



**PAUMA VALLEY  
COMMUNITY SERVICES DISTRICT  
ANNUAL FINANCIAL REPORT  
For the Fiscal Years Ended  
June 30, 2021 and 2020**

**NIGRO  
& NIGRO<sup>PC</sup>**

**PAUMA VALLEY COMMUNITY SERVICES DISTRICT**  
*For the Fiscal Years Ended June 30, 2021 and 2020*  
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***Financial Section***

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Pauma Valley Community Services District  
Pauma Valley, California

### Report on the Financial Statements

We have audited the accompanying financial statements of Pauma Valley Community Services District, which comprise the balance sheets as of June 30, 2021 and 2020, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pauma Valley Community Services District, as of June 30, 2021 and 2020, and the results of its operations and cash flows thereof for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information and schedules of proportionate share of the net pension liability and contributions to the pension plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a separate report dated October 15, 2021, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California  
October 15, 2021

## **PAUMA VALLEY COMMUNITY SERVICES DISTRICT**

### *Management's Discussion and Analysis (Unaudited)*

*For the Fiscal Years Ended June 30, 2021 and 2020*

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Management's Discussion and Analysis (MD&A) offers readers of Pauma Valley Community Services District's financial statements a narrative overview of the District's financial activities for the fiscal years ended June 30, 2021 and 2020. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

#### **FINANCIAL HIGHLIGHTS**

- In fiscal year 2021, the District's net position decreased by \$22,371 or 0.8% from the prior year's net position of \$2,687,259 to \$2,664,888 as a result of the year's operations.
- In fiscal year 2020, the District's net position decreased by \$95,196 or 3.4% from the prior year's net position of \$2,782,455 to \$2,687,259 as a result of the year's operations.
- In fiscal year 2021, operating revenues decreased \$10,731 or 0.8% from \$1,418,660 to 1,407,929, from the prior year, primarily due to a \$13,591 decrease in other fees and services.
- In fiscal year 2020, operating revenues decreased \$25,146 or 1.7% from \$1,443,806 to \$1,418,660, from the prior year, primarily due to a \$39,200 decrease in patrol service fees and a \$22,380 increase in gate service fees.
- In fiscal year 2021, operating expenses decreased \$91,054 or 5.6% from \$1,635,350 to \$1,544,296, from the prior year, primarily due to a \$78,944 decrease in the overall costs related to patrol services.
- In fiscal year 2020, operating expenses increased \$193,362 or 13.4% from \$1,441,988 to \$1,635,350, from the prior year, primarily due to a \$114,375 increase in pension related costs related to the GASB No. 68 actuarial calculation along with a \$71,431 increase in repairs and maintenance expense.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serve as an introduction to the District's financial statements. The District's basic financial statements reflect the combined results of the Operating and Capital Programs and include four components: (1) Balance Sheet; (2) Statement of Revenues, Expenses, and Changes in Net Position; (3) Statement of Cash Flows; and (4) Notes to the Financial Statements.

The financial statements accompanying this MD&A present the net position, results of operations, and changes in cash flow during the fiscal years ending June 30, 2021 and 2020. These financial statements have been prepared using the accrual basis of accounting, which is similar to the accounting basis used by for-profit entities. Each financial statement is identified and defined in this section, and analyzed in subsequent sections of this MD&A.

**PAUMA VALLEY COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Years Ended June 30, 2021 and 2020*

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**REQUIRED FINANCIAL STATEMENTS**

**Balance Sheet**

The Balance Sheet presents information on the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two 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. However, other factors such as changes in economic conditions, population growth, zoning, and new or changed legislation or regulations also need to be considered when establishing financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflow of resources, resulting in net positions of \$2,664,888 and \$2,687,259 as of June 30, 2021 and 2020, respectively.

**Statement of Revenues, Expenses, and Changes in Net Position**

The Statement of Revenues, Expenses, and Changes in Net Position present information showing how the District's net position changed during the fiscal year. All of the year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the results for the District's operations for the year and can be used to determine if the District has successfully recovered all of its costs through user fees and other charges. Operating revenues and expenses are related to the District's core activities (providing sewer, patrol, and gate services). Non-operating revenues and expenses are not directly related to the core activities of the District (e.g. interest income, interest expense, property taxes, gain or loss on sale of assets). For the fiscal years ended June 30, 2021 and 2020, net position decreased \$22,371 and \$95,196, respectively.

**Statement of Cash Flows**

The Statement of Cash Flows presents information regarding the District's use of cash during the year. It reports cash receipts, cash payments, and net changes in cash resulting from operations, financing and investing activities. The Statement of Cash Flows provides answers to such questions as: Where did cash come from? What was cash used for? What was the change in the cash balance during the reporting period?

District cash flows for the year have been categorized into one of the following activities: operating, non-capital financing, capital and related financing, or investing. The total of these categories represents an increase in cash and cash equivalents of \$61,163 and \$188,006 for the fiscal years ending June 30, 2021 and 2020, respectively. Cash equivalents managed directly by the District consist of investments in the California Local Agency Investment Fund (LAIF).

**PAUMA VALLEY COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Years Ended June 30, 2021 and 2020*

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**FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION**

**Analysis of Net Position**

**Table A-1: Condensed Balance Sheets**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>	<u>June 30, 2019</u>	<u>Change</u>
<b>Assets:</b>					
Current assets	\$ 1,276,729	\$ 1,244,280	\$ 32,449	\$ 1,064,928	\$ 179,352
Capital assets, net	<u>2,738,128</u>	<u>2,689,045</u>	<u>49,083</u>	<u>2,828,040</u>	<u>(138,995)</u>
<b>Total assets</b>	<u>4,014,857</u>	<u>3,933,325</u>	<u>81,532</u>	<u>3,892,968</u>	<u>40,357</u>
<b>Deferred outflows of resources</b>	<u>293,789</u>	<u>348,809</u>	<u>(55,020)</u>	<u>371,778</u>	<u>(22,969)</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 4,308,646</u>	<u>\$ 4,282,134</u>	<u>\$ 26,512</u>	<u>\$ 4,264,746</u>	<u>\$ 17,388</u>
<b>Liabilities:</b>					
Current liabilities	\$ 108,857	\$ 87,773	\$ 21,084	\$ 63,978	\$ 23,795
Non-current liabilities	<u>1,522,061</u>	<u>1,441,915</u>	<u>80,146</u>	<u>1,344,201</u>	<u>97,714</u>
<b>Total liabilities</b>	<u>1,630,918</u>	<u>1,529,688</u>	<u>101,230</u>	<u>1,408,179</u>	<u>121,509</u>
<b>Deferred inflows of resources</b>	<u>12,840</u>	<u>65,187</u>	<u>(52,347)</u>	<u>74,112</u>	<u>(8,925)</u>
<b>Net position:</b>					
Net investment in capital assets	2,738,128	2,689,045	49,083	2,828,040	(138,995)
Unrestricted (Deficit)	<u>(73,240)</u>	<u>(1,786)</u>	<u>(71,454)</u>	<u>(45,585)</u>	<u>43,799</u>
<b>Total net position</b>	<u>2,664,888</u>	<u>2,687,259</u>	<u>(22,371)</u>	<u>2,782,455</u>	<u>(95,196)</u>
<b>Total liabilities, deferred outflows of resources and net position</b>	<u>\$ 4,308,646</u>	<u>\$ 4,282,134</u>	<u>\$ 26,512</u>	<u>\$ 4,264,746</u>	<u>\$ 17,388</u>

The condensed statement on the prior page presents a summary of the District's Balance Sheet.

- The District's net position as of June 30, 2021 totaled \$2,664,888 compared with \$2,687,259 as of June 30, 2020, a decrease of \$22,371 or 0.8%.
- The District's net position as of June 30, 2020 totaled \$2,687,259 compared with \$2,782,455 as of June 30, 2019, a decrease of \$95,196 or 3.4%.

Net position is accumulated from revenues, expenses, and contributed capital combined with the beginning balance of net position as presented in the Statement of Revenues, Expenses, and Changes in Net Position.

In accordance with generally accepted accounting principles, capital assets are recorded at historical cost.



**PAUMA VALLEY COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Years Ended June 30, 2021 and 2020*

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**FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)**

**Analysis of Revenues and Expenses**

**Table A-2: Condensed Statements of Revenues, Expenses, and Changes in Net Position**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>	<u>June 30, 2019</u>	<u>Change</u>
Operating revenues	\$ 1,407,929	\$ 1,418,660	\$ (10,731)	\$ 1,443,806	\$ (25,146)
Operating expenses	(1,544,296)	(1,635,350)	91,054	(1,441,988)	(193,362)
<b>Operating income (loss)</b>	(136,367)	(216,690)	80,323	1,818	(218,508)
Non-operating revenues(expenses), net	113,996	121,494	(7,498)	119,720	1,774
<b>Change in net position</b>	(22,371)	(95,196)	72,825	121,538	(216,734)
Net position:					
<b>Beginning of year</b>	2,687,259	2,782,455	(95,196)	2,660,917	121,538
<b>End of year</b>	<u>\$ 2,664,888</u>	<u>\$ 2,687,259</u>	<u>\$ (22,371)</u>	<u>\$ 2,782,455</u>	<u>\$ (95,196)</u>

While the Statement of Net Position shows the change in financial position, the Statements of Revenues, Expenses and Changes in Net Position, provides answers to the nature and source of these changes.

**Table A-3: Comparative Statement of Revenues**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Increase (Decrease)</u>	<u>June 30, 2019</u>	<u>Increase (Decrease)</u>
<b>Operating revenues:</b>					
Sewer service fees	\$ 443,267	\$ 441,975	\$ 1,292	\$ 441,443	\$ 532
Patrol service fees	537,949	536,381	1,568	575,581	(39,200)
Gate service fees	398,364	398,364	-	375,984	22,380
Other fees and charges	28,349	41,940	(13,591)	50,798	(8,858)
<b>Total operating revenues</b>	1,407,929	1,418,660	(10,731)	1,443,806	(25,146)
<b>Non-operating:</b>					
Property taxes	112,479	107,242	5,237	104,033	3,209
Investment earnings	1,517	14,252	(12,735)	17,543	(3,291)
<b>Total non-operating</b>	113,996	121,494	(7,498)	121,576	(82)
<b>Total revenues</b>	<u>\$ 1,521,925</u>	<u>\$ 1,540,154</u>	<u>\$ (18,229)</u>	<u>\$ 1,565,382</u>	<u>\$ (25,228)</u>

- In fiscal year 2021, operating revenues decreased \$10,731 or 0.8% from \$1,418,660 to 1,407,929, from the prior year, primarily due to a \$13,591 decrease in other fees and services.
- In fiscal year 2020, operating revenues decreased \$25,146 or 1.7% from \$1,443,806 to \$1,418,660, from the prior year, primarily due to a \$39,200 decrease in patrol service fees and a \$22,380 increase in gate service fees.

**PAUMA VALLEY COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Years Ended June 30, 2021 and 2020*

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**FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)**

**Analysis of Revenues and Expenses (continued)**

**Table A-4: Comparative Statement of Expenses**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Increase (Decrease)</u>	<u>June 30, 2019</u>	<u>Increase (Decrease)</u>
<b>Operating expenses:</b>					
Sewer system	411,171	414,309	(3,138)	332,693	81,616
Patrol services	441,355	520,299	(78,944)	471,981	48,318
Gate services	302,455	318,406	(15,951)	276,913	41,493
General and administrative	389,315	382,336	6,979	360,401	21,935
<b>Total operating expenses</b>	<u>1,544,296</u>	<u>1,635,350</u>	<u>(91,054)</u>	<u>1,441,988</u>	<u>193,362</u>
<b>Non-operating expenses:</b>					
Interest expense	-	-	-	1,856	(1,856)
<b>Total non-operating</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,856</u>	<u>(1,856)</u>
<b>Total expenses</b>	<u>\$ 1,544,296</u>	<u>\$ 1,635,350</u>	<u>\$ (91,054)</u>	<u>\$ 1,443,844</u>	<u>\$ 191,506</u>

- In fiscal year 2021, operating expenses decreased \$91,054 or 5.6% from \$1,635,350 to \$1,544,296, from the prior year, primarily due to a \$78,944 decrease in the overall costs related to patrol services.
- In fiscal year 2020, operating expenses increased \$193,362 or 13.4% from \$1,441,988 to \$1,635,350, from the prior year, primarily due to a \$114,375 increase in pension related costs related to the GASB No. 68 actuarial calculation along with a \$71,431 increase in repairs and maintenance expense.

**CAPITAL ASSETS**

	<u>Balance June 30, 2021</u>	<u>Balance June 30, 2020</u>	<u>Balance June 30, 2019</u>
<b>Capital assets:</b>			
Non-depreciable assets	\$ 94,868	\$ 94,868	\$ 94,868
Depreciable assets	4,424,072	4,252,840	4,285,368
Accumulated depreciation	<u>(1,780,812)</u>	<u>(1,658,663)</u>	<u>(1,552,196)</u>
<b>Total capital assets, net</b>	<u>\$ 2,738,128</u>	<u>\$ 2,689,045</u>	<u>\$ 2,828,040</u>

In 2021, capital assets, net increased by \$49,083 from the prior year, contributing towards the ending balance of \$2,738,128. This overall net increase consisted of \$171,232 in additions and current year depreciation of \$122,149.

In 2020, capital assets, net decreased by \$138,995 from the prior year, contributing towards the ending balance of \$2,689,045. This overall net decrease consisted of current year depreciation of \$138,995.

**PAUMA VALLEY COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Years Ended June 30, 2021 and 2020*

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**CONDITIONS AFFECTING CURRENT FINANCIAL POSITION**

At the end of the first quarter of calendar year 2020, the United States and global economy suffered a major decline due to the impact of the COVID-19 virus. This economic decline may affect the District's operations and investment earnings for the remainder of calendar year 2021 and beyond. However, the potential impact to the District is unknown at this time.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our Board of Directors, citizens, customers, ratepayers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives and the stewardship of the facilities it owns and operates. If you have questions about this report or need additional information, please contact the District's General Manager, Pauma Valley Community Services District, 33129 Cole Grade Road, Pauma Valley, California 92061.

# PAUMA VALLEY COMMUNITY SERVICES DISTRICT

## Balance Sheets

June 30, 2021 and 2020

<b><u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>
<b>Current assets:</b>		
Cash and cash equivalents (Note 2)	\$ 1,182,293	\$ 1,121,130
Accrued interest receivable	874	2,207
Accounts receivable (Note 3)	53,779	75,527
Property taxes receivable	771	989
Prepaid expenses	39,012	44,427
<b>Total current assets</b>	<b>1,276,729</b>	<b>1,244,280</b>
<b>Non-current assets:</b>		
Capital assets – not being depreciated (Note 4)	94,868	94,868
Capital assets – being depreciated, net (Note 4)	2,643,260	2,594,177
<b>Total non-current assets</b>	<b>2,738,128</b>	<b>2,689,045</b>
<b>Total assets</b>	<b>4,014,857</b>	<b>3,933,325</b>
<b>Deferred outflows of resources:</b>		
Deferred amounts related to net pension liability (Note 6)	293,789	348,809
<b>Total deferred outflows of resources</b>	<b>293,789</b>	<b>348,809</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 4,308,646</b>	<b>\$ 4,282,134</b>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u></b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 77,508	\$ 49,260
Customer unearned revenue for services	18,933	27,362
Long-term liabilities – due within one year:		
Compensated absences (Note 5)	12,416	11,151
<b>Total current liabilities</b>	<b>108,857</b>	<b>87,773</b>
<b>Non-current liabilities:</b>		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 5)	12,415	11,150
Net pension liability (Note 6)	1,509,646	1,430,765
<b>Total non-current liabilities</b>	<b>1,522,061</b>	<b>1,441,915</b>
<b>Total liabilities</b>	<b>1,630,918</b>	<b>1,529,688</b>
<b>Deferred inflows of resources:</b>		
Deferred amounts related to net pension liability (Note 6)	12,840	65,187
<b>Total deferred inflows of resources</b>	<b>12,840</b>	<b>65,187</b>
<b>Net position:</b>		
Investment in capital assets	2,738,128	2,689,045
Unrestricted (Deficit) (Note 7)	(73,240)	(1,786)
<b>Total net position</b>	<b>2,664,888</b>	<b>2,687,259</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 4,308,646</b>	<b>\$ 4,282,134</b>

**PAUMA VALLEY COMMUNITY SERVICES DISTRICT**  
*Statements of Revenues, Expenses and Changes in Net Position*  
*For the Fiscal Years Ended June 30, 2021 and 2020*

	<u>2021</u>	<u>2020</u>
<b>Operating revenues:</b>		
Sewer service fees	\$ 443,267	\$ 441,975
Patrol service fees	537,949	536,381
Gate service fees	398,364	398,364
Other fees and charges	28,349	41,940
<b>Total operating revenues</b>	<u>1,407,929</u>	<u>1,418,660</u>
<b>Operating expenses:</b>		
Sewer system	411,171	414,309
Patrol services	441,355	520,299
Gate services	302,455	318,406
General and administrative	389,315	382,336
<b>Total operating expenses</b>	<u>1,544,296</u>	<u>1,635,350</u>
<b>Operating income (loss)</b>	<u>(136,367)</u>	<u>(216,690)</u>
<b>Non-operating revenues(expenses):</b>		
Property taxes	112,479	107,242
Investment earnings	1,517	14,252
<b>Total non-operating revenue(expense), net</b>	<u>113,996</u>	<u>121,494</u>
<b>Change in net position</b>	<u>(22,371)</u>	<u>(95,196)</u>
<b>Net position:</b>		
Beginning of year	<u>2,687,259</u>	<u>2,782,455</u>
End of year	<u>\$ 2,664,888</u>	<u>\$ 2,687,259</u>

**PAUMA VALLEY COMMUNITY SERVICES DISTRICT**

*Statements of Cash Flows*

*For the Fiscal Years Ended June 30, 2021 and 2020*

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	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Cash receipts from customers and others	\$ 1,421,248	\$ 1,435,492
Cash paid to employees for salaries and wages	(849,137)	(870,789)
Cash paid to vendors and suppliers for materials and services	(455,263)	(499,815)
<b>Net cash provided by operating activities</b>	<u>116,848</u>	<u>64,888</u>
<b>Cash flows from non-capital financing activities:</b>		
Proceeds from property taxes	<u>112,697</u>	<u>107,324</u>
<b>Net cash provided by non-capital financing activities</b>	<u>112,697</u>	<u>107,324</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	<u>(171,232)</u>	<u>-</u>
<b>Net cash used in capital and related financing activities</b>	<u>(171,232)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>		
Investment earnings	<u>2,850</u>	<u>15,794</u>
<b>Net cash provided by investing activities</b>	<u>2,850</u>	<u>15,794</u>
<b>Net increase in cash and cash equivalents</b>	<u>61,163</u>	<u>188,006</u>
<b>Cash and cash equivalents:</b>		
Beginning of year	<u>1,121,130</u>	<u>933,124</u>
End of year	<u>\$ 1,182,293</u>	<u>\$ 1,121,130</u>

**PAUMA VALLEY COMMUNITY SERVICES DISTRICT**

*Statements of Cash Flows (continued)*

*For the Fiscal Years Ended June 30, 2021 and 2020*

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	<u>2021</u>	<u>2020</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating income(loss)	\$ (136,367)	\$ (216,690)
<b>Adjustments to reconcile operating income(loss) to net cash provided by operating activities:</b>		
Depreciation	122,149	138,995
<b>Change in assets - (increase)decrease:</b>		
Accounts receivable, net	21,748	6,844
Prepaid expenses	5,415	186
<b>Change in deferred outflows of resources - (increase)decrease</b>		
Deferred amounts related to net pension liability	55,020	22,969
<b>Change in liabilities - increase(decrease):</b>		
Accounts payable and accrued expenses	28,248	15,347
Customer unearned revenue for services	(8,429)	9,988
Compensated absences	2,530	(3,081)
Net pension liability	78,881	99,255
<b>Change in deferred inflows of resources - increase(decrease)</b>		
Deferred amounts related to net pension liability	(52,347)	(8,925)
<b>Total adjustments</b>	<u>253,215</u>	<u>281,578</u>
<b>Net cash provided by operating activities</b>	<u>\$ 116,848</u>	<u>\$ 64,888</u>

# PAUMA VALLEY COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2021 and 2020

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### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

#### A. Description of Organization

The Pauma Valley Community Services District (District) was organized in 1961 under the Community Services District Law (Division 2 of Title 6) to provide sanitary sewer and security services to its constituency. The District is governed by a Board of Directors consisting of five directors elected by the District's constituency. The principal source of revenues to the District is fees for sanitary sewer and security services.

#### B. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity* (GASB Statement No. 61). 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 identified no organizations that are required to be reported as component units.

#### C. Basis of Presentation, Basis of Accounting

The Financial Statements (i.e., the balance sheet, the statement of revenues, expenses and change in net position, and statement of cash flows) report information on all of the activities of the primary government. The District accounts for its operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Financial Statements are reported using the “*economic resources*” measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as all eligibility requirements have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.



## PAUMA VALLEY COMMUNITY SERVICES DISTRICT

### Notes to Financial Statements

June 30, 2021 and 2020

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#### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

##### C. Basis of Presentation, Basis of Accounting (continued)

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

**Deferred Outflows of Resources** represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

**Deferred Inflows of Resources** represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as a revenue until that time.

Operating revenues are those revenues that are generated from the primary operations of the District. The District reports a measure of operations by presenting the change in net position from operations as *operating income* in the statement of revenues, expenses, and changes in net position. Operating activities are defined by the District as all activities other than financing and investing activities (interest expense and investment income), grants and subsidies, and other infrequently occurring transactions of a non-operating nature. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.

##### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

###### 1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Cash deposits are reported at the carrying amount, which reasonably estimates fair value.

###### 2. Investments

Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

**PAUMA VALLEY COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

*June 30, 2021 and 2020*

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**NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)**

**2. Investments (continued)**

*Level 2* – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

*Level 3* – Inputs that are unobservable. Unobservable inputs reflect the District’s own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

**3. Allowance for Doubtful Accounts**

The District’s accounts receivable consists of balances due from its customers, substantially all whom are residents in Pauma Valley Country Club Estates. The District has the right of lien and foreclosure on customer’s properties, and accordingly the risk of non-collection is low. However, when these remedies appear inadequate, the District provides for estimated losses based upon prior experience and management’s assessment of the collectability of existing specific accounts.

**4. Prepaids**

Certain payments of vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**5. Capital Assets**

Capital assets are stated at cost or at their estimated fair value at date of donation. It is the District’s policy to capitalize assets costing over \$5,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets. Estimated service lives for the District’s classes of assets are as follows:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Fences	5-40 years
Machinery and Equipment	5-30 years
Sewer and lateral lines	10-50 years
Oak Tree Lift Station	5-15 years
Treatment Plan	40 years
Drains	100 years
Channels	10-50 years

**6. Compensated Absences**

The liability for compensated absences reported on the balance sheet consists of unpaid, accumulated annual and vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

**PAUMA VALLEY COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

*June 30, 2021 and 2020*

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**NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)**

**7. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

<u>CalPERS</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Valuation date	June 30, 2019	June 30, 2018
Measurement date	June 30, 2020	June 30, 2019
Measurement period	July 1, 2019 to June 30, 2020	July 1, 2018 to June 30, 2019

**8. Net Position**

Net position is classified into two components: net investment in capital assets and unrestricted. These classifications are defined as follows:

- **Investment in capital assets** - This component of net position consists of capital assets, net of accumulated depreciation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "investment in capital assets".

**E. Property Taxes**

Property tax in California is levied in accordance with Article XIII A of the State Constitution at one percent of county-wide assessed valuations. This one percent is allocated pursuant to state law to the appropriate units of local government. Tax levies are limited to 1% of full market value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. The County of San Diego (County) bills and collects property taxes on behalf of the District. The County’s tax fiscal year is July 1, to June 30. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10, and April 10.

## PAUMA VALLEY COMMUNITY SERVICES DISTRICT

### Notes to Financial Statements

June 30, 2021 and 2020

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#### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

##### F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

#### NOTE 2 – CASH AND DEPOSITS

Cash and cash equivalents as of June 30 consisted of the following:

<u>Description</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Petty cash	\$ 421	\$ 249
Deposits held with financial institutions	111,747	523,434
Local Agency Investment Fund (LAIF)	1,070,125	597,447
<b>Total cash and cash equivalents</b>	<b>\$ 1,182,293</b>	<b>\$ 1,121,130</b>

The table below identifies the investment types that are authorized by the California Government Code and the District's investment policy. The table also identifies certain provisions of the District's investment policy that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements rather than the general provisions of the California Government Code or the District's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury obligations	5-years	None	None
District issued bonds	5-years	None	None
Government sponsored agency securities	5-years	None	None
Certificates-of-deposit	5-years	35%	None
Money-market funds	N/A	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None

##### Demand Deposits with Financial Institutions

At June 30, 2021 and 2020, the carrying amount of the District's demand deposits were \$111,747 and \$523,434, respectively, and the financial institution's balance were \$125,507 and \$526,008, respectively. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items between the financial institution's balance and the District's balance for each year.

## PAUMA VALLEY COMMUNITY SERVICES DISTRICT

### Notes to Financial Statements

June 30, 2021 and 2020

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#### NOTE 2 – CASH AND DEPOSITS (continued)

##### Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, 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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

##### Local Agency Investment Fund (LAIF)

The California State Treasurer, through the Pooled Money Investment Account (PMIA), invests taxpayers' money to manage the State's cash flow and strengthen the financial security of local governmental entities. PMIA policy sets as primary investment objectives safety, liquidity and yield. Through the PMIA, the Investment Division manages the Local Agency Investment Fund (LAIF). The LAIF allows cities, counties and special districts to place money in a major portfolio and, at no additional costs to taxpayers, use the expertise of Investment Division staff. Participating agencies can withdraw their funds from the LAIF at any time as LAIF is highly liquid and carries a dollar-in dollar-out amortized cost methodology.

The District is a voluntary participant in LAIF. The fair value of the District's investment in this pool is reported at an amount 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 the of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2021, and 2020, the District held \$1,070,125 and \$597,447 in LAIF, respectively.

#### NOTE 3 – ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable as of June 30 consisted of the following:

Description	June 30, 2021	June 30, 2020
Accounts receivable – customers	\$ 24,853	\$ 39,546
Due from Rancho Pauma Mutual Water Company	28,926	35,981
<b>Total accounts receivable, net</b>	<b>\$ 53,779</b>	<b>\$ 75,527</b>

**PAUMA VALLEY COMMUNITY SERVICES DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2021 and 2020*

**NOTE 4 – CAPITAL ASSETS AND DEPRECIATION**

Changes in capital assets for fiscal year 2021 were as follows:

Description	Balance July 1, 2020	Additions	Deletions/ Transfers	Balance June 30, 2021
<b>Non-depreciable assets:</b>				
Land	\$ 94,768	\$ -	\$ -	\$ 94,768
Easements	100	-	-	100
<b>Total non-depreciable assets</b>	<b>94,868</b>	<b>-</b>	<b>-</b>	<b>94,868</b>
<b>Depreciable assets:</b>				
Sewer system	3,543,935	42,835	-	3,586,770
Buildings and improvements	295,723	34,444	-	330,167
Patrol and gate	413,182	93,953	-	507,135
<b>Total depreciable assets</b>	<b>4,252,840</b>	<b>171,232</b>	<b>-</b>	<b>4,424,072</b>
<b>Accumulated depreciation:</b>				
Sewer system	(1,311,342)	(84,164)	-	(1,395,506)
Buildings and improvements	(134,171)	(9,544)	-	(143,715)
Patrol and gate	(213,150)	(28,441)	-	(241,591)
<b>Total accumulated depreciation</b>	<b>(1,658,663)</b>	<b>(122,149)</b>	<b>-</b>	<b>(1,780,812)</b>
<b>Total depreciable assets, net</b>	<b>2,594,177</b>	<b>49,083</b>	<b>-</b>	<b>2,643,260</b>
<b>Total capital assets, net</b>	<b>\$ 2,689,045</b>	<b>\$ 49,083</b>	<b>\$ -</b>	<b>\$ 2,738,128</b>

Changes in capital assets for fiscal year 2020 were as follows:

Description	Balance July 1, 2019	Additions	Deletions/ Transfers	Balance June 30, 2020
<b>Non-depreciable assets:</b>				
Land	\$ 94,768	\$ -	\$ -	\$ 94,768
Easements	100	-	-	100
<b>Total non-depreciable assets</b>	<b>94,868</b>	<b>-</b>	<b>-</b>	<b>94,868</b>
<b>Depreciable assets:</b>				
Sewer system	3,543,935	-	-	3,543,935
Buildings and improvements	295,723	-	-	295,723
Patrol and gate	445,710	-	(32,528)	413,182
<b>Total depreciable assets</b>	<b>4,285,368</b>	<b>-</b>	<b>(32,528)</b>	<b>4,252,840</b>
<b>Accumulated depreciation:</b>				
Sewer system	(1,226,119)	(85,223)	-	(1,311,342)
Buildings and improvements	(124,749)	(9,422)	-	(134,171)
Patrol and gate	(201,328)	(44,350)	32,528	(213,150)
<b>Total accumulated depreciation</b>	<b>(1,552,196)</b>	<b>(138,995)</b>	<b>32,528</b>	<b>(1,658,663)</b>
<b>Total depreciable assets, net</b>	<b>2,733,172</b>	<b>(138,995)</b>	<b>-</b>	<b>2,594,177</b>
<b>Total capital assets, net</b>	<b>\$ 2,828,040</b>	<b>\$ (138,995)</b>	<b>\$ -</b>	<b>\$ 2,689,045</b>

**PAUMA VALLEY COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

*June 30, 2021 and 2020*

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**NOTE 4 – CAPITAL ASSETS AND DEPRECIATION (continued)**

Depreciation expense as of June 30 was allocated to the following services:

<u>Services Allocation</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Sewer system	\$ 84,164	\$ 85,223
Patrol	18,110	34,019
Gate	10,331	10,331
Administration	9,544	9,422
<b>Total depreciation expense</b>	<b>\$ 122,149</b>	<b>\$ 138,995</b>

**NOTE 5 – COMPENSATED ABSENCES**

Changes to compensated absences for fiscal year 2021, were as follows:

<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
\$ 22,301	\$ 30,603	\$ (28,073)	\$ 24,831	\$ 12,416	\$ 12,415

Changes to compensated absences for fiscal year 2020, were as follows:

<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
\$ 25,382	\$ 34,137	\$ (37,218)	\$ 22,301	\$ 11,151	\$ 11,150

**NOTE 6 – PENSION PLAN**

**Summary**

The following balances on the balance sheet will be addressed in this footnote as follows:

<u>Description</u>	<u>2021</u>	<u>2020</u>
Pension related deferred outflows	\$ 293,789	\$ 348,809
Net pension liability	1,509,646	1,430,765
Pension related deferred inflows	12,840	65,187

The net pension liability balances have a Measurement Date of June 30, 2020 and June 30, 2019, respectively, which are rolled-forward for the District's fiscal years ended June 30, 2021 and 2020.

Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by agencies of the State of California known as the California Public Employees' Retirement System (CalPERS), or "The Plan".

**PAUMA VALLEY COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

*June 30, 2021 and 2020*

**NOTE 6 – PENSION PLAN (continued)**

**The Plan**

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

	<b>Miscellaneous Plans</b>	
	<b>Classic Tier 1</b>	<b>PEPRA Tier 2</b>
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3.0% @ 60	2.0% @ 62
Benefit vesting schedule	5-years of service	5-years of service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	1.0% to 2.5%
Required member contribution rates	8.000%	6.750%
Required employer contribution rates – FY 2020	14.398%	6.985%
Required employer contribution rates – FY 2019	13.439%	6.842%

**A. General Information about the Pension Plan**

**Plan Description, Benefits Provided and Employees Covered**

The Plan is an agent multiple-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the Plan’s June 30, 2019 Annual Actuarial Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS’ audited financial statements are publicly available reports that can be obtained at CalPERS’ website.

At June 30, 2021, the following members were covered by the benefit terms:

<b>Plan Members</b>	<b>Miscellaneous Plans</b>		<b>Total</b>
	<b>Classic Tier 1</b>	<b>PEPRA Tier 2</b>	
Active members	3	15	18
Transferred and terminated members	12	16	28
Retired members and beneficiaries	13	-	13
<b>Total plan members</b>	<b>28</b>	<b>31</b>	<b>59</b>

At June 30, 2020, the following members were covered by the benefit terms:

<b>Plan Members</b>	<b>Miscellaneous Plans</b>		<b>Total</b>
	<b>Classic Tier 1</b>	<b>PEPRA Tier 2</b>	
Active members	4	13	17
Transferred and terminated members	13	12	25
Retired members and beneficiaries	13	-	13
<b>Total plan members</b>	<b>30</b>	<b>25</b>	<b>55</b>



## PAUMA VALLEY COMMUNITY SERVICES DISTRICT

### Notes to Financial Statements

June 30, 2021 and 2020

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#### NOTE 6 – PENSION PLAN (continued)

##### A. General Information about the Pension Plan (continued)

###### Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Contributions for the year ended June 30, 2021, (Measurement Date June 30, 2020) were as follows:

Contribution Type	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Contributions – employer	\$ 108,560	\$ 51,676	\$ 160,236
Contributions – members	7,863	43,635	51,498
<b>Total contributions</b>	<b>\$ 116,423</b>	<b>\$ 95,311</b>	<b>\$ 211,734</b>

Contributions for the year ended June 30, 2020, (Measurement Date June 30, 2019) were as follows:

Contribution Type	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Contributions – employer	\$ 123,801	\$ 43,016	\$ 166,817
Contributions – members	14,461	40,192	54,653
<b>Total contributions</b>	<b>\$ 138,262</b>	<b>\$ 83,208</b>	<b>\$ 221,470</b>

Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

**PAUMA VALLEY COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

*June 30, 2021 and 2020*

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**NOTE 6 – PENSION PLAN (continued)**

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

***Proportionate Share of Net Pension Liability and Pension Expense***

The following table shows the plan’s proportionate share of the risk pool collective net pension liability over the measurement period:

Changes in the net pension liability for the year ended June 30, 2021, were as follows:

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
<b>CalPERS – Miscellaneous Plan:</b>			
Balance as of June 30, 2019 (Measurement Date)	\$ 4,956,442	\$ 3,525,677	\$ 1,430,765
Balance as of June 30, 2020 (Measurement Date)	\$ 5,169,064	\$ 3,659,418	\$ 1,509,646
<b>Change in Plan Net Pension Liability</b>	<u>\$ 212,622</u>	<u>\$ 133,741</u>	<u>\$ 78,881</u>

Changes in the net pension liability for the year ended June 30, 2020, were as follows:

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
<b>CalPERS – Miscellaneous Plan:</b>			
Balance as of June 30, 2018 (Measurement Date)	\$ 4,685,606	\$ 3,354,096	\$ 1,331,510
Balance as of June 30, 2019 (Measurement Date)	\$ 4,956,442	\$ 3,525,677	\$ 1,430,765
<b>Change in Plan Net Pension Liability</b>	<u>\$ 270,836</u>	<u>\$ 171,581</u>	<u>\$ 99,255</u>

For the year ended June 30, 2021 and 2020 pension expense was \$241,790 and \$280,116, respectively.

**PAUMA VALLEY COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

*June 30, 2021 and 2020*

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**NOTE 6 – PENSION PLAN (continued)**

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

As of June 30, 2021 and 2020, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$1,509,646 and \$1,430,765, respectively.

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020 and 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 and 2018 rolled forward to June 30, 2020 and 2019 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 proportionate share of the net pension liability for the June 30, 2021, measurement date was as follows:

	<b>Percentage Share of Risk Pool</b>		<b>Change Increase/ (Decrease)</b>
	<b>Fiscal Year Ending June 30, 2021</b>	<b>Fiscal Year Ending June 30, 2020</b>	
Measurement Date	<u>June 30, 2020</u>	<u>June 30, 2019</u>	
Percentage of Risk Pool Net Pension Liability	0.035790%	0.035729%	0.000061%
Percentage of Plan (PERF C) Net Pension Liability	0.013875%	0.013963%	-0.000088%

The District’s proportionate share of the net pension liability for the June 30, 2020, measurement date was as follows:

	<b>Percentage Share of Risk Pool</b>		<b>Change Increase/ (Decrease)</b>
	<b>Fiscal Year Ending June 30, 2020</b>	<b>Fiscal Year Ending June 30, 2019</b>	
Measurement Date	<u>June 30, 2019</u>	<u>June 30, 2018</u>	
Percentage of Risk Pool Net Pension Liability	0.035729%	0.035331%	0.000398%
Percentage of Plan (PERF C) Net Pension Liability	0.013963%	0.013818%	0.000145%

**Subsequent Events**

There were no subsequent events that would materially affect the results presented in this disclosure.

**Amortization of Deferred Outflows and Deferred Inflows of Resources**

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss.

**PAUMA VALLEY COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

*June 30, 2021 and 2020*

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**NOTE 6 – PENSION PLAN (continued)**

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

The total amount of \$160,236 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the measurement date	\$ 160,236	\$ -
Difference between actual and proportionate share of employer contributions	2,955	(7)
Adjustment due to differences in proportions	7,955	(2,065)
Differences between expected and actual experience	77,797	-
Differences between projected and actual earnings on pension plan investments	44,846	-
Changes in assumptions	-	(10,767)
<b>Total Deferred Outflows/(Inflows) of Resources</b>	<u>\$ 293,789</u>	<u>\$ (12,839)</u>

The total amount of \$166,817 reported as deferred outflows of resources related to contributions subsequent to the measurement date was recognized as a reduction of the net pension liability in the year ended June 30, 2020. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the measurement date	\$ 166,817	\$ -
Difference between actual and proportionate share of employer contributions	1,152	(3,641)
Adjustment due to differences in proportions	13,242	(4,647)
Differences between expected and actual experience	99,373	(7,699)
Differences between projected and actual earnings on pension plan investments	-	(25,014)
Changes in assumptions	68,225	(24,185)
<b>Total Deferred Outflows/(Inflows) of Resources</b>	<u>\$ 348,809</u>	<u>\$ (65,186)</u>

**PAUMA VALLEY COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

*June 30, 2021 and 2020*

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**NOTE 6 – PENSION PLAN (continued)**

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

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions for the year ended June 30, 2021, will be amortized to pension expense in future periods as follows:

<u>Amortization Period</u> <u>Fiscal Year Ended June 30</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2022	\$ 20,627
2023	44,890
2024	33,687
2025	21,510
<b>Total</b>	<u>\$ 120,714</u>

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions for the year ended June 30, 2020, will be amortized to pension expense in future periods as follows:

<u>Amortization Period</u> <u>Fiscal Year Ended June 30</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2021	\$ 107,039
2022	(9,756)
2023	14,468
2024	5,055
<b>Total</b>	<u>\$ 116,806</u>

***Actuarial Methods and Assumptions Used to Determine Total Pension Liability***

For the measurement period ending June 30, 2020 and 2019 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2019 and 2018, total pension liability. The June 30, 2021 and 2020, total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

# PAUMA VALLEY COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2021 and 2020

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### NOTE 6 – PENSION PLAN (continued)

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

##### *Discount Rate*

The discount rate used to measure the total pension liability was 7.15%. 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.

##### *Long-term Expected Rate of Return*

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

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

The expected real rates of return by asset class are as followed:

<u>Asset Class</u> <sup>1</sup>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10</u> <sup>2</sup>	<u>Real Return Years 11+</u> <sup>3</sup>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
	<u>100.0%</u>		

<sup>1</sup> In the Plan's Financials, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

<sup>2</sup> An expected inflation rate-of-return of 2.00% is used for this period.

<sup>3</sup> An expected inflation rate-of-return of 2.92% is used for this period.

**PAUMA VALLEY COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

*June 30, 2021 and 2020*

**NOTE 6 – PENSION PLAN (continued)**

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

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

Changes in the discount rate for the year ended June 30, 2021, was as follows:

<u>Plan Type</u>	<u>Plan's Net Pension Liability/(Asset)</u>		
	<u>Discount Rate - 1%</u>	<u>Current Discount</u>	<u>Discount Rate + 1%</u>
	<u>6.15%</u>	<u>Rate 7.15%</u>	<u>8.15%</u>
CalPERS – Miscellaneous Plan	<u>2,197,522</u>	<u>\$ 1,509,646</u>	<u>\$ 941,275</u>

Changes in the discount rate for the year ended June 30, 2020, was as follows:

<u>Plan Type</u>	<u>Plan's Net Pension Liability/(Asset)</u>		
	<u>Discount Rate - 1%</u>	<u>Current Discount</u>	<u>Discount Rate + 1%</u>
	<u>6.15%</u>	<u>Rate 7.15%</u>	<u>8.15%</u>
CalPERS – Miscellaneous Plan	<u>2,097,422</u>	<u>\$ 1,430,765</u>	<u>\$ 880,487</u>

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS’ website under Forms and Publications.

**C. Payable to the Pension Plans**

At June 30, 2021 and 2020, the District reported no payables for outstanding contributions to the CalPERS pension plan required for the year ended June 30, 2021 and 2020.

**NOTE 7 – UNRESTRICTED (DEFICIT)**

As of June 30, 2021 and 2020, the District has an unrestricted net position deficit of (\$73,238) and (\$1,786). Due to the nature of the deficit from the implementation of GASB Statement No. 68 in the past fiscal years, the District will continue to make its actuarial determined contributions to CalPERS and annually review its outstanding net pension obligations funding requirements for future periods to reduce its deficit position.

## **PAUMA VALLEY COMMUNITY SERVICES DISTRICT**

### *Notes to Financial Statements*

*June 30, 2021 and 2020*

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#### **NOTE 8 – DEFERRED COMPENSATION SAVINGS PLAN**

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program. The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes. Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors.

The District has implemented GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net position.

#### **NOTE 9 – 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 has purchased commercial insurance products to guard against the various risks of loss noted above.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2021, 2020, and 2019. 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, 2021, 2020, and 2019.

#### **NOTE 10 – COMMITMENTS AND CONTINGENCIES**

##### **Rancho Pauma Mutual Water Company**

The District's employees conduct the operations and administration for the Rancho Pauma Mutual Water Company (Company). The Company has agreed to provide funding for a fixed-percentage amount of the District's unfunded net pension liability as well as continuing operations and administration payroll-related pension contributions. The Company provided \$35,236 toward the funding of the unfunded net pension liability for the fiscal year ended June 30, 2021.

##### **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.

#### **NOTE 11 – CURRENT AND SUBSEQUENT EVENTS**

At the end of the first quarter of calendar year 2020, the United States and global economy suffered a major decline due to the impact of the COVID-19 virus. This economic decline may affect the District's operations and investment earnings for the remainder of calendar year 2021 and beyond. However, the potential impact to the District is unknown at this time.



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***Required Supplementary Information***

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**PAUMA VALLEY COMMUNITY SERVICES DISTRICT**  
*Schedule of Proportionate Share of the Net Pension Liability*  
*For the Fiscal Years Ended June 30, 2021 and 2020*

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**Last Ten Fiscal Years\***

**California Public Employees' Retirement System (CalPERS) Miscellaneous Plan**

<b>Measurement Date</b>	<b>District's Proportion of the Net Pension Liability</b>	<b>District's Proportionate Share of the Net Pension Liability</b>	<b>District's Covered Payroll</b>	<b>District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</b>	<b>Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability</b>
June 30, 2014	0.01306%	\$ 812,404	\$ 453,952	178.96%	81.15%
June 30, 2015	0.01325%	909,327	663,904	136.97%	79.38%
June 30, 2016	0.01351%	1,169,025	689,424	169.57%	75.20%
June 30, 2017	0.01358%	1,346,418	789,228	170.60%	74.09%
June 30, 2018	0.01382%	1,331,510	695,116	191.55%	71.58%
June 30, 2019	0.01396%	1,430,765	687,100	208.23%	71.13%
June 30, 2020	0.01388%	1,509,646	795,000	189.89%	70.79%

**Notes to Schedule:**

**Benefit Changes:**

There were no changes in benefits.

**Changes in Assumptions:**

**From fiscal year June 30, 2015 and June 30, 2016:**

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense.

**From fiscal year June 30, 2016 to June 30, 2017:**

There were no changes in assumptions.

**From fiscal year June 30, 2017 to June 30, 2018:**

The discount rate was reduced from 7.65% to 7.15%.

**From fiscal year June 30, 2018 to June 30, 2019:**

There were no significant changes in assumptions.

**From fiscal year June 30, 2019 to June 30, 2020:**

There were no significant changes in assumptions.

**From fiscal year June 30, 2020 to June 30, 2021:**

There were no significant changes in assumptions.

\*Fiscal year 2014 was the first measurement date year of implementation; therefore, only seven years are shown.

**PAUMA VALLEY COMMUNITY SERVICES DISTRICT**

*Schedule of Contributions*

*For the Fiscal Year Ended June 30, 2021 and 2020*

**Last Ten Fiscal Years\***

**California Public Employees' Retirement System (CalPERS) Miscellaneous Plan**

<b>Fiscal Year</b>	<b>Actuarially Determined Contribution</b>	<b>Contributions in Relation to the Actuarially Determined Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
June 30, 2015	\$ 86,506	\$ (86,506)	\$ -	663,904	13.03%
June 30, 2016	110,177	(110,177)	-	689,424	15.98%
June 30, 2017	128,402	(128,402)	-	789,228	16.27%
June 30, 2018	109,709	(109,709)	-	695,116	15.78%
June 30, 2019	146,075	(146,075)	-	687,100	21.26%
June 30, 2020	166,817	(166,817)	-	795,000	20.98%
June 30, 2021	160,236	(160,236)	-	849,137	18.87%

**Notes to Schedule:**

<b>Fiscal Year</b>	<b>Valuation Date</b>	<b>Actuarial Cost Method</b>	<b>Asset Valuation Method</b>	<b>Inflation</b>	<b>Investment Rate of Return</b>
June 30, 2015	June 30, 2013	Entry Age	Market Value	2.75%	7.65%
June 30, 2016	June 30, 2014	Entry Age	Market Value	2.75%	7.65%
June 30, 2017	June 30, 2015	Entry Age	Market Value	2.75%	7.65%
June 30, 2018	June 30, 2016	Entry Age	Market Value	2.75%	7.15%
June 30, 2019	June 30, 2017	Entry Age	Market Value	2.50%	7.15%
June 30, 2020	June 30, 2018	Entry Age	Market Value	2.50%	7.15%
June 30, 2021	June 30, 2019	Entry Age	Market Value	2.50%	7.15%

**Amortization Method**

Level percentage of payroll, closed

**Salary Increases**

Depending on age, service, and type of employment

**Investment Rate of Return**

Net of pension plan investment expense, including inflation

**Retirement Age**

50 years (3%@60), 52 years (2%@62)

**Mortality**

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

\*Fiscal year 2015 was the first implementation year; therefore, only seven years are shown.

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***Other Independent Auditors' Report***

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

Board of Directors  
Pauma Valley Community Services District  
Pauma Valley, 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 Pauma Valley Community Services District as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Pauma Valley Community Services District's basic financial statements, and have issued our report thereon dated October 15, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Pauma Valley Community Services 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 Pauma Valley Community Services District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pauma Valley Community Services 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 District'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 Pauma Valley Community Services District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in blue ink that reads "Nigro & Nigro, PC". The signature is written in a cursive style.

Murrieta, California  
October 15, 2021