\$ -	\$ -

Information about the sensitivity of the fair values of the Project's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Project's investments by maturity at June 30, 2021.

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	Over 60 Months
Monterey County Investment Pool	\$ 1,347	\$ 1,347	\$ -	\$ -	\$ -
Municipal bonds	15,400	-	-	-	15,400
Negotiable certificates of deposit	249,608	-	249,608	-	-
Money market accounts	79,846	79,846	-	-	-
Total	\$ 346,201	\$ 81,193	\$ 249,608	\$ -	\$ 15,400

Disclosures Relating to Credit Risk

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

The Project's investments were rated according to the following table at June 30, 2022:

Investment Type	Total	Minimum Legal Rating	Rating as of Year End		
			AAA	AA	Not Rated
Monterey County Investment Pool	\$ 1,354	N/A	\$ -	\$ -	\$ 1,354
Negotiable certificates of deposit	266,557	N/A	-	-	266,557
Money market accounts	220,977	N/A	-	-	220,977
Total	\$ 488,888		\$ -	\$ -	\$ 488,888

The Project's investments were rated according to the following table at June 30, 2021:

Investment Type	Total	Minimum Legal Rating	Rating as of Year End		
			AAA	AA	Not Rated
Monterey County Investment Pool	\$ 1,347	N/A	\$ -	\$ -	\$ 1,347
Municipal bonds	15,400	N/A	-	15,400	-
Negotiable certificates of deposit	249,608	N/A	-	-	249,608
Money market accounts	79,846	N/A	-	-	79,846
Total	\$ 346,201		\$ -	\$ 15,400	\$ 330,801

**Carmel Area Wastewater District/Pebble Beach Community Services District
Reclamation Project
Notes to Financial Statements (Continued)
June 30, 2022 and 2021**

Note 3 – Cash and Investments (Continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The 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 Project deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.” At year end the Project had \$807,374 in financial institutions that were not covered by FDIC, but were covered by collateralized securities of the financial institutions where the deposits were maintained.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the County’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools.

Concentration of Credit Risk

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

Fair Value Measurement

The Project categorizes its fair value measurement within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices for similar assets in active markets and Level 3 inputs are significant unobservable inputs.

Investments classified in Level 2 are valued using the following inputs:

- Quoted prices for similar assets or liabilities in active markets based on matrix pricing;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; or
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

The Project has no investments categorized in Level 3. When valuing Level 3 securities, the inputs or methodology are not necessarily an indication of the risks associated with investing in those securities. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy.

**Carmel Area Wastewater District/Pebble Beach Community Services District
Reclamation Project
Notes to Financial Statements (Continued)
June 30, 2022 and 2021**

Note 3 – Cash and Investments (Continued)

Fair Value Measurement (Continued)

The following is a summary of the fair value hierarchy of investments held by the Project as of June 30, 2022:

	Fair Value Measurement Using	
	Significant Other Observable	
	Inputs (Level 2)	June 30, 2022
Investments by fair value level		
Negotiable certificates of deposit	\$ 266,557	\$ 266,557
Total investments by fair value level	\$ 266,557	266,557
Investments not subject to fair value hierarchy:		
Monterey County Investment Pool		1,354
Money market accounts		220,977
Total investments not subject to fair value hierarchy		222,331
Total investments		\$ 488,888

The following is a summary of the fair value hierarchy of investments held by the Project as of June 30, 2021:

	Fair Value Measurement Using	
	Significant Other Observable	
	Inputs (Level 2)	June 30, 2021
Investments by fair value level		
Negotiable certificates of deposit	\$ 249,608	\$ 249,608
Municipal bonds	15,400	15,400
Total investments by fair value level	\$ 265,008	265,008
Investments not subject to fair value hierarchy:		
Monterey County Investment Pool		1,347
Money market accounts		79,846
Total investments not subject to fair value hierarchy		81,193
Total investments		\$ 346,201

**Carmel Area Wastewater District/Pebble Beach Community Services District
Reclamation Project
Notes to Financial Statements (Continued)
June 30, 2022 and 2021**

Note 3 – Cash and Investments (Continued)

Investment in County Investment Pool

The Project is a participant in the Monterey County Investment Pool (Pool). These pooled funds are carried at amortized cost which approximates fair value. Available cash balances are controlled and invested by the County Treasurer in pooled investment funds in order to provide safety, liquidity and investment returns for all funds. Interest earnings from these funds are credited to the Project's account on a quarterly basis.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53534, 53601, 53635, and 53648. The county is restricted to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. The Pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the Pool. The fair value of participants' position in the Pool is the same as the value of the Pool shares.

The Pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the County Treasurer follows. The method used to determine the value of the participant's equity withdrawn is based on the book value, which is amortized cost, of the participant's percentage participation on the date of such withdrawals.

Annual reports of the investment pool may be obtained from the Monterey County Treasurer, Post Office Box 891, Salinas, California 93902.

Note 4 – Receivables

At June 30, receivables consist of the following:

	June 30, 2022	June 30, 2021
Water sales - due from Pebble Beach Co. and affiliated golf courses	\$ 1,528,782	\$ 1,262,642
Due from CA WD	-	483
Due from customers	23,551	19,598
Total	\$ 1,552,333	\$ 1,282,723

These balances are believed to be collectible in full; therefore, an allowance for doubtful accounts has not been established. All water sales receivables were collected by August 31, 2022.

**Carmel Area Wastewater District/Pebble Beach Community Services District
Reclamation Project
Notes to Financial Statements (Continued)
June 30, 2022 and 2021**

Note 5 – Capital Assets

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

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

Capital asset activity for the year ended June 30, 2022 was as follows:

	Balance July 1, 2021	Additions	Deletions	Transfers/ Adjustments	Balance June 30, 2022
Capital assets, not being depreciated:					
Construction in progress	\$ 338,903	\$ 355,240	\$ -	\$ (188,388)	\$ 505,755
Total capital assets, not being depreciated	338,903	355,240	-	(188,388)	505,755
Capital assets, being amortized:					
Water resale rights	69,766,669	-	-	188,388	69,955,057
Total capital assets, being amortized	69,766,669	-	-	188,388	69,955,057
Less accumulated amortization:					
Water resale rights	(31,007,355)	(1,748,879)	-	-	(32,756,234)
Total accumulated amortization	(31,007,355)	(1,748,879)	-	-	(32,756,234)
Total capital assets being amortized, net	38,759,314	(1,748,879)	-	188,388	37,198,823
Total capital assets, net	\$ 39,098,217	\$ (1,393,639)	\$ -	\$ -	\$ 37,704,578

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Additions	Deletions	Transfers/ Adjustments	Balance June 30, 2021
Capital assets, not being depreciated:					
Construction in progress	\$ 2,674,387	\$ 220,313	\$ -	\$ (2,555,797)	\$ 338,903
Total capital assets, not being depreciated	2,674,387	220,313	-	(2,555,797)	338,903
Capital assets, being amortized:					
Water resale rights	67,210,872	-	-	2,555,797	69,766,669
Total capital assets, being amortized	67,210,872	-	-	2,555,797	69,766,669
Less accumulated amortization:					
Water resale rights	(29,263,186)	(1,744,169)	-	-	(31,007,355)
Total accumulated amortization	(29,263,186)	(1,744,169)	-	-	(31,007,355)
Total capital assets being amortized, net	37,947,686	(1,744,169)	-	2,555,797	38,759,314
Total capital assets, net	\$ 40,622,073	\$ (1,523,856)	\$ -	\$ -	\$ 39,098,217

**Carmel Area Wastewater District/Pebble Beach Community Services District
Reclamation Project
Notes to Financial Statements (Continued)
June 30, 2022 and 2021**

Note 5 – Capital Assets (Continued)

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

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
CAWD (plant)	\$ 39,712,652	\$ 39,712,653
PBCSD (distribution system)	27,899,845	27,711,456
MPWMD (software)	29,056	29,056
Open space users (irrigation systems)	1,459,777	1,459,777
Cal-Am (pump station partial ownership)	853,727	853,727
Total water resale rights	<u>69,955,057</u>	<u>69,766,669</u>
Construction in progress	<u>505,755</u>	<u>338,903</u>
Total	<u>\$ 70,460,812</u>	<u>\$ 70,105,572</u>

Note 6 – Payables

At year end, payables consist of the following:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Accounts payable - trade:		
Vendors for operating expenses	\$ 158,923	\$ 100,127
Total	<u>\$ 158,923</u>	<u>\$ 100,127</u>
Accounts payable - affiliates:		
PB Co. (debt service reimbursement)	\$ -	\$ 255,316
MPWMD (salaries, software, fee)	-	115,545
CAWD (operations and maintenance)	-	60,481
PBCSD (operations and maintenance)	753,142	207,313
Total	<u>\$ 753,142</u>	<u>\$ 638,655</u>

Note 7 – Long-Term Debt

Long-term debt activity for the year ended June 30, 2022 was as follows:

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2022</u>	<u>Due Within One Year</u>
Publicly-offered:					
1992 Certificates of participation	\$ 5,100,000	\$ -	\$ (2,500,000)	\$ 2,600,000	\$ 2,600,000
Total long-term debt	<u>\$ 5,100,000</u>	<u>\$ -</u>	<u>\$ (2,500,000)</u>	<u>\$ 2,600,000</u>	<u>\$ 2,600,000</u>

**Carmel Area Wastewater District/Pebble Beach Community Services District
Reclamation Project
Notes to Financial Statements (Continued)
June 30, 2022 and 2021**

Note 7 – Long-Term Debt (Continued)

Long-term debt activity for the year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Publicly-offered:					
1992 Certificates of participation	\$ 7,500,000	\$ -	\$ (2,400,000)	\$ 5,100,000	\$ 2,500,000
Total long-term debt	\$ 7,500,000	\$ -	\$ (2,400,000)	\$ 5,100,000	\$ 2,500,000

Certificates of Participations - Variable Rate Bonds

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

Security for Repayment

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

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

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

Scheduled COP Bond Payments

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

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

**Carmel Area Wastewater District/Pebble Beach Community Services District
Reclamation Project
Notes to Financial Statements (Continued)
June 30, 2022 and 2021**

Note 7 – Long-Term Debt (Continued)

Scheduled COP Bond Payments (Continued)

Future principal and estimated interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 2,600,000	\$ 26,000	\$ 2,626,000
Total	\$ 2,600,000	\$ 26,000	\$ 2,626,000

Note 8 – Advances Payable

Advances payable activity for the year ended June 30, 2022 was as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Due Within One Year
Direct borrowings and placements:					
Advance from MPWMD	\$ 500,000	\$ -	\$ (500,000)	\$ -	\$ -
Advance from Pebble Beach Co.	1,104,000	-	(552,000)	552,000	552,000
Total long-term debt	\$ 1,604,000	\$ -	\$ (1,052,000)	\$ 552,000	\$ 552,000

Advances payable activity for the year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Direct borrowings and placements:					
Advance from MPWMD	\$ 1,000,000	\$ -	\$ (500,000)	\$ 500,000	\$ 500,000
Advance from Pebble Beach Co.	1,656,000	-	(552,000)	1,104,000	552,000
Total long-term debt	\$ 2,656,000	\$ -	\$ (1,052,000)	\$ 1,604,000	\$ 1,052,000

Advance from Monterey Peninsula Water Management District

Repayment of a \$1,000,000 advance from the Monterey Peninsula Water Management District dated May 21, 2019, for the recycled water storage tank rehabilitation project, to be repaid over two years with interest at 3.05% per annum. The final payment was made in October 2021.

Advance from Pebble Beach Company

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

Future payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 552,000	\$ -	\$ 552,000
Total	\$ 552,000	\$ -	\$ 552,000

**Carmel Area Wastewater District/Pebble Beach Community Services District
Reclamation Project
Notes to Financial Statements (Continued)
June 30, 2022 and 2021**

Note 9 – Risk Management

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

CAWD purchases its share of property and liability insurance through the California Sanitation Risk Management Project (CSRMA). CSRMA is an established public entity risk pool that operates as a common risk management and insurance program for 60 government members. Liability insurance is purchased as a separate policy for the Project. Property insurance is covered under CAWD's policy and the costs are allocated back to the Project. The deductible risk of loss is retained for general liability claims. The agreement with the risk pool provides that it will be self-sustaining through member premiums and additional policies purchased from commercial insurance companies for general liability claims and for excess workers' compensation claims. Financial statements may be obtained from CSRMA, 100 Pine Street, 11th Floor, San Francisco, California 94111.

ACWA/JPIA was formed under a joint-powers agreement pursuant to California Government Code to provide insurance protection for its members. The property, general liability and workers compensation programs are ACWA/JPIA's pooled programs. The member districts are provided coverage for losses in excess of their individually selected retrospective allocation points ("RAP") which are similar to a deductible. A portion of the excess is self-insured by ACWA/JPIA where all members share the losses.

Individual claims (and aggregate public liability and property claims) in excess of ACWA/JPIA's self-insured levels are covered by excess insurance policies purchased from outside commercial insurance carriers. Financial statements may be obtained from ACWA/JPIA, Post Office Box 619082, Roseville, California 95661.

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

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

**Carmel Area Wastewater District/Pebble Beach Community Services District
Reclamation Project
Notes to Financial Statements (Continued)
June 30, 2022 and 2021**

Note 10 – Net Investment in Capital Assets

At June 30, the net investment in capital assets portion of net position consisted of the following:

	2022	2021
Net investment in capital assets		
Capital assets, nondepreciable	\$ 505,755	\$ 338,903
Capital assets, depreciable/amortizable, net	37,198,823	38,759,314
Current portion of long-term obligations:		
Bonds payable	(2,600,000)	(2,500,000)
Advance from MPWMD	-	(500,000)
Advance from PBCo	(552,000)	(552,000)
Long-term debt, excluding current portion:		
Bonds payable	-	(2,600,000)
Advance from PBCo	-	(552,000)
Unspent bond proceeds	1,175	1,176
Total net investment in capital assets	\$ 34,553,753	\$ 32,395,393

OTHER INFORMATION

This page intentionally left blank.

Carmel Area Wastewater District/Pebble Beach Community Services District
Reclamation Project
Budgetary Comparison Information
Resources and Charges to Appropriations
For the Year Ended June 30, 2022

	Budget (unaudited)	Actual	Variance with Budget Positive (Negative)
Resources (Inflows)			
Water sales	2,884,000	\$ 3,104,935	\$ 220,935
Fixed cost charge	4,116,000	4,116,000	-
Investment earnings	30,170	(13,962)	(44,132)
Amounts available for appropriation	<u>7,030,170</u>	<u>7,206,973</u>	<u>176,803</u>
Charges to Appropriations (Outflows)			
Plant operating costs	2,004,877	2,148,504	(143,627)
Distribution costs	550,250	514,914	35,336
General and administrative	197,317	227,214	(29,897)
Potable water purchases	6,750	4,980	1,770
Bond and LC carrying costs	53,800	41,970	11,830
Interest expense - PB Co.	70,000	44,931	25,069
Interest expense - MPWMD	7,625	5,083	2,542
Interest expense - bonds	18,200	5,957	12,243
MPWMD user fee	90,000	77,184	12,816
Principal reduction payment - PB Co.	552,000	552,000	-
Principal reduction payment - bonds	2,500,000	2,500,000	-
Water resale rights - capital purchases/projects	1,124,650	355,240	769,410
Total charges to appropriations	<u>7,175,469</u>	<u>6,477,977</u>	<u>697,492</u>
Budgetary surplus (deficit)	<u>\$ (145,299)</u>	<u>728,996</u>	<u>\$ (520,689)</u>
Reconciliation of budgetary to GAAP basis			
Less: amortization - noncash expense		(1,748,879)	
Add: principal payments - PB Co.		552,000	
Add: principal payments - bonds		2,500,000	
Add: additions to water resale rights/capital purchases		355,240	
Change in net position		<u>\$ 2,387,357</u>	

This page intentionally left blank.