AGENDA ITEM:
5

CAYUCOS SANITARY DISTRICT

BASIC FINANCIAL STATEMENTS
June 30, 2023

CAYUCOS SANITARY DISTRICT
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FINANCIAL SECTION

Moss, Levy & Hartzheim LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Cayucos Sanitary District
Cayucos, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the major fund of the Cayucos Sanitary District (District) as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Cayucos Sanitary 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 major fund of the Cayucos Sanitary District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Cayucos Sanitary District 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 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 Cayucos Sanitary 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.

Auditor's 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 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 generally accepted auditing standards 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 generally accepted auditing standards 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.

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- 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 Cayucos Sanitary 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 Cayucos Sanitary 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, Schedule of Proportionate Share of Net Pension Liability, and the Schedule of Net Pension Contributions, 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.

Report on Summarized Comparative Information

We have previously audited the Cayucos Sanitary District's 2022 financial statements, and our report dated January 13, 2023, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2023, on our consideration of the Cayucos Sanitary 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 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.

Moss, Levy & Hartzheim LLP

Santa Maria, California

November 1, 2023

Cayucos Sanitary District Management's Discussion and Analysis

This section of the financial statements is a highlight of the financial condition and activities for the 2022-2023 fiscal year (FY). The discussion and analysis of the Cayucos Sanitary District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should review the discussion and analysis in conjunction with the basic financial statements as well as the notes to the basic financial statements to enhance their understanding of the District's financial performance.

The District accounting system is an Enterprise Fund. This is similar to the private sector accounting system. The revenue is primarily generated by service charges with the exception of property tax revenue, investment revenue, and other income. Expenses are stated as operating expenses, and capital expenditures are capitalized and depreciated over the lives of the fixed assets rather than expensed when incurred.

FINANCIAL HIGHLIGHTS

The key financial highlight for FY2022-2023 are as follows:

Interest expense significantly decreased due to the buy-down of principal for the Western Alliance Series B loan in FY 2021-2022.

The final payment was made to the City of Morro Bay for utilization of the shared Wastewater Treatment Plant.

Payroll Taxes and Benefits had a $197,622 reduction in expense primarily due to the adjustment for expected vs. actual returns on investment in the CalPERS pension plan.

SOURCES OF REVENUES

The District's total revenue for the fiscal year was $4,645,296 inclusive of the following:

Sewer Service (User) Charge

The main source of revenue for the District is the sewer service charge assessed to all customers who are users of the District's sewerage facilities. Sewer service charges generated $3,208,898 in annual income to the District, equal to 69% of total revenues.

Sewer Standby (Service Availability) Fee

The District charges its customers who are owners of vacant lots for the expense of maintaining a sewer system available to buildable properties. Sewer standby fees generated $17,242 in annual income to the District, less than 1% of total revenues.

Property Tax

The District receives a pro rata share of property tax (ad valorem) revenues collected by the County of San Luis Obispo for properties located within the District's service boundaries. This portion of revenue includes secured, unsecured, unitary and supplemental property taxes. The District's property tax revenue this year was $1,119,974 representing 24% of total revenues.

Sewer Connection and Permit Fees

In FY 2022-2023, the District generated $80,500 in combined sewer connection fees and sewer inspection fees representing less than 2% of total revenues.

District staff also reviews all plans for new construction and remodel projects and inspects all sewer tie-ins occurring within the District's boundaries, resulting in permit fees of $7,125 which include charges for processing and issuance of Sewer Will-Serves.

Interest Income

The District invests surplus monies not required for immediate necessity of the District in accordance with the provisions of California Government Code Sections 5921 and 53601 et. seq. For this purpose, the District maintains two investment accounts, one with Corestone, Inc., working through Cetera Advisor Networks, LLC and the second with CalTrust, a state agency administered through Ultimus Fund Solutions. The District's investments are primarily in U.S. Treasury Securities, Certificates of Deposit, and Mortgage-Backed Securities such as GNMAs and FNMAs. In addition, the District maintains an account with the State of California's Local Agency Investment Fund (LAIF).

The District manages its exposure to interest rate risk 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 as necessary to provide the cash flow and liquidity needed for operations. Investment income totaled $41,241 including all accounts.

Lease & Rental Income

The District derives rental income from long term leases it jointly holds with the City of Morro Bay on parcels of real property adjacent to the Morro Bay-Cayucos Wastewater Treatment Plant that are not needed for current operations. Additionally, the District holds a small lease for the property adjacent to the WRRF upon which the solar field sits. The lease and rental income generated in FY 2022-2023 was $109,770, which included $51,317 in arrears for prior fiscal years' remittances. Annual income was less than 3% of total revenues.

Solid Waste Franchise Fee

The District derives a 10% franchise fee based on gross solid waste and recycling receipts of the franchisee, Mission Country Disposal (a subsidiary of Waste Connections, Inc.). Due to the desire of the Board to lower the impact of Mission Country Disposal's 2022 rate increase to our customers, no franchise fees were collected from November 2022 through May of 2023, which reduced income to $40,061, or less than 1% of total revenues.

Miscellaneous Income

In FY 2022-2023 the District received $20,485 in miscellaneous income derived from various sources which included $9,804 from Mission Country Disposal for the AB-939 recycling development program and $9,068 from the County of SLO from Economic Development Funds. The balance was made up of miscellaneous reimbursements.

SOURCES OF EXPENSES

The total expenses of the District in FY 2022-2023 were $4,002,347. There was an overall decrease of $267,143 equal to a 6% decrease from prior FY 2021-2022 as shown below, mainly due to decreased professional services and interest expense along with reduction in pension expense.

CATEGORY	FY 2023	FY 2022	$ CHANGE	% CHANGE
Gross Wages	$807,028	$761,757	$45,271	6%
Payroll Taxes and Benefits	207,839	405,461	-197,622	-49%
Directors' Fees	6,100	7,450	-1,350	-18%
Office Expense	28,869	31,333	-2,464	-8%
Dues and Subscriptions	11,754	9,815	1,939	20%
Miscellaneous Business Expense	3,286	1,845	1,441	78%
Permits and Licenses	18,728	12,886	5,842	45%
Professional Services	84,461	228,905	-144,444	-68%
Insurance	179,414	147,419	31,995	22%
Taxes & Assessments	11,373	43,888	-32,515	-74%
Utilities	232,667	263,451	-30,784	-12%
Telephone	10,057	9,377	680	7%
Vehicle Expense	17,938	13,870	4,068	29%
Maintenance and Operations	153,965	156,099	-2,134	-1%
MB Wastewater Treatment Plant O&M (Includes MMRP Funding)	41,552	6,965	34,587	497%
Lab	104,728	93,561	11,167	12%
Depreciation	1,451,868	1,271,030	180,838	14%
Total Operating Expenses	**3,371,627**	**3,465,112**	**-93,485**	-3%
Interest Expense	630,720	804,378	173,658	28%
Total Non-Operating Expenses	**$630,720**	**$804,378**	**$173,658**	-22%
Total Expenses	**$4,002,347**	**$4,269,490**	**$-267,143**	**-6%**

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of FY 2022-2023, the District held $47,809,896 in capital assets. This amount represents a net decrease (including additions, deletions, and accumulated depreciation) of $1,435,725.

	FY 2023	FY 2022	CHANGE
Land	$3,969,048	$3,969,048	$0
Construction in Progress	22,273	70,794	-48,521
Total Non-Depreciable	**$3,991,321**	**$4,039,842**	**$-48,521**
Facility - Office	$1,243,019	$1,243,019	$0
Conveyance System	4,928,201	4,928,201	0
Subsurface Lines	2,127,442	2,127,442	0
Sewage Treatment Facilities	48,392,450	48,327,826	64,624
Sewage Collection Facilities	1,878,590	1,878,590	0
Trucks	109,212	109,212	0
Office Equipment	65,822	65,822	0
Collection Equipment	613,660	613,660	0
Treatment Equipment	92,162	92,162	0
Total Depreciable	**$59,450,558**	**$59,385,934**	**$64,624**
TOTAL CAPITAL ASSETS	**$63,441,879**	**$63,425,776**	**$16,103**
Less: Accumulated Depreciation	(15,631,983)	(14,180,155)	(1,451,828)
NET CAPITAL ASSETS	**$47,809,896**	**$49,245,621**	**($1,435,725)**

The major capital projects, equipment purchases and asset acquisitions for this fiscal year are explained below:

CONSTRUCTION IN PROGRESS (CIP)

In the District's continuing upkeep and upgrade of its wastewater treatment plant and collection system, $7,641 was invested in replacing the drainage swale at the WRRF with a culvert.

CURRENT FINANCIAL ISSUES AND CONCERNS

The District is financially stable and able to meet any increasing operating costs and capital improvement projects.

Long Term Liabilities:
On February 1, 2021, the District entered into an Installment Sale Agreement with the Public Property Financing Corporation through the USDA Department of Rural Development to finance the CSWP facilities for a principal amount of $24,301,500 at an interest rate of 1.75% over 40 years. Principal balance at the end of FY22/23 is $23,876,500.

To fund the final stages of the CSWP, the Western Alliance Series B loan was amended in February of 2021, extending the $5.0 million line of credit to $9.0 million at 4.64% for 10 years. FY22/23 ended with a principal balance of $4,351,913.

District's Investment Portfolio and Financial Management Strategy:
The CSD continues to have long term investments in the US Treasury bond market for safety and liquidity in an effort to protect the District's cash holdings from any economic downturns.

Morro Bay-Cayucos SD Wastewater Treatment Plant and Infrastructure:
As the utility of the shared plant comes to a close, in 2022 the District and the City of Morro Bay entered a contract with an appraisal firm to determine the value of the old facilities, associated infrastructure and jointly-held properties.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT:
This report is a general overview of the District's finances and demonstrates the District's accountability for the funds received. If you have any questions about this report or need additional financial information please contact Rick Koon, District Manager at (805) 995-3290 or address: P.O. Box 333, 200 Ash Avenue, Cayucos, CA, 93430.

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CAYUCOS SANITARY DISTRICT
STATEMENT OF NET POSITION - ENTERPRISE FUND
June 30, 2023
With Comparative Totals as of June 30, 2022

	2023	2022
ASSETS		
Current Assets:		
Cash and investments - cash equivalents (Note 3)	$ 2,345,818	$ 2,419,026
Cash and investments - non cash equivalents (Note 3)	2,583,028	1,720,219
Accounts receivable	208,404	223,439
Interest receivable	1,452	1,962
Lease receivable - current	43,280	28,484
Other receivables	40,022	3,230
Land held for resale	2,205,315	2,205,315
Total current assets	7,427,319	6,601,675
Noncurrent Assets:		
Lease receivable - noncurrent	180,321	199,998
Capital assets (Note 4):		
Non depreciable		
Land	3,969,048	3,969,048
Construction in progress	22,273	70,794
Depreciable		
Subsurface lines	2,127,442	2,127,442
Sewage treatment facilities	48,392,450	48,327,826
Conveyance system	4,928,201	4,928,201
Sewage collection facilities	1,878,590	1,878,590
Trucks	109,212	109,212
Office equipment	65,822	65,822
Collection equipment	613,660	613,660
Office building	1,243,019	1,243,019
Treatment equipment	92,162	92,162
	63,441,879	63,425,776
Accumulated depreciation	(15,631,983)	(14,180,115)
Net capital assets	47,809,896	49,245,661
Total noncurrent assets	47,990,217	49,445,659
Total assets	55,417,536	56,047,334
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	372,720	166,694
Total deferred outflows of resources	372,720	166,694

The notes to basic financial statements are an integral part of this statement.

CAYUCOS SANITARY DISTRICT
STATEMENT OF NET POSITION - ENTERPRISE FUND
June 30, 2023
With Comparative Totals as of June 30, 2022

	2023	2022
LIABILITIES		
Current Liabilities:		
Accounts payable	$ 21,017	$ 177,988
Accrued payroll	32,256	29,973
Accrued interest	224,582	225,669
Customer deposits	325	325
Security deposit - MCD	25,000	25,000
Current portion of compensated absences (Notes 6 and 7)	17,046	23,075
Current portion of construction loans payable (Notes 5 and 6)	540,386	532,064
Current portion of certificates of participation (Notes 5 and 6)	432,000	425,000
Total current liabilities	1,292,612	1,439,094
Long-Term Liabilities:		
Compensated absences (Notes 6 and 7)	34,091	46,149
Net pension liability (Notes 6 and 8)	808,798	419,978
Construction loans payable (Notes 5 and 6)	3,811,527	4,351,913
Certificates of participation (Notes 5 and 6)	23,444,500	23,876,500
Total liabilities	29,391,528	30,133,634
DEFERRED INFLOWS OF RESOURCES		
Pensions	60,217	380,664
Leases	222,594	226,762
Total deferred inflows of resources	282,811	607,426
NET POSITION		
Net investment in capital assets	19,581,483	20,060,184
Unrestricted	6,534,434	5,412,784
Total net position	$ 26,115,917	$ 25,472,968

The notes to basic financial statements are an integral part of this statement.

CAYUCOS SANITARY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - ENTERPRISE FUND
For the Fiscal Year Ended June 30, 2023
With Comparative Totals for the Fiscal Year Ended June 30, 2022

	2023	2022
Operating Revenues:		
Sewer services fees	$ 3,208,898	$ 3,185,404
Permit fees	7,125	4,625
Total operating revenues	3,216,023	3,190,029
Operating Expenses:		
Gross wages	807,028	761,757
Payroll taxes and benefits	207,839	405,461
Directors' fees	6,100	7,450
Office expense	28,869	31,333
Dues and subscriptions	11,754	9,815
Miscellaneous business expense	3,286	1,845
Permits and licenses	18,728	12,886
Professional services	84,461	228,905
Insurance	179,414	147,419
Taxes and assessments	11,373	43,888
Utilities	232,667	263,451
Telephone	10,057	9,377
Vehicle expense	17,938	13,870
Maintenance and operations	153,965	156,099
Treatment plant	41,552	6,965
Lab	104,728	93,561
Depreciation	1,451,868	1,271,030
Total operating expenses	3,371,627	3,465,112
Net operating income (loss)	(155,604)	(275,083)
Non-Operating Revenues (Expenses):		
Rent income	37,623	29,220
Lease revenue	72,147	28,947
Taxes and assessments	1,119,974	1,023,046
Grants		4,503,344
Investment income (loss)	41,241	(56,807)
Franchise fees	40,061	84,492
Interest expense	(630,720)	(804,378)
Other revenue	20,485	7,876
Stand by fees	17,242	16,987
Total non-operating revenues (expenses)	718,053	4,832,727
Capital Contributions:		
Connection fees	80,500	56,906
Change in net position	642,949	4,614,550
Net position:		
Net position, beginning of fiscal year	25,472,968	20,858,418
Net position, end of fiscal year	$ 26,115,917	$ 25,472,968

The notes to basic financial statements are an integral part of this statement.

CAYUCOS SANITARY DISTRICT
STATEMENT OF CASH FLOWS - ENTERPRISE FUND
For the Fiscal Year Ended June 30, 2023
With Comparative Totals for the Fiscal Year Ended June 30, 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 3,194,266	$ 3,071,373
Payments to vendors	(1,066,167)	(1,140,000)
Payments to employees	(1,174,424)	(925,410)
Net cash provided (used) by operating activities	953,675	1,005,963
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes	1,119,974	1,023,046
Franchise fees	40,061	84,492
Stand by fees	17,242	16,987
Other revenue	20,485	7,876
Net cash provided by noncapital financing activities	1,197,762	1,132,401
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Grants received		4,503,344
Purchase of capital assets	(18,508)	(312,008)
Principal paid on long-term debt	(957,064)	(5,825,962)
Interest paid on long-term debt	(631,807)	(753,034)
Connection fees	80,500	56,906
Net cash used by capital and related financing activities	(1,526,879)	(2,330,754)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	41,751	12,557
Rent	37,623	29,220
Lease revenue	72,860	27,227
Proceeds from land held for resale		338,050
Purchase of investments	(850,000)	
Sale of investments		88
Net cash provided by investing activities	(697,766)	407,142
Net increase (decrease) in cash and cash equivalents	(73,208)	214,752
Cash and cash equivalents, July 1	2,419,026	2,204,274
Cash and cash equivalents, June 30	$ 2,345,818	$ 2,419,026
Reconciliation to Statement of Net Position:		
Cash and investments - cash equivalents	$ 2,345,818	$ 2,419,026
Total cash and investments- cash equivalents	$ 2,345,818	$ 2,419,026

The notes to basic financial statements are an integral part of this statement.

CAYUCOS SANITARY DISTRICT
STATEMENT OF CASH FLOWS - ENTERPRISE FUND
For the Fiscal Year Ended June 30, 2023
With Comparative Totals for the Fiscal Year Ended June 30, 2022

	2023	2022
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (155,604)	$ (275,083)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,451,868	1,271,030
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable	15,035	(141,503)
Other receivables	(36,792)	22,847
Deferred outflows - pensions	(206,026)	(204)
Payable to the City of Morro Bay		(107,568)
Accounts payable	(167,375)	140,632
Accrued payroll	2,283	5,597
Compensated absences	(18,087)	4,214
Net pension liability	388,820	(269,395)
Deferred inflows - pensions	(320,447)	355,396
Net cash provided by operating activities	$ 953,675	$ 1,005,963

The notes to basic financial statements are an integral part of this statement.

NOTE 1 - REPORTING ENTITY

The reporting entity is the Cayucos Sanitary District, which began operations in 1942, under the authorization of Section 6400 et. seq. of the Health and Safety Code of the State of California. The District operates under the direction of a board of directors who are elected by the residents of Cayucos. The District provides wastewater disposal services.

The District is a Sanitary District as defined under State Code Section: 61000. A Sanitary District is a public agency (State Code Section: 12463.1) which is a State instrumentality (State Code Section: 23706). State instrumentalities are exempt from federal and state income taxes.

There are no component units included in this report which meet the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity,* as amended by GASB Statements No. 39, No. 61, No. 80, and No. 90.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies – The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants.

B. Accounting Method – The District is organized as an Enterprise Fund and follows the accrual method of accounting, whereby revenues are recorded as earned, and expenses are recorded when incurred.

C. Fund Financial Statements – The fund financial statements provide information about the District's proprietary fund.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

GASB Statement No. 34, defines major funds and requires that the District's major business-type fund be identified and presented separately in the fund financial statements.

Major funds are defined as funds that have either assets, liabilities, revenues or expenses equal to ten percent of their fund-type total and five percent of the grand total of all fund types. The District maintains one major proprietary fund.

Proprietary Fund Type

Enterprise Fund

Enterprise fund is used to account for operations that are (a) financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the 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 (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The District reported its enterprise fund as a major fund in the accompanying basic financial statements.

Sewer Utility Fund is used to account for the provision of sewer services to residents of Cayucos.

D. Cash and Cash Equivalents – For purposes of the statement of cash flows, cash and cash equivalents include restricted and unrestricted cash and restricted and unrestricted certificates of deposit with original maturities of three months or less.

E. Property, Plant, and Equipment – The District uses a $5,000 minimum capitalization threshold. Capital assets purchased by the District are recorded at cost. Contributed or donated capital assets are recorded at fair value when acquired.

F. Depreciation – Capital assets owned by the District are depreciated over their estimated useful lives (ranging from 5-40 years) under the straight-line method of depreciation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Receivables – The District did not experience any significant bad debt losses; accordingly, no provision has been made for doubtful accounts, and accounts receivable are shown at full value.

H. Unearned Revenue – The District bills customers in advance, thus amounts received prior to services being rendered by the District are recorded as unearned revenue.

I. Encumbrances – Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not utilized by the District.

J. Compensated Absences – Accumulated unpaid employee vacation and sick leave benefits are recognized as liabilities of the District. Unused vacation is paid in full upon termination end of an employee's employment for up to 30 days accrued and unused sick leave is paid out for one half of accumulated time up to 90 days accrued.

K. 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 the County of San Luis Obispo for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under the provisions of Article XIII of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. From the base assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations and is subject to annual reappraisal.

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

Property Tax Administration Fees – The State of California FY 90-91 Budget Act, authorized counties to collect an administrative fee for collection and distribution of property taxes. Property taxes are recorded as net of administrative fees withheld during the fiscal year.

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

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

L. Restricted Net Position – Restricted net position are financial resources segregated for a special purpose such as construction of improvements and financing of debt obligations. These financial resources are for the benefit of a distinct group and as such are legally or contractually restricted.

M. Lease Receivable – The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the City may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the AICPA, 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 revenues and expenses during the reported period. Actual results could differ from those estimates.

O. Net Position – GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

P. Pensions – For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Cayucos Sanitary District's California Public Employee's Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q. Deferred Outflows and Inflows of Resources – Pursuant to GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*," and GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities,*" the District recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources represents a consumption of net position by the government that applies to future periods. The District has one item which qualifies for reporting in this category; refer to Note 8 for a detailed listing of the deferred outflows of resources the District has reported.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is an acquisition of net position by the government that applies to a future periods. The District has two items which qualify for reporting in this category; refer to Notes 8 and 9 for a detailed listing of the deferred inflows of resources the District has reported.

S. Future Accounting Pronouncements

Statement No. 99	"Omnibus 2022"	The provisions of this statement are effective in April 2022 except for the provisions related to leases, PPPs, SBITAs, financial guarantees and derivative instruments. The provisions related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The provisions related to financial guarantees and derivative instruments are effective for fiscal years beginning after June 15, 2023.
Statement No. 100	"Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62"	The provisions of this statement are effective for fiscal years beginning after June 15, 2023.
Statement No. 101	"Compensated Absences"	The provisions of this statement are effective for fiscal years beginning after December 15, 2023.

NOTE 3 - CASH AND INVESTMENTS

Investments are carried at fair value in accordance with GASB Statement No. 72. On June 30, 2023 and June 30, 2022, the District had the following cash and investments on hand:

	2023	2022
Cash on hand	$ 175	$ 175
Cash in banks	2,345,643	2,418,851
Investments	2,583,028	1,720,219
Total	$ 4,928,846	$ 4,139,245

Cash and investments listed above are presented on the accompanying basic financial statements, as follows:

	2023	2022
Cash and investments-cash equivalents	$ 2,345,818	$ 2,419,026
Cash and investments-non cash equivalents	2,583,028	1,720,219
Total	$ 4,928,846	$ 4,139,245

The District categorizes its fair value measurements within the fair value hierarchy established by the U.S. Generally Accepted Accounting Principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2023:

		Fair Value Measurement Using		
Investments by fair value level		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
Mortgage pass-through securities	$ 50,337	$ 50,337	$ -	$ -
Total investments measured at fair value	50,337	$ 50,337	$ -	$ -
Investments measured at amortized cost				
CalTrust medium term fund	2,499,063			
Certificate of deposit	25,000			
LAIF	8,628			
Total investments	$ 2,583,028			

Investments Authorized by the California Government Code

The table on the following page identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments Authorized by the California Government Code (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
Federal Agency Securities	N/A	None	None
Bankers' Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase and Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	5 years	15%	10%
Money Market Mutual Funds	N/A	None	None
Mortgage Pass-Through Securities	N/A	20%	None
County Pooled Investment Fund	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	$75,000,000
State Registered Warrants, Notes, or Bonds	5 years	None	None
Notes and Bonds of other Local California Agencies	5 years	None	None

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 District 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 as necessary to provide the cash flow and liquidity needed for operations.

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 distribution of the District's investments by maturity:

2023

		Remaining Maturity (in Months)			
Investment Type	Carrying Amount	12 Months Or Less	13-24 Months	25-60 Months	More than 60 Months
Mortgage pass-through securities	$ 50,337	$ -	$ -	$ 306	$ 50,031
CalTrust medium term fund	2,499,063	2,499,063			
Certificate of deposit	25,000	25,000			
State investment pool (LAIF)	8,628	8,628			
	$ 2,583,028	$ 2,532,691	$ -	$ 306	$ 50,031

2022

		Remaining Maturity (in Months)			
Investment Type	Carrying Amount	12 Months Or Less	13-24 Months	25-60 Months	More than 60 Months
Mortgage pass-through securities	$ 59,985	$ 29	$ -	$ 411	$ 59,545
CalTrust medium term fund	1,626,753	1,626,753			
Certificate of deposit	25,000	25,000			
State investment pool (LAIF)	8,481	8,481			
	$ 1,720,219	$ 1,660,263	$ -	$ -	$ 59,545

NOTE 3 - CASH AND INVESTMENTS (Continued)

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 rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code and the District's investment policy, and the actual rating as of fiscal year end for each investment type.

2023

Investment Type	Carrying Amount	Minimum Legal Rating	Rating as of Fiscal Year End AAA	AA+	AA-	Not Rated
Mortgage pass-through securities	$ 50,337	N/A	$ 50,337	$ -	$ -	$ -
CalTrust medium term fund	2,499,063	N/A				2,499,063
Certificate of deposit	25,000	N/A				25,000
State investment pool (LAIF)	8,628	N/A				8,628
	$ 2,583,028		$ 50,337	$ -	$ -	$ 2,532,691

2022

Investment Type	Carrying Amount	Minimum Legal Rating	Rating as of Fiscal Year End AAA	AA-	Baa	Not Rated
Mortgage pass-through securities	$ 59,985	N/A	$ 59,985	$ -	$ -	$ -
CalTrust medium term fund	1,626,753	N/A				1,626,753
Certificate of deposit	25,000	N/A				25,000
State investment pool (LAIF)	8,481	N/A				8,481
	$ 1,720,219		$ 59,985	$ -	$ -	$ 1,660,234

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. There are no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government 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 fair 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 the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2023, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

NOTE 3 - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for 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 (such as the Local Agency Investment Fund).

Investment in State Pool (LAIF)

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE 4 - SCHEDULE OF CAPITAL ASSETS

A schedule of changes in capital assets and depreciation for the fiscal year ended June 30, 2023, is shown below:

	Balance July 1, 2022	Additions	Deletions	Transfers	Balance June 30, 2023
Non-depreciable					
Land	$ 3,969,048	$ -	$ -	$ -	$ 3,969,048
Construction in progress	70,794	10,867		(59,388)	22,273
Total non depreciable	$ 4,039,842	$ 10,867	$ -	$ (59,388)	$ 3,991,321
Depreciable					
Office building	$ 1,243,019	$ -	$ -	$ -	$ 1,243,019
Subsurface lines	2,127,442				2,127,442
Sewage treatment facilities	48,327,826	7,641	(2,405)	59,388	48,392,450
Conveyance system	4,928,201				4,928,201
Sewage collection facilities	1,878,590				1,878,590
Collection equipment	613,660				613,660
Office equipment	65,822				65,822
Treatment equipment	92,162				92,162
Trucks	109,212				109,212
	59,385,934	7,641	(2,405)	59,388	59,450,558
Less accumulated depreciation	14,180,115	1,451,868			15,631,983
Total depreciable	$ 45,205,819	$ (1,444,227)	$ (2,405)	$ 59,388	$ 43,818,575
Net capital assets	$ 49,245,661	$ (1,433,360)	$ (2,405)	$ -	$ 47,809,896

NOTE 4 - SCHEDULE OF CAPITAL ASSETS (Continued)

A schedule of changes in capital assets and depreciation for the fiscal year ended June 30, 2022, is shown below:

	Balance July 1, 2021	Additions	Deletions	Transfers	Balance June 30, 2022
Non-depreciable					
Land	$ 3,769,048	$ 200,000	$ -	$ -	$ 3,969,048
Construction in progress	42,605,038	234,340		(42,768,584)	70,794
Construction in progress-CSWP alternatives analysis	55,825			(55,825)	
Construction in progress-WWTP alternatives analysis	46,883			(46,883)	
Total non depreciable	$ 46,476,794	$ 434,340	$ -	$ (42,871,292)	$ 4,039,842
Depreciable					
Office building	$ 1,243,019	$ -	$ -	$ -	$ 1,243,019
Subsurface lines	2,098,642			28,800	2,127,442
Sewage treatment facilities	5,542,406			42,785,420	48,327,826
Conveyance system	4,900,734			27,467	4,928,201
Sewage collection facilities	1,878,590				1,878,590
Collection equipment	584,055			29,605	613,660
Office equipment	65,822				65,822
Treatment equipment	14,494	77,668			92,162
Trucks	109,212				109,212
	16,436,974	77,668		42,871,292	59,385,934
Less accumulated depreciation	12,909,085	1,271,030			14,180,115
Total depreciable	$ 3,527,889	$ (1,193,362)	$ -	$ 42,871,292	$ 45,205,819
Net capital assets	$ 50,004,683	$ (759,022)	$ -	$ -	$ 49,245,661

NOTE 5 - LOANS AND CERTIFICATES OF PARTICIPATION PAYABLE

On March 1, 2018, the District entered into a loan agreement with Public Property Financing Corporation of California for two loans, Series A loan, can be drawn down from $22,000,000 and a Series B loan can be drawn down from $5,000,000. On October 5, 2019, the District entered into the first amendment to the agreement for an additional $6,804,844. The purpose of the loans were for bridge financing for the construction of the Wastewater Treatment Plant until long-term financing can be secured.

As of June 30, 2020, the District had drawn down $22,000,000 from Series A and $50,000 from Series B, however, the $50,000 from Series B was repaid in the 2019 Installment Purchase Contract Series A-1 issuance for a total drawn down total of $6,804,844. On February 1, 2021, the District secured an Installment Sale Agreement with the Public Property Financing Corporation of California for Certificates of Participation in the principal amount of $24,301,500, secured by a pledge of net revenues of the District. The interest rate is 1.75% and the proceeds were used to pay off the 2018 Western Alliance construction loan Series A in full for $22,000,000 and make a payment of $2,301,500 of principal to pay down the 2019 Series A-1 construction loan. In addition, also on February 1, 2021, the second amendment to the 2018 Installment Purchase Contract with the Public Property Financing Corporation of California amended the original 2018 contract to increase the Series B loan for construction to increase the amount available up to $9,000,000 at 4.64% interest and revising the payment schedule. 2019 Series A-1 loan was repaid in full during the fiscal year ended June 30, 2021. Future debt service payments on the existing debt are as shown on the following page:

NOTE 5 - LOANS AND CERTIFICATES OF PARTICIPATION PAYABLE (Continued)

2021 Series B Loan

Fiscal Year Ending	Principal	Interest	Total
2024	$ 540,386	$ 201,929	$ 742,315
2025	565,459	176,855	742,314
2026	591,697	150,618	742,315
2027	619,151	123,163	742,314
2028	647,880	94,434	742,314
2029-2030	1,387,340	97,289	1,484,629
Total	$ 4,351,913	$ 844,288	$ 5,196,201

2021 Certificates of Participation

Fiscal Year Ending	Principal	Interest	Total
2024	$ 432,000	$ 414,058	$ 846,058
2025	440,000	406,428	846,428
2026	447,000	398,667	845,667
2027	455,000	390,774	845,774
2028	463,000	382,741	845,741
2029-2033	2,441,000	1,788,145	4,229,145
2034-2038	2,662,000	1,565,030	4,227,030
2039-2043	2,903,000	1,321,701	4,224,701
2044-2048	3,165,000	1,056,382	4,221,382
2049-2053	3,453,000	767,002	4,220,002
2054-2058	3,766,000	451,400	4,217,400
2059-2062	3,249,500	114,785	3,364,285
Total	$ 23,876,500	$ 9,057,113	$ 32,933,613

NOTE 6 - LONG-TERM LIABILITIES

The changes in long-term liabilities at June 30, 2023 and June 30, 2022, are as follows:

	July 1, 2022	Additions	Retirements	June 30, 2023	Due within one year
Construction loans payable	$ 4,883,977	$ -	$ 532,064	$ 4,351,913	$ 540,386
2021 certificates of participation	24,301,500		425,000	23,876,500	432,000
Compensated absences	69,224	73,957	92,044	51,137	17,046
Net pension liability	419,978		388,820	808,798	
	$ 29,674,679	$ 73,957	$ 1,437,928	$ 29,088,348	$ 989,432

	July 1, 2021	Additions	Retirements	June 30, 2022	Due within one year
Construction loans payable	$ 10,709,939	$ -	$ 5,825,962	$ 4,883,977	$ 532,064
2021 certificates of participation	24,301,500			24,301,500	425,000
Compensated absences	65,010	65,214	61,000	69,224	23,075
Net pension liability	689,373		269,395	419,978	
	$ 35,765,822	$ 65,214	$ 6,156,357	$ 29,674,679	$ 980,139

NOTE 7 - COMPENSATED ABSENCES

As of June 30, 2023, it is estimated that the District's employees have $51,137 of accumulated vested vacation time and sick leave. Accumulated unpaid employee vacation and sick leave benefits are recognized as liabilities of the District. The accumulated benefits will be liquidated in future years as employees elect to use them.

NOTE 8 - DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plans

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. 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 with statutorily reduced benefits. All members are eligible for nonduty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous	
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8.00%	6.75%
Required employer contribution rates	12.21% + $59,775	7.47% + $1,230

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contributions to the pension plan from the District were $120,564 for the fiscal year ended June 30, 2023.

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

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

At June 30, 2023, the District reported a liability of $808,798 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. The District's proportionate share of net pension liability for the miscellaneous plan as of June 30, 2022, and 2021 was as follows:

	Miscellaneous
Proportion-June 30, 2021	0.02212%
Proportion-June 30, 2022	0.01728%
Change-Increase (Decrease)	-0.00484%

For the fiscal year ended June 30, 2023, the District recognized pension credit of $17,089. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 120,564	$ -
Differences between expected and actual experience	16,242	10,878
Changes in assumptions	82,878	
Net difference between projected and actual earnings on retirement plan investments	148,150	
Adjustment due to differences in proportions	3,604	42,560
Difference in actual contributions and proportionate share of contributions	1,282	6,779
	$ 372,720	$ 60,217

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

$120,564 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expenses as follows:

Fiscal Year Ended June 30	Amount
2023	$ 45,476
2024	37,148
2025	18,702
2026	90,613
Total	$ 191,939

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

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

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Projected Salary Increase	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The probabilities are based on the 2021 CalPERS' Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 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 from November 2021 that can be found on the CalPERS' website.

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 expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

Asset Class	New Strategic Allocation	Real Return (a,b)
Global Equity - cap-weighted	30.0%	4.54%
Global Equity - non-cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporations	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	100.0%	

(a) An expected inflation of 2.30% was used for this period.
(b) Figures are based on the 2021 Asset Liability Management Study.

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

Subsequent Events

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS' Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS' Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions are reflected in the GASB Statement No. 68 accounting valuation reports for the June 30, 2022, measurement date.

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

The following represents the District's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate:

	1% Decrease 5.90%	Discount Rate 6.90%	1% Increase 7.90%
District's proportionate share of the net pension plan liability	$1,214,650	$ 808,798	$ 474,882

Pension Plan Fiduciary Net Position

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

C. Payable to the Pension Plan

At June 30, 2023, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2023.

NOTE 9 – LEASE RECEIVABLE

In July 2009, the District and a co-lessor, the City of Morro Bay entered into a lease for the property at 1700 Embarcadero in Morro Bay, California. Under the lease, the Morro Dunes Trail Park & Campgrounds Inc agreed to pay the District semi-annual payments that started at $9,039 in 2008 and are adjusted annually by CPI through August 2028. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a current discount rate of 5.3%, which is the implicit rate used for the agreement. In fiscal year 2023, the District recognized $70,393 of lease revenue and $9,895 of interest revenue under the lease.

NOTE 9 – LEASE RECEIVABLE (Continued)

In June 2022, the District entered into a lease for the property under the solar array at 800 Toro Creek Road, Morro Bay, California. Under the lease, Rec Solar Commercial Corporation agreed to pay the District annual payments on $3,600 starting in June 2022 through June 2027. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 3%, which is the implicit rate used for the agreement. In fiscal year 2023, the District recognized $1,754 of lease revenue and $1,848 of interest revenue under the lease.

NOTE 10 - CONTINGENCIES

According to the District's attorney, no contingent liabilities are outstanding, and no lawsuits are pending of any real financial consequence.

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REQUIRED SUPPLEMENTARY INFORMATION

CAYUCOS SANITARY DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last 10 Years*
As of June 30, 2023

The following table provides required supplementary information regarding the District's Pension Plan.

	2023	2022	2021	2020	2019
Proportion of the net pension liability	0.00700%	0.00777%	0.00634%	0.00621%	0.00606%
Proportionate share of the net pension liability	$ 808,798	$ 419,978	$ 689,373	$ 636,106	$ 584,314
Covered payroll	$ 606,962	$ 535,380	$ 365,219	$ 309,496	$ 296,478
Proportionate share of the net pension liability as percentage of covered payroll	133.3%	78.4%	188.8%	205.5%	197.1%
Plan's total pension liability	$ 49,525,975,138	$ 46,174,942,264	$ 43,702,930,887	$ 41,426,453,489	$ 38,944,855,364
Plan's fiduciary net position	$ 37,975,170,163	$ 40,766,653,876	$ 32,822,501,335	$ 31,179,414,067	$ 29,308,589,559
Plan fiduciary net position as a percentage of the total pension liability	76.68%	88.29%	75.10%	75.26%	75.26%

	2018	2017	2016	2015
Proportion of the net pension liability	0.00598%	0.00590%	0.00569%	0.00469%
Proportionate share of the net pension liability	$ 592,893	$ 510,398	$ 390,527	$ 291,955
Covered payroll	$ 287,078	$ 283,428	$ 252,538	$ 257,826
Proportionate share of the net pension liability as percentage of covered payroll	206.5%	180.1%	154.6%	113.2%
Plan's total pension liability	$ 37,161,348,332	$ 33,358,627,624	$ 31,771,217,402	$ 30,829,966,631
Plan's fiduciary net position	$ 27,244,095,376	$ 24,705,532,291	$ 24,907,305,871	$ 24,607,502,515
Plan fiduciary net position as a percentage of the total pension liability	73.31%	74.06%	78.40%	79.82%

Notes to Schedule:

Changes in assumptions
In the reporting fiscal year ended June 30, 2023, the discount rate was reduced from 7.15% to 6.90% and price inflation was reduced from 2.50% to 2.30%.

*- Fiscal year 2015 was the 1st year of implementation, thus only nine years are shown.

CAYUCOS SANITARY DISTRICT
SCHEDULE OF NET PENSION CONTRIBUTIONS
Last 10 Years*
As of June 30, 2023

The following table provides required supplementary information regarding the District's Pension Plan.

	2023	2022	2021	2020	2019
Contractually required contribution (actuarially determined)	$ 120,564	$ 106,828	$ 91,965	$ 70,877	$ 58,972
Contribution in relation to the actuarially determined contributions	120,564	106,828	91,965	70,877	58,972
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 701,994	$ 606,962	$ 535,380	$ 365,219	$ 309,496
Contributions as a percentage of covered payroll	17.17%	17.60%	17.18%	19.41%	19.05%

	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 57,084	$ 51,948	$ 50,972	$ 40,776
Contribution in relation to the actuarially determined contributions	57,084	51,948	50,972	40,776
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 296,478	$ 287,078	$ 283,428	$ 252,538
Contributions as a percentage of covered payroll	19.25%	18.10%	17.98%	16.15%

Notes to Schedule:

Changes in assumptions
In the reporting fiscal year ended June 30, 2023, the discount rate was reduced from 7.15% to 6.90% and price inflation was reduced from 2.50% to 2.30%.

*- Fiscal year 2015 was the 1st year of implementation, thus only nine years are shown.