



Pursuant to Government Code Section 54953(e), members of the Board of Directors and staff will participate in this meeting via a teleconference. Members of the public can comment when prompted by unmuting their microphone, and allowing access to their webcam is optional.

CAYUCOS SANITARY DISTRICT

200 Ash Avenue
PO Box 333
Cayucos, California 93430-0333
805-995-3290

GOVERNING BOARD

R. Enns, President
S. Lyon, Vice-President
R. Frank, Director
H. Miller, Director
J. Curti, Director

BOARD OF DIRECTORS REGULAR MEETING AGENDA

THURSDAY, FEBRUARY 16, 2023 AT 5:00PM
200 ASH AVENUE, CAYUCOS, CALIFORNIA 93430

Please join our meeting from your computer, tablet or smartphone:

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1. ESTABLISH QUORUM AND CALL TO ORDER

2. PUBLIC COMMENT

This is the time the public may address the Board on items other than those scheduled on the agenda. By conditions of the Brown Act the Board may not discuss issues not posted on the agenda, but may set items for future agendas. Those persons wishing to speak on any item scheduled on the agenda will be given an opportunity to do so at the time that agenda item is being considered. When recognized by the Board President, please stand up and state your name and address for the record (though not required). While the Board encourages public comment, in the interest of time and to facilitate orderly conduct of the meeting, the Board reserves the right to limit individual comments to three minutes.

3. CONSENT CALENDAR: Recommended to Approve

Consent Calendar items are considered routine and therefore do not require separate discussion, however, any item may be removed from the Consent Calendar by a member of the Board of Directors for separate consideration. Individual items on the Consent Calendar are approved by the same vote that approves the Consent Calendar, unless an item is pulled for separate consideration.

A. Regular Meeting Minutes

1. Approval of minutes for the January 19, 2023 Board of Directors Regular Meeting **Pg. 1**

B. Financial Reports: January 2023

1. Check Register – Wells Fargo (General Checking Account) **Pg. 5**

2. Check Register – Wells Fargo (CIP Checking Account) **Pg. 7**

3. Cash, Savings, and Investment Report **Pg. 8**

4. Budget vs. Actual Status Report **FY 2022-2023 Pg. 9**

5. Capital Improvement Projects Report **Pg. 10**

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4. STAFF COMMUNICATIONS AND INFORMATIONAL ITEMS: No Action Required

A. District Manager’s Report: January 2023 Pg. 11

B. New Will-Serves:

None

Extended Will-Serves:

- 2765 Santa Barbara Ave. / McKean / 064-204-009 / SFR New
- 47 Fresno Ave. / Page / 064-046-047 / SFR New

Finalized Will-Serves:

- 39, 41 5th St. / Mather / 064-143-008 / MFR New
- 780 Park Ave. / Clark / 064-133-011 / SFR Remodel

Grants Of License:

None

5. PRESENTATION AND ACCEPTANCE OF THE CAYUCOS SANITARY DISTRICT FY 2021/22 FINAL AUDIT BY ADAM GUISE OF MOSS, LEVY & HARTZHEIM Pg. 13

6. CLOSED SESSION:

CONFERENCE WITH REAL PROPERTY NEGOTIATOR Pursuant to Government Code Section 54956.8

Agency Negotiators: District Manager, Rick Koon and District Counsel, Timothy Carmel

Negotiating Parties: Land Conservancy of San Luis Obispo

Property: APN 073-077-021 and portions of 073-077-034 and 073-092-050

7. CLOSED SESSION:

CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION Pursuant to Government Code Section 54956(d)(2) involving one (1) potential case
Walter v. Cayucos Sanitary District

8. BOARD MEMBER COMMENTS

This item provides the opportunity for Board members to make brief announcements and/or briefly report on their own activities related to District business.

9. FUTURE SCHEDULED MEETINGS

- March 16, 2023 – Regular Board Meeting **(in-person meeting)**
- April 20, 2023 – Regular Board Meeting **(in-person meeting)**
- May 18, 2023 – Regular Board Meeting **(in-person meeting)**

10. ADJOURNMENT

This agenda was prepared and posted pursuant to Government Code Section 54954.2. The agenda, staff reports or other documentation relating to each item of business referred to on the agenda can be accessed and downloaded from the District’s website at <https://www.cayucosd.org/board-of-directors-meetings>

All staff reports or other written documentation relating to each item of business referred to on the agenda are on file in the District’s office and are available for public inspection and reproduction at cost. If requested, the agenda shall be made available in appropriate alternative formats to persons with a disability, as required by the Americans with Disability Act. To make a request for disability-related modification or accommodation, contact the District at 805-995-3290 as soon as possible and at least 48 hours prior to the meeting date.



CAYUCOS SANITARY DISTRICT

200 Ash Avenue
PO Box 333
Cayucos, CA 93430-0333
805-995-3290

GOVERNING BOARD

R. Enns, President
S. Lyon, Vice-President
H. Miller, Director
R. Frank, Director
J. Curti, Director

BOARD OF DIRECTORS REGULAR MEETING MINUTES THURSDAY, JANUARY 19, 2023 AT 5:00 P.M. 200 ASH AVENUE, CAYUCOS, CALIFORNIA 93430

1. ESTABLISH QUORUM AND CALL TO ORDER

President Enns called the meeting to order at 5:00 p.m.

Board members present via GoToMeeting: President Robert Enns, Vice-President Shirley Lyon, Director Hannah Miller, Director Robert Frank and Director John Curti

Staff present via GoToMeeting: District Manager Rick Koon, Administrative Services Manager Amy Lessi, and Administrative Accounting Manager Gayle Good

2. PUBLIC COMMENT

President Enns opened the meeting to Public Comment.
Hearing no comment, President Enns closed Public Comment.

3. CONSENT CALENDAR: Recommended to Approve

A. Regular Meeting Minutes

1. Approval of minutes for the November 17, 2022 Board of Directors Regular Meeting
2. Approval of minutes for the December 13, 2022 Board of Directors Special Meeting
3. Approval of minutes for the January 10, 2023 Board of Directors Special Meeting

B. Financial Reports: November 2022

1. Check Register – Wells Fargo (General Checking Account)
2. Check Register – Wells Fargo (CIP Checking Account)
3. Cash, Savings, and Investment Report
4. Budget vs. Actual Status Report FY **2022-2023**
5. Capital Improvement Projects Report

C. Financial Reports: December 2022

1. Check Register – Wells Fargo (General Checking Account)
2. Check Register – Wells Fargo (CIP Checking Account)
3. Cash, Savings, and Investment Report
4. Budget vs. Actual Status Report FY **2022-2023**
5. Capital Improvement Projects Report

President Enns opened the meeting to Public Comment.
Hearing no comment, President Enns closed Public Comment.

MOTION: 1st by Frank, to approve items on the Consent Calendar as prepared. Motion was seconded by Lyon.

ROLLCALL VOTE: Frank-yes, Lyon-yes, Curti-yes, Miller-yes, Enns-yes

VOTE 5-0 Motion passed

4. STAFF COMMUNICATIONS AND INFORMATION ITEMS: No Action Required

A. District Manager's Report: November & December 2022

B. New Will-Serves:

- 273 S Ocean Ave. / Weyrick / 064-125-051 / CMMCL New
- 2622 Studio Dr. / Buell / 064-254-018 / SFR Remodel
- 176 E St. / Nairne / 064-117-004 / ADU New

Extended Will-Serves:

- 41 5th St. / Mather / 064-143-008 / SFR New
- 2787 Santa Barbara Ave. / Scoto / 064-204-055 / SFR New
- 780 Park Ave. / Clark / 064-133-011 / SFR Remodel
- 2865 Ocean Blvd. / Teixeira / 064-206-052 / SFR Remodel

Finalized Will-Serves:

- 194 6th St. / Miller / 064-133-034 / SFR New, ADU New
- 10 9th St. / Fries / 064-153-034 / SFR New
- 2790 Santa Barbara Ave. / Dildine / 064-205-024 / SFR Remodel

Grants of License:

None

Manager Koon provided a detailed summary of the January 9, 2023 storm-related events and how the plant was able to cope with unprecedented flow. President Enns wondered how such a substantial amount of water entered the sewer system, assuming most of it must have been stormwater as opposed to wastewater. Manager Koon explained that imperfections in the walls of manholes and unpermitted tie-ins (cleanouts that drain yards, gutters tied into laterals, etc.) are major sources of inflow and infiltration. He aims to perform smoke tests in the spring the help combat future inflow and infiltration.

Director Curti requested confirmation that replacing the battery for the District's fire system was routine, and Manager Koon confirmed. He next asked if the Unauthorized Discharge Event on December 4th is reportable, and Manager Koon replied that when staff spoke to the Regional Quality Control Board about it, they were informed that since it was contained on District property, it's not reportable. If a spill leaches offsite, it would be a Category 1 Spill and would need to be reported immediately.

President Enns opened the meeting to Public Comment.

Hearing no comment, President Enns closed Public Comment.

Items 4.A – B were received and accepted.

5. REVIEW AND DISCUSSION OF THE FY 2022-2023 BUDGET

President Enns and Director Curti requested clarification on the timing of payments made by the City of Morro Bay (line item 4200); Director Curti requested clarification on the timing of payments made by the County of San Luis Obispo (line item 4400), and Administrative Accounting Manager Gayle Good responded that payments are now current and on-track, respectively.

President Enns opened the meeting to Public Comment.

Hearing no comment, President Enns closed Public Comment.

Item 5 was received and accepted.

6. DISCUSSION AND CONSIDERATION TO REALLOCATE THE FY 2022-2023 CIP BUDGET TO INCLUDE A PROPOSAL FROM QUICK TECH COMPUTERS FOR THE REPLACEMENT OF THE LIFT STATION COMMUNICATION MODEMS FOR \$13,369.50 AND ADD DRAINAGE IMPROVEMENTS TO THE STORM DRAIN SYSTEM AT THE WRRF, ESTIMATED TO COST \$31,000.00

Manager Koon presented his proposal. President Enns asked if the drainage improvement project would need to go out to bid, and Manager Koon responded that District staff should be able to perform the work themselves. Director Curti requested clarification on the process of removing the valve on the effluent line

and Manager Koon elaborated that it would not affect operation of the line. President Enns asked Manager Koon if replacing the two lines that run along the freeway near Chaney Ave. has become a higher priority in light of the recent storm, to which he replied that the design of that project is in this year's CIP budget.

President Enns opened the meeting to Public Comment.
Hearing no comment, President Enns closed Public Comment.

MOTION: 1st by Miller, to reallocate the FY 2022-2023 CIP Budget to include a proposal from Quick Tech Computers for the replacement of the lift station communication modems for \$13,369.50 and add drainage improvements to the storm drain system at the WRRF, estimated to cost \$31,000.00. Motion was seconded by Curti.

ROLLCALL VOTE: Miller-yes, Curti-yes, Frank-yes, Lyon-yes, Enns-yes

VOTE 5-0 Motion passed

7. DISCUSSION AND CONSIDERATION TO APPROVE CHANGE ORDER #3 FROM SOUZA CONSTRUCTION FOR THE TORO CREEK BRIDGE REPLACEMENT PROJECT IN THE AMOUNT OF \$107,964.49

Manager Koon presented the change order and explained the reason for it. Director Curti wondered why CalTrans wasn't aware of the requirements embedded into this change order at the project's inception. Manager Koon suggested that perhaps there was a change in staff, and that the order for stainless steel came from Sacramento.

President Enns opened the meeting to Public Comment.
Hearing no comment, President Enns closed Public Comment.

MOTION: 1st by Frank, to approve Change Order #3 from Souza Construction for the Toro Creek Bridge Replacement Project in the amount of \$107,964.49. Motion was seconded by Lyon.

ROLLCALL VOTE: Frank-yes, Lyon-yes, Curti-yes, Miller-yes, Enns-yes

VOTE 5-0 Motion passed

8. DISCUSSION AND CONSIDERATION TO ADOPT RESOLUTION 2023-02 TO AUTHORIZE REMOTE TELECONFERENCING MEETINGS IN ACCORDANCE WITH GOVERNMENT CODE SECTION 54953(e) (AB 361)

Manager Koon informed the Board that AB 2449 created new rules and regulations that impact future remote meetings and encouraged the Board to review the legislature.

President Enns opened the meeting to Public Comment.
Hearing no comment, President Enns closed Public Comment.

MOTION: 1st by Miller, to adopt Resolution 2023-02 to authorize remote teleconferencing meetings in accordance with Government Code Section 54953(e) (AB 361). Motion was seconded by Frank.

ROLLCALL VOTE: Curti-yes, Frank-yes, Miller-yes, Lyon-yes, Enns-yes

VOTE 5-0 Motion passed

9. BOARD MEMBER COMMENTS

President Enns recognized the efforts of staff members Sarah Hooper, who stayed at the plant overnight during the January 9 storm, and Jon Collins, who spent a significant portion of the night at the plant, for their dedicated efforts in keeping the plant operating smoothly during unprecedented flow.

10. FUTURE SCHEDULED MEETINGS

- February 16, 2023 – Regular Board Meeting
- March 16, 2023 – Regular Board Meeting
- April 20, 2023 – Regular Board Meeting

11.ADJOURNMENT

The meeting adjourned at 5:50 p.m.

Minutes Respectfully Submitted By:

X Amy Lessi

Amy Lessi
Administrative Services Manager

DRAFT

**Cayucos Sanitary District
General Checking - Wells Fargo
(Payments Only)
January 2023**

Date	Num	Name	Amount
01/05/2023	HLTH010523	CALPERS (HEALTH)	-15,830.89
01/05/2023		QuickBooks Payroll Service	-20,127.83
01/05/2023	60237022364	ALLIED ADMINISTRATORS FOR DELTA DENTAL	-868.83
01/06/2023	DD01062301	ARIAS, MANUEL	0.00
01/06/2023	DD01062302	COLLINS, JONATHAN W	0.00
01/06/2023	DD01062303	GOOD, GAYLE	0.00
01/06/2023	DD01062304	HOOPER, SARAH L	0.00
01/06/2023	DD01062305	KOON, RICHARD L	0.00
01/06/2023	DD01062306	LAKEY, NICK E	0.00
01/06/2023	DD01062307	LESSI, AMY M	0.00
01/06/2023	DD01062308	OWENS, JUSTIN D	0.00
01/06/2023	EDD010623	EDD	-1,737.96
01/06/2023	FED010623	US TREASURY	-8,243.12
01/06/2023	DEF010623	CALPERS (RETIREMENT)	-1,075.00
01/06/2023	PERS010623	CALPERS (RETIREMENT)	-3,308.47
01/06/2023	23505	ABALONE COAST ANALYTICAL, INC.	-2,517.10
01/06/2023	23506	CARMEL & NACCASHA, LLP	-723.75
01/06/2023	23507	CHARTER INTERNET	-939.48
01/06/2023	23508	DEEP BLUE INTEGRATION, INC.	-195.00
01/06/2023	23509	KITZMAN WATER	-55.00
01/06/2023	23510	MISSION COUNTRY DISPOSAL - WRRF	-182.22
01/06/2023	23511	MORRO ROCK MUTUAL WATER CO. UTILITY 782	-75.51
01/06/2023	23512	N. BRENT KNOWLES CONSTRUCTION	-347.36
01/06/2023	23513	PG&E LS#1	-560.55
01/06/2023	23514	PG&E LS#2	-1,077.17
01/06/2023	23515	PG&E LS#3	-149.35
01/06/2023	23516	PG&E LS#4	-440.56
01/06/2023	23517	PG&E LS#5	-3,058.11
01/06/2023	23518	PG&E OFFICE	-233.80
01/06/2023	23519	PG&E WRRF	-3,500.13
01/06/2023	23520	QUICK TECH COMPUTERS	-1,630.00
01/06/2023	23521	SPEEDY COASTAL MESSENGER, INC.	-565.00
01/06/2023	23522	STREAMLINE	-200.00
01/06/2023	23523	USA BLUE BOOK	-167.97
01/06/2023	23524	STATE WATER RESOURCES CONTROL BOARD	-125.00
01/10/2023	23525	PATHIAN ADMINISTRATORS	-212.65
01/10/2023	23526	RICHARD HADSELL - overpayment refund	-196.00
01/10/2023	23527	ALPHA FIRE & SECURITY ALARM CORP	-105.00
01/10/2023	23528	CALNET3	-425.16
01/10/2023	23529	COASTAL ROLL OFF SERVICE	-2,103.00
01/10/2023	23530	JB DEWAR	-1,321.17
01/10/2023	23531	WELLS FARGO VENDOR FIN SERV	-387.43
01/13/2023	0030791111	CALIFORNIA DEPT. OF TAX & FEE ADMIN.	-190.00
01/17/2023	EDD012023	EDD	-1,754.23

Date	Num	Name	Amount
01/18/2023	23532	BRENNTAG PACIFIC, INC.	-2,541.50
01/18/2023	23533	FIRSTNET (AT&T)	-412.42
01/18/2023	23534	PRO3 AUTOMATION, INC.	-2,060.00
01/18/2023		PG&E WELL	0.00
01/19/2023		QuickBooks Payroll Service	-20,452.37
01/19/2023		QuickBooks Payroll Service	-18.29
01/20/2023	DD01202301	ARIAS, MANUEL	0.00
01/20/2023	DD01202302	COLLINS, JONATHAN W	0.00
01/20/2023	DD01202303	GOOD, GAYLE	0.00
01/20/2023	DD01202304	HOOPER, SARAH L	0.00
01/20/2023	DD01202305	KOON, RICHARD L	0.00
01/20/2023	DD01202306	LAKEY, NICK E	0.00
01/20/2023	DD01202307	LESSI, AMY M	0.00
01/20/2023	DD01202308	OWENS, JUSTIN D	0.00
01/20/2023	FED012023	US TREASURY	-8,277.68
01/20/2023	PERS012023	CALPERS (RETIREMENT)	-4,637.04
01/20/2023	DEF012023	CALPERS (RETIREMENT)	-1,075.00
01/20/2023	DD01202309	OWENS, JUSTIN D	0.00
01/20/2023	EDD012023b	EDD	-0.18
01/20/2023	FED012023b	US TREASURY	-3.06
01/23/2023	23535	DUKE ENERGY/WESTBOUND SOLAR 2	-6,455.20
01/23/2023	23536	EXECUTIVE JANITORIAL	-225.00
01/23/2023	23537	MINER'S ACE HARDWARE	-662.42
01/23/2023	23538	MISSION UNIFORM SERVICE	-499.26
01/23/2023	23539	STAPLES ADVANTAGE (Gov. Acct)	-95.45
01/26/2023	23540	BECK'S WELDING	-575.00
01/26/2023	23541	BUSINESS CARD 4841	-19.00
01/26/2023	23542	BUSINESS CARD 8913	-475.63
01/26/2023	23543	CAYUCOS BEACH MUTUAL WATER CO. #1	-93.36
01/26/2023	23544	CAYUCOS BEACH MUTUAL WATER CO. #2	-106.72
01/26/2023	23545	COASTAL COPY, INC	-45.87
01/26/2023	23546	POOR RICHARD'S PRESS	-1,219.47
01/26/2023	23547	SOCAL GAS	-102.51
01/26/2023	23548	STATE WATER RESOURCES CONTROL BOARD	-365.00
01/26/2023	23549	EXXONMOBIL	-717.41
01/26/2023	23551	PETTY CASH	-120.11
01/27/2023	23550	JB DEWAR	-1,852.56
01/31/2023	14172637275	COLONIAL LIFE INSURANCE PREMIUMS	-52.58
Total Operating Expenses			-\$127,789.89

**Cayucos Sanitary District
CIP Checking - Wells Fargo
(Payments Only)
January 2023**

<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Amount</u>
01/06/2023	11541	CARMEL & NACCASHA, LLP	-191.02
01/18/2023	11542	WATER SYSTEMS CONSULTING, INC.	-4,157.50
01/18/2023	11543	DOWNEY BRAND	-4,936.00
01/18/2023	11544	WATER SYSTEMS CONSULTING, INC.	-1,892.50
		Total CIP Expenses	<u>-\$11,177.02</u>

Cayucos Sanitary District Cash, Savings and Investment Report January 2023

Bank Accounts	Current Balance	
Wells Fargo General Checking	\$961,266	
Wells Fargo CIP	\$387,116	
Wells Fargo Savings (CFF)	\$225,455	
Wells Fargo - USDA	\$552,892	
Petty Cash	\$175	
LAIF	\$8,570	
Total	\$2,135,474	
Investments		
CalTrust	\$2,487,949	
Cetera Cash/MM	\$10,302	
Cetera Treasury/Securities	\$54,707	(Fixed Income)
Total	\$2,552,958	
Grand Total	\$4,688,433	
MCD Wells Fargo Deposit CD	\$25,000	Franchise Deposit on Hold

**Cayucos Sanitary District
FY 22/23 Financial Report
Budget vs. Actual
January 2023**

	Current Month	YTD Actual Rev/Exp	YTD Budget	Approved Budget 22/23	% of Budget
Ordinary Income/Expense					
Income					
4000 · SEWER INCOME	285,776	1,853,504	1,852,754	3,176,150	58%
4100 · WILL SERVE INCOME	350	68,750	51,450	88,200	78%
4200 · RENTAL INCOME	-	66,816	24,850	42,600	157% ¹
4300 · SOLID WASTE INCOME	-	49,136	52,267	89,600	55%
4400 · SLOCO TAX ASSESSMENTS	346,831	692,999	625,450	1,072,200	65%
4500 · SAVINGS INTEREST INCOME	716	2,883	29	50	5766% ²
4600 · INVESTMENT INTEREST	5,798	23,721	4,958	8,500	279%
4700 · OTHER INCOME	1,592	6,126	2,683	4,600	133%
Total Income	<u>641,063</u>	<u>2,763,934</u>	<u>2,614,442</u>	<u>4,481,900</u>	<u>62%</u>
Expense					
5000 · PAYROLL EXPENSES					
5100 · ADMINISTRATIVE PAYROLL	29,689	220,309	227,967	390,800	56%
5200 · COLLECTIONS PAYROLL	10,315	75,623	102,375	175,500	43%
5300 · TREAT PAYROLL	22,480	180,822	178,675	306,300	59%
5400 · DIRECTOR PAYROLL	-	3,800	4,667	8,000	48%
5500 · VESTED PAYROLL BENEFITS	302	2,090	3,325	5,700	37%
5600 · ADMIN PAYROLL TAXES & BENEFITS	9,201	80,660	80,325	137,700	59%
5700 · COLL PAYROLL TAXES & BENEFITS	7,872	56,020	68,950	118,200	47%
5800 · TREAT PAYROLL TAXES & BENEFITS	7,676	75,639	72,567	124,400	61%
5900 · DIRECTOR PAYROLL TAXES & BENEFITS	-	291	350	600	48%
Total 5000 · PAYROLL EXPENSES	<u>87,536</u>	<u>695,252</u>	<u>739,200</u>	<u>1,267,200</u>	<u>55%</u>
6000 · OPERATING EXPENSES					
6050 · SPECIAL PROJECTS	-	-	7,583	13,000	0%
6100 · ADMIN OPERATING EXPENSES	4,380	507,964	539,496	924,850	55%
6500 · COLLECTIONS OPERATING EXPENSES	7,147	100,647	130,229	223,250	45%
7000 · TREATMENT OPERATING EXPENSES	105,060	899,372	877,333	1,504,000	60%
Total 6000 · OPERATING EXPENSES	<u>116,588</u>	<u>1,507,983</u>	<u>1,554,642</u>	<u>2,665,100</u>	<u>57%</u>
Total Expense	<u>204,124</u>	<u>2,203,235</u>	<u>2,293,842</u>	<u>3,932,300</u>	<u>56%</u>
Net Ordinary Income	<u>436,939</u>	<u>560,699</u>	<u>320,600</u>	<u>549,600</u>	
Net Income	<u>436,939</u>	<u>560,699</u>	<u>320,600</u>	<u>549,600</u>	

¹ Rental income in arrears received from CMB

² Changeover to WF resulted in higher interest on checking account.

**Cayucos Sanitary District
Capital Improvement Projects Report
FY 22/23
January 2023**

	Current Month	YTD Actual Rev/Exp	Approved Budget 22/23	Percent Used YTD
CAPITAL IMPROVEMENTS				
1536 - Electric Vehicle Purchase			45,000.00	
1601 - Sewer Main Replacements	0.00	0.00	55,000.00	0%
1601.02 - Chaney to LS #5	0.00	0.00	35,000.00	0%
1608 - Main Admin. Building				
1608.4 - Generator Installation			25,000.00	
1616 - RWQCB Recycled Water Program	0.00	3,367.50	20,000.00	17%
1650 - WRRF Improvements				
1650.2 - Vertical Turbine Effluent Pump	0.00	0.00	45,000.00	0%
Total Capital Improvements	\$0.00	\$3,367.50	\$225,000.00	1%



CAYUCOS SANITARY DISTRICT STAFF REPORT

TO: BOARD OF DIRECTORS
FROM: RICK KOON, DISTRICT MANAGER
DATE: FEBRUARY 8, 2023
SUBJECT: MONTHLY MANAGER'S REPORT: JANUARY 2023

ADMINISTRATIVE

- This meeting is the last remote meeting that can be held under AB361. We will return to in-person meetings beginning with our March 16th meeting.
- District staff completed and filed multiple year-end reports for multiple agencies: SDRMA, OSHA, CDIAC, CERS, Federal 1099s and W-2s.
- *Reminder:* All Board members are required to complete and submit their Form 700 by April 3rd.
- *Reminder:* Reelected Board members are required to complete their online Ethics Training by February 28th.
- SDRMA has 3 seats open on their Board of Directors. The nomination filing deadline is Monday, May 1, 2023. Please contact District staff if you are interested in obtaining more information.
- CSDA is also looking for nominations for our Coastal Network Region. Their nomination deadline is April 6, 2023. Please contact District staff if you are interested in obtaining more information.

CAPITAL PROJECTS

- The District and WSC continue to make progress on the Consolidation Study. An administrative draft should be available in March.
- Pro 3 Automation was able to restore the SCADA communications with all our lift stations.
- The WRRF continues to operate normally. Upon forensic review of the January 9th rain event, treatment staff has modified some MBR settings to provide a more consistent, steady influent flow within the plant.
- Staff had additional flashing added to the Chemical PLC Controller to prevent rainwater from leaking into the cabinet.
- Collections staff had the O&M shop garage door motor replaced.

OPERATIONS & MAINTENANCE: JANUARY 2023

CIP: None

Daily Operations of Note:

- Pump down, scrape, and bleach wet wells; test backup generators
- Wash down bio basins, handrails, and walkways
- Test all alarms at lift stations
- Jet 1303' of main lines
- Target Solutions Training for SDRMA
- Pump out WRRF force main twice
- Respond to 23 USAs
- Clean gutters at downtown office
- Top off fuel on all generators
- JB Dewar fuel delivery at Lift Station 1
- Repair pedestal light at downtown office
- Cut back fallen trees on fencing at Lift Station 1
- Review and reset jetting logs for new year
- Replace opener for big roll up door downtown
- Training for new Underground Service Alert website

Call Outs:

- January 12, 2023: JC to Lift Station 5 – high water

Rainfall: 12.75"

WATER RESOURCE RECOVERY FACILITY: JANUARY 2023

Daily Operations of Note:

- Completed all monthly, weekly, and daily maintenance tasks
- Exercised generator and fire pump
- Calibrated on-line meters
- Checked eyewash stations and fire extinguishers
- Completed all daily and weekly lab tests
- Completed all Monthly and Annual Reports
- Replaced motor on Coarse Screen #1 (provided as warranty replacement) with heavy-duty motor
- One deficient monitoring violation on January 9, 2023 when flooding around the county made it impossible for us to get the sample to an analytical lab
- Fine tuning Membrane System to ramp up and ramp down more smoothly
- Notable high flow days:
 - Monday, January 9, 2023: 1.638 MG (over design flow)
 - Tuesday, January 10, 2023: 0.99 MG
- Average influent for January: 522,000 gallons per day

WRRF Effluent:

- 15.44 million gallons to Outfall in January
- Average effluent for January: 498,800 gallons per day



Moss, Levy & Hartzheim LLP

Certified Public Accountants

January 13, 2023

Board of Directors
Cayucos Sanitary District
PO Box 333
Cayucos, CA 93430

We have audited the basic financial statements of Cayucos Sanitary District for the fiscal year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 30, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Cayucos Sanitary District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2021. We noted no transactions entered into by the governmental unit during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

Management's estimate of the useful lives of capital assets is based on experience with other capital assets and on their standard table of useful lives. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability and deferred inflows and outflows related to pension are based on the CalPERS actuary's expertise experience. We evaluated the key factors and assumptions used to develop the net pension liability and deferred inflows and outflows related to pension in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the Loans and Certificates of Participation Payable in Note 5.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Some of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 13, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each fiscal year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Adjustments: We assisted the District staff in recording depreciation and capital assets that matched their depreciation schedule and we also assisted with adjusting accruals for receivables payables, and payroll to ensure that revenues and expenditures were recorded in the proper fiscal period to match when they were actually earned or incurred. We assisted in implementing GASB Statement No. 87 for the recording of leases for which the District is a lessor. We assisted the District in their net pension liability calculations and adjustments.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and

reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Cayucos Sanitary District and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Moss, Rinz & Haugheim LLP

Santa Maria, California

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

Board of Directors
Cayucos Sanitary District
Cayucos, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Cayucos Sanitary District, which comprise the statement of net position as of June 30, 2022, and the related statements of revenues, expenses, and changes in net position, and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 13, 2023.

Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements of the District, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Moss, Levy & Hartzheim LLP

Santa Maria, California
January 13, 2023

CAYUCOS SANITARY DISTRICT

BASIC FINANCIAL STATEMENTS

June 30, 2022

CAYUCOS SANITARY DISTRICT
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June 30, 2022

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FINANCIAL SECTION



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, 2022, 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, 2022, 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.

- 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 on pages 3 through 8, Schedule of Proportionate Share of Net Pension Liability on page 29, and the Schedule of Net Pension Contributions on page 30, 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 2021 financial statements, and our report dated November 2, 2021, 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, 2021, 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 January 13, 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, Remy & Haugheim LLP

Santa Maria, California

January 13, 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 2021-2022 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, 2022. 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 expenses are capitalized and depreciated over the lives of the capital assets.

FINANCIAL HIGHLIGHTS

The key financial highlight for FY2021-2022 are as follows:

This was the first fiscal year that the Wastewater Resource Recovery Facility was fully operational. The increased operational expenses reflect this change.

The CSD Board of Directors, in order to reduce the loan burden of the District, directed the sale of under-performing investments at Corestone, Inc. in the amount \$750,000, the proceeds of which were used to pay down the principal balance of the Western Alliance Series B loan.

SOURCES OF REVENUES

The District's total revenue for the fiscal year was \$8,884,040 inclusive of the following:

USDA Grant

The District was fortunate to receive a generous one-time grant from the USDA Department of Rural Development in the amount of \$4,503,344, specifically earmarked for reduction of the debt to build the Water Resource Recovery Facility. This amount represents just over 50% of the total FY revenue.

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 \$3,185,404 in annual revenue to the District, equal to 36% 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 \$16,987 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 fiscal year was \$1,023,046 representing 12% of total revenues.

Sewer Connection and Permit Fees

Based upon the study performed by Water Systems Consulting completed in January 2022, and after public notice and hearing, at their April 2022 meeting the District's Board voted to increase the sewer connection fee of \$7,960 to \$16,100 for connecting to the District's sewerage facilities. The completion of the WRRF has added \$31M to capital improvements, necessitating an \$8,240 increase in fees for newly constructed homes. In addition, the connection inspection fee of \$100 was increased to \$250. In FY 2021-2022, the District generated \$56,906 in combined sewer connection fees and sewer permit fees representing less than 1% of total revenues.

Other permit fees of \$4,625 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. Although the accounts generated interest of \$12,938, due to a challenging bond market the investment holdings depreciated in value for an overall loss of \$56,807.

Rental and Lease 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 2021-2022 was \$29,220 in annual rental revenue to the District and \$28,947 in annual lease revenue under GASB Statement No. 87 was, in total, less than 1% 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 \$84,492 or less than 1% of total revenues.

Miscellaneous Income

In FY 2021-2022 the District received \$7,876 in miscellaneous income derived from various sources. The District received \$7,621 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.

CAYUCOS SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

SOURCES OF EXPENSES

The total expenses of the District in FY 2021-2022 were \$4,269,490. There was an overall increase of \$1,191,438 equal to a 39% increase from prior FY 2020-2021 as shown below. The WRRF was fully operational for the entire fiscal year for the first time, accounting for the increase. Conversely, the MB WTP had only minor associated expenditures.

CATEGORY	FY 2022	FY 2021	\$ CHANGE	% CHANGE
Gross Wages	\$761,757	\$644,723	\$117,034	18%
Payroll Taxes and Benefits	\$251,811	\$167,732	\$84,079	50%
Directors' Fees	\$7,450	\$6,800	\$650	10%
Office Expense	\$31,333	\$28,756	\$2,577	9%
Dues and Subscriptions	\$9,815	\$8,074	\$1,741	22%
Business Expense	\$1,845	\$11,513	-\$9,668	-84%
Permits and Licenses	\$12,886	\$9,038	\$3,848	43%
Professional Services	\$228,905	\$63,972	\$164,933	258%
Insurance	\$301,069	\$206,554	\$94,515	46%
Taxes & Assessments	\$43,888	\$38,350	\$5,538	14%
Utilities	\$263,451	\$93,949	\$169,502	180%
Telephone	\$9,377	\$9,061	\$316	3%
Vehicle Expense	\$13,870	\$9,466	\$4,404	47%
Maintenance and Operations	\$156,099	\$94,448	\$61,651	65%
MB Wastewater Treatment Plant O&M (Includes MMRP Funding)	\$6,965	\$379,767	-\$372,802	-98%
Lab	\$93,561	\$26,840	\$66,721	249%
Depreciation	\$1,271,030	\$376,445	\$894,585	230%
Total Operating Expenses	3,465,112	\$2,175,488	\$1,289,624	59%
Interest Expense	\$804,378	\$902,564	-\$98,186	-11%
Total Non-Operating Expenses	\$804,378	\$902,564	-\$98,186	-11%
Total Expenses	\$4,269,490	\$3,078,052	\$1,191,438	39%

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, \$4,365 was invested in completing the outfall tie-in and \$77,668 was spent in the purchase of a track loader for use at the WRRF.

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 60 years.

The grant received from the USDA in the amount of \$4,503,344 in August 2021 was utilized to pay off the balance of the Western Alliance Series A-1 loan.

Two principal payments were made on the Western Alliance Series B loan: the scheduled payment in March and an additional payment of \$750,000, leaving a principal balance of \$4,883,977.

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 Sustainable Water Project (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 was in grant monies and \$22,136,000 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 (Series B), not subject to the USDA take-out monies.

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

To fund the final stages of the CSWP, the Western Alliance Series B loan was amended in February of 2021, increasing the \$5.0 million line of credit to \$9.0 million at 4.64% for 10 years.

The Cayucos Sanitary District Water Resource Recovery Facility was dedicated to the community of Cayucos in June 2021. In September of 2021, the District ceased sending any flow to the Morro Bay-Cayucos Sanitary District Wastewater Treatment Plant and the WRRF became fully operational.

Morro Bay-Cayucos SD Wastewater Treatment Plant and Infrastructure:

As the utility of the 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 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, 2022
With Comparative Totals for June 30, 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets:		
Cash and investments - cash equivalents (Note 3)	\$ 2,419,026	\$ 2,184,263
Cash and investments - cash equivalents, restricted (Note 3)		20,011
Cash and investments - non cash equivalents (Note 3)	1,720,219	1,791,016
Accounts receivable	223,439	81,936
Interest receivable	1,962	577
Lease receivable - current	28,484	
Other receivables	3,230	26,077
Land held for resale	2,205,315	2,743,405
	<u>6,601,675</u>	<u>6,847,285</u>
Total current assets		
Noncurrent Assets:		
Lease receivable - noncurrent	199,998	
Capital assets (Note 4):		
Non depreciable		
Land	3,969,048	3,769,048
Construction in progress	70,794	42,605,038
Construction in progress - CSWP alternatives analysis		55,825
Construction in progress - WWTP alternatives analysis		46,883
Depreciable		
Subsurface lines	2,127,442	2,098,642
Sewage collection facilities	44,664,009	1,878,589
Conveyance system	4,928,201	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	613,660	584,055
Office building	1,243,019	1,243,019
Treatment equipment	92,162	14,494
	<u>63,425,776</u>	<u>62,913,768</u>
Accumulated depreciation	<u>(14,180,115)</u>	<u>(12,909,085)</u>
Net capital assets	<u>49,245,661</u>	<u>50,004,683</u>
Total noncurrent assets	<u>49,445,659</u>	
Total assets	<u>56,047,334</u>	<u>56,851,968</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	<u>166,694</u>	<u>166,490</u>
Total deferred outflows of resources	<u>166,694</u>	<u>166,490</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, 2022
With Comparative Totals for June 30, 2021

	<u>2022</u>	<u>2021</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 177,988	\$ 37,356
Payable to the City of Morro Bay - operations and maintenance		107,568
Accrued payroll	29,973	24,376
Accrued interest	225,669	174,325
Customer deposits	325	325
Security deposit - MCD	25,000	25,000
Current portion of compensated absences (Note 7)	23,075	21,670
Current portion of construction loans payable (Note 5)	532,064	5,074,619
Current portion of certificates of participation (Note 5)	425,000	
	<hr/>	<hr/>
Total current liabilities	1,439,094	5,465,239
Long-Term Liabilities:		
Compensated absences (Note 7)	46,149	43,340
Net pension liability (Note 8)	419,978	689,373
Construction loans payable (Note 5)	4,351,913	5,635,320
Certificates of participation (Note 5)	23,876,500	24,301,500
	<hr/>	<hr/>
Total liabilities	30,133,634	36,134,772
DEFERRED INFLOWS OF RESOURCES		
Pensions	380,664	25,268
Leases	226,762	
	<hr/>	<hr/>
Total deferred inflows of resources	607,426	25,268
NET POSITION		
Net investment in capital assets	20,060,184	14,993,244
Restricted for construction		11
Unrestricted	5,412,784	5,865,163
	<hr/>	<hr/>
Total net position	\$ 25,472,968	\$ 20,858,418
	<hr/> <hr/>	<hr/> <hr/>

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, 2022

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

	<u>2022</u>	<u>2021</u>
Operating Revenues:		
Sewer services fees	\$ 3,185,404	\$ 3,059,047
Permit fees	4,625	4,000
	<hr/>	<hr/>
Total operating revenues	3,190,029	3,063,047
	<hr/>	<hr/>
Operating Expenses:		
Gross wages	761,757	644,723
Payroll taxes and benefits	251,811	167,732
Directors' fees	7,450	6,800
Office expense	31,333	28,756
Dues and subscriptions	9,815	8,074
Miscellaneous business expense	1,845	11,513
Permits and licenses	12,886	9,038
Professional services	228,905	63,972
Insurance	301,069	206,554
Taxes and assessments	43,888	38,350
Utilities	263,451	93,949
Telephone	9,377	9,061
Vehicle expense	13,870	9,466
Maintenance and operations	156,099	94,448
Treatment plant	6,965	379,767
Lab	93,561	26,840
Depreciation	1,271,030	376,445
	<hr/>	<hr/>
Total operating expenses	3,465,112	2,175,488
	<hr/>	<hr/>
Net operating income (loss)	(275,083)	887,559
	<hr/>	<hr/>
Non-Operating Revenues (Expenses):		
Rent income	29,220	56,365
Lease revenue	28,947	
Taxes and assessments	1,023,046	967,174
Grants	4,503,344	
Investment income (loss)	(56,807)	12,255
Franchise fees	84,492	84,625
Interest expense	(804,378)	(902,564)
Other revenue	7,876	16,702
Stand by fees	16,987	16,494
	<hr/>	<hr/>
Total non-operating revenues (expenses)	4,832,727	251,051
	<hr/>	<hr/>
Capital Contributions:		
Connection fees	56,906	23,480
	<hr/>	<hr/>
Change in net position	4,614,550	1,162,090
	<hr/>	<hr/>
Net position:		
Net position, beginning of fiscal year	20,858,418	19,696,328
	<hr/>	<hr/>
Net position, end of fiscal year	\$ 25,472,968	\$ 20,858,418
	<hr/>	<hr/>

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, 2022
With Comparative Totals for the Fiscal Year Ended June 30, 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 3,071,373	\$ 3,049,918
Payments to vendors	(1,140,000)	(3,165,655)
Payments to employees	(925,410)	(750,883)
Net cash provided (used) by operating activities	<u>1,005,963</u>	<u>(866,620)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes	1,023,046	967,174
Franchise fees	84,492	84,625
Stand by fees	16,987	16,494
Other revenue	7,876	16,702
Net cash provided by noncapital financing activities	<u>1,132,401</u>	<u>1,084,995</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Grants received	4,503,344	
Purchase of capital assets	(312,008)	(13,851,365)
Proceeds from construction loan payable		6,206,595
Proceeds from 2021 certificates of participation		24,301,500
Principal paid on long-term debt	(5,825,962)	(24,301,500)
Interest paid on long-term debt	(753,034)	(1,001,493)
Connection fees	56,906	23,480
Net cash used by capital and related financing activities	<u>(2,330,754)</u>	<u>(8,622,783)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	12,557	12,255
Rent	29,220	56,365
Lease revenue	27,227	
Proceeds from land held for resale	338,050	
Sale of investments	88	42,115
Net cash provided by investing activities	<u>407,142</u>	<u>110,735</u>
Net increase (decrease) in cash and cash equivalents	214,752	(8,293,673)
Cash and cash equivalents, July 1	<u>2,204,274</u>	<u>10,497,947</u>
Cash and cash equivalents, June 30	<u>\$ 2,419,026</u>	<u>\$ 2,204,274</u>
Reconciliation to Statement of Net Position:		
Cash and investments - cash equivalents	\$ 2,419,026	\$ 2,184,263
Cash and investments - cash equivalents, restricted for capital projects		<u>20,011</u>
Total cash and investments- cash equivalents	<u>\$ 2,419,026</u>	<u>\$ 2,204,274</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, 2022
With Comparative Totals for the Fiscal Year Ended June 30, 2021

	<u>2022</u>	<u>2021</u>
Reconciliation of operating income (loss) to net cash provided (used)		
by operating activities:		
Operating income (loss)	\$ (275,083)	\$ 887,559
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,271,030	376,445
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable	(141,503)	(6,792)
Other receivables	22,847	(6,337)
Deferred outflows - pensions	(204)	(8,799)
Payable to the City of Morro Bay	(107,568)	12,914
Accounts payable	140,632	(2,198,781)
Accrued payroll	5,597	9,390
Compensated absences	4,214	35,168
Customer deposits		
Security deposit		
Net pension liability	(269,395)	53,267
Deferred inflows - pensions	355,396	(20,654)
	<u> </u>	<u> </u>
Net cash provided (used) by operating activities	<u>\$ 1,005,963</u>	<u>\$ (866,620)</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, 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. 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.

R. New Accounting Pronouncements – Governmental Accounting Standards Board Statement No. 87

For the fiscal year ended June 30, 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No.87, “Leases”. This Statement is effective for periods beginning after June 15, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Implementation of the GASB Statement No. 87 did have an impact on the District’s financial statements for the fiscal year ended June 30, 2022, see Note 9 – Lease receivable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Future Accounting Pronouncements

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

Statement No. 91	"Conduit Debt Obligations"	The provisions of this statement are effective for fiscal years beginning after December 15, 2021.
Statement No. 93	"Replacement of Interbank Offered Rates"	The provisions 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. 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, 2022 and June 30, 2021, the District had the following cash and investments on hand:

	<u>2022</u>	<u>2021</u>
Cash on hand	\$ 175	\$ 175
Cash in banks	2,418,851	2,204,088
Investments	1,720,219	1,791,027
Total	<u>\$ 4,139,245</u>	<u>\$ 3,995,290</u>

CAYUCOS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 3 - CASH AND INVESTMENTS (Continued)

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

	<u>2022</u>	<u>2021</u>
Cash and investments-cash equivalents	\$ 2,419,026	\$ 2,184,263
Cash and investments-cash equivalents restricted for capital projects and debt service		20,011
Cash and investments-non cash equivalents	<u>1,720,219</u>	<u>1,791,016</u>
Total	<u>\$ 4,139,245</u>	<u>\$ 3,995,290</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, 2022:

	<u>Fair Value Measurement Using</u>		
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>Investments by fair value level</u>			
Debt securities			
Mortgage pass-through securities	\$ 59,985	\$ -	\$ -
Total investments measured at fair value	<u>59,985</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at amortized cost			
CalTrust medium term fund	1,626,753		
Certificate of deposit	25,000		
LAIF	<u>8,481</u>		
Total investments	<u>\$ 1,720,219</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	\$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

CAYUCOS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

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:

Investment Type	Carrying Amount	2022			
		Remaining Maturity (in Months)			
		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			
	<u>\$ 1,720,219</u>	<u>\$ 1,660,263</u>	<u>\$ -</u>	<u>\$ 411</u>	<u>\$ 59,545</u>

Investment Type	Carrying Amount	2021			
		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>

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.

Investment Type	Carrying Amount	Minimum Legal Rating	2022			
			Rating as of Fiscal Year End			
			AAA	AA+	AA-	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
	<u>\$ 1,720,219</u>		<u>\$ 59,985</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,660,234</u>

NOTE 3 - CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk (Continued)

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Minimum Legal Rating</u>	<u>2021 Rating as of Fiscal Year End</u>			
			<u>AAA</u>	<u>AA-</u>	<u>Baa</u>	<u>Not Rated</u>
			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>

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, 2022, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

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.

CAYUCOS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 4 - SCHEDULE OF CAPITAL ASSETS

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

	Balance				Balance	
	July 1, 2021	Additions	Deletions	Transfers	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 collection facilities	1,878,589			42,785,420	44,664,009	
Conveyance system	4,900,734			27,467	4,928,201	
Sewage treatment facilities	5,542,407				5,542,407	
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	

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

	Balance		Deletions /		Balance	
	July 1, 2020	Additions	Transfers		June 30, 2021	
Non-depreciable						
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	\$ 32,634,501	\$ 13,881,898	\$ (39,605)	\$ -	\$ 46,476,794	
Depreciable						
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	\$ 3,889,840	\$ (361,951)	\$ -	\$ -	\$ 3,527,889	
Net capital assets	\$ 36,524,341	\$ 13,519,947	\$ (39,605)	\$ -	\$ 50,004,683	

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 follows:

2021 Series B			
Fiscal Year			
Ending	Principal	Interest	Total
2023	\$ 532,064	\$ 210,250	\$ 742,314
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
2028-2030	2,035,220	191,723	2,226,943
Total	<u>\$ 4,883,977</u>	<u>\$ 1,054,538</u>	<u>\$ 5,938,515</u>

2021 Certificates of Participation			
Fiscal Year			
Ending	Principal	Interest	Total
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	455,000	390,774	845,774
2028-2032	2,399,000	1,830,495	4,229,495
2033-2037	2,616,000	1,611,212	4,227,212
2038-2042	2,853,000	1,372,066	4,225,066
2043-2047	3,111,000	1,111,297	4,222,297
2048-2052	3,393,000	826,905	4,219,905
2053-2057	3,701,000	516,735	4,217,735
2058-2062	4,029,500	178,476	4,207,976
Total	<u>\$ 24,301,500</u>	<u>\$ 9,478,670</u>	<u>\$ 33,780,170</u>

CAYUCOS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2022

NOTE 6 - LONG-TERM LIABILITIES

The changes in long-term liabilities at June 30, 2022 and June 30, 2021, are as follows:

	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	
	<u>\$ 35,765,822</u>	<u>\$ 65,214</u>	<u>\$ 6,156,357</u>	<u>\$ 29,674,679</u>	<u>\$ 980,139</u>

	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	53,267		689,373	
	<u>\$ 29,470,792</u>	<u>\$ 30,624,932</u>	<u>\$ 24,329,902</u>	<u>\$ 35,765,822</u>	<u>\$ 5,096,289</u>

NOTE 7 - COMPENSATED ABSENCES

As of June 30, 2022, it is estimated that the District's employees have \$69,224 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, 2022, are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire Date		
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	12.20% + \$52,531	7.59% + \$2,303

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 \$106,828 for the fiscal year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$419,978 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 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, 2020, and 2021 was as follows:

	<u>Miscellaneous</u>
Proportion-June 30, 2020	0.01634%
Proportion-June 30, 2021	0.02212%
Change-Increase (Decrease)	<u>0.00578%</u>

For the fiscal year ended June 30, 2022, the District recognized pension expense of \$192,624. 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, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

CAYUCOS SANITARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 106,828	\$ -
Differences between expected and actual experience	47,096	
Net difference between projected and actual earnings on retirement plan investments		366,618
Adjustment due to differences in proportions	10,734	4,291
Difference in actual contributions and proportionate share of contributions	2,036	9,755
	<u>\$ 166,694</u>	<u>\$ 380,664</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.

\$106,828 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, 2023.

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:

<u>Fiscal Year Ended June 30</u>	<u>Amount</u>
2023	\$ (66,882)
2024	(71,070)
2025	(81,532)
2026	(101,314)
Total	<u>\$ (320,798)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
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.

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 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.

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.

Asset Class	New Strategic Allocation	Real Return Years 1-10(a)	Real Return Years 11+(b)
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	100.0%		

- (a) An expected inflation of 2.00% used for this period.
- (b) An expected inflation of 2.92% used for this period.

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

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

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:

	1% Decrease <u>6.15%</u>	Discount Rate <u>7.15%</u>	1% Increase <u>8.15%</u>
District's proportionate share of the net pension plan liability	\$ 774,776	\$ 419,978	\$ 126,671

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, 2022, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2022.

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 discount rate of 3%, which is the implicit rate used for the agreement. In fiscal year 2022, the District recognized \$26,364 of lease revenue and \$2,579 of interest revenue under the lease.

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 2022, the District recognized \$2,583 of lease revenue and \$145 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, 2022

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Proportion of the net pension liability	0.00777%	0.00634%	0.00621%	0.00606%
Proportionate share of the net pension liability	\$ 419,978	\$ 689,373	\$ 636,106	\$ 584,314
Covered payroll	\$ 535,380	\$ 365,219	\$ 309,496	\$ 296,478
Proportionate share of the net pension liability as percentage of covered payroll	78.4%	188.8%	205.5%	197.1%
Plan's total pension liability	\$ 46,174,942,264	\$ 43,702,930,887	\$ 41,426,453,489	\$ 38,944,855,364
Plan's fiduciary net position	\$ 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	88.29%	75.10%	75.26%	75.26%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
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:

There were no changes to assumptions for the June 30, 2021 Measurement Date.

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

CAYUCOS SANITARY DISTRICT
SCHEDULE OF NET PENSION CONTRIBUTIONS
 Last 10 Years*
 As of June 30, 2022

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

	2022	2021	2020	2019
Contractually required contribution (actuarially determined)	\$ 106,828	\$ 91,965	\$ 70,877	\$ 58,972
Contribution in relation to the actuarially determined contributions	106,828	91,965	70,877	58,972
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 606,962	\$ 535,380	\$ 365,219	\$ 309,496
Contributions as a percentage of covered payroll	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:

There were no changes to assumptions for the fiscal year ended June 30, 2022.

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