



**Avila Beach Community Services District
Avila Beach, California**

Annual Financial Report

**For the Fiscal Year Ended
June 30, 2023**



AVILA BEACH COMMUNITY SERVICES DISTRICT

List of Elected Officials and District Staff

June 30, 2023

Elected Officials

BOARD OF DIRECTORS

| | |
|-----------------------|----------------------|
| President | Peter Kelley |
| Vice President | Ara Najarian |
| Director | John Janowicz |
| Director | Kristin Berry |
| Director | Howie Kennett |

District Staff

| | |
|------------------------|-------------------------|
| General Manager | Bradley Hagemann |
|------------------------|-------------------------|

**Avila Beach Community Services District
Post Office Box 309
100 San Luis Street
Avila Beach, California 93424
(805) 595-2664 www.avilabeachcsd.org**



Avila Beach Community Services District
Annual Financial Report
For the Fiscal Year Ended June 30, 2023

**Avila Beach Community Services District
Annual Financial Report
For the Fiscal Year Ended June 30, 2023**

Table of Contents

| | <u>Page No.</u> |
|---|------------------------|
| Table of Contents | i |
| Financial Section | |
| Independent Auditor’s Report | 1-3 |
| Management’s Discussion and Analysis | 4-9 |
| Basic Financial Statements: | |
| Government-wide Financial Statements: | |
| Statement of Net Position | 10 |
| Statement of Activities | 11 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Fund | 12 |
| Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position | 13 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund | 14 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities | 15 |
| Statement of Net Position – Enterprise Fund | 16 |
| Statement of Revenues, Expenses, and Changes in Fund Net Position – Enterprise Fund | 17 |
| Statement of Cash Flows – Enterprise Fund | 18-19 |
| Notes to the Basic Financial Statements | 20-40 |
| Required Supplementary Information | |
| Budgetary Comparison Schedule – General Fund | 41 |
| Notes to Required Supplementary Information – General Fund | 41 |
| Budgetary Comparison Schedule – Streets Light Fund | 42 |
| Notes to Required Supplementary Information – Streets Light Fund | 42 |
| Schedules of the District’s Proportionate Share of Net Pension Liability | 43-44 |
| Schedules of Pension Plan Contributions | 45 |
| Report on Compliance and Internal Controls | |
| Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 46-47 |

Financial Section



Christopher J. Brown, CPA, CGMA
Jonathan Abadesco, CPA
Jeffrey Palmer

C.J. Brown & Company CPAs

An Accountancy Corporation

Cypress Office:
10805 Holder Street, Suite 150
Cypress, California 90630
(657) 214-2307

Riverside Office:
5051 Canyon Crest Drive, Suite 203
Riverside, California 92507
(657) 214-2307

Independent Auditor's Report

Board of Directors
Avila Beach Community Services District
Avila Beach, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Avila Beach Community Services District (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the District, as of June 30, 2023, and the respective changes in financial position for the 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 (GAAS) 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 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

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

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

Independent Auditor's Report, continued

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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing our audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 and the required supplementary information on pages 41 through 45 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.

Independent Auditor's Report, continued

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs
Cypress, California
April 9, 2024

**Avila Beach Community Services District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023**

The following Management's Discussion and Analysis of activities and financial performance of the Avila Beach Community Services District (District) provide an introduction to the financial statements of the District for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements and related notes, which follow this section.

Financial Highlights

- The District's net position increased 6.17% or \$513,453 from \$8,322,187 to \$8,835,640 in 2023, as a result of current year operations.
- In 2023, total revenues from all sources increased 13.18% or \$259,044 from \$1,965,803 to \$2,224,847.
- In 2023, total expenses from operations increased 0.35% or \$6,002 from \$1,705,392 to \$1,711,394.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. uncollected taxes and earned, but unused, vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes, assessments, and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government and street lighting. The business-type activities of the District include operations for water, sanitation (sewer), and refuse (trash and solid waste).

The government-wide financial statements can be found on pages 10 and 11 of this report.

**Avila Beach Community Services District
Management’s Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2023**

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental fund and enterprise fund.

Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions.

The District maintains two individual governmental funds: general and street lighting. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund and street lighting fund, which are considered major funds. The District maintains no non-major governmental funds.

The District adopts an annual appropriated budget for its general fund and street lighting fund. A budgetary comparison statement has been provided for the general fund and street lighting fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12 through 15 of this report.

Statement of Net Position and Statement of Revenues, Expenses, and Changes in Fund Net Position – Enterprise Funds

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses three enterprise funds to account for its water, sanitary, and refuse activities.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund financial statements provide separate information for all three enterprise funds.

The basic enterprise fund financial statements can be found on pages 16 through 19 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 40 of this report.

**Avila Beach Community Services District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2023**

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which can be found on pages 41 through 45 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$8,835,640 at the close of the most recent fiscal year, with an increase of \$513,453 compared with the prior year.

A portion of the District's net position (80.55%) reflects its net investment in capital assets (e.g. land, water/wastewater infrastructure, and equipment). The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Statement of Net Position

Below is a summary of the statement of net position:

| | Condensed Statements of Net Position | | | | | |
|---|--------------------------------------|----------------|--------------------------|-------------------|-------------------|-------------------|
| | Governmental Activities | | Business-type Activities | | Total District | |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Assets: | | | | | | |
| Current assets | \$ 295,445 | 179,638 | 5,211,589 | 6,473,126 | 5,507,034 | 6,652,764 |
| Capital assets, net | 13,495 | 19,464 | 7,103,394 | 5,100,546 | 7,116,889 | 5,120,010 |
| Total assets | 308,940 | 199,102 | 12,314,983 | 11,573,672 | 12,623,923 | 11,772,774 |
| Deferred outflows of resources: | | | | | | |
| Deferred pension outflows | 82,628 | 28,724 | - | - | 82,628 | 28,724 |
| Total deferred outflows of resources | 82,628 | 28,724 | - | - | 82,628 | 28,724 |
| Liabilities: | | | | | | |
| Current liabilities | 184,362 | 13,959 | 719,431 | 376,891 | 903,793 | 390,850 |
| Non-current liabilities | 149,160 | 92,927 | 2,795,139 | 2,909,313 | 2,944,299 | 3,002,240 |
| Total liabilities | 333,522 | 106,886 | 3,514,570 | 3,286,204 | 3,848,092 | 3,393,090 |
| Deferred inflows of resources: | | | | | | |
| Deferred pension inflows | 22,819 | 86,221 | - | - | 22,819 | 86,221 |
| Total deferred inflows of resources | 22,819 | 86,221 | - | - | 22,819 | 86,221 |
| Net position: | | | | | | |
| Net investment in capital assets | 13,495 | 19,464 | 7,103,394 | 5,100,546 | 7,116,889 | 5,120,010 |
| Unrestricted | 21,732 | 15,255 | 1,697,019 | 3,186,922 | 1,718,751 | 3,202,177 |
| Total net position | \$ 35,227 | 34,719 | 8,800,413 | 8,287,468 | 8,835,640 | 8,322,187 |

The balance of unrestricted net position totaling \$1,718,751 may be used to meet the government's ongoing obligations.

Governmental activities — Governmental activities increased the District's net position by \$508 from the prior year. The increase in net position was due primarily to an increase of \$566,233 from current year operations; which was offset by a decrease of \$565,725 due to a transfer-out to support the operations of business-type activities.

Business-type activities — Business-type activities increased the District's net position by \$512,945 from the prior year. The increase in net position was due primarily to a decrease of \$52,780 from current year operations; which was offset by an increase \$565,725 due to a transfer-in from governmental activities.

**Avila Beach Community Services District
Management’s Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2023**

Government-wide Financial Analysis, continued

Statement of Activities

Below is a summary of the statement of activities:

| | Condensed Statements of Activities | | | | | |
|--|---|------------------|---------------------------------|------------------|-----------------------|------------------|
| | Governmental Activities | | Business-type Activities | | Total District | |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 4,008 | 5,392 | 1,369,316 | 1,225,836 | 1,373,324 | 1,231,228 |
| General revenues: | | | | | | |
| Property taxes | 866,231 | 769,614 | - | - | 866,231 | 769,614 |
| Investment return | (14,708) | (35,039) | - | - | (14,708) | (35,039) |
| Rental income | - | - | - | - | - | - |
| Total revenues | <u>855,531</u> | <u>739,967</u> | <u>1,369,316</u> | <u>1,225,836</u> | <u>2,224,847</u> | <u>1,965,803</u> |
| Expenses: | | | | | | |
| General government | 274,501 | 477,679 | - | - | 274,501 | 477,679 |
| Street lighting | 14,797 | 13,096 | - | - | 14,797 | 13,096 |
| Water | - | - | 440,413 | 377,987 | 440,413 | 377,987 |
| Sanitary | - | - | 957,281 | 835,664 | 957,281 | 835,664 |
| Refuse | - | - | 24,402 | 966 | 24,402 | 966 |
| Total expenses | <u>289,298</u> | <u>490,775</u> | <u>1,422,096</u> | <u>1,214,617</u> | <u>1,711,394</u> | <u>1,705,392</u> |
| Income(loss) before transfers and transfers | 566,233 | 249,192 | (52,780) | 11,219 | 513,453 | 260,411 |
| Capital contributions | - | - | - | - | - | - |
| Transfers in/(out) | <u>(565,725)</u> | <u>(468,215)</u> | <u>565,725</u> | <u>468,215</u> | <u>-</u> | <u>-</u> |
| Changes in net position | 508 | (219,023) | 512,945 | 479,434 | 513,453 | 260,411 |
| Net position, beginning of year | <u>34,719</u> | <u>253,742</u> | <u>8,287,468</u> | <u>7,808,034</u> | <u>8,322,187</u> | <u>8,061,776</u> |
| Net position, end of year | <u>\$ 35,227</u> | <u>34,719</u> | <u>8,800,413</u> | <u>8,287,468</u> | <u>8,835,640</u> | <u>8,322,187</u> |

- The District’s net position increased 6.17% or \$513,453 from \$8,322,187 to \$8,835,640 in 2023, as a result of current year operations.
- In 2023, total revenues from all sources increased 13.18% or \$259,044 from \$1,965,803 to \$2,224,847, primarily due to increases of \$142,096 in charges for services, \$96,617 in property taxes, and \$20,331 in interest earnings.
- In 2023, total expenses from operations increased 0.35% or \$6,002 from \$1,705,392 to \$1,711,394, primarily due to increases of \$121,617 in sanitary, \$62,426 in water, \$23,436 in refuse, and \$1,701 in street lighting; which were offset by a decrease of \$203,178 in general government operations.

Government Fund Financial Analysis

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental fund – The focus of the District’s governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government’s net resource available for spending at the end of the fiscal year.

**Avila Beach Community Services District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2023**

Government Fund Financial Analysis, continued

The following discussion is correlated to the Balance Sheet – Governmental Fund found on page 12.

As of the end of the current fiscal year, the District's governmental fund reported combined ending fund balance of \$111,685, a decrease of \$53,994 in comparison with the prior year. Of the total fund balance, 92.60%, or \$103,424, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remaining fund balance is assigned to indicate that it is not available for general spending because it has already been assigned for compensated absences.

The general fund is the chief operating fund of the District. As of the end of the current fiscal year, the District's general fund reported fund balance of \$88,920, a decrease of \$62,694 in comparison with the prior year. Of the general fund balance, 90.71%, or \$80,659, constitutes unassigned fund balance, which is available for spending. The remainder of fund balance is assigned to indicate that it is not available for general spending because it has already been assigned for compensated absences.

The District's general fund decrease of \$62,694 is the result of a \$522,279 income from the current year's operations; which was offset by a \$584,973 transfer-out to support the operations of the District's other funds.

The street lighting fund balance was \$22,765. The fund balance of the District's street lighting fund increased \$8,700 as a result of a \$10,548 loss from the current year's operations; which was offset by a \$19,248 transfer in from the general fund to support its operations.

Enterprise fund – The District's enterprise fund provides the same type of information found in the government-wide financial statements, but in greater detail.

Net position for all enterprise fund increased \$512,945 from the prior year. Changes in total net position from the prior year are as follows: the water enterprise fund increased by \$158,115, of which an increase of \$62,369 was a result of current year operations and \$95,746 was related to transfer-in from the general fund in support of its operations; the sanitary enterprise fund increased by \$350,817, of which a decrease of \$119,162 was a result of current year operations; which was offset by \$469,979 related to transfer-in from the general fund in support of its operations; and the refuse enterprise increased by \$4,013 as a result of current year operations.

Governmental Activities Budgetary Highlights

The final actual expenditures for the year ended June 30, 2023, were less than budgeted by \$132,048 for the General Fund and less than budgeted by \$3,952 for the Streets Lighting Fund. Actual revenues for the year ended June 30, 2023, were more than the anticipated budget by \$379,531 for the General Fund and less than the anticipated budget by \$15,000 for the Streets Lighting Fund. At June 30, 2023, there were no differences between the original and final amended budgets. (See Budgetary Comparison Schedule for the General Fund and Streets Lighting Fund under Required Supplementary Information section on pages 41 and 42).

**Avila Beach Community Services District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2023**

Capital Asset Administration

| | Governmental Activities | | Business-type Activities | | Total District | |
|---------------------------|-------------------------|----------|--------------------------|-------------|----------------|-------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Capital assets: | | | | | | |
| Non-depreciable assets | \$ 20 | 20 | 4,535,685 | 2,280,330 | 4,535,705 | 2,280,350 |
| Depreciable assets | 94,968 | 94,968 | 6,874,120 | 6,874,120 | 6,969,088 | 6,969,088 |
| Total capital assets | 94,988 | 94,988 | 11,409,805 | 9,154,450 | 11,504,793 | 9,249,438 |
| Accumulated depreciation | (81,493) | (75,524) | (4,306,410) | (4,053,904) | (4,387,903) | (4,129,428) |
| Total capital assets, net | \$ 13,495 | 19,464 | 7,103,395 | 5,100,546 | 7,116,890 | 5,120,010 |

At the end of fiscal year 2023, the District's investment in capital assets amounted to \$7,116,890 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment. The capital assets of the District are more fully analyzed in Note 5 to the basic financial statements.

Debt Administration

The change in long-term debt amounts for 2023, was as follows:

| | 2022 | Additions | Principal Payment | 2023 |
|------------------|--------------|-----------|----------------------|-----------|
| Long-term debt | | | | |
| Lease obligation | \$ 3,020,000 | - | (110,687) | 2,909,313 |

The District's long-term debt decreased \$110,687, primarily due to principal payments on long-term debt.

Conditions Affecting Current Financial Position

Management is unaware of any other conditions, which could have a significant impact on the District's current financial position, net position, or operating results in terms of past, present, and future.

Requests for Information

This financial report is designed to provide the District's present users, including funding sources, customers, stakeholders, and other interested parties, with a general overview of the District's finances and to demonstrate the District's accountability with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's General Manager, Bradley Hagemann at Avila Beach Community Services District, Post Office Box 309, Avila Beach, California 93424 or (805) 835-3163.

Basic Financial Statements

Avila Beach Community Services District
Statement of Net Position
June 30, 2023

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|-------------------|
| Current assets: | | | |
| Cash and cash equivalents (note 2) | \$ 22,765 | 5,109,222 | 5,131,987 |
| Accrued interest receivable | 31,062 | - | 31,062 |
| Accounts receivable – utilities, net (note 3) | - | 94,433 | 94,433 |
| Accounts receivable – other | - | 7,934 | 7,934 |
| Property taxes and assessments receivable | 30,263 | - | 30,263 |
| Due from other funds (note 4) | 211,355 | - | 211,355 |
| Total current assets | <u>295,445</u> | <u>5,211,589</u> | <u>5,507,034</u> |
| Non-current assets: | | | |
| Capital assets – not being depreciated (note 5) | 20 | 4,535,685 | 4,535,705 |
| Capital assets – being depreciated, net (note 5) | 13,475 | 2,567,709 | 2,581,184 |
| Total non-current assets | <u>13,495</u> | <u>7,103,394</u> | <u>7,116,889</u> |
| Total assets | <u>308,940</u> | <u>12,314,983</u> | <u>12,623,923</u> |
| Deferred outflows of resources: | | | |
| Deferred pension outflows (note 7) | 82,628 | - | 82,628 |
| Total deferred outflows of resources | <u>82,628</u> | <u>-</u> | <u>82,628</u> |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | 172,744 | - | 172,744 |
| Accrued wages and related payables | 3,357 | - | 3,357 |
| Accrued interest | - | 68,733 | 68,733 |
| Deposits and unearned revenue | - | 7,640 | 7,640 |
| Due to othe fund | - | 528,884 | 528,884 |
| Compensated absences (note 6) | 8,261 | - | 8,261 |
| Long-term liabilities – due within one year: Certificate-of-participation | - | 114,174 | 114,174 |
| Total current liabilities | <u>184,362</u> | <u>719,431</u> | <u>903,793</u> |
| Non-current liabilities: | | | |
| Long-term liabilities – due in more than one year: Certificate-of-participation | - | 2,795,139 | 2,795,139 |
| Net pension liability (note 7) | 149,160 | - | 149,160 |
| Total non-current liabilities | <u>149,160</u> | <u>2,795,139</u> | <u>2,944,299</u> |
| Total liabilities | <u>333,522</u> | <u>3,514,570</u> | <u>3,848,092</u> |
| Deferred inflows of resources: | | | |
| Deferred pension inflows (note 7) | 22,819 | - | 22,819 |
| Total deferred inflows of resources | <u>22,819</u> | <u>-</u> | <u>22,819</u> |
| Net position: | | | |
| Net investment in capital assets | 13,495 | 7,103,394 | 7,116,889 |
| Unrestricted | 21,732 | 1,697,019 | 1,718,751 |
| Total net position | <u>\$ 35,227</u> | <u>8,800,413</u> | <u>8,835,640</u> |

See accompanying notes to the basic financial statements

Avila Beach Community Services District
Statement of Activities
For the Fiscal Year Ended June 30, 2023

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | <u>Net (Expense) Revenue and Changes in Net Position</u> | | |
|--|---------------------|-----------------------------|--|---------------------------------|------------------|
| | | <u>Charges for Services</u> | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
| Governmental activities: | | | | | |
| General government | \$ 274,501 | 3,008 | (271,493) | - | (271,493) |
| Lighting | 14,797 | 1,000 | (13,797) | - | (13,797) |
| Total governmental activities | 289,298 | 4,008 | (285,290) | - | (285,290) |
| Business-type activities: | | | | | |
| Water | 440,413 | 502,782 | - | 62,369 | 62,369 |
| Sanitary | 957,281 | 838,119 | - | (119,162) | (119,162) |
| Refuse | 24,402 | 28,415 | - | 4,013 | 4,013 |
| Total business-type activities | 1,422,096 | 1,369,316 | - | (52,780) | (52,780) |
| Total | \$ 1,711,394 | 1,373,324 | (285,290) | (52,780) | (338,070) |
| General revenues: | | | | | |
| Property taxes | | | \$ 866,231 | - | 866,231 |
| Investment return | | | (14,708) | - | (14,708) |
| Total general revenues | | | 851,523 | - | 851,523 |
| Transfers in/(out) (note 4) | | | (565,725) | 565,725 | - |
| Changes in net position | | | 508 | 512,945 | 513,453 |
| Net position, beginning of year | | | 34,719 | 8,287,468 | 8,322,187 |
| Net position, end of year | | | \$ 35,227 | 8,800,413 | 8,835,640 |

See accompanying notes to the basic financial statements

**Avila Beach Community Services District
Balance Sheet – Governmental Fund
June 30, 2023**

| | <u>General</u> | <u>Streets Lighting</u> | <u>Total Governmental Activities</u> |
|---|-------------------|-----------------------------|--|
| Assets: | | | |
| Cash and cash equivalents (note 2) | \$ - | 22,765 | 22,765 |
| Accrued interest receivable | 31,062 | - | 31,062 |
| Property taxes and assessments receivable | 30,263 | - | 30,263 |
| Due from other funds (note 4) | 211,355 | - | 211,355 |
| Total assets | \$ 272,680 | 22,765 | 295,445 |
| Liabilities: | | | |
| Accounts payable and accrued expenses | \$ 172,142 | - | 172,142 |
| Accrued wages and related payables | 3,357 | - | 3,357 |
| Compensated absences (note 6) | 8,261 | - | 8,261 |
| Total liabilities | 183,760 | - | 183,760 |
| Fund balance (note 9): | | | |
| Assigned | 8,261 | - | 8,261 |
| Unassigned | 80,659 | 22,765 | 103,424 |
| Total fund balance | 88,920 | 22,765 | 111,685 |
| Total liabilities and fund balance | \$ 272,680 | 22,765 | 295,445 |

Continued on next page

See accompanying notes to the basic financial statements

Avila Beach Community Services District
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund
For the Fiscal Year Ended June 30, 2023

| | 2023 |
|---|-------------|
| Reconciliation: | |
| Total fund balance of Governmental Fund | \$ 111,685 |
| Amounts reported for governmental activities in the statement of net position is different because: | |
| Capital assets used in governmental activities are not current financial resources and, therefore, not in the governmental fund balance sheet. However, the statement of net position includes those capital position among the assets of the District as a whole. | 12,893 |
| Deferred outflows of resources applicable to the consumption of resources to be used in future periods | 82,628 |
| Long-term liabilities applicable to the District are not due and payable in the current period and, accordingly, are not reported as governmental fund liabilities. All liabilities both current and long-term, are reported in the statement of net position as follows: | |
| Net pension liability | (149,160) |
| Deferred inflows of resources applicable to the aquisition of resources to be used in future periods | (22,819) |
| Net position of Governmental Activities | \$ 35,227 |

See accompanying notes to the basic financial statements

Avila Beach Community Services District
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund
For the Fiscal Year Ended June 30, 2023

| | General | Streets Lighting | Total Governmental Activities |
|---|------------------|-----------------------------|--|
| Revenues: | | | |
| Property taxes | \$ 866,231 | - | 866,231 |
| Investment return | (14,708) | - | (14,708) |
| Charges for services | 3,008 | 1,000 | 4,008 |
| Total revenues | 854,531 | 1,000 | 855,531 |
| Expenditures: | | | |
| General government | 331,578 | - | 331,578 |
| Street lighting | - | 11,548 | 11,548 |
| Capital outlay | 674 | - | 674 |
| Total expenditures | 332,252 | 11,548 | 343,800 |
| Excess(deficiency) of revenues over expenditures | 522,279 | (10,548) | 511,731 |
| Other financing sources(uses): | | | |
| Operating transfers in(out) (note 4) | (584,973) | 19,248 | (565,725) |
| Net change in fund balance | (62,694) | 8,700 | (53,994) |
| Fund balance, beginning of year | 151,614 | 14,065 | 165,679 |
| Fund balance, end of year | \$ 88,920 | 22,765 | 111,685 |

Continued on next page

See accompanying notes to the basic financial statements.

Avila Beach Community Services District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of
Governmental Fund to the Statement of Activities
For the Fiscal Year Ended June 30, 2023

Reconciliation:

| | | |
|---|----|---------------|
| Net change in fund balance – Governmental Fund | \$ | (53,994) |
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental fund reports capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense as follows:</p> | | |
| Depreciation expense | | (5,969) |
| Capital outlay | | 674 |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenses in governmental fund as follows:</p> | | |
| Net change in pension obligations for the current period | | <u>59,797</u> |
| Changes in net position of Governmental Activities | \$ | <u>508</u> |

See accompanying notes to the basic financial statements

Avila Beach Community Services District
Statement of Net Position – Enterprise Fund
June 30, 2023

| | <u>Water</u> | <u>Sanitary</u> | <u>Refuse</u> | <u>Total Business-type Activities</u> |
|--|---------------------|------------------|----------------|---|
| Current assets: | | | | |
| Cash and cash equivalents (note 2) | \$ 2,848,211 | 2,129,844 | 131,167 | 5,109,222 |
| Accounts receivable – utilities, net (note 3) | 57,857 | 36,576 | - | 94,433 |
| Accounts receivable – other | 7,934 | - | - | 7,934 |
| Total current assets | <u>2,914,002</u> | <u>2,166,420</u> | <u>131,167</u> | <u>5,211,589</u> |
| Non-current assets: | | | | |
| Capital assets – not being depreciated (note 5) | - | 4,535,685 | - | 4,535,685 |
| Capital assets – being depreciated, net (note 5) | 483,583 | 2,084,126 | - | 2,567,709 |
| Total non-current assets | <u>483,583</u> | <u>6,619,811</u> | <u>-</u> | <u>7,103,394</u> |
| Total assets | <u>3,397,585</u> | <u>8,786,231</u> | <u>131,167</u> | <u>12,314,983</u> |
| Current liabilities: | | | | |
| Accrued interest | - | 68,733 | - | 68,733 |
| Unearned revenue | 7,640 | - | - | 7,640 |
| Due to other fund | 60,223 | 468,661 | - | 528,884 |
| Long-term debt – due within one year: | | | | |
| Certificate-of-participation | - | 114,174 | - | 114,174 |
| Total current liabilities | <u>67,863</u> | <u>651,568</u> | <u>-</u> | <u>719,431</u> |
| Non-current liabilities | | | | |
| Long-term debt – due after one year: | | | | |
| Certificate-of-participation | - | 2,795,139 | - | 2,795,139 |
| Total non-current liabilities | <u>-</u> | <u>2,795,139</u> | <u>-</u> | <u>2,795,139</u> |
| Total liabilities | <u>67,863</u> | <u>3,446,707</u> | <u>-</u> | <u>3,514,570</u> |
| Net position: | | | | |
| Net investment in capital assets | 483,583 | 6,619,811 | - | 7,103,394 |
| Unrestricted (note 9) | 2,846,139 | (1,280,287) | 131,167 | 1,697,019 |
| Total net position | <u>\$ 3,329,722</u> | <u>5,339,524</u> | <u>131,167</u> | <u>8,800,413</u> |

See accompanying notes to the basic financial statements

Avila Beach Community Services District
Statement of Revenues, Expenses, and Changes in Fund Net Position – Enterprise Fund
For the Fiscal Year Ended June 30, 2023

| | <u>Water</u> | <u>Sanitary</u> | <u>Refuse</u> | <u>Total Business-type Activities</u> |
|--|---------------------|------------------|----------------|---|
| Operating revenues: | | | | |
| Water consumption sales | \$ 502,782 | - | - | 502,782 |
| Sanitary service charges | - | 838,119 | - | 838,119 |
| Refuse franchise charges | - | - | 28,415 | 28,415 |
| Total operating revenue | <u>502,782</u> | <u>838,119</u> | <u>28,415</u> | <u>1,369,316</u> |
| Operating expenses: | | | | |
| Professional services | 103,476 | 310,101 | - | 413,577 |
| Utilities | 2,806 | 43,354 | 16,408 | 62,568 |
| Repairs and maintenance | 3,972 | 134,397 | - | 138,369 |
| Supplies | 773 | 49,714 | - | 50,487 |
| Insurance | 7,325 | 8,593 | - | 15,918 |
| Administrative expenses | 8,297 | 13,132 | 6,210 | 27,639 |
| Materials and services | 282,273 | 11,912 | 1,784 | 295,969 |
| Total operating expenses | <u>408,922</u> | <u>571,203</u> | <u>24,402</u> | <u>1,004,527</u> |
| Operating income before depreciation expense | 93,860 | 266,916 | 4,013 | 364,789 |
| Depreciation expense | (31,491) | (221,015) | - | (252,506) |
| Operating income(loss) | <u>62,369</u> | <u>45,901</u> | <u>4,013</u> | <u>112,283</u> |
| Non-operating expense: | | | | |
| Interest expense | - | (163,863) | - | (163,863) |
| Debt issuance cost | - | (1,200) | - | (1,200) |
| Total non-operating expense | <u>-</u> | <u>(165,063)</u> | <u>-</u> | <u>(165,063)</u> |
| Net income(loss) before transfers | <u>62,369</u> | <u>(119,162)</u> | <u>4,013</u> | <u>(52,780)</u> |
| Operating transfers in (note 4) | <u>95,746</u> | <u>469,979</u> | <u>-</u> | <u>565,725</u> |
| Changes in net position | 158,115 | 350,817 | 4,013 | 512,945 |
| Net position, beginning of year | <u>3,171,607</u> | <u>4,988,707</u> | <u>127,154</u> | <u>8,287,468</u> |
| Net position, end of year | <u>\$ 3,329,722</u> | <u>5,339,524</u> | <u>131,167</u> | <u>8,800,413</u> |

See accompanying notes to the basic financial statements

**Avila Beach Community Services District
Statement of Cash Flows – Enterprise Fund
For the Fiscal Year Ended June 30, 2023**

| | <u>2023</u> |
|--|---------------------|
| Cash flows from operating activities: | |
| Cash receipts from customers for water sales and services | \$ 1,283,508 |
| Cash paid to vendors and suppliers for materials and services | <u>(648,151)</u> |
| Net cash provided by operating activities | <u>635,357</u> |
| Cash flows from non-capital financing activities: | |
| Operating transfer-in | <u>565,725</u> |
| Net cash provided by non-capital financing activities | <u>565,725</u> |
| Cash flows from capital and related financing activities | |
| Acquisition and construction of capital assets | (2,255,355) |
| Proceeds from capital grants | 110,687 |
| Interest paid on debt | (280,652) |
| Debt issuance cost | <u>(1,200)</u> |
| Net cash provided by capital and related financing activities | <u>(2,426,520)</u> |
| Net increase in cash and cash equivalents | (1,225,438) |
| Cash and cash equivalents, beginning of year | <u>6,334,660</u> |
| Cash and cash equivalents, end of year | <u>\$ 5,109,222</u> |
| Reconciliation of cash and cash equivalents to the statement of net position: | |
| | <u>2023</u> |
| Cash and cash equivalents | \$ <u>5,109,222</u> |
| Total cash and cash equivalents | <u>\$ 5,109,222</u> |

Continued on next page

See accompanying notes to the basic financial statements

Avila Beach Community Services District
Statement of Cash Flows – Enterprise Fund, continued
For the Fiscal Year Ended June 30, 2023

| | 2023 |
|---|-------------------|
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | \$ 112,283 |
| Adjustment to reconcile operating income to net cash provided by operating activities: | |
| Depreciation expense | 252,506 |
| Changes in asset and liabilities: | |
| Decrease (increase) in asset: | |
| Accounts receivable – water sales and services, net | 28,115 |
| Accounts receivable – other | 429,669 |
| Increase (decrease) in liabilities: | |
| Accounts payable and accrued expenses | (188,426) |
| Unearned revenue | 1,210 |
| Net cash provided by operating activities | \$ 635,357 |

See accompanying notes to the basic financial statements

Avila Beach Community Services District
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2023

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Avila Beach Community Services District (District) serves as the local government for the Avila Beach community. The District is similar to a city government, supplying such services as fire protection, street lighting, potable water, wastewater treatment, and solid waste disposal. The District exists under California State law governing special districts (Government Code, Sec 61000 et. seq.). The District was formed in February 1997, with the combining of the Avila Beach County Water District and the Avila Lighting District. Previously, in 1974, the Avila Beach County Water District was formed by combining the Avila Fire Protection District and the Avila Sanitary District. The District is governed by a five-member Board of Directors who are elected at large. The directors entrust the responsibility for the efficient execution of District policies to their designated representative, the General Manager.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The District has no blended or discretely-presented component units.

B. Basis of Accounting and Measurement Focus

The *basic financial statements* of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide Financial Statements

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting for both governmental and business-type activities. Accordingly, all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which program expenses of a given function are offset by program revenues. Program expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the District are reported in three categories, as applicable: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Grants and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

B. Basis of Accounting and Measurement Focus, continued

Fund Financial Statements

These statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balance for all major governmental funds. Accompanying these statements are schedules to reconcile and explain the differences in fund balance as presented in these statements to the net position presented in the Government-wide Financial Statements.

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except those revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the District are property tax, interest earnings, investment revenue, and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

The accrual basis of accounting is followed by the proprietary enterprise fund. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used; such as unbilled but utilized utility services that are recorded at year end.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place. Operating revenues and expenses, such as water sales, wastewater service, solid waste collection, and purchase of water result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories, such as interest income and interest expense, are reported as non-operating revenues and expenses.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts established for the purpose of carrying out specific activities, or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

Funds are organized into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District, or meets the following criteria:

- a) Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b) Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined; or
- c) The entity has determined that a fund is important to the financial statement user.

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

B. Basis of Accounting and Measurement Focus, continued

Fund Financial Statements, continued

The funds of the financial reporting entity are described below:

Governmental Fund

- *General* – This fund acts as the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- *Lighting* – This fund accounts for the operations and maintenance of the Front Street Plaza lights and additional 27 streetlights in various locations around the community of the District.

Enterprise Fund

- *Water* – This fund accounts for the water transmission and distribution operations of the District.
- *Sanitary* – This fund accounts for the wastewater service operations of the District.
- *Refuse* – This fund accounts for the solid waste collection and disposal operations of the District.

C. Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District has adopted the following GASB pronouncements in the current year:

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Financial Statement Elements

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements; and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Substantially, all of the District’s cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Financial Statement Elements, continued

3. Accounts Receivable

The District extends credit to customers in the normal course of operations. Management deems all accounts receivable as collectible at year-end. Accordingly, an allowance for doubtful accounts has not been recorded.

4. Investment and Investment Policy

The District has adopted an investment policy to deposit funds in financial institutions. Investments are to be made in the following areas:

- California Local Agency Investment Fund (LAIF)
- Checking and savings accounts at local financial institutions

Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

5. Property Taxes and Assessments

The San Luis Obispo County Assessor's Office assesses all real and personal property within the County each year. The San Luis Obispo County Tax Collector's Office bills and collects the District's share of property taxes and/or tax assessments. The San Luis Obispo Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes and assessments receivable at year-end are related to property taxes and special assessments collected by the San Luis Obispo County, which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

| | |
|------------------|---------------------------|
| Lien date | March 1 |
| Levy date | July 1 |
| Due dates | November 1 and February 1 |
| Collection dates | December 10 and April 10 |

6. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

7. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. The District's policy has set the capitalization threshold for reporting capital assets at \$1,000. Donated assets are recorded at estimated fair market value at the date of donation and/or historical cost. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Financial Statement Elements, continued

7. Capital Assets, continued

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Governmental Activities

- Buildings and improvements – 20 to 30 years
- Furniture and equipment – 5 years

Business-Type Activities

- Sewage disposal system – 75 years
- Treatment and collection system – 10 to 50 years
- Transmission and distribution system – 20 to 50 years
- Equipment – 5 to 10 years

8. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of resources applicable to future periods.

9. Unearned Revenue

Unearned revenue consists of customer deposits held at year-end.

10. Compensated Absences

It is the District's policy to allow employees to accumulate earned but unused vacation time. The vesting method is used to calculate the liability and 100% of earned vacation time is payable upon separation. All vacation pay is accrued when incurred in the government-wide and enterprise fund financial statements. The entire balance of compensated absences is expected to be used within one year and is classified as a current liability. The General Fund is used to liquidate the compensated absence liabilities.

11. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of resources applicable to future periods.

12. Pensions

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

GASB 68 requires that reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following time frames are used:

- Valuation date: June 30, 2021
- Measurement date: June 30, 2022
- Measurement period: July 1, 2021 to June 30, 2022

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Financial Statement Elements, continued

13. Net Position

The government-wide financial statements utilize a net position presentation. Net position categories are as follows:

- *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets.
- *Restricted* – consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* – consists of net position that does not meet the definition of *net investment in capital assets* or *restricted* components of net position.

14. Fund Balance

The governmental fund financial statements report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable* – amounts that cannot be spent because they are either (a) not spendable in form, or (b) legally or contractually required to be maintained intact.
- *Restricted* – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – amounts that can only be used for specific purposes determined by formal action of the District’s highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- *Assigned* – amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose. This is also the classification for residual funds in the District’s special revenue funds.
- *Unassigned* – the residual classification for the District’s general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

Fund Balance Policy

The Board of Directors establishes, modifies, or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, followed by the unrestricted, committed, assigned, and unassigned resources as they are needed.

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Financial Statement Elements, continued

14. Fund Balance, continued

Fund Balance Policy, continued

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned, and unassigned fund balance are considered unrestricted.

The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

(2) Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2023, are classified as follows:

| | 2023 |
|---------------------------------|--------------|
| Governmental activities: | |
| General fund | \$ - |
| Lighting fund | 22,765 |
| Total governmental activities | 22,765 |
| Business-type activities: | |
| Water fund | 2,848,211 |
| Sanitary fund | 2,129,844 |
| Refuse fund | 131,167 |
| Total business-type activities | 5,109,222 |
| Total cash and cash equivalents | \$ 5,131,987 |

Cash and cash equivalents as of June 30, 2023, consist of the following:

| | 2023 |
|---|--------------|
| Deposits with financial institutions | 1,235,727 |
| Deposits held with the California Local Agency Investment Fund (LAIF) | 3,896,260 |
| Total cash and cash equivalents | \$ 5,131,987 |

As of June 30, 2023, the District's authorized deposits had the following maturities:

| | 2023 |
|---|-------------|
| Deposits held with the California Local Agency Investment Fund (LAIF) | 260 days |

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(2) Cash and Cash Equivalents, continued

Authorized Deposits and Investments

Under provisions of the District's investment policy, and in accordance with Section 53601 of the California Government Code, the District may invest in certain types of investments as listed in Note 1(D)(5) to the financial statements.

Investment in California Local Agency Investment Fund

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 the amortized cost basis.

The District's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transaction processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of \$5,000, in increments of \$1,000.
- Withdrawals of \$10 million or more require 24 hours advance.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction.

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that in the event of 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 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 Code and the District's investment policy contain legal and 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 LAIF).

The California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. Of the bank balance, up to \$250,000 is federally insured. The remaining balance is to be collateralized by the bank.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rate. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rate.

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(2) Cash and Cash Equivalents, continued

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization; however, LAIF is not rated.

Concentration of Credit Risk

The District’s investment policy contains no limitations on the amounts that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2023, there were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and/or external investment pools) that represents 5% or more of total District investments.

(3) Accounts Receivable – Utilities

The accounts receivable – utilities have been determined to be 100% collectible and an allowance for doubtful accounts is deemed unnecessary.

(4) Internal Transfers

Inter-fund Operational Transfers

Inter-fund transfers are used to move financial resources from the General fund to the Streets Light fund, the Water fund, and the Sanitary fund to absorb the operating deficit and to support the operations of each respective fund.

For the year end June 30, 2023, inter-fund transfers consist of the following:

| Transfer from | Transfer to | Amount |
|----------------------------------|------------------------|-------------------|
| General | Water | \$ 95,746 |
| General | Sanitary | 469,979 |
| Transfer to Business-type | | 565,725 |
| General | Street Lighting | 19,248 |
| Transfer from General | | \$ 584,973 |

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(5) Capital Assets

Governmental Activities

The change in capital assets for 2023, was as follows:

| | <u>Balance 2022</u> | <u>Additions/ Transfers</u> | <u>Deletions/ Transfers</u> | <u>Balance 2023</u> |
|--------------------------------|-------------------------|---------------------------------|---------------------------------|-------------------------|
| Non-depreciable assets: | | | | |
| Land and land rights | \$ 20 | - | - | 20 |
| Total non-depreciable assets | <u>20</u> | <u>-</u> | <u>-</u> | <u>20</u> |
| Depreciable assets: | | | | |
| Furniture and equipment | 26,354 | - | - | 26,354 |
| Street lights | 10,868 | - | - | 10,868 |
| Building and improvements | <u>57,746</u> | <u>-</u> | <u>-</u> | <u>57,746</u> |
| Total depreciable assets | <u>94,968</u> | <u>-</u> | <u>-</u> | <u>94,968</u> |
| Accumulated depreciation: | | | | |
| Furniture and equipment | (21,642) | (2,720) | - | (24,362) |
| Street lights | (10,868) | - | - | (10,868) |
| Building and improvements | <u>(43,014)</u> | <u>(3,249)</u> | <u>-</u> | <u>(46,263)</u> |
| Total accumulated depreciation | <u>(75,524)</u> | <u>(5,969)</u> | <u>-</u> | <u>(81,493)</u> |
| Total depreciable assets, net | <u>19,444</u> | <u>(5,969)</u> | <u>-</u> | <u>13,475</u> |
| Total capital assets, net | <u>\$ 19,464</u> | | | <u>13,495</u> |

There were no major capital asset additions in the governmental activities fund for the year ended June 30, 2023.

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(5) Capital Assets, continued

Business-Type Activities

The change in capital assets for 2023, was as follows:

| | <u>Balance 2022</u> | <u>Additions/ Transfers</u> | <u>Deletions/ Transfers</u> | <u>Balance 2023</u> |
|-------------------------------------|-------------------------|---------------------------------|---------------------------------|-------------------------|
| Non-depreciable assets: | | | | |
| Land | \$ 60,294 | - | - | 60,294 |
| Construction in progress | 2,220,036 | 2,255,355 | - | 4,475,391 |
| Total non-depreciable assets | <u>2,280,330</u> | <u>2,255,355</u> | <u>-</u> | <u>4,535,685</u> |
| Depreciable assets: | | | | |
| Water transmission and distribution | 1,291,086 | - | - | 1,291,086 |
| Wastewater collection | 5,583,034 | - | - | 5,583,034 |
| Total depreciable assets | <u>6,874,120</u> | <u>-</u> | <u>-</u> | <u>6,874,120</u> |
| Accumulated depreciation: | | | | |
| Water transmission and distribution | (776,014) | (31,491) | - | (807,505) |
| Wastewater collection | (3,277,890) | (221,015) | - | (3,498,905) |
| Total accumulated depreciation | <u>(4,053,904)</u> | <u>(252,506)</u> | <u>-</u> | <u>(4,306,410)</u> |
| Total depreciable assets, net | <u>2,820,216</u> | <u>(252,506)</u> | <u>-</u> | <u>2,567,710</u> |
| Total capital assets, net | <u>\$ 5,100,546</u> | | | <u>7,103,395</u> |

Major capital asset additions in the business-type activities fund include additions for construction in progress in the amount of \$2,255,355 for the year ended June 30, 2023.

(6) Compensated Absences

Changes in compensated absence as of June 30, 2023, were as follows:

| | <u>Balance 2022</u> | <u>Earned</u> | <u>Taken</u> | <u>Balance 2023</u> |
|----|-------------------------|---------------|----------------|-------------------------|
| \$ | <u>6,100</u> | <u>5,582</u> | <u>(3,421)</u> | <u>8,261</u> |

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(7) Long-term Debt

| | Balance 2022 | Additions | Principal Payments | Balance 2023 |
|-------------------------------|-------------------------|------------------|-------------------------------|-------------------------|
| Lease obligation: | | | | |
| Municipal Finance Corporation | \$ 3,020,000 | - | (110,687) | 2,909,313 |
| Total lease obligation | 3,020,000 | - | (110,687) | 2,909,313 |
| Less current portion | 110,687 | | | 114,174 |
| Total non-current | \$ 2,909,313 | | | 2,795,139 |

Municipal Finance Corporation

On September 2021, the District entered into a lease agreement with the Municipal Finance Corporation (Corporation); whereas, the District has leased certain real property to the Corporation for the purpose of enabling the District to finance the acquisition, construction, and installation of wastewater treatment plant improvement. In consideration, the Corporation provided lease payments with an aggregate principal component in the amount of \$3,020,000. Terms of the lease call for annual principal and interest payable on September 30th of each year. The interest on the lease is stated at a rate of 3.15% and the lease is scheduled to mature on September 2041.

Annual maturity and interest on the bond as follows:

| Fiscal Year | Principal | Interest | Total |
|--------------------|------------------|-----------------|--------------|
| 2024 | \$ 114,174 | 91,643 | 205,817 |
| 2025 | 117,770 | 88,047 | 205,817 |
| 2026 | 121,480 | 84,337 | 205,817 |
| 2027 | 125,306 | 80,511 | 205,817 |
| 2028 | 129,254 | 76,563 | 205,817 |
| 2029-2033 | 709,967 | 319,118 | 1,029,085 |
| 2034-2038 | 829,057 | 200,028 | 1,029,085 |
| 2039-2041 | 762,305 | 60,962 | 823,267 |
| Total | 2,909,313 | 1,001,209 | 3,910,522 |
| Current | (114,174) | | |
| Non-current | \$ 2,795,139 | | |

(8) Defined Benefit Pension Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of a miscellaneous risk pool and a safety risk pool, which are comprised of individual employer miscellaneous and safety plans, respectively. Benefit provisions under the Plan are established by State statute and the District's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on CalPERS website or may be obtained from their executive office at 400 P Street, Sacramento, California 95814.

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(8) Defined Benefit Pension Plans, continued

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 non-duty 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. Cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.0% at 60 Risk Pool Retirement Plan to new employee entrants, not previously employed by an agency under CalPERS, effective December 31, 2012. All employees hired after January 1, 2013, are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

The District participates in the Plan's miscellaneous risk pool. The provisions and benefits for the Plan's miscellaneous pool in effect as of June 30, 2023, are summarized as follows:

| | <u>New Classic</u> | <u>PEPRA</u> |
|---|----------------------------------|-----------------------------------|
| Hire date | Prior to December 31, 2012 | On or after January 1, 2013 |
| Benefit formula | 2.0% @ 60 | 2.0% @ 62 |
| Benefit vesting schedule | 5 years of service | |
| Benefit payments | monthly for life | |
| Retirement age | 50 - 60 | 52 - 62 |
| Monthly benefits, as a % of eligible compensation | 1.1% to 2.4% | 1.0% to 2.5% |
| Required employee contribution rates | N/A | 6.75% |
| Required employer contribution rates | N/A | 7.47% |

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that employer contribution rates for all public employers be determined on an annual basis by an actuary and shall be effective on July 1, following notice of a change in rate. Funding contribution 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. For the year ended June 30, 2023, contributions to the Plan was \$18,304.

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(8) Defined Benefit Pension Plans, continued

Net Pension Liability

As of the fiscal year ended June 30, 2023, the District reported net pension liability for its proportionate share of the net pension liability of the Plan as follows:

| | |
|---|-------------|
| | 2023 |
| Proportionate share of net pension liability | \$ 149,160 |

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability for the miscellaneous risk pool. As of June 30, 2023, the net pension liability of the Plan is measured as of June 30, 2022 (the measurement date). The total pension liability for the Plan's miscellaneous risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 (the valuation date), rolled forward to June 30, 2022, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's changes in the proportionate share of the net pension liability for the Plan's miscellaneous risk pool as of the measurement date June 30, 2022, was as follows:

| | Proportionate Share |
|-------------------------------|--------------------------------|
| Proportion – June 30, 2021 | 0.00172 % |
| Proportion – June 30, 2022 | 0.00129 |
| Change in proportionate share | 0.00043 % |

Deferred Pension Outflows(Inflows) of Resources

For the year ended June 30, 2023, the District recognized pension credit of \$61,073. As of the fiscal year ended June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Pension contributions subsequent to the measurement date | \$ 20,057 | - |
| Differences between actual and expected experience | 989 | - |
| Changes in assumptions | 15,285 | - |
| Net difference between projected and actual earnings on plan investments | 27,322 | - |
| Differences between actual contribution and proportionate share of contribution | - | (22,819) |
| Net adjustment due to differences in proportions of net pension liability | 18,975 | - |
| Total | \$ 82,628 | (22,819) |

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(8) Defined Benefit Pension Plans, continued

Deferred Pension Outflows(Inflows) of Resources, continued

For the year ended June 30, 2023, the District’s deferred outflows of resources related to contributions subsequent to the measurement date totaled \$18,304; and other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Fiscal Year Ended June 30, | Deferred Net Outflows / (Inflows) of Resources |
|---|---|
| 2024 | \$ 15,371 |
| 2025 | 6,906 |
| 2026 | 764 |
| 2027 | 16,711 |

Actuarial Assumptions

The total pension liabilities in the June 30, 2020 and 2019, actuarial valuations were determined using the following actuarial assumptions and methods:

| | |
|--|---|
| Valuation dates | June 30, 2021 and 2020 |
| Measurement dates | June 30, 2022 and 2021 |
| Actuarial cost method | Entry Age Normal in accordance with the requirements of GASB Statement No. 68 |
| Actuarial assumptions | |
| Discount rate | 6.90% |
| Inflation | 2.30% |
| Salary increase | Varies by entry age and service |
| Mortality Table* | Derived using CalPERS membership data |
| Period upon which actuarial Experience survey assumptions were based | 1997 – 2015 |
| Post-retirement benefit increase | Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on purchasing power applies |

* The mortality table was developed based on CalPERS specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study that can be found on the CalPERS website.

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(8) Defined Benefit Pension Plans, continued

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. This discount rate is not adjusted for administrative expenses. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

The table below reflects the expected real rates of return by asset class.

| <u>Asset Class</u> | <u>New Strategic Allocation</u> | <u>Real Return 1-10^{1,2}</u> |
|--------------------------------|---------------------------------|---------------------------------------|
| Global Equity - Cap-weighted | 30.00% | 4.54% % |
| Global Equity Non-Cap-weighted | 12.00% | 3.84% |
| Private Equity | 13.00% | 7.28% |
| Treasury | 5.00% | 0.27% |
| Mortgage-backed Securities | 5.00% | 0.50% |
| Investment Grade Corporates | 10.00% | 1.56% |
| High Yield | 5.00% | 2.27% |
| Emerging Market Debt | 5.00% | 2.48% |
| Private Debt | 5.00% | 3.57% |
| Real Assets | 15.00% | 3.21% |
| Leverage | -5.00% | -0.59% |

¹ An expected inflation of 2.30% used for this period.

² Figures are based on the 2021-22 Asset Liability Management Study.

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

The following table presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower and one-percentage point higher than the current rate.

As of June 30, 2023, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher are as follows:

| | <u>Discount Rate - 1%</u> | <u>Current Discount Rate</u> | <u>Discount Rate + 1%</u> |
|-------------------------------------|---------------------------|------------------------------|---------------------------|
| | <u>6.15%</u> | <u>7.15%</u> | <u>8.15%</u> |
| District's net pension liability \$ | <u>214,073</u> | <u>149,160</u> | <u>95,752</u> |

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(8) Defined Benefit Pension Plans, continued

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in separately issued CalPERS financial reports. See pages 43 through 45 for the Required Supplementary Information.

(9) Unrestricted Net Position

The District’s policy reserves the unrestricted net position of the water and sanitary fund as follows:

- *Operating fund reserve* – a range between a minimum of 90 days and a maximum of 270 days of annual operation and maintenance expense.
- *Capital replacement fund reserve* – after reserving 270 days of annual operation and maintenance expense for the operating fund reserve, two times the average annual 5-year capital outlay expenditures for the water fund; and two times the average annual 5-year capital outlay expenditure for the sanitary fund.
- *Emergency capital fund reserve* – 10% of fixed asset value for the water fund and 5% of fixed asset value for the sanitary fund.
- *Rate stabilization fund reserve* – 10% of annual rate revenues for the water fund and the sanitary fund.

A detailed schedule of unrestricted net position at June 30, 2023, for the water fund and the sanitary fund is as follows:

| <u>Description</u> | <u>Water</u> | <u>Sanitary</u> | <u>Refuse</u> | <u>Total</u> |
|----------------------------------|---------------------|------------------|----------------|------------------|
| Unrestricted: | | | | |
| Operating fund reserve | \$ 365,685 | 466,680 | - | 832,365 |
| Capital replacement fund reserve | 200,000 | - | - | 200,000 |
| Emergency capital fund reserve | 55,000 | 155,000 | - | 210,000 |
| Rate stabilization fund reserve | 60,000 | 80,000 | - | 140,000 |
| Unreserved | <u>1,975,848</u> | <u>(298,445)</u> | <u>127,154</u> | <u>1,804,557</u> |
| Total unrestricted | <u>\$ 2,656,533</u> | <u>403,235</u> | <u>127,154</u> | <u>3,186,922</u> |

(10) Fund Balance

Fund balance is presented in the following categories: non-spendable, restricted, committed, assigned, and unassigned (See Note 1(D)(14) for a description of these categories). A detailed schedule of fund balance and their funding composition at June 30, 2023, are as follows:

| <u>Description</u> | <u>2023</u> |
|---------------------------|-------------------|
| Assigned | |
| Compensated absences | \$ 8,261 |
| Unassigned | |
| Operations | <u>103,424</u> |
| Total fund balance | <u>\$ 111,685</u> |

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(11) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

At June 30, 2023, the District participated in the liability and property programs of the SDRMA as follows:

- General liability coverage up to \$5 million per occurrence for bodily injury, property damage, employment benefits, employee/public official errors and omission, and employment practices liability; coverage up to \$1 million per occurrence for employee/public official dishonesty; and coverage up to \$500,000 per occurrence for public official personal.
- Auto liability coverage up to \$5 million per occurrence for auto bodily injury and property damage; and coverage based on limits on file for uninsured motorist.
- Property coverage up to \$1 billion per occurrence for property; coverage up to \$100 million per occurrence for boiler and machinery; and coverage up to \$2 million per occurrence for pollution. Property coverage involving cyber is based on limits on file.
- Workers' compensation insurance coverage up to the statutory requirements and employer's liability coverage up to \$5 million.

Settled claims have not exceeded any of the coverage amounts in the last three fiscal years. There were no reductions in insurance coverage in fiscal years 2023, 2022 and 2021. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2023, 2022 and 2021.

(12) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the report date that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 99

In April 2022, the GASB issued Statement No. 99 – *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(12) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 100

In June 2022, the GASB issued Statement No. 100 – *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 101

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(12) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 102

In December 2023, the GASB issued Statement No. 102 – Certain Risk Disclosures. The primary objective of this Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

(13) Commitments and Contingencies

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

Grant Awards

Grant funds received by the District are subject to audit by grantor agencies. Such audit could lead to requests for reimbursements to grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Contracts and Agreements

The District is one of the entities covered by an agreement entered in October 1992, between the Central Coast Water Authority (CCWA) and San Luis Obispo (SLO) County to treat water delivered through the State Water Project (SWP).

(14) Subsequent Events

Events occurring after June 30, 2023, have been evaluated for possible adjustment to the financial statements or disclosure as of April 9, 2024, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

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Required Supplementary Information

**Avila Beach Community Services District
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2023**

| | <u>Adopted Original Budget</u> | <u>Board Approved Changes</u> | <u>Revised Budget</u> | <u>Actual Budgetary Basis</u> | <u>Vairance Positive (Negative)</u> |
|--|--|---------------------------------------|---------------------------|---------------------------------------|---|
| Revenues: | | | | | |
| Property taxes | \$ 460,000 | - | 460,000 | 866,231 | 406,231 |
| Investment return | 11,000 | - | 11,000 | (14,708) | (25,708) |
| Charges for services | 4,000 | - | 4,000 | 3,008 | (992) |
| Total revenues | <u>475,000</u> | <u>-</u> | <u>475,000</u> | <u>854,531</u> | <u>379,531</u> |
| Expenditures: | | | | | |
| General government | 464,300 | - | 464,300 | 331,578 | 132,722 |
| Capital outlay | - | - | - | 674 | (674) |
| Total expenditures | <u>464,300</u> | <u>-</u> | <u>464,300</u> | <u>332,252</u> | <u>132,048</u> |
| Excess(deficiency) of revenues over expenditures | 10,700 | - | 10,700 | 522,279 | 511,579 |
| Other financing sources(uses): | | | | | |
| Operating transfers in(out) | - | - | - | (584,973) | (584,973) |
| Net change in fund balance | 10,700 | <u>-</u> | 10,700 | (62,694) | <u>(73,394)</u> |
| Fund balance, beginning of year | <u>151,614</u> | | <u>151,614</u> | <u>151,614</u> | |
| Fund balance, end of year | \$ <u>162,314</u> | | <u>162,314</u> | <u>88,920</u> | |

Notes to Required Supplementary Information — General Fund

(1) Budgets and Budgetary Data

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year the District’s General Manager prepares and submits an operating budget to the Board of Directors for the General Fund no later than June of each year. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1. The Board of Directors must approve all supplemental appropriations to the budget and transfers between major accounts.

The District presents a comparison of the annual budget to actual results for the General Fund at the functional expenditure-type major object level for financial reporting purposes. The budgeted expenditure amounts represent the adopted budget.

**Avila Beach Community Services District
Budgetary Comparison Schedule – Streets Light Fund
For the Fiscal Year Ended June 30, 2023**

| | <u>Adopted Original Budget</u> | <u>Board Approved Changes</u> | <u>Revised Budget</u> | <u>Actual Budgetary Basis</u> | <u>Vairance Positive (Negative)</u> |
|--|--|---------------------------------------|---------------------------|---------------------------------------|---|
| Revenues: | | | | | |
| Property taxes | \$ 15,000 | - | 15,000 | - | (15,000) |
| Charges for services | <u>1,000</u> | <u>-</u> | <u>1,000</u> | <u>1,000</u> | <u>-</u> |
| Total revenues | <u>16,000</u> | <u>-</u> | <u>16,000</u> | <u>1,000</u> | <u>(15,000)</u> |
| Expenditures: | | | | | |
| Street lighting | <u>15,500</u> | <u>-</u> | <u>15,500</u> | <u>11,548</u> | <u>3,952</u> |
| Total expenditures | <u>15,500</u> | <u>-</u> | <u>15,500</u> | <u>11,548</u> | <u>3,952</u> |
| Excess(deficiency) of revenues over expenditures | 500 | - | 500 | (10,548) | (11,048) |
| Other financing sources(uses): | | | | | |
| Operating transfers in(out) | <u>-</u> | <u>-</u> | <u>-</u> | <u>19,248</u> | <u>19,248</u> |
| Net change in fund balance | 500 | <u>-</u> | 500 | 8,700 | <u>8,200</u> |
| Fund balance, beginning of year | <u>14,065</u> | | <u>14,065</u> | <u>14,065</u> | |
| Fund balance, end of year | \$ <u>14,565</u> | | <u>14,565</u> | <u>22,765</u> | |

Notes to Required Supplementary Information — Streets Light Fund

(1) Budgets and Budgetary Data

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year the District’s General Manager prepares and submits an operating budget to the Board of Directors for the Streets Light Fund no later than June of each year. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1. The Board of Directors must approve all supplemental appropriations to the budget and transfers between major accounts.

The District presents a comparison of the annual budget to actual results for the Streets Light Fund at the functional expenditure-type major object level for financial reporting purposes. The budgeted expenditure amounts represent the adopted budget.

Avila Beach Community Services District
Schedules of the District's Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2023
Last Ten Years*

Defined Benefit Pension Plan

| Description | Measurement Dates | | | | | | | | |
|---|-------------------|----------|----------|----------|----------|----------|----------|----------|----------|
| | 06/30/22 | 06/30/21 | 06/30/20 | 06/30/19 | 06/30/18 | 06/30/17 | 06/30/16 | 06/30/15 | 06/30/14 |
| District's proportion of the net pension liability | 0.00129% | 0.00172% | 0.00126% | 0.00128% | 0.00131% | 0.00138% | 0.00146% | 0.00171% | 0.00207% |
| District's proportionate share of the net pension liability | \$ 149,160 | 92,927 | 136,917 | 131,246 | 126,061 | 136,401 | 126,121 | 117,077 | 125,453 |
| District's covered payroll | \$ 42,243 | 40,687 | 40,000 | 42,387 | 39,321 | 42,741 | 62,301 | 60,480 | 58,718 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 353.10% | 228.39% | 342.29% | 309.64% | 320.59% | 319.13% | 202.44% | 193.58% | 213.65% |
| Plan's proportionate share of the fiduciary net position as a percentage of total pension liability | 76.68% | 88.29% | 75.10% | 75.26% | 75.26% | 73.31% | 74.06% | 78.40% | 79.82% |

Notes to the Schedules of the District's Proportionate Share of Net Pension Liability

Changes in Benefit Terms

Public agencies can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report.

Change of Assumptions and Methods

In fiscal year 2022, the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the

2021 CalPERS Experience Study and Review of Actuarial Assumptions.

In fiscal year 2021, there were no changes to actuarial assumptions or methods.

The CalPERS Board of Administration adopted a new amortization policy effective with the June 30, 2019, actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses.

Avila Beach Community Services District
Schedules of the District's Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2023
Last Ten Years*

Notes to the Schedules of the District's Proportionate Share of Net Pension Liability, continued

Change of Assumptions and Methods, continued

These changes will apply only to new UAL bases established on or after June 30, 2019. In fiscal year 2020, no changes have occurred to the actuarial assumptions in relation to financial reporting.

In fiscal year 2020, CalPERS implemented a new actuarial valuation software system for the June 30, 2018 valuation. This new system has refined and improved calculation methodology.

In December 2017, the CalPERS Board adopted new mortality assumptions for plans participating in the PERF. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90% of scale MP 2016 published by the Society of Actuaries. The inflation assumption is reduced from 2.75% to 2.50%.

The assumptions for individual salary increases and overall payroll growth are reduced from 3.00% to 2.75%. These changes will be implemented in two steps commencing in the June 30, 2017 funding valuation. However, for financial reporting purposes, these assumption changes are fully reflected in the results for fiscal year 2018.

In fiscal year 2017, the financial reporting discount rate for the PERF C was lowered from 7.65% to 7.15%. In December 2016, the CalPERS Board approved lowering the funding discount rate used in the PERF C from 7.50% to 7.00%, which is to be phased in over a three-year period (7.50% to 7.375%, 7.375% to 7.25%, and 7.25% to 7.00%) beginning with the June 30, 2016, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In fiscal year 2015, the financial reporting discount rate was increased from 7.50% to 7.65% resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50% during this period, and remained adjusted for administrative expenses.

* The District has presented information for those years for which information is available until a full 10- year trend is compiled.

**Avila Beach Community Services District
Schedules of Pension Plan Contributions
As of June 30, 2023
Last Ten Years***

Defined Benefit Pension Plan

| <u>Description</u> | <u>Fiscal Year Ended</u> | | | | | | | | | |
|---|--------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|--|
| | <u>06/30/23</u> | <u>06/30/22</u> | <u>06/30/21</u> | <u>06/30/20</u> | <u>06/30/19</u> | <u>06/30/18</u> | <u>06/30/17</u> | <u>06/30/16</u> | <u>06/30/15</u> | |
| Actuarially determined contribution | \$ 20,057 | 18,304 | 15,254 | 12,324 | 12,834 | 14,788 | 13,713 | 9,566 | 9,894 | |
| Contributions in relation to the actuarially determined contribution | <u>(20,057)</u> | <u>(18,304)</u> | <u>(15,254)</u> | <u>(12,324)</u> | <u>(12,834)</u> | <u>(14,788)</u> | <u>(13,713)</u> | <u>(9,566)</u> | <u>(9,894)</u> | |
| Contribution deficiency (excess) | \$ <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | |
| Covered payroll | \$ 48,550 | 42,243 | 40,687 | 40,000 | 42,387 | 39,321 | 42,741 | 62,301 | 60,480 | |
| Contribution's as a percentage of covered payroll | <u>41.31%</u> | <u>43.33%</u> | <u>37.49%</u> | <u>30.81%</u> | <u>30.28%</u> | <u>37.61%</u> | <u>32.08%</u> | <u>15.35%</u> | <u>16.36%</u> | |

Notes to the Schedules of Pension Plan Contributions

* The District has presented information for those years for which information is available until a full 10- year trend is compiled.

Report on Internal Controls and Compliance



C.J. Brown & Company CPAs
An Accountancy Corporation

Christopher J. Brown, CPA, CGMA
Jonathan Abadesco, CPA
Jeffrey Palmer

Cypress Office:
10805 Holder Street, Suite 150
Cypress, California 90630
(657) 214-2307

Riverside Office:
5051 Canyon Crest Drive, Suite 203
Riverside, California 92507
(657) 214-2307

**Independent Auditor’s 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
Avila Beach Community Services District
Avila Beach, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Avila Beach Community Services District (District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprises the District’s basic financial statements, and have issued our report thereon dated April 9, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

**Independent Auditor's Report on Internal Controls Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*, continued**

Purpose of this Report

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

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs
Cypress, California
April 9, 2024