

AGENDA ITEM: 5

DATE: December 16, 2021

**CAYUCOS SANITARY DISTRICT**

**BASIC FINANCIAL STATEMENTS**

June 30, 2021



**CAYUCOS SANITARY DISTRICT**  
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June 30, 2021

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## **FINANCIAL SECTION**





## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Cayucos Sanitary District  
Cayucos, California

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of the Cayucos Sanitary District (District) as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Cayucos Sanitary District, as of June 30, 2021, and the respective changes in financial position and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, Schedule of Proportionate Share of Net Pension Liability on page 31, and the Schedule of Net Pension Contributions on page 32, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 2020 financial statements, and our report dated October 29, 2020, 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, 2020, 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 2, 2021 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, Remy & Hartgrain LLP*

Santa Maria, California

November 2, 2021



## 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 2020-2021 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, 2021. 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 include operating expenses and interest expense. Capital expenditures are capitalized and depreciated over the lives of the capital assets.

### FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year (FY) 2020-2021 are as follows:

Gross wages increased overall by \$250,984 or 64%. Wages ordinarily will increase with regular employee longevity/merit/COLA increases, however, the notable increase is due to staffing needs of the new Water Resource Recovery Facility and the transition of the District Manager's employment status from contracted to full-time employee.

### SOURCES OF REVENUES

The District's total revenue for the fiscal year was \$4,240,142 inclusive of the following:

#### Sewer Service (User) Charge

The major 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 \$3,059,047 in annual revenue to the District, equal to 72% of total revenues.

#### Sewer Standby (Service Availability) Fee

The District charges its customers who are owners of vacant lots \$7.50 monthly per each vacant, buildable parcel (lot) for the expense of maintaining a sewer system available to vacant properties. Sewer standby (service availability) fees generated \$16,494 in annual revenue 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 secured property tax increases 2% per year. The District's property tax revenue this year was \$967,174 representing 23% of total revenues.

#### Sewer Connection and Permit Fees

The District currently charges a sewer connection fee of \$7,960 for connecting to the District's sewerage facilities. Of the \$7,960, \$100.00 represents the charge for the sewer connection inspection fee. In FY 2020-2021, the District generated \$23,480 in combined sewer connection

CAYUCOS SANITARY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2021

Other permit fees of \$4,000 (see pg.13) include charges for processing and issuance of Sewer Will-Serves. District staff reviews all plans for new construction and remodel projects and inspects all sewer tie-ins occurring within the District's boundaries.

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 GNMA's and FNMA's. 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. Interest from investment holdings generated \$12,255 in interest or less than 1% of total revenues.

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. The rental income generated in FY 2020-2021 was \$56,365 in annual revenue to the District or less than 2% 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.) which brought in revenues of \$84,625 or approximately 2% of total revenues.

Miscellaneous Income

In FY 2020-2021 the District received \$16,702 in miscellaneous income derived from various sources. The District received \$9,068 from the County of SLO for ESMF/EDF proceeds from SB 1090. In addition, the District received \$7,599 representing annual revenue from Mission Country Disposal for the AB-939 recycling development program. The balance was made up of bank fees reimbursed by customers.

SOURCES OF EXPENSES

The total expenses of the District in FY 2020-2021 were \$3,078,052. There was an overall increase of \$441,549 equal to a 17% increase from prior FY 2019-2020 as shown below.

CATEGORY	FY 2021	FY 2020	\$ CHANGE	% CHANGE
Gross Wages	\$644,723	\$393,739	\$250,984	64%
Payroll taxes and Benefits	\$167,732	\$169,577	-\$1,845	-1%
Directors' Fees	\$6,800	\$9,518	-\$2,718	-29%
Office Expense	\$28,756	\$24,952	\$3,804	15%
Dues and Subscriptions	\$8,074	\$6,695	\$1,379	21%
Business Expense	\$11,513	\$3,799	\$7,714	203%
Permits and Licenses	\$9,038	\$3,234	\$5,804	179%
Professional Services	\$63,972	\$94,773	-\$30,801	-32%
Insurance	\$206,554	\$141,056	\$65,498	46%
Taxes & Assessments	\$38,350	\$33,055	\$5,295	16%
Utilities	\$93,949	\$53,559	\$40,390	75%
Telephone	\$9,061	\$5,633	\$3,428	61%
Vehicle Expense	\$9,466	\$7,794	\$1,672	21%
Maintenance and Operations	\$94,448	\$37,134	\$57,314	154%
Wastewater Treatment Plant O&M (Includes MMRP Funding)	\$379,767	\$361,711	\$18,056	5%
Lab	\$26,840	\$0	\$26,840	100%
Depreciation	\$376,445	\$377,719	-\$1,274	Less than 1%
<b>Total Operating Expenses</b>	<b>\$2,175,488</b>	<b>\$1,723,948</b>	<b>\$451,540</b>	<b>26%</b>
Interest Expense	\$902,564	\$912,555	-\$9,991	-1%
<b>Total Non-Operating Expenses</b>	<b>\$902,564</b>	<b>\$912,555</b>	<b>-\$9,991</b>	<b>-1%</b>
<b>Total Expenses</b>	<b>\$3,078,052</b>	<b>\$2,636,503</b>	<b>\$441,549</b>	<b>17%</b>

### CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of fiscal year 2020-2021, the District held \$50,004,683 in capital assets with nearly \$43 million invested in the Cayucos Sustainable Water Project (which includes property purchase, engineering studies and design, EIR documents, Water Resource Recovery Facility, Lift Station 5 rebuilding, new influent and effluent pipelines, sliplining and connection of the ocean outfall) with the balance attributed primarily to sewer related infrastructure. This amount represents a net increase (including additions, deletions and accumulated depreciation) of \$13,480,342.

	<b>FY 2021</b>	<b>FY 2020</b>	<b>CHANGE</b>
Land	\$3,769,048	\$3,769,048	\$0
Construction in Progress	\$42,605,038	\$28,762,745	\$13,842,293
Construction in Progress - WWTP	\$55,825	\$55,825	\$0
CWSP	\$46,883	\$46,883	\$0
<b>Total Non-Depreciable</b>	<b>\$46,476,794</b>	<b>\$32,634,501</b>	<b>\$13,842,293</b>
Facility - Office	\$1,243,019	\$1,243,019	\$0
Conveyance System	\$4,900,734	\$4,900,734	\$0
Subsurface Lines	\$2,098,642	\$2,098,642	\$0
Sewage Collection Facilities	\$1,878,589	\$1,878,589	\$0
Sewage Treatment Facilities	\$5,542,407	\$5,542,407	\$0
Trucks	\$109,212	\$109,212	\$0
Office Equipment	\$65,822	\$65,822	\$0
Collection Equipment	\$584,055	\$584,055	\$0
Treatment Equipment	\$14,494	\$0	\$14,494
<b>Total Depreciable</b>	<b>\$16,436,974</b>	<b>\$16,422,480</b>	<b>Less than 1%</b>
<b>TOTAL CAPITAL ASSETS</b>	<b>\$56,851,968</b>	<b>\$51,654,680</b>	<b>\$5,197,288</b>
Less: Accumulated Depreciation	(\$12,909,085)	(\$12,532,640)	(\$376,445)
<b>NET CAPITAL ASSETS</b>	<b>\$50,004,683</b>	<b>\$36,524,341</b>	<b>\$13,480,342</b>

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 collection system, \$78,429 was invested in a Lift Station 4 replacement pump, and a new SCADA monitoring systems for all lift stations, which ties into the WRRF.

The District's main focus this past fiscal year has been the Cayucos Sustainable Water Project (CSWP). The CSWP includes construction of the Water Resource Recovery Facility (WRRF), rebuilding of Lift Station 5, tie-in to the ocean outfall, and new pipelines. On-going construction costs stand at \$40 million as of June 30, 2021.

### Long Term Debt:

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 60 years. These funds were utilized to pay off the Western Alliance Series A (2018) bridge loan of \$22,000,000, and partially pay off the Western Alliance Series A-1 (2019) bridge loan of \$6,804,844. The balance of the Series A-1 loan will be paid off when the USDA grants are received in August of 2021.

In addition, the Western Alliance Series B (2018) line of credit contract was amended to increase the available funds from \$5 million to \$9 million. \$2,793,405 has been repaid to date.

### CURRENT FINANCIAL ISSUES AND CONCERNS

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

### Morro Bay-Cayucos Sanitary District Wastewater Treatment Plant (WWTP) Project:

In 2005, the Morro Bay City Council and Cayucos Sanitary District Board (MBCSD) adopted an eight (8) year full secondary compliance schedule for upgrading the treatment process at their jointly owned wastewater treatment plant to comply with full secondary treatment standards by no later than March 31, 2014. Carollo Engineers completed the Facility Master Plan for the WWTP Upgrade in final draft form.

On May 28, 2008, a contract was let for environmental review to Environmental Science Associates (ESA) for a not to exceed amount of \$288,770. Their work was progressing at fiscal year-end. A flood analysis was performed by Wallace Group Engineers as a component of the environmental review. As a result of the flood analysis, it was determined that the flood mitigation costs to complete the upgrade of the current WWTP were prohibitive and the Upgrade would need to take place adjacent to the existing plant. December 4, 2008, the City and District were granted a final 5 year 301(h) modified NPDES Permit from the State Water Resources Control Board for continued discharge from the WWTP to the ocean outfall. This permit was to cover the majority if not all of the WWTP Project when full secondary treatment standards were achieved.

On January 11, 2011, the Morro Bay City Council conditionally approved a Coastal Development Permit (CDP) for MBCSD's request to upgrade the existing WWTP and certified the Environmental Impact Report (EIR) for the proposed project. The City's approval of the CDP was appealed to the California Coastal Commission (CCC). As a result of the appeal, the CCC asserted

jurisdiction over the project's CDP. Per CCC Staff direction, MBCSD conducted an additional WWTP Alternatives Analysis to evaluate whether there is a more appropriate site to locate the WWTP.

On January 10, 2013, at the CCC meeting, the CCC voted to deny the CDP for construction of an upgraded wastewater treatment plant at its existing location. The denial was based in part on inconsistency with the Local Coastal Plan - Zoning, the failure of a major Public Works Infrastructure Project to avoid coastal hazards, the lack of project design to include a reclaimed water component and that the project is located within an LCP-designated sensitive view area. As a result of the CCC denial, the project was abandoned and all expenditures to date written off the Capital Asset schedule.

Cayucos Sustainable Water Project (CSWP):

In February 2013, the District contracted with Water Systems Consultants (WSC) to prepare a Wastewater Treatment Alternatives Development Study to examine locations and treatment possibilities for the District. In June 2013 WSC completed their study and the District accepted the final draft. The District then began discussions with the regulatory agencies for review of the concepts outlined in the WSC study.

In February 2015, the City of Morro Bay presented the District with a Memorandum of Understanding (MOU) detailing the payment and governance structure of a new Wastewater Treatment Facility at the City of Morro Bay chosen facility site Rancho Colina. At a JPA meeting, the Cayucos Sanitary District staff and Board presented a revised MOU to the City of Morro Bay based on the principals of the existing JPA's cooperative coownership and governance structure. The District was informed by the City of Morro Bay that the MOU terms were non-negotiable. Presented with a non-negotiable MOU, the District held a town hall open public meeting on April 23, 2015 to discuss options with the community. There was overwhelming support for the CSD to pursue options for the creation of a community treatment facility with the ability to produce reclaimed wastewater in order to help provide a sustainable water supply for the community's future.

On April 30, 2015, the CSD Board unanimously passed resolution 2015-1, **"A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CAYUCOS SANITARY DISTRICT DECLARING ITS INTENTION TO INDEPENDENTLY PURSUE ALTERNATIVES FOR WASTEWATER TREATMENT AND WATER RECLAMATION"** ceasing all participation with City of Morro Bay in respect to their new wastewater treatment facility. In June 2015, the CSD initiated contracts with WSC and Firma for beneficial use analysis, side constraints and wastewater characterization studies. These studies were presented to the public at a town hall meeting in January 2016.

In February 2016, the Comparative analysis was presented to the Board. After some discussion, the Board directed staff to pursue two sites for the location of the treatment facility. The sites were the Toro Creek Road site and the Montecito Creek Road site, with the Toro Creek site the preferred alternative.

On April 1<sup>st</sup>, 2016, the CSD opened escrow on the Toro Creek property and on July 26<sup>th</sup> escrow closed. The Toro Creek property was purchased for \$3.6 million and consists of two lots, Lot 8, 76 acres and Lot 10, 141 acres.

In January 2017 Firma finished the CSWP Draft EIR for presentation and review.

On February 9, 2017, the CSD held a Town Hall meeting to present the DEIR, inform the public of CSWP's current progress, and upcoming Proposition 218 proposed rate increase. At the regular February 16, 2017, Board meeting, the Board authorized the Proposition 218 notice that put in motion the five-year rate increase to establish the monthly sewer charges.

On April 20, 2017, the Board held a Proposition 218 hearing. A formal count of forty-one (41) protest letters were received, far below the more than 1,200 protests necessary for the proposition to fail. The proposition established a 5-year rate increase effective each July 1, beginning in 2017. Also, during the April 20, 2017, meeting, by unanimous roll call vote, the Board approved Resolution 2017-3 certifying the CSWP FEIR (Final Environmental Impact Report).

On June 22, 2017, the San Luis Obispo County Planning Commission accepted the District's FEIR and officially adopted Planning Commission Resolution No. 2017-008 approving the land use permits for the construction of the CSWP.

In July of 2017, the District secured \$24,946,000 from the USDA Rural Development Program for the construction of the District's new wastewater treatment facility. Of this amount, \$2.81 million is in grant monies and \$22,136,000 is a low interest, 40-year loan from the same USDA program. As a term of conditions of the USDA loan, the District received an interim construction loan from Western Alliance Bank to provide the funding during construction. Western Alliance also provided the District with an additional \$5.0 million dollar line of credit, not subject to the USDA take out monies.

In October of 2018, the District began grading operations.

On April 25, 2019, after a competitive bidding process, construction of the Cayucos Sustainable Water Project was awarded to Cushman Contracting Corporation.

In May of 2019, the USDA Rural Development Program granted the District an additional \$1.6 million in grant money and an additional \$2.2 million to the loan amount. With this supplementary funding the District increased its interim construction loan through Western Alliance by an additional \$6,804,844. In total, the District has now secured \$28.8 million in loans of which \$4.5 million is in grants from the USDA Rural Development Program.

In June 2019, construction of the Cayucos Sustainable Water Project began.

During the summer of 2019, the District acquired portions of property adjacent to Lift Station 5 and a loading line for outfall from Chevron Land and Development. In September 2019, the District received its Coastal Development Permit from the California Coastal Commission to proceed with this property acquisition and permitted use of the outfall.

The Cayucos Sanitary District Water Resource Recovery Facility was dedicated to the community of Cayucos in June 2021.

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.

CAYUCOS SANITARY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2021

Contacting the District's Financial Management:

This report is a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. 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.



**CAYUCOS SANITARY DISTRICT**  
**STATEMENT OF NET POSITION - ENTERPRISE FUND**  
June 30, 2021  
With Comparative Totals for June 30, 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Current Assets:		
Cash and investments - cash equivalents (Note 3)	\$ 2,184,263	\$ 3,443,862
Cash and investments - cash equivalents, restricted (Note 3)	20,011	7,054,085
Cash and investments - non cash equivalents (Note 3)	1,791,016	1,793,526
Accounts receivable	81,936	75,144
Interest receivable	577	577
Other receivables	26,077	19,740
Land held for resale	<u>2,743,405</u>	<u>2,743,405</u>
Total current assets	<u>6,847,285</u>	<u>15,130,339</u>
Capital Assets (Note 4):		
Non depreciable		
Land	3,769,048	3,769,048
Construction in progress	42,605,038	28,762,745
Construction in progress - CSWP alternatives analysis	55,825	55,825
Construction in progress - WWTP alternatives analysis	46,883	46,883
Depreciable		
Subsurface lines	2,098,642	2,098,642
Sewage collection facilities	1,878,589	1,878,589
Conveyance system	4,900,734	4,900,734
Sewage treatment facilities	5,542,407	5,542,407
Trucks	109,212	109,212
Office equipment	65,822	65,822
Collection equipment	584,055	584,055
Office building	1,243,019	1,243,019
Treatment equipment	<u>14,494</u>	<u>14,494</u>
	62,913,768	49,056,981
Accumulated depreciation	<u>(12,909,085)</u>	<u>(12,532,640)</u>
Net capital assets	<u>50,004,683</u>	<u>36,524,341</u>
Total assets	<u>56,851,968</u>	<u>51,654,680</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pensions	<u>166,490</u>	<u>157,691</u>
Total deferred outflows of resources	<u>166,490</u>	<u>157,691</u>

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

**CAYUCOS SANITARY DISTRICT**  
**STATEMENT OF NET POSITION - ENTERPRISE FUND**  
June 30, 2021  
With Comparative Totals for June 30, 2020

	<u>2021</u>	<u>2020</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	\$ 37,356	\$ 2,191,110
Payable to the City of Morro Bay - operations and maintenance	107,568	94,654
Accrued payroll	24,376	14,986
Accrued interest	174,325	273,254
Customer deposits	325	325
Security deposit - MCD	25,000	25,000
Current portion of compensated absences (Note 7)	21,670	9,947
Current portion of construction loans payable (Note 5)	<u>5,074,619</u>	<u>28,804,844</u>
Total current liabilities	5,465,239	31,414,120
Long-Term Liabilities:		
Compensated absences (Note 7)	43,340	19,895
Net pension liability (Note 8)	689,373	636,106
Construction loans payable (Note 5)	5,635,320	
Certificates of participation	<u>24,301,500</u>	
Total liabilities	<u>36,134,772</u>	<u>32,070,121</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pensions	<u>25,268</u>	<u>45,922</u>
Total deferred inflows of resources	<u>25,268</u>	<u>45,922</u>
<b>NET POSITION</b>		
Net investment in capital assets	14,993,244	7,719,497
Restricted for construction	11	4,904,415
Unrestricted	<u>5,865,163</u>	<u>7,072,416</u>
Total net position	<u>\$ 20,858,418</u>	<u>\$ 19,696,328</u>

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, 2021

With Comparative Totals for the Fiscal Year Ended June 30, 2020

	<u>2021</u>	<u>2020</u>
<b>Operating Revenues:</b>		
Sewer services fees	\$ 3,059,047	\$ 2,878,421
Permit fees	4,000	3,350
Total operating revenues	<u>3,063,047</u>	<u>2,881,771</u>
<b>Operating Expenses:</b>		
Gross wages	644,723	393,739
Payroll taxes and benefits	167,732	169,577
Directors' fees	6,800	9,518
Office expense	28,756	24,952
Dues and subscriptions	8,074	6,695
Miscellaneous business expense	11,513	3,799
Permits and licenses	9,038	3,234
Professional services	63,972	94,773
Insurance	206,554	141,056
Taxes and assessments	38,350	33,055
Utilities	93,949	53,559
Telephone	9,061	5,633
Vehicle expense	9,466	7,794
Maintenance and operations	94,448	37,134
Treatment plant	379,767	361,711
Lab	26,840	
Depreciation	376,445	377,719
Total operating expenses	<u>2,175,488</u>	<u>1,723,948</u>
Net operating income (loss)	<u>887,559</u>	<u>1,157,823</u>
<b>Non-Operating Revenues (Expenses):</b>		
Rent income	56,365	38,708
Taxes and assessments	967,174	908,152
Investment income	12,255	112,937
Franchise fees	84,625	78,320
Interest expense	(902,564)	(912,555)
Other revenue	16,702	51,436
Stand by fees	16,494	20,779
Total non-operating revenues (expenses)	<u>251,051</u>	<u>297,777</u>
<b>Capital Contributions:</b>		
Connection fees	<u>23,480</u>	<u>23,580</u>
Change in net position	<u>1,162,090</u>	<u>1,479,180</u>
<b>Net position:</b>		
Net position, beginning of fiscal year	19,696,328	18,346,917
Prior-period adjustment		(129,769)
Net position, beginning of fiscal year, restated	<u>19,696,328</u>	<u>18,217,148</u>
Net position, end of fiscal year	<u><u>\$ 20,858,418</u></u>	<u><u>\$ 19,696,328</u></u>

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, 2021

With Comparative Totals for the Fiscal Year Ended June 30, 2020

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 3,049,918	\$ 2,873,052
Payments to vendors	(3,165,655)	(943,954)
Payments to employees	(750,883)	(537,544)
Net cash provided (used) by operating activities	(866,620)	1,391,554
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Property taxes	967,174	908,152
Franchise fees	84,625	78,320
Stand by fees	16,494	20,779
Other revenue	16,702	51,436
Net cash provided by noncapital financing activities	1,084,995	1,058,687
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	(13,851,365)	(18,279,536)
Proceeds from construction loan payable	6,206,595	15,294,524
Proceeds from 2021 certificates of participation	24,301,500	
Principal paid on long-term debt	(24,301,500)	(50,000)
Interest paid on long-term debt	(1,001,493)	(771,372)
Connection fees	23,480	23,580
Net cash used by capital and related financing activities	(8,622,783)	(3,782,804)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	12,255	112,989
Rent	56,365	38,708
Purchase of land held for resale		(2,743,405)
Sale/purchase of investments	42,115	(783,301)
Net cash provided (used) by investing activities	110,735	(3,375,009)
Net decrease in cash and cash equivalents	(8,293,673)	(4,707,572)
Cash and cash equivalents, July 1	10,497,947	15,205,519
Cash and cash equivalents, June 30	<u>\$ 2,204,274</u>	<u>\$ 10,497,947</u>
Reconciliation to Statement of Net Position:		
Cash and investments - cash equivalents	\$ 2,184,263	\$ 3,443,862
Cash and investments - cash equivalents, restricted for capital projects	<u>20,011</u>	<u>7,054,085</u>
Total cash and investments- cash equivalents	<u>\$ 2,204,274</u>	<u>\$ 10,497,947</u>

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, 2021  
With Comparative Totals for the Fiscal Year Ended June 30, 2020

	<u>2021</u>	<u>2020</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 887,559	\$ 1,157,823
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	376,445	377,719
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable	(6,792)	(18,269)
Other receivables	(6,337)	9,550
Deferred outflows	(8,799)	2,181
Payable to the City of Morro Bay	12,914	(1,255)
Accounts payable	(2,198,781)	(169,304)
Accrued payroll	9,390	7,237
Compensated absences	35,168	(2,440)
Net pension liability	53,267	51,792
Deferred inflows	(20,654)	(23,480)
Net cash provided (used) by operating activities	<u>\$ (866,620)</u>	<u>\$ 1,391,554</u>

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 and No. 80.

**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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

- 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. The District maintains one 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.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- 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.
- 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 accrual and unused sick leave is paid out for one half of accumulated time up to 90 days accrued. The amounts are included in current liabilities.
- 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.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- 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. 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.

N. 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.

O. 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.

P. 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 is defined as a consumption of net position by the government that is applicable to a future reporting period. 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 defined as an acquisition of net position by the District that is applicable to a future reporting period. The District has one item which qualifies for reporting in this category; refer to Note 8 for a detailed listing of the deferred inflows of resources the District has reported.



**CAYUCOS SANITARY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2021

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Q. Future Accounting Pronouncements**

GASB Statements listed below will be implemented in future financial statements:

Statement No. 87	"Leases"	The provisions of this statement are effective for fiscal years beginning after June 15, 2021.
Statement No. 89	"Accounting for Interest Cost Incurred before the End of a Construction Period"	The provisions of this statement are effective for fiscal years beginning after December 15, 2020.
Statement No. 91	"Conduit Debt Obligations"	The provisions of this statement are effective for fiscal years beginning after December 15, 2021.
Statement No. 92	"Omnibus 2020"	The provisions of this statement are effective for fiscal years beginning after June 15, 2021.
Statement No. 93	"Replacement of Interbank Offered Rates"	The provision of this statement except for paragraphs 11b, 13, and 14 are effective for fiscal years beginning after June 15, 2020. Paragraph 11b is effective for fiscal years beginning after December 31, 2021. Paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021.
Statement No. 94	"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No. 96	"Subscription-Based Information Technology Arrangements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
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 provision of this statement except for paragraphs 6-9 are effective for fiscal years beginning after December 15, 2019. Paragraph 6-9 is effective for fiscal years beginning after June 15, 2021.

**NOTE 3 - CASH AND INVESTMENTS**

Investments are carried at fair value in accordance with GASB Statement No. 72. On June 30, 2021 and June 30, 2020, the District had the following cash and investments on hand:

	2021	2020
Cash on hand	\$ 175	\$ 175
Cash in banks	2,204,088	3,165,539
Investments	1,791,027	9,125,759
Total	<u>\$ 3,995,290</u>	<u>\$ 12,291,473</u>

**CAYUCOS SANITARY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2021

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

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

	2021	2020
Cash and investments-cash equivalents	\$ 2,184,263	\$ 3,443,862
Cash and investments-cash equivalents restricted for capital projects and debt service	20,011	7,054,085
Cash and investments-non cash equivalents	1,791,016	1,793,526
Total	<u>\$ 3,995,290</u>	<u>\$ 12,291,473</u>

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, 2021:

		<b>Fair Value Measurement Using</b>		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments by fair value level</u>				
Debt securities				
Mortgage pass-through securities	\$ 72,568	\$ 72,568	\$ -	\$ -
Total investments measured at fair value	72,568	<u>\$ 72,568</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at amortized cost				
Money market funds	11			
CalTrust medium term fund	1,684,991			
Certificate of deposit	25,000			
LAIF	8,457			
Total investments	<u>\$ 1,791,027</u>			

Investments Authorized by the California Government Code

The table below 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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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	None
State Registered Warrants, Notes, or Bonds	5 years	None	None
Notes and Bonds of other Local California Agencies	5 years	None	None

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

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:

<b>2021</b>					
Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		12 Months Or Less	13-24 Months	25-60 Months	More than 60 Months
Mortgage pass-through securities	\$ 72,568	\$ 46	\$ 1,165	\$ -	\$ 71,357
CalTrust medium term fund	1,684,991	1,684,991			
Certificate of deposit	25,000	25,000			
State investment pool (LAIF)	8,457	8,457			
Money market funds	11	11			
	<u>\$ 1,791,027</u>	<u>\$ 1,718,505</u>	<u>\$ 1,165</u>	<u>\$ -</u>	<u>\$ 71,357</u>

  

<b>2020</b>					
Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		12 Months Or Less	13-24 Months	25-60 Months	More than 60 Months
Mortgage pass-through securities	\$ 80,880	\$ -	\$ 136	\$ 2,343	\$ 78,401
CalTrust medium term fund	1,679,260	1,679,260			
Certificate of deposit	25,000	25,000			
State investment pool (LAIF)	8,386	8,386			
Money market funds	7,332,233	7,332,233			
	<u>\$ 9,125,759</u>	<u>\$ 9,044,879</u>	<u>\$ 136</u>	<u>\$ 2,343</u>	<u>\$ 78,401</u>

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.

<b>2021</b>						
Investment Type	Carrying Amount	Minimum Legal Rating	Rating as of Fiscal Year End			
			AAA	AA+	AA-	Not Rated
Mortgage pass-through securities	\$ 72,568	N/A	\$ 72,568	\$ -	\$ -	\$ -
CalTrust medium term fund	1,684,991	N/A				1,684,991
Certificate of deposit	25,000	N/A				25,000
State investment pool (LAIF)	8,457	N/A				8,457
Money market funds	11	N/A				11
	<u>\$ 1,791,027</u>		<u>\$ 72,568</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,718,459</u>

**CAYUCOS SANITARY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2021

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

Disclosures Relating to Credit Risk (Continued)

Investment Type	Carrying Amount	Minimum Legal Rating	2020			
			Rating as of Fiscal Year End			Not Rated
			AAA	AA-	Baa	
Mortgage pass-through securities	\$ 80,880	N/A	\$ 80,880	\$ -	\$ -	\$ -
CalTrust medium term fund	1,679,260	N/A				1,679,260
Certificate of deposit	25,000	N/A				25,000
State investment pool (LAIF)	8,386	N/A				8,386
Money market funds	7,332,233	N/A				7,332,233
	<u>\$ 9,125,759</u>		<u>\$ 80,880</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,044,879</u>

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, 2021, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2021, the District's investments in the following types were held by the same broker-dealer (counterparty) that was used by the District to buy securities:

Investment Type	Reported Amount	
	2021	2020
Mortgage pass-through securities	\$ 72,568	\$ 80,880
Money market funds	-	7,332,233

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.

**CAYUCOS SANITARY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2021**

**NOTE 4 - SCHEDULE OF CAPITAL ASSETS**

A schedule of changes in capital assets and depreciation for the fiscal year ended June 30, 2021, is shown below:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
<b>Non-depreciable</b>				
Land	\$ 3,769,048	\$ -	\$ -	\$ 3,769,048
Construction in progress	28,762,745	13,881,898	(39,605)	42,605,038
Construction in progress-CSWP alternatives analysis	55,825			55,825
Construction in progress-WWTP alternatives analysis	46,883			46,883
Total non depreciable	<u>\$ 32,634,501</u>	<u>\$ 13,881,898</u>	<u>\$ (39,605)</u>	<u>\$ 46,476,794</u>
<b>Depreciable</b>				
Office building	\$ 1,243,019	\$ -	\$ -	\$ 1,243,019
Subsurface lines	2,098,642			2,098,642
Sewage collection facilities	1,878,589			1,878,589
Conveyance system	4,900,734			4,900,734
Sewage treatment facilities	5,542,407			5,542,407
Collection equipment	584,055			584,055
Office equipment	65,822			65,822
Treatment equipment		14,494		14,494
Trucks	109,212			109,212
	16,422,480	14,494		16,436,974
Less accumulated depreciation	12,532,640	376,445		12,909,085
Total depreciable	<u>\$ 3,889,840</u>	<u>\$ (361,951)</u>	<u>\$ -</u>	<u>\$ 3,527,889</u>
Net capital assets	<u>\$ 36,524,341</u>	<u>\$ 13,519,947</u>	<u>\$ (39,605)</u>	<u>\$ 50,004,683</u>

A schedule of changes in capital assets and depreciation for the fiscal year ended June 30, 2020, is shown below:

	Balance July 1, 2019	Additions	Deletions / Transfers	Prior-period Adjustment	Balance June 30, 2020
<b>Non-depreciable</b>					
Land	\$ 3,768,848	\$ 200	\$ -	\$ -	\$ 3,769,048
Construction in progress	8,502,268	20,407,534	(97,057)	(50,000)	28,762,745
Construction in progress-CSWP alternatives analysis	55,825				55,825
Construction in progress-WWTP alternatives analysis	46,883				46,883
Total non depreciable	<u>\$ 12,373,824</u>	<u>\$ 20,407,734</u>	<u>\$ (97,057)</u>	<u>\$ (50,000)</u>	<u>\$ 32,634,501</u>
<b>Depreciable</b>					
Office building	\$ 1,243,019	\$ -	\$ -	\$ -	\$ 1,243,019
Subsurface lines	2,098,642				2,098,642
Sewage collection facilities	1,878,589				1,878,589
Conveyance system	4,900,734				4,900,734
Sewage treatment facilities	5,542,407				5,542,407
Collection equipment	489,804		94,251		584,055
Office equipment	106,930	21,472	(62,580)		65,822
Trucks	109,212				109,212
	16,369,337	21,472	31,671		16,422,480
Less accumulated depreciation	12,220,307	377,719	(65,386)		12,532,640
Total depreciable	<u>\$ 4,149,030</u>	<u>\$ (356,247)</u>	<u>\$ 97,057</u>	<u>\$ -</u>	<u>\$ 3,889,840</u>
Net capital assets	<u>\$ 16,522,854</u>	<u>\$ 20,051,487</u>	<u>\$ -</u>	<u>\$ (50,000)</u>	<u>\$ 36,524,341</u>

**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 was 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. Future debt service payments on the existing debt are as follows:

2019 Series A-1

Fiscal Year Ending	Principal	Interest	Total
2022	\$ 4,503,344	\$ 25,294	\$ 4,528,638
Total	<u>\$ 4,503,344</u>	<u>\$ 25,294</u>	<u>\$ 4,528,638</u>

2021 Series B

Fiscal Year Ending	Principal	Interest	Total
2022	\$ 571,275	\$ 281,155	\$ 852,430
2023	597,784	261,479	859,263
2024	625,519	233,741	859,260
2025	654,545	204,718	859,263
2026	684,917	174,347	859,264
2027-2030	\$ 3,072,555	\$ 364,494	\$ 3,437,049
Total	<u>\$ 6,206,595</u>	<u>\$ 1,519,934</u>	<u>\$ 7,726,529</u>

2021 Certificates of Participation

Fiscal Year Ending	Principal	Interest	Total
2022	\$ -	\$ 212,638	\$ 212,638
2023	425,000	421,557	846,557
2024	432,000	414,058	846,058
2025	440,000	406,428	846,428
2026	447,000	398,667	845,667
2027-2031	2,357,000	1,872,110	4,229,110
2032-2036	2,571,000	1,656,598	4,227,598
2037-2041	2,804,000	1,421,565	4,225,565
2042-2046	3,058,000	1,165,276	4,223,276
2047-2051	3,335,000	885,775	4,220,775
2052-2056	3,637,000	580,942	4,217,942
2057-2061	3,967,000	248,445	4,215,445
2062	\$ 828,500	\$ 7,249	\$ 835,749
Total	<u>\$ 24,301,500</u>	<u>\$ 9,691,308</u>	<u>\$ 33,992,808</u>

**CAYUCOS SANITARY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2021

**NOTE 6 - LONG-TERM DEBT**

The changes in long-term debt at June 30, 2021, is as follows:

	July 1, 2020	Additions	Retirements	June 30, 2021	Due within one year
Construction loans payable	\$ 28,804,844	\$ 6,206,595	\$ 24,301,500	\$ 10,709,939	\$ 5,074,619
2021 certificates of participation		24,301,500		24,301,500	
Compensated absences	29,842	63,570	28,402	65,010	21,670
Net pension liability	636,106	65,435	12,168	689,373	
	<u>\$ 29,470,792</u>	<u>\$ 30,637,100</u>	<u>\$ 24,342,070</u>	<u>\$ 35,765,822</u>	<u>\$ 5,096,289</u>

  

	July 1, 2019	Additions	Retirements	June 30, 2020	Due within one year
Construction loans payable	\$ 13,560,320	15,294,524	\$ 50,000	\$ 28,804,844	\$ 28,804,844
Compensated absences	32,282	25,327	27,767	29,842	9,947
Net pension liability	584,314	220,749	168,957	636,106	
	<u>\$ 14,176,916</u>	<u>\$ 15,540,600</u>	<u>\$ 246,724</u>	<u>\$ 29,470,792</u>	<u>\$ 28,814,791</u>

**NOTE 7 - COMPENSATED ABSENCES**

As of June 30, 2021, it is estimated that the District's employees have \$65,010 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.

**NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)**

**A. General Information about the Pension Plans (Continued)**

The Plans' provisions and benefits in effect at June 30, 2021, are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Prior to</u>	<u>On or after</u>
Hire Date	<u>January 1, 2013</u>	<u>January 1, 2013</u>
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	12.361% + \$44,843	7.732% + \$1,900

*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 was \$91,965 for the fiscal year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$689,373 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 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, 2019, and 2020 was as follows:

	<u>Miscellaneous</u>
Proportion-June 30, 2019	0.01588%
Proportion-June 30, 2020	0.01634%
Change-Increase (Decrease)	<u>0.00046%</u>

For the year ended June 30, 2021, the District recognized pension expense of \$115,780. 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, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:



**NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 91,965	\$ -
Differences between expected and actual experience	35,525	
Changes in assumptions		4,917
Net difference between projected and actual earnings on retirement plan investments	20,480	
Adjustment due to differences in proportions	18,520	1,037
Difference in actual contributions and proportionate share of contributions		19,314
	<u>\$ 166,490</u>	<u>\$ 25,268</u>

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.

\$91,965 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 year ended June 30, 2022.

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
2022	\$ 5,090
2023	18,600
2024	15,745
2025	9,822
Total	<u>\$ 49,257</u>

**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, 2019 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.0% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

- (1) The mortality table used was developed based on CalPERS' specific data.  
The table includes 15 years of mortality improvements using 90% Scale MP 2016  
published by the Society of Actuaries. For more details on this table please refer to  
the 2017 experience study report.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate, and the use of municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund, including PERF C. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB No. 68 section.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2022. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB No. 67 and No. 68 calculations through at least the 2021-22 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as it has changed its methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net pension plan investment expense and inflation) are developed for each major asset class.

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

**NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)**

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

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100.0%</u>		

(a) An expected inflation of 2.00% used for this period.

(b) An expected inflation of 2.92% used for this period.

*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 7.15 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 (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	<u>1% Decrease 6.15%</u>	<u>Discount Rate 7.15%</u>	<u>1% Increase 8.15%</u>
District's proportionate share of the net pension plan liability	\$ 1,029,786	\$ 689,373	\$ 408,100

*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, 2021, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2021.

**NOTE 9 - CONTINGENCIES**

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

**NOTE 10 - SUBSEQUENT EVENTS**

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Cayucos Sanitary District’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, Cayucos Sanitary District is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity as of the date of issuance of these financial statements.

The District received grant funding from the USDA for a total of \$4,503,344 on August 13, 2021 and used the grant to pay off the remaining principal of the 2019 Installment Purchase Agreement Series A-1 loan on August 17, 2021 in full.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**CAYUCOS SANITARY DISTRICT**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
Last 10 Years\*  
As of June 30, 2021

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

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Proportion of the net pension liability	0.00634%	0.00621%	0.00606%	0.00598%
Proportionate share of the net pension liability	\$ 689,373	\$ 636,106	\$ 584,314	\$ 592,893
Covered payroll	\$ 365,219	\$ 309,496	\$ 296,478	\$ 287,078
Proportionate share of the net pension liability as percentage of covered payroll	188.8%	205.5%	197.1%	206.5%
Plan's total pension liability	\$ 43,702,930,887	\$ 41,426,453,489	\$ 38,944,855,364	\$ 37,161,348,332
Plan's fiduciary net position	\$ 32,822,501,335	\$ 31,179,414,067	\$ 29,308,589,559	\$ 27,244,095,376
Plan fiduciary net position as a percentage of the total pension liability	75.10%	75.26%	75.26%	73.31%
	<b>2017</b>	<b>2016</b>	<b>2015</b>	
Proportion of the net pension liability	0.00590%	0.00569%	0.00469%	
Proportionate share of the net pension liability	\$ 510,398	\$ 390,527	\$ 291,955	
Covered payroll	\$ 283,428	\$ 252,538	\$ 257,826	
Proportionate share of the net pension liability as percentage of covered payroll	180.1%	154.6%	113.2%	
Plan's total pension liability	\$ 33,358,627,624	\$ 31,771,217,402	\$ 30,829,966,631	
Plan's fiduciary net position	\$ 24,705,532,291	\$ 24,907,305,871	\$ 24,607,502,515	
Plan fiduciary net position as a percentage of the total pension liability	74.06%	78.40%	79.82%	

**Notes to Schedule:**

Changes in assumptions

In 2018, inflation was changed from 2.75 percent to 2.50 percent and individual salary increases and overall payroll growth was reduced from 3.00 percent to 2.75 percent.

In 2017, as part of the Asset Liability Management review cycle, the discount rate was changed from 7.65 percent to 7.15 percent.

In 2016, the discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected ages of general employees.

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

**CAYUCOS SANITARY DISTRICT**  
**SCHEDULE OF NET PENSION CONTRIBUTIONS**  
Last 10 Years\*  
As of June 30, 2021

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

	2021	2020	2019	2018
Contractually required contribution (actuarially determined)	\$ 91,965	\$ 70,877	\$ 58,972	\$ 57,084
Contribution in relation to the actuarially determined contributions	91,965	70,877	58,972	57,084
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 535,380	\$ 365,219	\$ 309,496	\$ 296,478
Contributions as a percentage of covered payroll	17.18%	19.41%	19.05%	19.25%
	2017	2016	2015	
Contractually required contribution (actuarially determined)	\$ 51,948	\$ 50,972	\$ 40,776	
Contribution in relation to the actuarially determined contributions	51,948	50,972	40,776	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	
Covered payroll	\$ 287,078	\$ 283,428	\$ 252,538	
Contributions as a percentage of covered payroll	18.10%	17.98%	16.15%	

**Notes to Schedule**

**Valuation Date:**

**6/30/2014**

Actuarial cost method  
Asset valuation method  
Amortization method

Entry Age Normal  
5-year smoothed market  
The unfunded actuarial accrued liability is amortized over an open 17 year period as a level percentage of payroll.

Discount rate  
Payroll growth rate  
Price inflation  
Salary increases

7.50%  
3.00%  
2.75%  
2.75% plus merit component based on employee classification and years of service

Mortality

Sex distinct RP-2000 Combined Mortality projected to 2010 using Scale AA with a 2 year setback for males and a 4 year setback for females.

**Valuation Date:**

**6/30/2015**

Discount Rate

7.65%

**Valuation Date:**

**6/30/2016**

Discount Rate

7.375%

**Valuation Date:**

**6/30/2017**

Discount Rate

7.150%

**Valuation Date:**

**6/30/2018**

Payroll growth rate  
Price inflation

2.75%  
2.50%

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