PAUMA VALLEY
COMMUNITY SERVICES DISTRICT

ANNUAL FINANCIAL REPORT

For the Fiscal Years Ended
June 30, 2023 and 2022

NIGRO & NIGRO PC

PAUMA VALLEY COMMUNITY SERVICES DISTRICT

For the Fiscal Years Ended June 30, 2023 and 2022

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NIGRO & NIGRO PC
A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of the Pauma Valley Community Services District (District), which comprise the balance sheets as of June 30, 2023 and 2022, and related statements of revenue, expenses, and changes in net position, and cash flows for the years then ended, and related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2023 and 2022, and the respective changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA

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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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, Schedule of the District's Proportionate Share of the Plan's Net Pension Liability, and Schedule of the District's 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.

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2022, from which such partial information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued a separate report dated March 25, 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 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 the effectiveness of the District's 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
March 25, 2024

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, 2023 and 2022. 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 2023, the District's net position decreased by $670,787 or 22.75% from the prior year's net position of $2,947,966 to $2,277,179 as a result of the year's operations.

- In fiscal year 2022, the District's net position increased by $283,078 or 10.62% from the prior year's net position of $2,664,888 to $2,947,966 as a result of the year's operations.

- In fiscal year 2023, operating revenues decreased $611,718 or 28.51% from $2,145,632 to $1,533,914, from the prior year, primarily due to a one-time reimbursement of $677,124 from RPMWC for its portion of the Net Pension Liability payoff in the prior fiscal year.

- In fiscal year 2022, operating revenues increased $737,703 or 52.40% from $1,407,929 to $2,145,632, from the prior year, primarily due to a one-time reimbursement of $677,124 from RPMWC for its portion of the Net Pension Liability off.

- In fiscal year 2023, operating expenses increased $332,604 or 16.69% from $1,992,327 to $2,324,931, from the prior year, primarily due to an increase in the overall costs across all categories.

- In fiscal year 2022, operating expenses increased $448,031 or 29.01% from $1,544,296 to $1,992,327, from the prior year, primarily due to an increase in the overall costs across all categories.

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, 2023 and 2022. 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.

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 $2,277,179 and $2,947,966 as of June 30, 2023 and 2022, 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 of 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, 2023 and 2022, net position decreased $670,787 and increased $283,078, 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 a change in cash and cash equivalents of $20,394 and ($949,825) for the fiscal years ending June 30, 2023 and 2022, respectively. Cash equivalents managed directly by the District consist of investments in the California Local Agency Investment Fund (LAIF).

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION

Analysis of Net Position

Table A-1: Condensed Balance Sheets

	June 30, 2023	June 30, 2022	Change	June 30, 2021	Change
Assets:					
Current assets	$ 502,890	$ 372,166	$ 130,724	$ 1,276,729	$ (904,563)
Noncurrent	(6,446)	-	(6,446)	-	$ -
Capital assets, net	2,630,028	2,834,269	(204,241)	2,738,128	96,141
Total assets	3,126,472	3,206,435	(79,963)	4,014,857	(808,422)
Deferred outflows of resources	1,224,393	1,842,793	(618,400)	293,789	1,549,004
Total assets and deferred outflows of resources	$ 4,350,865	$ 5,049,228	$ (698,363)	$ 4,308,646	$ 740,582
Liabilities:					
Current liabilities	$ 170,414	$ 207,659	$ (37,245)	$ 108,857	$ 98,802
Non-current liabilities	327,201	996,906	(669,705)	1,522,061	(525,155)
Total liabilities	497,615	1,204,565	(706,950)	1,630,918	(426,353)
Deferred inflows of resources	1,576,071	896,697	679,374	12,840	883,857
Net position:					
Investment in capital assets	2,623,582	2,834,269	(210,687)	2,738,128	96,141
Unrestricted (Deficit)	(346,403)	113,697	(460,100)	(73,240)	186,937
Total net position	2,277,179	2,947,966	(670,787)	2,664,888	283,078
Total liabilities, deferred outflows of resources and net position	$ 4,350,865	$ 5,049,228	$ (698,363)	$ 4,308,646	$ 740,582

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, 2023 totaled $2,277,179 compared with $2,947,966 as of June 30, 2022, a decrease of $670,787 or 22.75%.
- The District's net position as of June 30, 2022 totaled $2,947,966 compared with $2,664,888 as of June 30, 2021, an increase of $283,078 or 10.62%.

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.

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

	June 30, 2023	June 30, 2022	Change	June 30, 2021	Change
Operating revenues	$ 1,533,914	$ 2,145,632	$ (611,718)	$ 1,407,929	$ 737,703
Operating expenses	(2,324,931)	(1,992,327)	(332,604)	(1,544,296)	(448,031)
Operating income (loss)	(791,017)	153,305	(944,322)	(136,367)	289,672
Non-operating revenues(expenses), net	120,230	129,773	(9,543)	113,996	15,777
Change in net position	(670,787)	283,078	(953,865)	(22,371)	305,449
Net position:					
Beginning of year	2,947,966	2,664,888	283,078	2,687,259	(22,371)
End of year	$ 2,277,179	$ 2,947,966	$ (670,787)	$ 2,664,888	$ 283,078

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

	June 30, 2023	June 30, 2022	Increase (Decrease)	June 30, 2021	Increase (Decrease)
Operating revenues:					
Sewer service fees	$ 502,449	$ 453,233	$ 49,216	$ 443,267	$ 9,966
Patrol service fees	557,360	537,949	19,411	537,949	-
Gate service fees	449,000	420,744	28,256	398,364	22,380
Other fees and charges	25,105	733,706	(708,601)	28,349	705,357
Total operating revenues	1,533,914	2,145,632	(611,718)	1,407,929	737,703
Non-operating:					
Property taxes	126,454	117,175	9,279	112,479	4,696
Investment earnings	222	598	(376)	1,517	(919)
Change in investment in USLRGMA	(6,446)	-	(6,446)	-	-
Sale of capital asset	-	12,000	(12,000)	-	12,000
Total non-operating	120,230	129,773	(9,543)	113,996	15,777
Total revenues	$ 1,654,144	$ 2,275,405	$ (621,261)	$ 1,521,925	$ 753,480

- In fiscal year 2023, operating revenues decreased $611,718 or 28.51% from $2,145,632 to $1,533,914, from the prior year, primarily due to a one-time reimbursement of $677,124 from RPMWC for its portion of the Net Pension Liability payoff in the prior fiscal year.

- In fiscal year 2022, operating revenues increased $737,703 or 52.39% from $1,407,929 to $2,145,632, from the prior year, primarily due to a one-time reimbursement of $677,124 from RPMWC for its portion of the Net Pension Liability payoff.

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Analysis of Revenues and Expenses (continued)

Table A-4: Comparative Statement of Expenses

	June 30, 2023	June 30, 2022	Increase (Decrease)	June 30, 2021	Increase (Decrease)
Operating expenses:					
Sewer system	$ 508,208	$ 534,614	$ (26,406)	$ 411,171	$ 123,443
Patrol services	716,078	571,109	144,969	441,355	129,754
Gate services	465,182	394,756	70,426	302,455	92,301
General and administrative	635,463	491,848	143,615	389,315	102,533
Total operating expenses	2,324,931	1,992,327	332,604	1,544,296	448,031
Total expenses	$ 2,324,931	$ 1,992,327	$ 332,604	$ 1,544,296	$ 448,031

- In fiscal year 2023, operating expenses increased $332,604 or 16.69% from $1,992,327 to $2,324,931, from the prior year, primarily due to an increase in the overall costs across all categories.

- In fiscal year 2022, operating expenses increased $448,031 or 29.01% from $1,544,296 to $1,992,327, from the prior year, primarily due to an increase in the overall costs across all categories.

CAPITAL ASSETS

Capital assets:	Balance June 30, 2023	Balance June 30, 2022	Balance June 30, 2021
Non-depreciable assets	$ 94,868	$ 94,868	$ 94,868
Depreciable assets	4,468,091	4,532,074	4,424,072
Accumulated depreciation	(1,932,931)	(1,792,673)	(1,780,812)
Total capital assets, net	$ 2,630,028	$ 2,834,269	$ 2,738,128

In 2023, capital assets, net decreased by $204,241 from the prior year, contributing towards the ending balance of $2,630,028. This overall net decrease consisted of $20,139 in additions, $84,122 in deletions, and current year depreciation of $140,258.

In 2022, capital assets, net increased by $96,141 from the prior year, contributing towards the ending balance of $2,834,269. This overall net increase consisted of $244,833 in additions, $136,831 in deletions, and current year depreciation of $148,692.

CONDITIONS AFFECTING CURRENT FINANICAL POSITION

Management is unaware of any item that would affect the current financial position.

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, 2023 and 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2023	2022
Current assets:		
Cash and cash equivalents (Note 2)	$ 252,862	$ 232,468
Accrued interest receivable	54	1
Accounts receivable (Note 3)	191,443	72,419
Property taxes receivable	1,284	975
Other receivables	7,839	-
Prepaid expenses	26,158	42,053
Prepaid lease (Note 4)	23,250	24,250
Total current assets	502,890	372,166
Non-current assets:		
Investment in Upper San Luis Rey Groundwater Management Authority (Note 5)	(6,446)	-
Capital assets – not being depreciated (Note 6)	94,868	94,868
Capital assets – being depreciated, net (Note 6)	2,535,160	2,739,401
Total non-current assets	2,623,582	2,834,269
Total assets	3,126,472	3,206,435
Deferred outflows of resources:		
Deferred amounts related to net pension liability (Note 8)	1,224,393	1,842,793
Total deferred outflows of resources	1,224,393	1,842,793
Total assets and deferred outflows of resources	$ 4,350,865	$ 5,049,228

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	2023	2022
Current liabilities:		
Accounts payable and accrued expenses	$ 132,575	$ 166,376
Customer unearned revenue for services	28,520	26,102
Long-term liabilities – due within one year:		
Compensated absences (Note 7)	9,319	15,181
Total current liabilities	170,414	207,659
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 7)	9,319	15,181
Net pension liability (Note 8)	317,882	981,725
Total non-current liabilities	327,201	996,906
Total liabilities	497,615	1,204,565
Deferred inflows of resources:		
Deferred amounts related to net pension liability (Note 8)	1,576,071	896,697
Total deferred inflows of resources	1,576,071	896,697
Net position:		
Investment in capital assets	2,623,582	2,834,269
Unrestricted (Deficit)	(346,403)	113,697
Total net position	2,277,179	2,947,966
Total liabilities, deferred inflows of resources and net position	$ 4,350,865	$ 5,049,228

PAUMA VALLEY COMMUNITY SERVICES DISTRICT

Statements of Revenues, Expenses and Changes in Net Position

For the Fiscal Years Ended June 30, 2023 and 2022

	2023	2022
Operating revenues:		
Sewer service fees	$ 502,449	$ 453,233
Patrol service fees	557,360	537,949
Gate service fees	449,000	420,744
Other fees and charges	25,105	733,706
Total operating revenues	1,533,914	2,145,632
Operating expenses:		
Sewer system	508,208	534,614
Patrol services	716,078	571,109
Gate services	465,182	394,756
General and administrative	635,463	491,848
Total operating expenses	2,324,931	1,992,327
Operating income (loss)	(791,017)	153,305
Non-operating revenues(expenses):		
Property taxes	126,454	117,175
Investment earnings	222	598
Change in investment in USLRGMA (Note 5)	(6,446)	-
Sale of capital assets	-	12,000
Total non-operating revenue(expense), net	120,230	129,773
Change in net position	(670,787)	283,078
Net position:		
Beginning of year	2,947,966	2,664,888
End of year	$ 2,277,179	$ 2,947,966

PAUMA VALLEY COMMUNITY SERVICES DISTRICT
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Cash receipts from customers and others	$ 1,410,469	$ 2,109,911
Cash paid to employees for salaries and wages	(997,535)	(909,549)
Cash paid to vendors and suppliers for materials and services	(498,715)	(2,035,796)
Net cash used by operating activities	(85,781)	(835,434)
Cash flows from non-capital financing activities:		
Proceeds from property taxes	126,145	116,971
Net cash provided by non-capital financing activities	126,145	116,971
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(20,139)	(244,833)
Sale of capital assets	-	12,000
Net cash used in capital and related financing activities	(20,139)	(232,833)
Cash flows from investing activities:		
Investment earnings	169	1,471
Net cash provided by investing activities	169	1,471
Net increase(decrease) in cash and cash equivalents	20,394	(949,825)
Cash and cash equivalents:		
Beginning of year	232,468	1,182,293
End of year	$ 252,862	$ 232,468

	2023	2022
Reconciliation of operating income(loss) to net cash used by operating activities:		
Operating income(loss)	$ (791,017)	$ 153,305
Adjustments to reconcile operating income(loss) to net cash used in operating activities:		
Depreciation	140,258	148,692
Change in assets – (increase)decrease:		
Accounts receivable	(119,024)	(18,640)
Other receivables	(7,839)	-
Prepaid expenses	15,895	(3,041)
Prepaid lease	1,000	(24,250)
Change in deferred outflows of resources – (increase)decrease		
Deferred amounts related to net pension liability	618,400	(1,549,004)
Change in liabilities – increase(decrease):		
Accounts payable and accrued expenses	50,321	88,868
Customer unearned revenue for services	2,418	7,169
Compensated absences	(11,724)	5,531
Net pension liability	(663,843)	(527,921)
Change in deferred inflows of resources – increase(decrease)		
Deferred amounts related to net pension liability	679,374	883,857
Total adjustments	705,236	(988,739)
Net cash used in operating activities	$ (85,781)	$ (835,434)

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 has been recognized as revenue in the current fiscal period.

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 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 therefore, are not recognized as a revenue until that time.

Operating revenues 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.

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 under 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. The District did not record an allowance for doubtful accounts in the fiscal year ended June 30, 2023.

4. Prepaids

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The Districts prepaid expenses consist of prepaid insurance and a prepaid solar lease.

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:

Description	Estimated Lives
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 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.

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.

CalPERS	June 30, 2023	June 30, 2022
Valuation date	June 30, 2021	June 30, 2020
Measurement date	June 30, 2022	June 30, 2021
Measurement period	July 1, 2021 to June 30, 2022	July 1, 2020 to June 30, 2021

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 XIIIA 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.

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:

Description	June 30, 2023	June 30, 2022
Petty cash	$ 368	$ 368
Deposits held with financial institutions	251,886	231,502
Local Agency Investment Fund (LAIF)	608	598
Total cash and cash equivalents	$ 252,862	$ 232,468

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 trustees 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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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, 2023 and 2022, the carrying amount of the District's demand deposits were $251,886 and $231,502, respectively, and the financial institution's balances were $264,955 and $209,526, 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.

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, 2023, and 2022, the District held $608 and $598 in LAIF, respectively.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30 consisted of the following:

Description	June 30, 2023	June 30, 2022
Accounts receivable – customers	$ 64,812	$ 36,271
Due from Rancho Pauma Mutual Water Company	126,631	36,148
Total accounts receivable	$ 191,443	$ 72,419

NOTE 4 – PREPAID LEASE

On October 1, 2021, the District entered into an agreement with Pauma Valley Country Club, to lease an airport hangar for the purpose of installing a rooftop solar system. The term of the lease is 25 years, at a total cost of $25,000. The District paid the entire $25,000 in advance on day one of the lease term. The District will recognize $1,000 of expense annually for the lease. In 2023, the District recognized $1,000 of rent expense.

NOTE 5 – INVESTMENT IN UPPER SAN LUIS REY GROUNDWATER MANAGEMENT AUTHORITY

Sustainable Groundwater Management Act – Upper San Luis Rey Groundwater Management Authority. The Upper San Luis Rey Groundwater Management Authority (Authority) was formed in response to the Sustainable Groundwater Management Act. The Authority was formed under a Joint Exercise of Powers Authority on May 1, 2022, pursuant to the provisions of Article 1, Chapter 5; Division 7, Title 1 commencing with Section 6500 of the Government Code of the State of California. The Authority was formed between the Member Agencies, "collectively" Yuima Municipal Water District (YMWD), Pauma Municipal Water District (PMWD), Pauma Valley Community Services District (PVCSD), Upper San Luis Rey Resource Conservation District (USLRRCD), and the San Luis Rey Municipal Water District (SLRMWD). The Authority was formed for the purpose of, among other things, serving as the Groundwater Sustainability Agency (GSA) for the Subbasin and implementing the Groundwater Sustainability Plan (GSP).

Rancho Pauma Mutual Water Company (RPMWC), through a commitment with the member agency PVCSD, since PVCSD is not a water service provider, is contributing 90% of the contractual share of the Authority's costs.

The initial funding total the District contributed towards the formation of the Authority was $92,447. This was expensed by the District between July 2019 and June 2022.

In fiscal year 2023, the District's total investment in the Authority amounted to a $6,446 loss per the Authority's audited financial statements as follows:

A.	**Entity**	Upper San Luis Rey Groundwater Management Authority		
B.	**Purpose**	To pool member resources and realize the advantages of local groundwater sustainability through an agency		
C.	**Participants**	5 member agencies		
D.	**Governing board**	Nine representatives appointed by members		
E.	**District payments for FY 2023:**			
	Contribution	$45,013		
F.	**Condensed financial information**	June 30, 2023		
	Audit dated	December 31, 2023		
	Statement of net position:		**June 30, 2023**	**District Share**
	Total assets		$ 39,094	$ 13,031
	Total liabilities		58,432	19,477
	Net position		$ (19,338)	$ (6,446)
	Statement of revenues, expenses and changes in net position:			
	Total revenues		$ 437,379	$ 45,013
	Total expenses		(456,717)	(51,459)
	Change in net position		(19,338)	(6,446)
	Beginning – net position		-	-
	Ending – net position		$ (19,338)	$ (6,446)
G.	**District's share of year-end financial position**		100.00%	33.333%

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Changes in capital assets for fiscal year 2023 were as follows:

Description	Balance July 1, 2022	Additions	Deletions/ Transfers	Balance June 30, 2023
Non-depreciable assets:				
Land	$ 94,768	$ -	$ -	$ 94,768
Easements	100	-	-	100
Total non-depreciable assets	94,868	-	-	94,868
Depreciable assets:				
Sewer system	3,821,705	7,328	(84,122)	3,744,911
Buildings and improvements	340,065	-	-	340,065
Patrol and gate	370,304	12,811	-	383,115
Total depreciable assets	4,532,074	20,139	(84,122)	4,468,091
Accumulated depreciation:				
Sewer system	(1,486,215)	(95,069)	-	(1,581,284)
Buildings and improvements	(159,412)	(16,068)	-	(175,480)
Patrol and gate	(147,046)	(29,121)	-	(176,167)
Total accumulated depreciation	(1,792,673)	(140,258)	-	(1,932,931)
Total depreciable assets, net	2,739,401	(120,119)	(84,122)	2,535,160
Total capital assets, net	$ 2,834,269	$ (120,119)	$ (84,122)	$ 2,630,028

Changes in capital assets for fiscal year 2022 were as follows:

Description	Balance July 1, 2021	Additions	Deletions/ Transfers	Balance June 30, 2022
Non-depreciable assets:				
Land	$ 94,768	$ -	$ -	$ 94,768
Easements	100	-	-	100
Total non-depreciable assets	94,868	-	-	94,868
Depreciable assets:				
Sewer system	3,586,770	234,935	-	3,821,705
Buildings and improvements	330,167	9,898	-	340,065
Patrol and gate	507,135	-	(136,831)	370,304
Total depreciable assets	4,424,072	244,833	(136,831)	4,532,074
Accumulated depreciation:				
Sewer system	(1,395,506)	(90,709)	-	(1,486,215)
Buildings and improvements	(143,715)	(15,697)	-	(159,412)
Patrol and gate	(241,591)	(42,286)	136,831	(147,046)
Total accumulated depreciation	(1,780,812)	(148,692)	136,831	(1,792,673)
Total depreciable assets, net	2,643,260	96,141	-	2,739,401
Total capital assets, net	$ 2,738,128	$ 96,141	$ -	$ 2,834,269

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION (continued)

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

Services Allocation	June 30, 2023	June 30, 2022
Sewer system	$ 95,069	$ 90,709
Patrol	18,791	31,955
Gate	10,331	10,331
Administration	16,067	15,697
Total depreciation expense	$ 140,258	$ 148,692

NOTE 7 – COMPENSATED ABSENCES

Changes to compensated absences for fiscal year 2023, were as follows:

Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year	Due in More Than One Year
$ 30,362	$ 39,836	$ (51,560)	$ 18,638	$ 9,319	$ 9,319

Changes to compensated absences for fiscal year 2022, were as follows:

Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Due Within One Year	Due in More Than One Year
$ 24,831	$ 40,065	$ (34,534)	$ 30,362	$ 15,181	$ 15,181

NOTE 8 – PENSION PLAN

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

Description	2023	2022
Pension related deferred outflows	$ 1,224,393	$ 1,842,793
Net pension liability	317,882	981,725
Pension related deferred inflows	1,576,071	896,697

The net pension liability balances have a Measurement Date of June 30, 2022 and June 30, 2021, respectively, which are rolled-forward for the District's fiscal years ended June 30, 2023 and 2022.

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."

NOTE 8 – PENSION PLAN (continued)

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

	Miscellaneous Plans	
	Classic Tier 1	**PEPRA Tier 2**
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 2022	15.250%	7.590%
Required employer contribution rates – FY 2021	15.445%	7.732%

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 is listed in the Plan's June 30, 2021 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, 2023, the following members were covered by the benefit terms:

	Miscellaneous Plans		
Plan Members	**Classic Tier 1**	**PEPRA Tier 2**	**Total**
Active members	2	15	17
Transferred and terminated members	12	20	32
Retired members and beneficiaries	11	1	12
Total plan members	25	36	61

At June 30, 2022, the following members were covered by the benefit terms:

	Miscellaneous Plans		
Plan Members	**Classic Tier 1**	**PEPRA Tier 2**	**Total**
Active members	2	14	16
Transferred and terminated members	12	18	30
Retired members and beneficiaries	13	1	14
Total plan members	27	33	60

NOTE 8 – 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, 2023, (Measurement Date June 30, 2022) were as follows:

	Miscellaneous Plans		
Contribution Type	**Classic Tier 1**	**PEPRA Tier 2**	**Total**
Contributions – employer	$ 17,305	$ 51,119	$ 68,424
Contributions – members	8,854	46,192	55,046
Total contributions	$ 26,159	$ 97,311	$ 123,470

Contributions for the year ended June 30, 2022, (Measurement Date June 30, 2021) were as follows:

	Miscellaneous Plans		
Contribution Type	**Classic Tier 1**	**PEPRA Tier 2**	**Total**
Contributions – employer	$ 1,641,326	$ 30,295	$ 1,671,621
Contributions – members	7,336	47,578	54,914
Total contributions	$ 1,648,662	$ 77,873	$ 1,726,535

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.

NOTE 8 – 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, 2023, were as follows:

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2021 (Measurement Date)	$ 5,364,486	$ 4,382,761	$ 981,725
Balance as of June 30, 2022 (Measurement Date)	$ 5,677,788	$ 5,359,906	$ 317,882
Change in Plan Net Pension Liability	$ 313,302	$ 977,145	$ (663,843)

Changes in the net pension liability for the year ended June 30, 2022, were as follows:

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2020 (Measurement Date)	$ 5,169,064	$ 3,659,418	$ 1,509,646
Balance as of June 30, 2021 (Measurement Date)	$ 5,364,486	$ 4,382,761	$ 981,725
Change in Plan Net Pension Liability	$ 195,422	$ 723,343	$ (527,921)

For the year ended June 30, 2023 and 2022 pension expense was $702,354 and $534,123, respectively.

NOTE 8 – PENSION PLAN (continued)

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

As of June 30, 2023 and 2022, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of $317,882 and $981,725, 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, 2022 and 2021, 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, 2021 and 2020 rolled forward to June 30, 2022 and 2021 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the June 30, 2022, measurement date was as follows:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2023	Fiscal Year Ending June 30, 2022	Change Increase/ (Decrease)
Measurement Date	June 30, 2022	June 30, 2021	
Percentage of Risk Pool Net Pension Liability	0.006793%	0.051702%	-0.044909%
Percentage of Plan (PERF C) Net Pension Liability	0.002752%	0.018152%	-0.015400%

The District's proportionate share of the net pension liability for the June 30, 2021, measurement date was as follows:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2022	Fiscal Year Ending June 30, 2021	Change Increase/ (Decrease)
Measurement Date	June 30, 2021	June 30, 2020	
Percentage of Risk Pool Net Pension Liability	0.051702%	0.035790%	0.015912%
Percentage of Plan (PERF C) Net Pension Liability	0.018152%	0.013875%	0.004277%

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.

NOTE 8 – PENSION PLAN (continued)

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

The total amount of $68,424 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, 2024. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	$ 68,424	$ -
Difference between actual and proportionate share of employer contributions	1,058,199	(5,580)
Adjustment due to differences in proportions	586	(1,566,216)
Differences between expected and actual experience	6,384	(4,275)
Differences between projected and actual earnings on pension plan investments	58,227	-
Changes in assumptions	32,573	-
Total Deferred Outflows/(Inflows) of Resources	$ 1,224,393	$ (1,576,071)

The total amount of $1,727,190 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, 2023. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	$ 1,727,190	$ -
Difference between actual and proportionate share of employer contributions	1,571	(8,866)
Adjustment due to differences in proportions	3,942	(30,837)
Differences between expected and actual experience	110,090	-
Differences between projected and actual earnings on pension plan investments	-	(856,994)
Total Deferred Outflows/(Inflows) of Resources	$ 1,842,793	$ (896,697)

NOTE 8 – 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, 2023, will be amortized to pension expense in future periods as follows:

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2024	$ (170,411)
2025	(170,282)
2026	(115,023)
2027	35,614
Total	$ (420,102)

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions for the year ended June 30, 2022, will be amortized to pension expense in future periods as follows:

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2023	$ 164,939
2024	179,815
2025	199,512
2026	236,828
Total	$ 781,094

NOTE 8 – PENSION PLAN (continued)

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability
For the measurement period ending June 30, 2022 and 2021 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2021 and 2020, total pension liability.

The June 30, 2023, 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	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

The June 30, 2022, 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	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

NOTE 8 – PENSION PLAN (continued)

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

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

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:

Asset Class [1]	Assumed Asset Allocation	Real Return[1,2]
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity - Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
	100.0%	

[1] An expected inflation of 2.30% is used for this period.
[2] Figures are based on the 2021 Asset Liability Management study.

NOTE 8 – 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 6.90%, 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 (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

Changes in the discount rate for the year ended June 30, 2023, was as follows:

	Plan's Net Pension Liability/(Asset)		
Plan Type	**Discount Rate - 1% 5.90%**	**Current Discount Rate 6.90%**	**Discount Rate + 1% 7.90%**
CalPERS – Miscellaneous Plan	1,091,866	$ 317,882	$ (318,916)

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, 2022, was as follows:

	Plan's Net Pension Liability/(Asset)		
Plan Type	**Discount Rate - 1% 6.15%**	**Current Discount Rate 7.15%**	**Discount Rate + 1% 8.15%**
CalPERS – Miscellaneous Plan	1,690,003	$ 981,725	$ 396,202

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, 2023 and 2022, the District reported no payables for outstanding contributions to the CalPERS pension plan required for the year ended June 30, 2023 and 2022.

NOTE 9 – 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 10 – 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, 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.

NOTE 11 – 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 $0 toward the funding of the unfunded net pension liability for the fiscal year ended June 30, 2023.

Excluded Leases – Short-Term Leases and De Minimis Leases
The Company does not recognize a lease receivable and deferred revenue for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12-months (or less), including any options to extend, regardless of their probability of being exercised.

Also, d*e minimis* lessor or lessee leases are certain leases (i.e., room rental, copiers, printers, postage machines) that regardless of their lease contract period are *de minimis* with regards to their aggregate total dollar amount to the financial statements as a whole.

NOTE 11 – COMMITMENTS AND CONTINGENCIES (continued)

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 a matter may have a possible effect on its future financial condition.

NOTE 12 – CURRENT AND SUBSEQUENT EVENTS

Effective September 8, 2023, the District terminated the administrative agreement with Rancho Pauma Mutual Water Company (Company). As a result, District employees will no longer conduct the operations and administration for the Company. The District has evaluated subsequent events through March 25, 2024, the date which the financial statements were available to be issued.

Required Supplementary Information

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability
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%
June 30, 2021	0.01815%	981,725	849,137	115.61%	81.70%
June 30, 2022	0.00275%	317,882	799,658	39.75%	94.40%

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.

From fiscal year June 30, 2021 to June 30, 2022:
There were no significant changes in assumptions.

From fiscal year June 30, 2022 to June 30, 2023:
The discount rate was reduced from 7.15% to 6.90% and the inflation rate was reduced from 2.50% to 2.30%.

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

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
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%
June 30, 2022	178,985	(178,985)	(1,548,205)	799,658	22.38%
June 30, 2023	68,424	(68,424)	-	824,475	8.30%

Notes to Schedule:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Inflation	Investment Rate of Return
June 30, 2015	June 30, 2013	Entry Age	Fair Value	2.75%	7.65%
June 30, 2016	June 30, 2014	Entry Age	Fair Value	2.75%	7.65%
June 30, 2017	June 30, 2015	Entry Age	Fair Value	2.75%	7.65%
June 30, 2018	June 30, 2016	Entry Age	Fair Value	2.75%	7.15%
June 30, 2019	June 30, 2017	Entry Age	Fair Value	2.50%	7.15%
June 30, 2020	June 30, 2018	Entry Age	Fair Value	2.50%	7.15%
June 30, 2021	June 30, 2019	Entry Age	Fair Value	2.50%	7.15%
June 30, 2022	June 30, 2020	Entry Age	Fair Value	2.50%	7.15%
June 30, 2023	June 30, 2021	Entry Age	Fair Value	2.30%	6.90%

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 nine years are shown.

Other Independent Auditors' Report

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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Pauma Valley Community Services District's financial statements, and have issued our report thereon dated March 25, 2024.

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 or significant deficiencies may exist that have not been identified.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA

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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.

Murrieta, California
March 25, 2024