

TO: BOARD OF DIRECTORS

REVIEWED: MARIO IGLESIAS  
GENERAL MANAGER



FROM: LISA BOGNUDA  
FINANCE DIRECTOR



DATE: NOVEMBER 4, 2022

## AGENDA ITEM

### E-1

NOVEMBER 9, 2022

## ANNUAL COMPREHENSIVE FINANCIAL REPORT (AUDIT REPORT) FOR FISCAL YEAR 2021-2022

### ITEM

Review Annual Comprehensive Financial Report (Audit Report) for Fiscal Year 2021-2022  
[RECOMMEND RECEIVE AND FILE 2021-2022 AUDIT REPORT]

### BACKGROUND

The District is required by law to have an independent audit performed annually on its financial statements. Rogers, Anderson, Malody & Scott, LLP (RAMS) conducted the annual audit for the fiscal year ending June 30, 2022, in accordance with Generally Accepted Accounting Principles.

The audit report has been completed in the Annual Comprehensive Financial Report (ACFR) format. The completed audit will be submitted to the Government Finance Officers Association (GFOA) for review and consideration for a Certificate of Achievement for Excellence in Financial Reporting. The District's audit report received this prestigious recognition of accounting excellence the past ten consecutive years.

Mr. Manno, CPA will present the attached audit report to your Honorable Board and will answer any questions you may have regarding the audit.

### RECOMMENDATION

Upon completion of the presentation and public comments, a motion would be in order to accept and file the Audit Report for Fiscal Year 2021-2022.

### ATTACHMENT

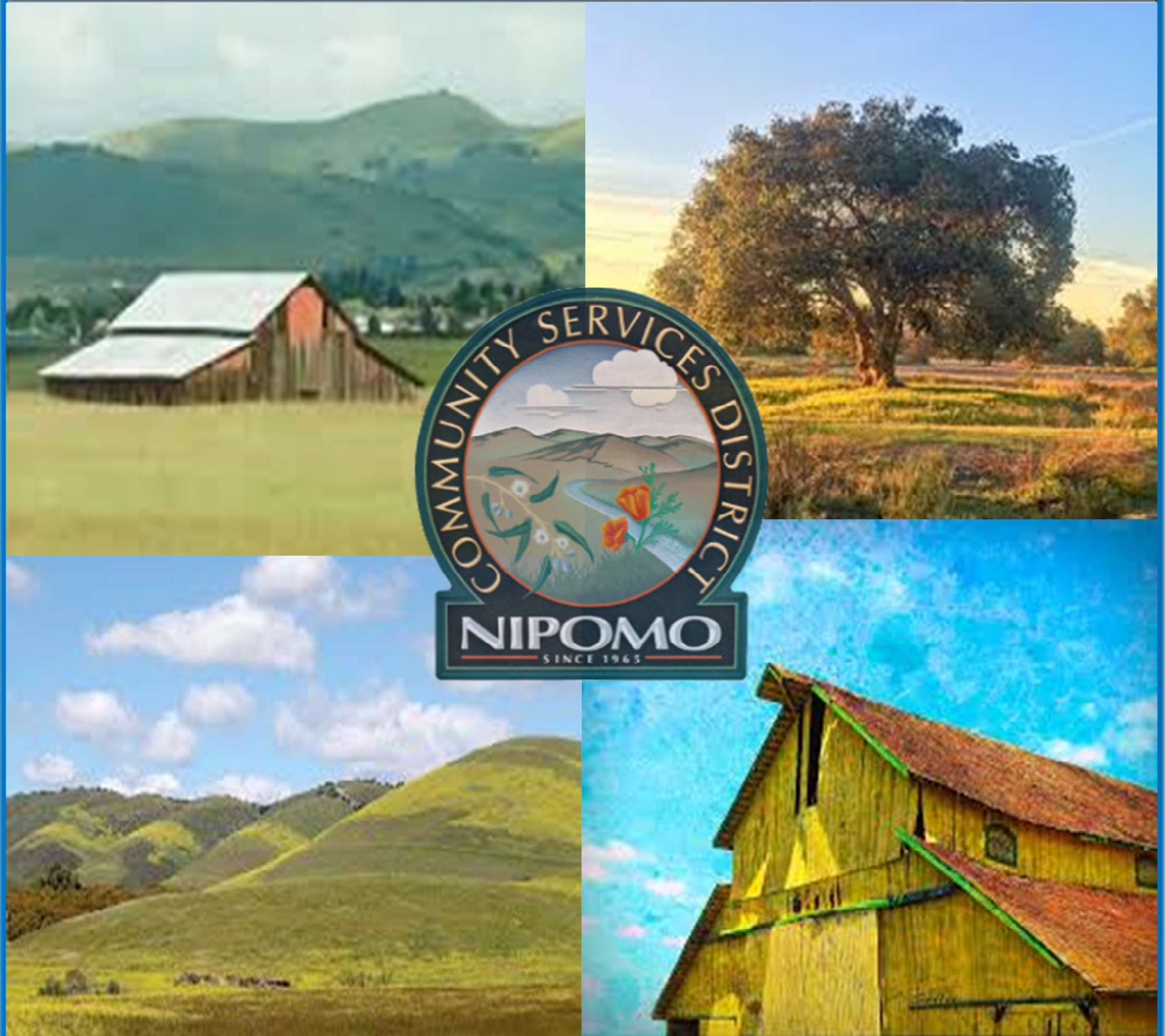
- A. Audit Report for Fiscal Year 2021-2022
- B. Post Audit Letter
- C. Report on Internal Control over Financial Reporting on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

NOVEMBER 9, 2022

ITEM E-1

ATTACHMENT A

# NIPOMO COMMUNITY SERVICES DISTRICT



## ANNUAL COMPREHENSIVE FINANCIAL REPORT FISCAL YEAR ENDED JUNE 30, 2022

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## MISSION STATEMENT

The Nipomo Community Services District's mission is to provide our customers with reliable, quality, and cost-effective services now and in the future.

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Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2022

***NIPOMO COMMUNITY SERVICES DISTRICT***

148 South Wilson Street  
Nipomo, California 93444

(805) 929-1133

[www.ncsd.ca.gov](http://www.ncsd.ca.gov)

Prepared by:

The Finance and Administration Department  
Lisa S. Bognuda, Finance Director

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# *Nipomo Community Services District*

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# *Nipomo Community Services District*

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## **INTRODUCTORY SECTION**

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# NIPOMO COMMUNITY

## **BOARD MEMBERS**

ED EBY, **PRESIDENT**  
RICHARD MALVAROSE, **VICE PRESIDENT**  
DAN ALLEN GADDIS, **DIRECTOR**  
DAN WOODSON, **DIRECTOR**  
CRAIG ARMSTRONG, **DIRECTOR**



# SERVICES DISTRICT

## **STAFF**

MARIO IGLESIAS, **GENERAL MANAGER**  
LISA BOGNUDA, **FINANCE DIRECTOR**  
PETER SEVCIK, P.E., **DIRECTOR OF ENG. & OPS.**  
CRAIG A. STEELE, **GENERAL COUNSEL**

*Serving the Community since 1965*

---

148 SOUTH WILSON STREET    POST OFFICE BOX 326    NIPOMO, CA 93444 - 0326  
(805) 929-1133    FAX (805) 929-1932    Website address: [ncsd.ca.gov](http://ncsd.ca.gov)

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November 2, 2022

To the Board of Directors and Citizens of the Nipomo Community Services District:

We are pleased to present the Nipomo Community Services District's (hereinafter referred to as "the District") Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2022. The purpose of this report is to provide the Board of Directors, customers, investors, the public and other interested parties with reliable financial information about the District.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Rogers, Anderson, Malody & Scott, LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the Nipomo Community Services District's financial statements for the year ended June 30, 2022. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

### **Profile of the District**

Nipomo Community Services District was organized January 28, 1965 under the provisions of the California Community Services District Law (Sections 61000 et seq. of the Government Code of the State of California) for purposes of supplying water for domestic, irrigation, sanitation, industrial, commercial, recreation and fire suppression use. The District is located off of Highway 101 on the central coast of California between San Francisco and Los Angeles, in San Luis Obispo County. The District includes approximately 4,450 acres of land comprising seven square miles. The District's service area includes portions of the unincorporated area of Nipomo and currently serves a population of approximately 13,500. The District provides water service to approximately 4,501 customer accounts and provides sewer service to approximately 3,775 customer accounts under two separate wastewater systems, the Town Sewer Division and the Blacklake Sewer Division.

The District has operated under the Board of Director-General Manager form of government since its inception. Policy-making and legislative authority are vested in a governing board (Board) consisting of five members elected on a non-partisan basis by qualified voters in the District to four-year terms. Board members serve overlapping four-year terms. The Board employs the General Manager who is responsible for carrying out the policies of the Board, for overseeing the day-to-day operations of the District and the hiring of all District employees.

Under law, community services districts may perform a variety of municipal services if authorized to do so by the residents thereof. The District provides water, sewer, solid waste, limited street lighting, limited street landscape maintenance and limited drainage and general administrative services.

The District's Board annually adopts a budget prior to the new fiscal year. The budget authorizes and provides the basis for financial reporting, control of financial operations and accountability for the District's enterprise operations and capital projects. Quarterly financial reports are also presented to the Board.

### **Economic Conditions**

On July 2, 2015, the District began purchasing supplemental water from the City of Santa Maria ("City") pursuant to the May 7, 2013, Wholesale Water Supply Agreement ("Agreement"). The Agreement has a term end date of June 30, 2085, at which time parties can elect to extend the Agreement. The terms of the Agreement between the District and the City are subject to the contract renewal between the City and the Central Coast Water Authority of which the City is a member.

During fiscal year 2021-2022, the District purchased 1070 acre-feet of water. The District paid a volumetric charge of \$2,203.78 per acre-foot (AF) for imported water purchased between July 1, 2021 to December 31, 2021 and \$2,275.84 per AF on imported water purchased from January 1, 2022 to June 30, 2022, plus a volumetric operational cost of \$211.95 per AF. Of the 1070 AF, the District sold 178.26 AF (16.66%) of the supplemental water to Woodlands Mutual Water Company and 178.26 AF (16.66%) to Golden State Water. The District retained the balance of 713.48 AF (66.68%) for use by District customers.

The cost of supplemental water is built into the District's water rates. All District customers pay a fixed water charge based on the water meter size and a volumetric charge based on the number of units used.

### **Relevant Financial Policies – COVID-19 Pandemic**

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. On March 4, 2020, the Governor of California proclaimed a state of emergency in California and issued Executive Order N-25-20 in further response to the spread of COVID-19, mandating compliance with state and local public health officials. On March 13, 2020, San Luis Obispo County declared a local public health emergency and issued a series of orders, which generally align, among other matters, with the Governor's order.

On March 24, 2020, the Board of Directors of the District declared an emergency and authorized additional specified authority for the General Manager, including but not limited to, the waiving of late fees and penalties on unpaid or delinquent water bills, to enter into any payment arrangements with customers he deems advisable, and to postpone or cancel the termination of water services for non-payment of charges. The District continues to process customer utility bills and monitors accounts receivable. The District has a reserve fund and a rate stabilization fund and does not anticipate having to draw on these accounts due to the ongoing pandemic. During this time, the District transitioned from bi-monthly billing to monthly billing. As the pandemic winds down, the District has continued to offer payment arrangements to customers and will resume normal billing and collection procedures in fall 2022.

### **Relevant Financial Events – Refinance of Certificates of Participation 2012**

The District refinanced the Certificates of Participation (COP's) that were issued on June 21, 2012, and financed an additional \$3,000,000 on March 3, 2022. The additional funds will be used for the Southland Sewer Collection System Pipeline Replacement, which is scheduled to begin construction in fiscal year 2023-2024. The COP's 2022 bear interest ranging from 1.5% to 4.0% per annum. Principal is to be paid annually starting June 1, 2022 through June 1, 2048.

### **Major Initiatives**

#### Nipomo Supplemental Water Project

Beginning July 1, 2021 through June 30, 2022, the District purchased 1070 acre-feet of water from the City thereby exceeding the minimum required 1000 acre feet per year (AFY) take or pay volume of water for the year. Beginning July 1, 2025, the District is obligated to take or pay for 2,500 AFY. To reach this level of

commitment, the District will need to complete the Supplemental Water Project (SWP). As of the end of the fiscal year, the pump station improvements project was completed. The purveyor interconnects project has been carried over into the fiscal year 2022-2023. The District foresees completion of the Supplemental Water Project by fiscal year 2023, two years ahead of schedule.

Blacklake Assessment District 2020-1

On March 11, 2020, the District initiated assessment proceedings with the intention to form the Blacklake Assessment District (Blacklake Sewer Consolidation). On May 13, 2020, a public hearing was held and a majority protest did not exist (22% protested). On August 12, 2020, \$11,225,000 in bonds were issued to fund the design, acquisition and construction of certain public capital facilities needed to combine the District's two sewer systems serving the town of Nipomo and the Blacklake community. The bonds were issued pursuant to the provisions of the Improvement Bond Act of 1915. Unpaid assessments constitute fixed liens on the parcels assessed within the Assessment District and do not constitute a personal indebtedness of the respective owners of parcels. Accordingly, in the event of a delinquency, proceedings may be taken only against the real property securing the delinquent assessment.

The consolidation project design, engineering and environmental work is in progress with construction expected to begin spring 2023 and is anticipated to be completed by the end of the year 2024.

**Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Excellence in Financial Reporting* to Nipomo Community Services District for its annual comprehensive financial report for the fiscal year ended June 30, 2021. This was the tenth consecutive year that the District achieved this prestigious award. In order to be awarded a Certificate of Achievement, the District must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the District. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of the Nipomo Community Services District's fiscal policies.

Respectfully submitted,

  
**Mario Iglesias**  
General Manager and  
Secretary to the Board of Directors

  
**Lisa S. Bognuda**  
Assistant General Manager and  
Finance Director



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Nipomo Community Services District  
California**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2021

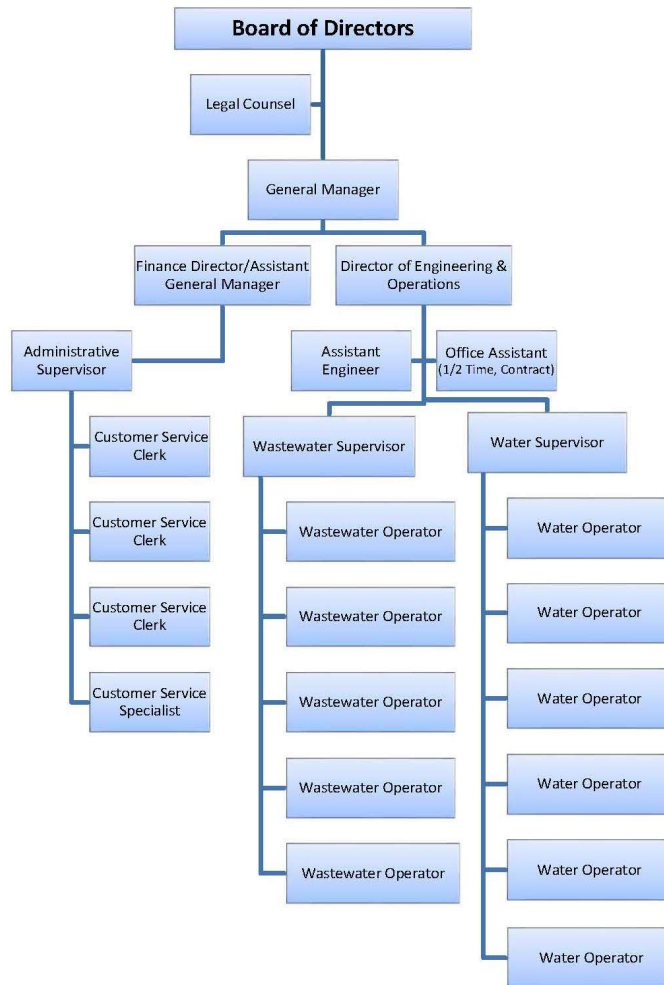
*Christopher P. Morill*

Executive Director/CEO



# NIPOMO COMMUNITY SERVICES DISTRICT

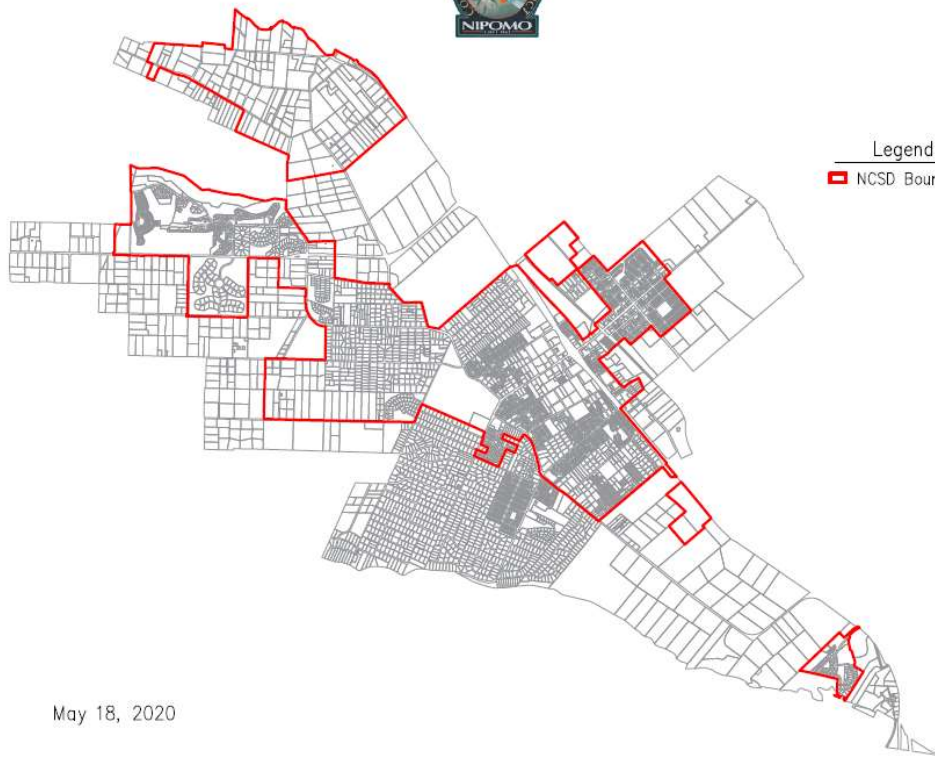
## ORGANIZATIONAL STRUCTURE 2021-2022



# NIPOMO COMMUNITY SERVICES DISTRICT

## MAP OF SERVICE AREA

### NIPOMO COMMUNITY SERVICES DISTRICT



May 18, 2020

# NIPOMO COMMUNITY SERVICES DISTRICT

## DISTRICT OFFICERS

### BOARD OF DIRECTORS

<u>Name</u>	<u>Title</u>	<u>Current Term</u>
Ed Eby	President	12/18 - 12/22
Richard Malvarose	Vice President	12/20 - 12/24
Craig Armstrong	Director	12/21 - 12/22
Dan Woodson	Director	12/18 - 12/22
Dan Allen Gaddis	Director	12/18 - 12/22

### MANAGEMENT

Mario Iglesias

General Manager and  
Secretary to the Board of Directors

Lisa Bognuda

Assistant General Manager  
and Finance Director

Peter Sevcik, P.E.

Director of Engineering and Operations

### LEGAL COUNSEL

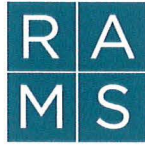
Craig A. Steele

Richards Watson and Gershon

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## **FINANCIAL SECTION**

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ROGERS, ANDERSON, MALODY & SCOTT, LLP  
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

735 E. Carnegie Dr. Suite 100  
San Bernardino, CA 92408  
909 889 0871 T  
909 889 5361 F  
ramscpa.net

## *Independent Auditor's Report*

### **PARTNERS**

Terry P. Shea, CPA  
Scott W. Manno, CPA, CGMA  
Leena Shanbhag, CPA, MST, CGMA  
Bradferd A. Welebir, CPA, MBA, CGMA  
Jenny W. Liu, CPA, MST  
Brenda L. Odle, CPA, MST (Partner Emeritus)

### **MANAGERS / STAFF**

Gardenya Duran, CPA, CGMA  
Brianna Schultz, CPA, CGMA  
Seong-Hyea Lee, CPA, MBA  
Evelyn Morentin-Barcena, CPA  
Veronica Hernandez, CPA  
Laura Arvizu, CPA  
Xinlu Zoe Zhang, CPA, MSA  
John Maldonado, CPA, MSA  
Thao Le, CPA, MBA  
Julia Rodriguez Fuentes, CPA, MSA  
Demi Hite, CPA

### **MEMBERS**

American Institute of  
Certified Public Accountants

*PCPS The AICPA Alliance  
for CPA Firms*

*Governmental Audit  
Quality Center*

*Employee Benefit Plan  
Audit Quality Center*

California Society of  
Certified Public Accountants



Board of Directors  
Nipomo Community Services District

## **Report on the Audit of the Financial Statements**

### ***Opinions***

We have audited the financial statements of the business-type activities and the fiduciary fund of Nipomo Community Services District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the business-type activities and the fiduciary fund of the District as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's *Minimum Audit Requirements for California Special Districts*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Responsibilities of Management for the Financial Statements***

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

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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 and the schedules listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information schedules listed in the table of contents are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory section and statistical section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2022, on our consideration of the internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
November 2, 2022

# *Nipomo Community Services District*

## **Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2022**

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The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Nipomo Community Services District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

### **Financial Highlights**

- The District's Net Position increased 2.38% to \$75.7 million.
- During the year the District's operating revenues increased 4.70%, while operating expenses increased 2.43%. Interest income earnings decreased due to a drop in interest rates.
- Other revenue-purveyors is attributable to Contracts Receivable from Woodlands Mutual Water Company and Golden State Water Company pursuant to the Supplemental Water Management and Groundwater Replenishment Agreement dated October 16, 2015.
- Capital contributions consist of water and sewer capacity charges collected of \$434,048, developer contributions of improvements valued at \$176,500, and contributions of Work in Process valued at \$247,072 from the Blacklake Assessment District 2020-1.

### **Required Financial Statements**

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles which are generally accepted in the United States of America and consist of three interrelated statements designed to provide the reader with relevant, understandable data on the District's financial condition and operating results. They are 1) the Statement of Net Position, 2) the Statement of Revenues, Expenses and Changes in Net Position, and 3) the Statement of Cash Flows.

The *Statement of Net Position*, or the difference between assets, deferred outflows of resources, deferred inflows of resources, and liabilities, measures the financial health of the District. Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in economic conditions, population growth, and new or changed government legislation must also be considered.

The *Statement of Revenues, Expenses and Changes in Net Position* identifies the District's revenues and expenses for the fiscal year ended June 30, 2022. This statement provides information on the District's operations over the past fiscal year and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges.

# *Nipomo Community Services District*

## **Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2022**

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The *Statement of Cash Flows* provides information on the District's cash receipts, cash payments, and changes in cash resulting from operations, investments and financing activities. From the Statement of Cash Flows, the reader can obtain information on the source and use of cash and the change in the cash balance since the prior fiscal year.

### **Financial Analysis of the District**

One of the most important questions asked about the District's finances is, "Is the District, as a whole, better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid. These two statements report the District's net position and changes in net position. You can think of the District's net position - the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources - as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other nonfinancial factors such as changes in economic conditions, population growth, zoning, and new and changed government legislation.

### **Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 18 through 47.

# Nipomo Community Services District

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2022

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**TABLE 1**  
**Condensed Statements of Net Position**

	<u>2022</u>	<u>2021</u>	<u>Current Year Increase/ (Decrease)</u>
<b>Assets</b>			
Current and other assets	\$ 32,194,204	\$ 28,516,289	\$ 3,677,915
Capital assets, net	68,418,800	68,384,623	34,177
Total assets	100,613,004	96,900,912	3,712,092
<b>Deferred outflows</b>	1,354,691	1,478,706	(124,015)
<b>Liabilities</b>			
Current liabilities	2,300,112	2,414,584	(114,472)
Noncurrent liabilities	22,795,924	21,975,740	820,184
Total liabilities	25,096,036	24,390,324	705,712
<b>Deferred inflows</b>	1,149,491	29,744	1,119,747
<b>Net position</b>			
Net investment in capital assets	47,205,935	49,321,146	(2,115,211)
Restricted	16,171,832	13,127,214	3,044,618
Unrestricted	12,344,401	11,511,190	833,211
Total net position	\$ 75,722,168	\$ 73,959,550	\$ 1,762,618

The District's net position at fiscal year June 30, 2022 increased \$1,762,618 (2.38%) when compared to fiscal year end June 30, 2021.

The increase in current assets is a result of \$3,000,000 being received from the refinance of the 2012 Certificates of Participation (COP's). The decrease in Net Investment in capital of \$2,115,211, represents an increase in Long-term debt for future capital projects. The District refinanced the 2012 COP's and financed an additional \$3,000,000 on March 3, 2022, resulting in an increase in Restricted Net Position of \$3,000,000. The remaining balance of Unrestricted Net Position, \$12,344,401, as of June 30, 2022, may be used to meet the District's ongoing obligations to its citizens and creditors.

# Nipomo Community Services District

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2022

**TABLE 2**  
**Condensed Statements of Revenues, Expenses and Changes in Net Position**

	<u>2022</u>	<u>2021</u>	<u>Current Year Increase/ (Decrease)</u>
<b>Operating revenues</b>			
Charges for services	\$ 10,563,424	\$ 10,163,618	\$ 399,806
Other operating revenue	454,015	358,826	95,189
Total operating revenues	<u>11,017,439</u>	<u>10,522,444</u>	<u>494,995</u>
<b>Operating expenses</b>			
Water	6,541,370	6,184,952	356,418
Sewer	2,755,790	2,710,977	44,813
Other	1,282,362	1,432,289	(149,927)
Total operating expenses	<u>10,579,522</u>	<u>10,328,218</u>	<u>251,304</u>
<b>Non-operating revenues and expenses</b>			
Interest income	498,800	536,130	(37,330)
Property taxes and rental income	826,143	822,057	4,086
Gain (loss) on disposal of capital assets	450	(49,808)	50,258
Other revenue - purveyors	203,130	808,466	(605,336)
Interest expense	(818,398)	(808,685)	(9,713)
Other revenue - NMWCA fees	(243,044)	-	(243,044)
Total non-operating revenues (expenses)	<u>467,081</u>	<u>1,308,160</u>	<u>(841,079)</u>
Income before contributions	904,998	1,502,386	(597,388)
<b>Capital contributions</b>			
Capacity charges	434,048	129,797	304,251
Contributions from developers	176,500	-	176,500
Contribution from Blacklake Assessment District 2020-1	247,072	377,231	(130,159)
Contributions from Blacklake Sewer Enterprise	-	(1,000,000)	1,000,000
Total capital contributions	<u>857,620</u>	<u>(492,972)</u>	<u>1,350,592</u>
Change in net position	1,762,618	1,009,414	753,204
Net position - beginning	<u>73,959,550</u>	<u>72,950,136</u>	<u>1,009,414</u>
Net position - ending	<u>\$ 75,722,168</u>	<u>\$ 73,959,550</u>	<u>\$ 1,762,618</u>

## *Nipomo Community Services District*

### **Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2022**

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Total operating revenues increased \$494,995 (4.70%). Water Revenue increased \$224,997, due to an 8.9% scheduled rate study increase. Town Division sewer revenues increased \$120,985 due to a 3.8% scheduled rate study increase and Blacklake Division sewer revenues increased \$111,235, due to a 16.5% scheduled rate study increase. The remaining increase of \$37,778 is attributable to miscellaneous income from various funds.

Total operating expenses increased \$251,304 (2.43%). Operational costs increased throughout the year and the cost of supplemental water purchased from the City of Santa Maria increased.

District non-operating revenues and expenses decreased \$841,079. The fall in interest rates resulted in a decrease in interest income of \$37,330. Revenue recognized as contracts receivable from Woodlands Mutual Water Company and Golden State Water Company pursuant to the Supplemental Water Management and Groundwater Replenishment Agreement dated October 16, 2015 decreased \$605,336, due to completion of construction projects in the prior fiscal year.

#### **TABLE 3** **Capital Assets**

More information about the District's Capital assets is presented in Note 5 of the Notes to Basic Financial Statements.

	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>Current Year Increase/ (Decrease)</u></b>
Non-depreciable assets	\$ 3,417,324	\$ 3,817,901	\$ (400,577)
Depreciable assets	93,698,580	91,142,250	2,556,330
Accumulated depreciation	<u>(28,697,104)</u>	<u>(26,575,528)</u>	<u>(2,121,576)</u>
Total capital assets, net	<u>\$ 68,418,800</u>	<u>\$ 68,384,623</u>	<u>\$ 34,177</u>

The increase in depreciable assets and decrease in non-depreciable assets is attributable to construction work in progress being completed and placed in service.

Total capital assets, net increased as the costs of equipment purchases, and on-going construction projects exceeded the increase in accumulated depreciation.

## *Nipomo Community Services District*

### **Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2022**

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**TABLE 4**  
**Long Term Debt**

	<u>2022</u>	<u>2021</u>	<u>Current Year Increase/ (Decrease)</u>
Certificates of Participation Series 2013	\$ 8,339,038	\$ 8,485,420	\$ (146,382)
Refunding Revenue Bonds Series 2013A	2,058,707	2,200,576	(141,869)
Certificates of Participation Series 2022	10,815,120	-	10,815,120
Certificates of Participation Series 2012	-	8,377,481	(8,377,481)
Total long-term debt	<u>\$ 21,212,865</u>	<u>\$ 19,063,477</u>	<u>\$ 2,149,388</u>

Standard & Poor's Rating Service reviewed the Certificates of Participation Series 2013 and Refunding Revenue Bonds Series 2013A in August 2018 and raised the underlying rating from "A" to "AA-". In January 2022, Standard & Poor's reaffirmed its "AA-" rating.

Standard & Poor's Rating Service reviewed the Certificates of Participation Series 2022 and assigned a rating of "AA-".

The Standard & Poor's rationales are available for review upon request.

Additional information on long-term debt is presented in Note 6 of the Notes to Basic Financial Statements.

### **Economic Factors and Next Year's Budgets and Rates**

The District is governed by provisions of the California Special District Code that require rate-based revenues must cover the cost of Operations, Maintenance and Repairs (OM&R) and capital improvement projects. The District is not subject to general economic conditions such as increases or reductions in property tax values or other types of revenues, such as sales taxes, that vary with economic conditions. Accordingly, the District sets its rates to its users to cover the costs of OM&R, capital improvement projects, plus any increments for known or anticipated changes in enterprise costs.

On May 7, 2013, the District entered into a Wholesale Water Supply Agreement that provides a mechanism through which the District will purchase supplemental water from the City of Santa Maria. The District is obligated to purchase minimum quantities of water each year regardless of the District's ability to accept and deliver said water. The District is currently required to purchase 1,000-acre feet per year (year seven of the contract). In year eleven (fiscal year 2025-2026), the minimum delivery requirement will reach 2,500-acre feet, the highest level in the purchase agreement.



## *Nipomo Community Services District*

### **Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2022**

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A court judgment issued in connection with litigation regarding the Santa Maria groundwater basin requires Golden State Water Company, Rural Water Company (subsequently purchased by Golden State Water in 2015), and Woodlands Mutual Water Company to pay their respective shares of the costs of the supplemental water being purchased from Santa Maria and the infrastructure improvements required for the delivery of the supplemental water to the NMMA. The Nipomo Supplemental Water Project Supplemental Water Management and Groundwater Replenishment Agreement was executed on October 16, 2015. This agreement obligates those three companies to pay 33.32% of the supplemental water costs and related project capital costs beginning as of July 2, 2015.

The District completed a water rate study in August 2020. The second of five rate increases that went into effect January 1, 2022.

The Town Division completed a wastewater rate study in April 2021. The second of five rate increases will go into effect July 1, 2022. The Blacklake Sewer Division is in its fourth of a five-year rate schedule. The next rate increase will be effective April 1, 2023.

#### **Requests for Information**

This financial report is designed to provide the District's elected officials, customers, investors, creditors and other interested parties with an overview of the District's financial condition, as well as insight into current fiscal practices and management. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Finance Department at 148 South Wilson Street, Nipomo, CA 93444 or (805) 929-1133.

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# Nipomo Community Services District

## Statement of Net Position Proprietary Funds June 30, 2022

### ASSETS

#### Current assets:

Cash and cash equivalents (Note 2 & 3)	\$ 19,194,035
Accounts receivable	424,970
Unbilled utilities receivable	832,000
Accrued interest receivable	142,943
Accrued franchise fees	25,502
Due from County	19,063
Contract receivable, current portion (Note 4)	142,935
Total current assets	<u>20,781,448</u>

#### Noncurrent assets:

Restricted cash and cash equivalents (Note 2 & 3)	157,714
Restricted cash - funded replacement (Note 2 & 3)	1,442,187
Cash with fiscal agent (Note 2 & 3)	3,000,002
Deposits and other assets	52,516
Contract receivable, less current portion (Note 4)	6,760,337
Capital assets:	
Capital assets, not being depreciated (Note 5)	3,417,324
Depreciable capital assets, net (Note 5)	65,001,476
Total noncurrent assets	<u>79,831,556</u>

Total assets 100,613,004

### DEFERRED OUTFLOWS OF RESOURCES

OPEB related (Note 8)	811,021
Pension related (Note 7)	543,670
Total deferred outflows of resources	<u>1,354,691</u>

### LIABILITIES

#### Current liabilities:

Accounts payable	1,004,642
Deposits and retentions	363,511
Retention payable	26,305
Accrued liabilities	261,095
Current portion of long-term liabilities (Note 6)	644,559
Total current liabilities	<u>2,300,112</u>

#### Noncurrent liabilities:

Net OPEB liability (Note 8)	1,113,770
Net pension liability (Note 7)	955,076
Long-term liabilities, less current portion (Note 6)	20,727,078
Total noncurrent liabilities	<u>22,795,924</u>

Total liabilities 25,096,036

### DEFERRED INFLOWS OF RESOURCES

OPEB related (Note 8)	307,886
Pension related (Note 7)	841,605
Total deferred inflows of resources	<u>1,149,491</u>

### NET POSITION (Note 9)

Net investment in capital assets	47,205,935
Restricted for system expansion	14,677,929
Restricted for system replacement	1,493,903
Unrestricted	12,344,401
Total net position	<u>\$ 75,722,168</u>

The accompanying notes are an integral part of these basic financial statements

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# *Nipomo Community Services District*

## **Statement of Revenues, Expenses and Changes in Net Position Proprietary Funds For the Year Ended June 30, 2022**

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<b>Operating revenues</b>	
Charges for services	\$ 9,707,550
Charges for services-purveyors	798,448
Charges for services-purveyor reimbursements	57,426
Other operating revenue	454,015
Total operating revenues	<u>11,017,439</u>
<b>Operating expenses</b>	
Purchased water	1,597,857
Purchased water related expenses	151,981
Purchased water- purveyors	798,448
Personnel	2,782,757
Contractual services	297,322
Utilities	621,612
Repairs and maintenance	290,748
Other supplies and expenses	1,653,969
Insurance	215,182
Depreciation	2,169,646
Total operating expenses	<u>10,579,522</u>
Operating income	<u>437,917</u>
<b>Non-operating revenues (expenses)</b>	
Interest income	498,800
Property taxes	803,154
Cell site rental income	22,989
Gain on disposal of capital assets	450
Other revenue - purveyors	203,130
Interest expense	(818,398)
Bond issuance cost	(243,044)
Total non-operating revenues (expenses)	<u>467,081</u>
Income before contributions	904,998
<b>Capital Contributions</b>	
Capital contributions received	857,620
Total contributions	<u>857,620</u>
Change in net position	1,762,618
Total net position - beginning	<u>73,959,550</u>
Total net position - ending	<u>\$ 75,722,168</u>

*The accompanying notes are an integral part of these basic financial statements*

# *Nipomo Community Services District*

## **Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2022**

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### **CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from operating revenue	\$ 11,925,352
Payments to suppliers	(5,866,454)
Payments to employees	(2,857,279)
Net cash provided by operating activities	<u>3,201,619</u>

### **CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

Property tax revenues	798,144
Cell site rental income	22,989
Net cash provided by non-capital financing activities	<u>821,133</u>

### **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Capital contributions	434,048
Acquisition of capital assets	(1,753,946)
Principal received on contract receivable	131,821
Interest received on contract receivable	433,325
Principal paid on capital debt	(8,945,000)
Interest paid on capital debt	(880,631)
Proceeds from debt issuance	10,630,000
Proceeds from bond premium	526,621
Bond issuance cost	(243,044)
Proceeds from disposal of capital assets	450
Net cash provided by capital and related financing activities	<u>333,644</u>

### **CASH FLOWS FROM INVESTING ACTIVITIES**

Interest income	44,162
Net cash provided by investing activities	<u>44,162</u>

Net increase in cash and cash equivalents 4,400,558

Cash and cash equivalents - beginning 19,393,380

Cash and cash equivalents - ending \$ 23,793,938

### **Reconciliation of cash and cash equivalents to the Statement of Net Position:**

Current assets:	
Cash and cash equivalents	\$ 19,194,035
Noncurrent assets:	
Restricted cash and cash equivalents	157,714
Restricted cash - funded replacement	1,442,187
Cash with fiscal agent	3,000,002
Cash and cash equivalents at end of year	<u>\$ 23,793,938</u>

*The accompanying notes are an integral part of these basic financial statements*

# *Nipomo Community Services District*

## **Statement of Cash Flows, (Continued) Proprietary Funds For the Year Ended June 30, 2022**

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### **Reconciliation of operating income to net cash provided by operating activities:**

Operating income	\$	437,917
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		2,169,646
Changes in assets and liabilities:		
Accounts receivable		352,558
Accounts receivable - other		6,190
Unbilled utilities receivable		459,000
Accrued franchise fees		212
Deposits and other assets		2,315
Deferred outflows of resources OPEB		129,749
Deferred outflows of resources pension		(5,734)
Accounts payable		(241,650)
Deposits and retentions		96,143
Accrued liabilities		7,254
Compensated absences		17,323
Net OPEB liability		(409,369)
Net pension liability		(939,682)
Deferred inflows of resources OPEB		307,886
Deferred inflows of resources pension		811,861
Net cash provided by operating activities	<u>\$</u>	<u>3,201,619</u>
Noncash investing, capital, and financing activities:		
Capital assets acquired through capital contributions	\$	423,572
Capital assets in retentions payable		26,305

*The accompanying notes are an integral part of these basic financial statements*

*Nipomo Community Services District*

**Statement of Fiduciary Net Position  
Fiduciary Fund  
June 30, 2022**

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	<b>Custodial Fund AD 2020-1</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,346,853
Cash with fiscal agent	10,955,615
Total assets	<u>12,302,468</u>
<b>LIABILITIES</b>	
Accounts payable	10,584
Accrued liabilities	106,198
Bonds payable - noncurrent	11,775,273
Total liabilities	<u>11,892,055</u>
<b>NET POSITION</b>	
Held in trust	<u>410,413</u>
Total net position	<u>\$ 410,413</u>

*The accompanying notes are an integral part of these basic financial statements*



*Nipomo Community Services District*

**Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
For the Year Ended June 30, 2022**

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	<b>Custodial Fund AD 2020-1</b>
<b>ADDITIONS</b>	
Assessment payoff	\$ 11,771
Interest income	33,759
Total additions	<u>45,530</u>
<b>DEDUCTIONS</b>	
Interest expense	299,183
Administrative costs	3,095
Contribution to Blacklake Sewer	247,072
Total deductions	<u>549,350</u>
Change in net position	(503,820)
Net position - beginning of year	<u>914,233</u>
Net position - end of year	<u><u>\$ 410,413</u></u>

*The accompanying notes are an integral part of these basic financial statements*

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# *Nipomo Community Services District*

## **Notes to the Basic Financial Statements For the Year Ended June 30, 2022**

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### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Organization***

The Nipomo Community Services District (District) is a multi-purpose special district and was formed on January 28, 1965 and began operations in November 1966. The District is a political subdivision of the State of California and operates under a Board of Directors - General Manager form of government. The District provides water, sewer, street lighting, solid waste, street landscape maintenance, drainage and general administrative services.

The District complies with U.S. Generally Accepted Accounting Principles (GAAP) and all relevant U.S. Governmental Accounting Standards Board (GASB) pronouncements. These technical pronouncements establish criteria for determining the organization's activities and functions that are included in the financial statements of a governmental unit.

#### ***Reporting Entity***

For financial reporting purposes, the District would include in this report all funds of all agencies and boards that are controlled by, or dependent upon, the District's legislative body. The criteria of control are determined on the basis of financial accountability, imposition of will, and financial benefit or burden.

The Nipomo Community Services District Public Facilities Corporation is a component unit of the District. This Corporation was formed in 2003 to issue Revenues Certificates of Participation (COP's). COP's were issued in 2003, 2013 and 2022. The financial activity of the corporation is blended into the financial statements of the District.

The District is a member of the Special District Authority Risk Management Joint Powers Agency, which was organized for the purpose of providing general liability, automobile, errors and omissions, and property loss insurance coverage to special districts. This organization is financed through premium charges to each member. This organization does not meet the aforementioned reporting entity criteria and therefore is not included in the accompanying financial statements.

#### ***Fund Financial Statements***

The accounts of the District are organized into proprietary/enterprise funds. Enterprise funds use the economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and cash flows. All assets, deferred outflows of resources and liabilities, deferred inflows of resources associated with an enterprise fund's activities are included on the statement of net position.

Fiduciary funds are used to account for assets held by the District in a trustee capacity for the Nipomo Community Services District Assessment District No. 2020-1 (Blacklake Sewer Consolidation) which issued bonds to finance the acquisition and construction of certain public capital facilities to its wastewater system for the purpose of combining the Town and Blacklake sewer systems, which the properties within the Assessment District will benefit from.

# *Nipomo Community Services District*

## **Notes to the Basic Financial Statements For the Year Ended June 30, 2022**

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### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

#### ***Basis of Accounting***

The enterprise funds of the District are accounted for using the accrual basis of accounting. Revenues, including user fees and service charges, are recognized when earned, and expenses are recognized when incurred.

#### ***Budgets and Budgetary Accounting***

An annual budget is adopted by the Board of Directors at the start of each fiscal year. Any changes or revisions to that budget throughout the year must be approved by the Board of Directors.

#### ***Estimates***

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### ***Operating Revenues and Expenses***

Operating revenues, such as charges for services (water and wastewater fees), result from exchange transactions associated with the principal activities of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as property taxes and investment income, result from non-exchange transactions or ancillary activities in which the District gives (receives) value without directly receiving (giving) equal value in exchange.

Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All expenses not meeting this definition are reported as non-operating expenses.

#### ***Cash and Cash Equivalents***

For purposes of the statements of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

#### ***Accounts Receivable***

Water and sewer charges are billed monthly for all customers. Property liens are placed when customer account receivables are deemed uncollectible by the District. The District did not experience any significant bad debt losses and therefore no provision has been made for doubtful accounts. Accounts receivable is shown at full value.

# *Nipomo Community Services District*

## **Notes to the Basic Financial Statements For the Year Ended June 30, 2022**

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### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

#### ***Capital Assets***

All capital assets are valued at historical cost or estimated historical cost if actual costs are not available. Other donated capital assets are valued at their acquisition value on the date received. The capitalization threshold for all capital assets is \$5,000. Depreciation has been provided over the estimated useful life of the asset using the straight-line method.

The estimated useful lives are as follows:

Wastewater Treatment Plant and Collection System	50 years
Water Supply/Distribution System	20-50 years
Buildings/Blowers	20 years
General Plant Machinery and Equipment	5-10 years

#### ***Compensated Absences***

Depending on the length of continuous service, a range of 10-20 vacation and 12 days of sick leave per year may be accumulated by each employee. The District accrues a liability for compensated absences which meet the following criteria:

1. The District's obligation relating to employee's rights to receive compensation for future absences is attributable to employee's services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria, the District has accrued a liability for vacation and sick pay which has been earned but not taken by District employees.

#### ***Net Position***

The financial statements utilize a net position presentation. Net position is categorized as follows:

1. Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction or improvement of those assets.
2. Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
3. Unrestricted – This component of net position consists of net position that does not meet the definition of restricted net position or net investment in capital assets.

# *Nipomo Community Services District*

## **Notes to the Basic Financial Statements For the Year Ended June 30, 2022**

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### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

#### ***Net Position Flow Assumption***

Sometimes the District will fund expenses for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

#### ***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.

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

#### ***Other Postemployment Benefits (OPEB)***

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

# *Nipomo Community Services District*

## **Notes to the Basic Financial Statements For the Year Ended June 30, 2022**

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### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

#### ***Capital Contributions***

Capital contributions are recorded when cash for capacity fees or capital assets is received from developers, customers, or other governmental entities, and the purpose is for other than operating expenses.

#### ***Property Taxes***

The County of San Luis Obispo bills and collects property taxes for the District. The County charges the District for these services. Tax revenues are recognized by the District in the year received. The property taxes are levied on July 1 and are due on November 1 and March 1. Property taxes become delinquent after December 10 and April 10 for the first and second installments, respectively. The lien date is January 1.

#### ***Special Assessment Debt***

In August 2020, the District issued Assessment District No. 2020-1 bonds in the amount of \$11,825,292. The bonds are not secured by the general taxing power of the District. The bonds were secured by the unpaid assessment on each parcel of land. The District is not obligated in any manner. As of June 30, 2022, the outstanding balance is \$11,775,273.

#### ***Reclassification***

The District has reclassified certain prior year information to conform with current year presentation, with no effect on net position.

### **NOTE 2: CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of June 30, 2022, are classified as follows:

Current assets:	
Cash and cash equivalents	\$ 19,194,035
Noncurrent assets:	
Restricted cash and cash equivalents	157,714
Restricted cash - funded replacement	1,442,187
Cash with fiscal agent	<u>3,000,002</u>
Total cash and cash equivalents	<u>\$ 23,793,938</u>

# Nipomo Community Services District

## Notes to the Basic Financial Statements For the Year Ended June 30, 2022

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### NOTE 2: CASH AND CASH EQUIVALENTS, (continued)

Cash and cash equivalents at June 30, 2022, consist of the following:

Cash on hand	\$	600
Bank deposits		1,915,024
Cash with fiscal agent		3,000,002
Local Agency Investment Fund (LAIF)		<u>18,878,312</u>
Total cash and cash equivalents	\$	<u>23,793,938</u>

### NOTE 3: INVESTMENTS

#### *Investments Authorized by the District's Investment Policy*

The District is authorized to invest in the following institutions:

1. County pooled funds (California Government Code Section 27133(g), 53635, 61053)
2. The Local Agency Investment Fund (LAIF) created by the California State Treasury (California Government Code Section 16429.1, 61053)
3. One or more FDIC insured banks and/or savings and loan associations that are designated as District depositories by resolution of the Board of Directors (California Government Code Section 61053)
4. Such other financial institutions or securities that may be designated by the Board of Directors from time to time in compliance with California and Federal law.
5. Proceeds of bond issuance shall be invested in accordance with the permitted investment provisions of their specific bond indentures or other instrument providing for the bond issuance (California Government Code Section 5922(d), 53601(m))

The District's investment policy contains specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

#### *Investments Authorized by Debt Agreements*

Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>
Money Market Mutual Funds	5 Years
Federal Agency Securities	5 Years
State and Local Instruments	5 Years
Certificates of Deposits	5 Years
Repurchase Agreements	5 Years
Local Agency Investment Fund (LAIF)	5 Years



# *Nipomo Community Services District*

## **Notes to the Basic Financial Statements For the Year Ended June 30, 2022**

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### **NOTE 3: INVESTMENTS, (continued)**

#### ***Disclosure Relating to Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates may adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The weighted average maturity of the investments contained in the LAIF investment pool is approximately 10.37 months.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

		<u>Maturity Date</u>
Local Agency Investment Fund	<u>\$ 18,878,312</u>	10.37 months average maturity

#### ***Investment in State Investment Pool***

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429.1 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the entity's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF has a minimum \$5,000 transaction amount in increments of \$1,000 with a maximum 15 transactions (combination of deposits and withdrawals) per month. LAIF requires a one-day prior notice for deposits and withdrawals of \$10 million or more.

#### ***Credit Risk***

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

#### ***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by the 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).

# *Nipomo Community Services District*

## **Notes to the Basic Financial Statements For the Year Ended June 30, 2022**

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### **NOTE 3: INVESTMENTS, (continued)**

#### ***Custodial Credit Risk, (continued)***

The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgages notes having a value of 150% of the secured public deposits. The District may waive collateral requirements for deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

As of June 30, 2022, the District's deposits with financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits were fully collateralized by securities in a separate account held by the same institution, but not in the District's name.

The custodial risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

#### ***Concentration of Risk***

The District's investment policy does not contain limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer beyond that as stipulated by the California Government Code. As of June 30, 2022, the District's deposit portfolio with government agencies, LAIF, was 100%.

#### ***Fair Value Measurements***

Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs that are observable for an asset or liability, either directly or indirectly, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability.

The District's investment in the Local Agency Investment Fund of \$18,878,312 is not subject to the fair value hierarchy.

# *Nipomo Community Services District*

## **Notes to the Basic Financial Statements For the Year Ended June 30, 2022**

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### **NOTE 4: CONTRACT RECEIVABLE**

On October 16, 2015, the Supplemental Water Management and Groundwater Replenishment Agreement (the Agreement) was made between the Nipomo Community Services District, Rural Water Company, the Woodland Mutual Water Company of San Luis Obispo County and Golden State Water Company, effective July 1, 2015. The Parties, along with hundreds of other individuals and entities are parties to certain legal proceedings entitled Santa Maria Valley Water Conservation District v. City of Santa Maria, et al., Superior Court of the State of California, County of Santa Clara, Consolidated Cases CV770214 (Santa Maria Litigation), regarding the respective rights of the litigants to groundwater resources in the Santa Maria Ground Water Basin. After lengthy proceedings, the court entered into an amended judgment on April 17, 2014 which provides for the long-term management of the Basin water resources. The Judgment requires NCSW to ultimately purchase and transmit a minimum of 2,500 acre-feet of Nipomo Supplemental Water each year. The District is further required to employ its best efforts to timely implement the Nipomo Supplemental Water Project. The Judgment further provides that once the Nipomo Supplemental Water is capable of being delivered, the Parties to the Agreement are to purchase designated portions of the Nipomo Supplemental Water each year to offset ground water pumping in the Nipomo Mesa Management Area.

The District has entered into a Wholesale Water Supply Agreement with the City of Santa Maria dated May 7, 2013. The District and City of Santa Maria's agreement provides a mechanism through which the District may purchase Nipomo Supplemental Water for sale and distribution in the Nipomo Supplemental Water Project, consistent with obligations in the Judgment. The District has completed construction of the first stage of the Nipomo Supplemental Water Project and the District began taking delivery of Nipomo Supplemental Water as of July 1, 2015.

On or about June 25, 2015, the California Public Utilities Commission approved Golden State Water Company's acquisition of Rural Water Company. The Golden State Water Company assumed the entirety of Rural Water Company's benefits and obligations under such Agreement. The purpose of the Agreement is to enable the Parties to meet their respective obligations under the Judgment, provide payment to NCSW for each Party's allocation of costs, and for the distribution and use of Nipomo Supplemental Water. Per the Agreement, the District is to operate the Nipomo Supplemental Water Agreement as an enterprise fund, separating all costs associated to Nipomo Supplemental Water Project within and only to that fund. The amortization period for capital costs is 30 years beginning July 1, 2015. Interest will be charged monthly on the remaining unamortized balance as of the prior month end. As of June 30, 2022, the Contract Receivable associated with the Agreement is \$6,903,272.

*Nipomo Community Services District*

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2022**

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**NOTE 5: CAPITAL ASSETS**

Changes in capital assets for the current year were as follows:

	June 30, 2021	Additions	Deletions/ Transfers	June 30, 2022
Non-depreciable capital assets:				
Land	\$ 1,113,700	\$ -	\$ -	\$ 1,113,700
Construction in progress	2,704,201	1,813,361	(2,213,938)	2,303,624
 Total non-depreciable capital assets	 3,817,901	 1,813,361	 (2,213,938)	 3,417,324
Depreciable capital assets:				
Buildings and improvements	88,146,554	2,401,533	-	90,548,087
Equipment	2,995,696	202,867	(48,070)	3,150,493
 Total depreciable capital assets	 91,142,250	 2,604,400	 (48,070)	 93,698,580
Less accumulated depreciation:				
Buildings and improvements	(24,517,573)	(1,934,672)	-	(26,452,245)
Equipment	(2,057,955)	(234,974)	48,070	(2,244,859)
	(26,575,528)	(2,169,646)	48,070	(28,697,104)
 Net depreciable capital assets	 64,566,722	 434,754	 -	 65,001,476
 Total capital assets, net	 \$ 68,384,623	 \$ 2,248,115	 \$ (2,213,938)	 \$ 68,418,800

Depreciation expense for the period ended June 30, 2022 was \$2,169,646.

# Nipomo Community Services District

## Notes to the Basic Financial Statements For the Year Ended June 30, 2022

### NOTE 6: LONG-TERM LIABILITIES

The summary of changes in long-term liabilities for the year ended June 30, 2022 is as follows:

	June 30, 2021	Additions	Deletions	June 30, 2022	Due Within One Year
Certificates of participation:					
Revenue COP's series 2012	\$ 8,325,000	\$ -	\$ (8,325,000)	\$ -	\$ -
Unamortized premium	52,481	-	(52,481)	-	-
Revenue COP's series 2013	8,675,000	-	(155,000)	8,520,000	160,000
Unamortized discount	(189,580)	-	8,618	(180,962)	-
Revenue COP's series 2022	-	10,630,000	(335,000)	10,295,000	250,000
Unamortized premium	-	526,621	(6,501)	520,120	-
Total COP's	<u>16,862,901</u>	<u>11,156,621</u>	<u>(8,865,364)</u>	<u>19,154,158</u>	<u>410,000</u>
Revenue bonds 2013A	2,070,000	-	(130,000)	1,940,000	135,000
Unamortized premium	130,576	-	(11,869)	118,707	-
Total revenue bonds	<u>2,200,576</u>	<u>-</u>	<u>(141,869)</u>	<u>2,058,707</u>	<u>135,000</u>
Compensated absences	<u>141,449</u>	<u>150,324</u>	<u>(133,001)</u>	<u>158,772</u>	<u>99,559</u>
Total long-term liabilities	<u>\$ 19,204,926</u>	<u>\$ 11,306,945</u>	<u>\$ (9,140,234)</u>	<u>\$ 21,371,637</u>	<u>\$ 644,559</u>

### Certificates of Participation

#### Revenue Certificates of Participation – Series 2012

The District issued \$9,795,000 of Revenue Certificate of Participation (COP's) to be used for Southland Wastewater Treatment Facility Upgrade. The COP's bear interest ranging from 2.00% to 4.125% per annum.

In February 2022, the 2012 Revenue Certificate of Participation (COP's) were refunded with the 2022 Revenue Certificate of Participation (COP's).

#### Revenue Certificates of Participation – Series 2013

The District issued \$9,660,000 of Revenue Certificate of Participation (COP's) on June 21, 2013. The proceeds are to be used for the Supplemental Water Project Phase 1. The COP's bear interest ranging from 1.0% to 4.625% per annum.

# Nipomo Community Services District

## Notes to the Basic Financial Statements For the Year Ended June 30, 2022

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### NOTE 6: LONG-TERM LIABILITIES, (continued)

#### Certificates of Participation, (continued)

The outstanding 2013 bonds contain a provision that if an event of default occurs and continues, the timing of repayment of outstanding amounts become due if (1) if the District is unable to make a payment, (2) if the District fails perform any of the agreements or covenants required to be performed by it under the Installment Sale Agreement, and such default continues for a period of thirty (30) days after the District has been given notice in writing of such default by the Corporation; or (3) the District files a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction approves a petition filed with or without the consent of the District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction assumes custody or control of the District or of the whole or any substantial part of its property.

Principal is to be paid annually starting September 1, 2014 through September 1, 2043. Annual principal payments range from \$135,000 to \$725,000 as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 160,000	\$ 373,100	\$ 533,100
2024	160,000	367,900	527,900
2025	165,000	362,000	527,000
2026	175,000	355,200	530,200
2027	180,000	348,100	528,100
2028-2032	1,015,000	1,622,056	2,637,056
2033-2037	2,220,000	1,296,873	3,516,873
2038-2042	3,030,000	688,153	3,718,153
2043-2044	1,415,000	66,256	1,481,256
	<u>\$ 8,520,000</u>	<u>\$ 5,479,638</u>	<u>\$ 13,999,638</u>

#### Revenue Certificates of Participation – Series 2022

The District issued \$10,630,000 of Revenue Certificate of Participation (COP's) in March 2022. The proceeds were used to refund the outstanding balance of the 2012 Revenue Certificate of Participation and fund a portion of the costs of certain capital improvements. The COP's bear interest ranging from 1.5% to 4.00% per annum.

The District refunded the Series 2012 COP's to reduce its total debt service payments by \$2,113,554 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt, less any prior funds on hand) of \$1,033,399.

# Nipomo Community Services District

## Notes to the Basic Financial Statements For the Year Ended June 30, 2022

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### NOTE 6: LONG-TERM LIABILITIES, (continued)

#### Certificates of Participation, (continued)

The outstanding 2022 bonds contain a provision that if an event of default occurs and continues, the timing of repayment of outstanding amounts become due if (1) if the District is unable to make a payment, (2) if the District fails perform any the other agreements or covenants required herein to be performed by it, and such default has continued for a period of 30 days after the District has been given notice in writing of such default by the Corporation or the Trustee; or (3) the District files a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction approves a petition filed with or without the consent of the District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction assumes custody or control of the District or of the whole or any substantial part of its property.

Principal is to be paid annually starting June 1, 2022 through June 1, 2048. Annual principal payments range from \$250,000 to \$555,000 as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 250,000	\$ 335,150	\$ 585,150
2024	260,000	325,150	585,150
2025	270,000	314,750	584,750
2026	275,000	310,700	585,700
2027	285,000	299,700	584,700
2028-2032	1,610,000	1,080,000	2,690,000
2033-2037	1,955,000	1,044,700	2,999,700
2038-2042	2,265,000	705,831	2,970,831
2043-2047	2,625,000	388,438	3,013,438
2048	500,000	46,650	546,650
	<u>\$ 10,295,000</u>	<u>\$ 4,851,069</u>	<u>\$ 15,146,069</u>

#### Revenue Bonds

##### Revenue Bonds 2013A

The District issued \$2,845,000 of Refunding Revenue Bonds, Series 2013A on May 30, 2013. The proceeds were used to refund the Revenue Certificate of Participation (COP's) that were originally issued on May 1, 2003. The Refunding Revenue Bonds bear interest ranging from 3.7% to 4.8% per annum. Principal is to be paid annually starting September 1, 2014 through September 1, 2032.

# *Nipomo Community Services District*

## **Notes to the Basic Financial Statements For the Year Ended June 30, 2022**

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### **NOTE 6: LONG-TERM LIABILITIES, (continued)**

#### **Revenue Bonds, (continued)**

The outstanding 2013A bonds contain a provision that if an event of default occurs and continues, the timing of repayment of outstanding amounts become due if (1) if the District is unable to make a payment, (2) if the District fails perform any of the covenants, agreements or conditions required to be performed by it under the Indenture or Bonds, and such default continues for a period of thirty (30) days after the District has been given notice in writing of such default by the Corporation; or (3) the District files a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction approves a petition filed with or without the consent of the District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction assumes custody or control of the District or of the whole or any substantial part of its property.

Annual payments range from \$105,000 to \$210,000 as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 135,000	\$ 83,675	\$ 218,675
2024	145,000	76,675	221,675
2025	155,000	69,175	224,175
2026	160,000	61,300	221,300
2027	170,000	53,050	223,050
2028-2032	965,000	142,400	1,107,400
2033	210,000	4,200	214,200
	<u>\$ 1,940,000</u>	<u>\$ 490,475</u>	<u>\$ 2,430,475</u>



# *Nipomo Community Services District*

## **Notes to the Basic Financial Statements For the Year Ended June 30, 2022**

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### **NOTE 7: DEFINED BENEFIT PENSION PLAN**

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

##### ***Plan Description***

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under generally accepted accounting principles. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors three rate plans (all miscellaneous). Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov).

##### ***Benefits Provided***

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

# Nipomo Community Services District

## Notes to the Basic Financial Statements For the Year Ended June 30, 2022

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### NOTE 7: DEFINED BENEFIT PENSION PLAN, (continued)

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

The Plan's provisions and benefits in effect at June 30, 2022 are summarized as follows:

	Miscellaneous Tier I	Miscellaneous Tier II	Miscellaneous PEPRA
Hire Date			
Benefit formula	3.0% @ 60	3.0% @ 60	2.0% @62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 and up	50 and up	52 and up
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	2.0% to 3.0%	1.0% to 2.5%
Required employee contribution rates	8.00%	8.00%	7.25%
Required employer contribution rates	16.15%	15.44%	7.73%

#### Contributions

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. Employer Contributions to the Plan for the fiscal year ended June 30, 2022 were \$356,716. The actual employer payments of \$320,704 made to CalPERS by the District during the measurement period ended June 30, 2021 differed from the District's proportionate share of the employer's contributions of \$311,081 by \$9,623, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

#### B. Net Pension Liability

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

# *Nipomo Community Services District*

## **Notes to the Basic Financial Statements For the Year Ended June 30, 2022**

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### **NOTE 7: DEFINED BENEFIT PENSION PLAN, (continued)**

#### ***B. Net Pension Liability (continued)***

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

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	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.

(1) The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov).

# Nipomo Community Services District

## Notes to the Basic Financial Statements For the Year Ended June 30, 2022

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### NOTE 7: DEFINED BENEFIT PENSION PLAN, (continued)

#### **B. Net Pension Liability (continued)**

##### **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 follows:

<u>Asset Class<sup>1</sup></u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10<sup>2</sup></u>	<u>Real Return Year 11+<sup>3</sup></u>
Public equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	-	-0.92%
Total	<u>100%</u>		

<sup>1</sup> In the System's ACFR, 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 of 2.00% used for this period

<sup>3</sup> An expected inflation of 2.92% used for this period

#### **Change of Assumptions**

There was no change of assumptions for measurement date June 30, 2021.

# *Nipomo Community Services District*

## **Notes to the Basic Financial Statements For the Year Ended June 30, 2022**

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### **NOTE 7: DEFINED BENEFIT PENSION PLAN, (continued)**

#### ***B. Net Pension Liability (continued)***

##### ***Discount Rate***

The discount rate used to measure the total pension liability for PERF C 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.

##### ***Subsequent Events***

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

##### ***Pension Plan Fiduciary Net Position***

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov). The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

*Nipomo Community Services District*

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2022**

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**NOTE 7: DEFINED BENEFIT PENSION PLAN, (continued)**

***C. Proportionate Share of Net Pension Liability***

The following table shows the Plan's proportionate share of the net pension liability over the measurement period.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2020 (VD)	\$ 8,268,231	\$ 6,373,474	\$ 1,894,757
Balance at: 6/30/2021 (MD)	8,864,280	7,909,204	955,076
Net changes during 2020-21	596,049	1,535,730	(939,681)

Valuation Date (VD), Measurement Date (MD)

The District's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov). The District's proportionate share of the net pension liability for the miscellaneous Plan as of the June 30, 2021 and 2022 fiscal year was as follows:

Proportionate Share of NPL - June 30, 2021	0.04492%
Proportionate Share of NPL - June 30, 2022	0.05030%
Change - Increase (Decrease)	<u>0.00538%</u>

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

The following presents the District's proportionate share of the net pension liability of the miscellaneous plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Net Pension Liability	\$ 2,125,435	\$ 955,076	\$ (12,443)

# *Nipomo Community Services District*

## **Notes to the Basic Financial Statements For the Year Ended June 30, 2022**

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### **NOTE 7: DEFINED BENEFIT PENSION PLAN, (continued)**

#### ***C. Proportionate Share of Net Pension Liability, (continued)***

##### ***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:

Net difference between projected and actual earnings on pension plan investments	5-year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lives (EARSL) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for PERF C for the measurement period ending June 30, 2021 is 3.7 years, which was obtained by dividing the total service years of 561,622 (the sum of remaining service lifetimes of the active employees) by 150,648 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

#### ***D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions***

As of the start of the measurement period (July 1, 2020), the District's net pension liability was \$1,894,757. For the measurement period ending June 30, 2021 (the measurement date), the District incurred a pension expense of \$223,161.

*Nipomo Community Services District*

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2022**

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**NOTE 7: DEFINED BENEFIT PENSION PLAN, (continued)**

***D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions, (continued)***

As of June 30, 2022, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 107,102	\$ -
Changes of Assumptions	-	-
Difference Between Projected and Actual Investment Earnings	-	833,731
Change in Employer's Proportion	72,831	-
Differences Between Employer's Contributions and Proportionate Share on Contributions	7,021	7,874
Pension Contributions Subsequent to the Measurement Date	356,716	-
Total	<u>\$ 543,670</u>	<u>\$ 841,605</u>

The amounts above are net of outflows and inflows recognized in the 2020-21 measurement period expense. Contributions subsequent to the measurement date of \$356,716 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2023	\$ (118,644)
2024	(133,260)
2025	(172,347)
2026	(230,400)
2027	-
Thereafter	-

***E. Payable to the Pension Plan***

At June 30, 2022, the District reported a payable of \$8,495 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.



# *Nipomo Community Services District*

## **Notes to the Basic Financial Statements For the Year Ended June 30, 2022**

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### **NOTE 8: OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

#### ***Plan Description***

The District has established a Retiree Healthcare Plan (HC Plan) and participates in an agent multiple-employer defined benefit retiree healthcare plan. District provides post-retirement health care benefits through the California Public Employees' Retirement System. In general, to be eligible for retiree medical benefits, an employee must retire from CALPERS on or after age 50 with at least 5 years of District service. For employees hired prior to February 1, 2006, the District's financial obligation is to pay 100% of the cost of coverage for the eligible retiree and any eligible dependents. For employees hired on or after February 1, 2006, the District's contribution percentage is based on the employee's years of CALPERS eligible service at retirement starting at 50% for employees with 10 years increasing by 5% per year of service up to 100% at 20 years of service. The District's maximum contribution is based on this contribution percentage applied to the average weighted premium rates established annually by CALPERS. A separate financial report is not prepared for the HC Plan.

#### ***Employees Covered***

As of the June 30, 2020 actuarial valuation, the following current and former employees were covered by the benefit terms under the HC Plan:

Active employees	18
Inactive employees or beneficiaries currently receiving benefits	9
Total	<u>27</u>

#### ***Contributions***

The District pays retiree medical benefits directly to CalPERS. For fiscal year ended June 30, 2022, the District paid \$98,830 in retiree medical benefits. In fiscal year 2008, the District established an Irrevocable Trust with the CalPERS' California Employer's Retiree Benefit Trust (CERBT). The Irrevocable Trust was required to fully implement the District's direction of prefunding the District's OPEB liability. For fiscal year June 30, 2022, the District's cash contribution to CERBT was \$128,000 in payments to the trust and the estimated implied subsidy of \$28,165 resulting in total OPEB payments of \$254,995. The District's contributions to the OPEB plan are not based on a measure of pay.

# Nipomo Community Services District

## Notes to the Basic Financial Statements For the Year Ended June 30, 2022

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### NOTE 8: OTHER POST-EMPLOYMENT BENEFITS (OPEB), (continued)

#### *Net OPEB liability*

The District's net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2020, based on the following actuarial methods and assumptions:

Actuarial Assumptions:	
Discount Rate	6.50%
Inflation	2.50%
Salary Increases	3.00% - Per annum
Investment Rate of Return	6.50%
Mortality Rate	MacLeod Watts Scale 2020 applied generationally from 2015.
Healthcare Trend Rate	5.8% in 2021 scaling down to 4% by 2076

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
TIPS	5%	0.25%
Fixed Income	25%	1.10%
Global Equities	59%	4.80%
REIT's	8%	3.20%
Commodities	3%	1.50%
Total	<u>100%</u>	

#### **Discount Rate**

The discount rate used to measure the total OPEB liability was 6.5% percent. The long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*Nipomo Community Services District*

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2022**

**NOTE 8: OTHER POST-EMPLOYMENT BENEFITS (OPEB), (continued)**

***Changes in the OPEB Liability***

The changes in the net OPEB liability for the HC Plan are as follows:

	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (c)= (a) - (b)</u>
<b>Balance at June 30, 2021</b> (Valuation Date June 30, 2020)	\$ 3,493,521	\$ 1,970,382	\$ 1,523,139
<b>Changes recognized for the measurement period:</b>			
Service Cost	143,574	-	143,574
Interest	232,050	-	232,050
Expected investment income	-	131,333	(131,333)
Changes of assumptions	-	-	-
Plan experience differences	-	-	-
Contributions - employer	-	235,179	(235,179)
Investment experience	-	419,241	(419,241)
Benefit payments	(134,179)	(134,179)	-
Administrative expenses	-	(760)	760
<b>Net Changes</b>	<u>241,445</u>	<u>650,814</u>	<u>(409,369)</u>
<b>Balance at June 30, 2022</b> (Measurement Date June 30, 2021)	<u>\$ 3,734,966</u>	<u>\$ 2,621,196</u>	<u>\$ 1,113,770</u>

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

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2021:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Net OPEB Liability	\$ 1,701,959	\$ 1,113,770	\$ 638,733

# Nipomo Community Services District

## Notes to the Basic Financial Statements For the Year Ended June 30, 2022

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### NOTE 8: OTHER POST-EMPLOYMENT BENEFITS (OPEB), (continued)

#### ***Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates***

The following presents the net OPEB liability of the Authority if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2021:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	\$ 579,617	\$ 1,113,770	\$ 1,793,322

#### ***OPEB Plan Fiduciary Net Position***

CalPERS issues a publicly available CERBT financial report that may be obtained from the CalPERS' website at [www.calpers.ca.gov](http://www.calpers.ca.gov).

#### ***Recognition of Deferred Outflows and Deferred Inflows of Resources***

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 years straight-line
All other amounts	Expected average remaining service lifetime (EARSL) (7.87 years at June 30, 2021)

*Nipomo Community Services District*

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2022**

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**NOTE 8: OTHER POST-EMPLOYMENT BENEFITS (OPEB), (continued)**

***OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB***

For the fiscal year ended June 30, 2022, the District recognized OPEB expense of \$283,262. For the fiscal year ended June 30, 2022, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 254,995	\$ -
Changes of assumptions	444,213	-
Differences between expected and actual experience	111,813	-
Net difference between projected and actual earnings on OPEB plan investments	-	307,886
Total	<u>\$ 811,021</u>	<u>\$ 307,886</u>

The \$254,995 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2021 measurement date will be recognized as a reduction of the net OPEB liability during the subsequent year. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2023	\$ 48,234
2024	52,174
2025	51,560
2026	16,701
2027	45,171
Thereafter	34,300

# Nipomo Community Services District

## Notes to the Basic Financial Statements For the Year Ended June 30, 2022

### NOTE 9: NET POSITION

At June 30, 2022, the components of net position consisted of the following:

<u>Net investment in capital assets:</u>		
Capital assets, not being depreciated		\$ 3,417,324
Depreciable capital assets, net		65,001,476
Current portion of long-term debt		(545,000)
Long-term debt, less current portion		<u>(20,667,865)</u>
		<u>\$ 47,205,935</u>
<u>Restricted Funding Source</u>	<u>Use</u>	
Water capacity charges and supplemental water	For the expansion of the water system	\$ 11,260,476
Town Sewer capacity charges	For the expansion of the sewer system	417,451
Town Sewer cash with fiscal agent	Cash held with fiscal agent for expansion	<u>3,000,002</u>
	Restricted for system expansion	<u>14,677,929</u>
Nipomo Supplemental Water Project	For the replacement/repair of the supplemental water project	<u>1,493,903</u>
	Total Restricted Net Position	<u>\$ 16,171,832</u>
<u>Unrestricted Funding Source</u>	<u>Use</u>	
Designated reserve	District operating expenses	\$ 12,344,401
	Total Unrestricted Net Position	<u>\$ 12,344,401</u>

### NOTE 10: JOINT POWERS AUTHORITY

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

At June 30, 2022, the District participated in the liability and property programs of the SDRMA as follows:

General Liability: Special District Risk Management Authority, coverage number LCA SDRMA 202122. This covers \$10,000,000 per occurrence.

Public Officials and Employees Errors: Special District Risk Management Authority, coverage number LCA SDRMA 202122. This covers \$10,000,000 per occurrence/general aggregate.

Personal Liability Coverage for Board Members: Special District Risk Management Authority, coverage number LCA SDRMA 202122. This covers \$500,000 per occurrence/general aggregate.

## *Nipomo Community Services District*

### **Notes to the Basic Financial Statements For the Year Ended June 30, 2022**

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#### **NOTE 10: JOINT POWERS AUTHORITY, (continued)**

Employment Practices Liability: Special District Risk Management Authority, coverage number LCA SDRMA 202122. This covers \$10,000,000 per wrongful employment practice/aggregate limits per member.

Employment Benefits Liability: Special District Risk Management Authority, coverage number LCA SDRMA 202122. This covers \$10,000,000 per occurrence/general aggregate.

Employee Dishonesty Coverage: Special District Risk Management Authority, coverage number EDC SDRMA 202122. This policy includes a \$1,000,000 Public Employees Dishonesty Blanket Coverage.

Auto Liability: Special District Risk Management Authority, coverage number LCA SDRMA 202122. This policy covers \$10,000,000 per occurrence with personal injury and property damage.

Automobile Physical Damage: Special District Risk Management Authority, coverage number LCA SDRMA 202122. The coverage is on file with SDRMA.

Uninsured/Under Insured Motorist: Special District Risk Management Authority, coverage number UMI SDRMA 202122. The coverage is on file with SDRMA.

Trailer Coverage: District Risk Management Authority, coverage number LCA SDRMA 202122. The coverage is on file with SDRMA.

Property Coverage: Special District Risk Management Authority, coverage number PPC SDRMA 202122. This policy covers the replacement cost for scheduled property, \$1,000,000,000 per occurrence. Deductible is on file with SDRMA.

Boiler and Machinery: Special District Risk Management Authority, coverage number PPC SDRMA 202122. This covers the replacement cost for scheduled property, \$100,000,000 per occurrence. Deductible is on file with SDRMA.

Workers Compensation Coverage and Employer's Liability: Special District Risk Management Authority, coverage number WCP SDRMA 202122. This coverage is statutory per occurrence, respectively for workers' compensation and \$5,000,000 for employers' liability coverage.

Settled claims have not exceeded any of the coverages in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2022. 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, 2022.

# *Nipomo Community Services District*

## **Notes to the Basic Financial Statements For the Year Ended June 30, 2022**

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### **NOTE 11: CONTINGENCIES**

*Santa Maria Valley Water Conservation District v. City of Santa Maria, et al.*, Santa Clara County Superior Court, Case No. CV 770214.

This case relates to the District's right to produce water from the Santa Maria groundwater basin. The District is a defendant and cross-defendant in the case and has filed its own cross-complaint.

Issues brought forth in the case include claimed priority to the right to produce water from the subject water basin, rights to store and produce native and imported water in and from the basin, and a call for a court-ordered management plan (physical solution) to manage storage in and water production from the basin while preserving the basin as a resource.

There are more than 1,500 involved parties in the action. The litigation does not involve claims for current or past liability, but it may result in a rise in the cost of water production and distribution to District customers or a decline in the amount of water available in areas serviced by the District. A number of parties, including the District, have stipulated to a settlement in the case. Final judgement has now been entered, and two published decisions have been issued by the Court of Appeal related to the final judgment and its interpretation: (1) *City of Santa Maria v. Adam* (2012) 211 Cal.App.4th 266; and (2) *City of Santa Maria v. Adam* (2016) 218 Cal.App.4th 504. The trial court continues to have jurisdiction over this matter and continues to schedule Case Management Conferences every 3 or 4 months. The next Case Management Conference is scheduled to take place September 30, 2022.

On April 15 & 16, 2019, certain landowners filed the following complaints: 1) Koch California Ltd., et al. v. City of Santa Maria, et al. (Case No. 19-CV-0227), pending in San Luis Obispo County Superior Court; 2) JC & Elsie Teixeira Family Limited Partnership v. City of Santa Maria, et al. (Case No. 19-CV-0230), in San Luis Obispo County Superior Court; 3) JC & Elsie Teixeira Family Limited Partnership v. City of Santa Maria, et al. (Case No. 19-CV-02086), pending in Santa Barbara County Superior Court; and Adam L. Kieran, et al., v. City of Santa Maria, et al. (Case No. 19CV02091), in Santa Barbara County Superior Court. The District, and all other public purveyors in the Santa Maria Groundwater Adjudication, were named defendants. The public purveyor defendants filed a petition to request that the Judicial Council determine that these four complaints be coordinated with the Santa Maria Groundwater Litigation in Santa Clara County Superior Court. That petition was granted, and these four actions have now been stayed pending transfer to the Santa Clara County Superior Court.



**REQUIRED SUPPLEMENTARY INFORMATION**

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*Nipomo Community Services District*

**Required Supplementary Information  
Schedule of District's Proportionate Share of the Plan's Net Pension Liability  
and Related Ratios as of the Measurement Date  
Last Ten Years\***

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Measurement Date	Employer's Proportion of the Collective Net Pension Liability <sup>1</sup>	Employer's Proportionate Share of the Collective Net Pension Liability	Covered Payroll	Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Covered Payroll	Pension's Plans Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2014	0.01728%	\$ 1,075,480	\$ 850,732	126.42%	80.12%
6/30/2015	0.01711%	1,174,145	990,477	118.54%	79.61%
6/30/2016	0.01712%	1,480,964	1,110,264	133.39%	75.85%
6/30/2017	0.01701%	1,686,681	1,153,706	146.20%	75.19%
6/30/2018	0.01669%	1,607,847	1,120,809	143.45%	77.49%
6/30/2019	0.01686%	1,727,302	1,149,787	150.23%	77.53%
6/30/2020	0.01741%	1,894,757	1,329,670	142.50%	77.08%
6/30/2021	0.01766%	955,076	1,428,771	66.85%	89.23%

<sup>1</sup> Proportion of the collective net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk pools excluding the 1959 Survivors Risk Pool.

\* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

## Nipomo Community Services District

### Required Supplementary Information Schedule of Pension Plan Contributions Last Ten Years\*

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
6/30/2015	\$ 190,106	\$ (190,106)	\$ -	\$ 990,447	19.19%
6/30/2016	214,785	(214,785)	-	1,110,264	19.35%
6/30/2017	233,979	(233,979)	-	1,153,706	20.28%
6/30/2018	245,052	(245,052)	-	1,120,809	21.86%
6/30/2019	231,550	(231,550)	-	1,149,787	20.14%
6/30/2020	275,007	(275,007)	-	1,329,670	20.68%
6/30/2021	320,704	(320,704)	-	1,428,771	22.45%
6/30/2022	356,716	(356,716)	-	1,537,208	23.21%

#### Notes to Schedule:

Change in Benefit Terms: None

Changes in Assumptions: There were no assumption changes for 2021. For 2020, the Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019. There were no changes in assumptions in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate in 2019. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes in the discount rate. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

\* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

# Nipomo Community Services District

## Required Supplementary Information Schedule of Changes in the Net OPEB Liability and Related Ratios Last Ten Years\*

Measurement Date	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021
<b>Total OPEB Liability</b>					
Service Cost	\$ 66,148	\$ 68,132	\$ 124,610	\$ 144,932	\$ 143,574
Interest on the Total OPEB Liability	125,817	133,867	180,785	198,010	232,050
Actual and expected experience difference	-	42,839	-	122,387	-
Changes in assumptions	-	552,064	64,913	187,866	-
Changes in benefit terms	-	-	-	-	-
Benefit payments	(136,301)	(134,076)	(129,067)	(122,132)	(134,179)
<b>Net change in Total OPEB Liability</b>	55,664	662,826	241,241	531,063	241,445
<b>Total OPEB Liability - beginning</b>	<u>2,002,727</u>	<u>2,058,391</u>	<u>2,721,217</u>	<u>2,962,458</u>	<u>3,493,521</u>
<b>Total OPEB Liability - ending (a)</b>	<u>2,058,391</u>	<u>2,721,217</u>	<u>2,962,458</u>	<u>3,493,521</u>	<u>3,734,966</u>
<b>Plan Fiduciary Net Position</b>					
Contribution - employer	223,671	221,446	216,437	223,132	235,179
Net investment income	131,036	114,132	104,331	120,277	131,333
Benefit payments	(136,301)	(134,076)	(129,067)	(122,132)	(134,179)
Administrative expense	(1,092)	(770)	(353)	(900)	(760)
Other Expense (one-time)	-	(1,867)	-	-	-
Investment experience	-	-	-	(50,361)	419,241
<b>Net change in Plan Fiduciary Net Position</b>	217,314	198,865	191,348	170,016	650,814
<b>Plan Fiduciary Net Position - beginning</b>	<u>1,192,839</u>	<u>1,410,153</u>	<u>1,609,018</u>	<u>1,800,366</u>	<u>1,970,382</u>
<b>Plan Fiduciary Net Position - ending (b)</b>	<u>1,410,153</u>	<u>1,609,018</u>	<u>1,800,366</u>	<u>1,970,382</u>	<u>2,621,196</u>
<b>Net OPEB Liability - ending (a) - (b)</b>	<u>\$ 648,238</u>	<u>\$ 1,112,199</u>	<u>\$ 1,162,092</u>	<u>\$ 1,523,139</u>	<u>\$ 1,113,770</u>
Plan fiduciary net position as a percentage of the total OPEB liability	68.51%	59.13%	60.77%	56.40%	70.18%
Covered-employee payroll	\$ 1,288,325	\$ 1,213,514	\$ 1,176,634	\$ 1,419,376	\$ 1,515,349
Net OPEB liability as a percentage of covered-employee payroll	50.32%	91.65%	98.76%	107.31%	73.50%

Notes to schedule:

\* Historical information is required only for measurement period for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

Fiscal Year 2017-18 was the first year of implementation.

Contributions are not based on a measure of pay, therefore covered-employee payroll is used in the schedule.

# Nipomo Community Services District

## Required Supplementary Information Schedule of OPEB Contributions Last Ten Years\*

Fiscal Year Ended June 30	2018	2019	2020	2021	2022
Actuarially determined contributions (ADC)	\$ 110,926	\$ 215,870	\$ 222,139	\$ 228,054	\$ 281,853
Contributions in relation to the ADC	(201,556)	(191,562)	(223,132)	(235,179)	(254,995)
Contribution deficiency/(excess)	\$ (90,630)	\$ 24,308	\$ (993)	\$ (7,125)	\$ 26,858
Covered-employee payroll	\$ 1,213,514	\$ 1,176,634	\$ 1,419,376	\$ 1,515,349	\$ 1,582,861
Contribution as a percentage of covered-employee payroll	16.61%	16.28%	15.72%	15.52%	16.11%

Notes to schedule	6/30/2017	6/30/2018	6/30/2018	6/30/2020	6/30/2020
Valuation Date	6/30/2017	6/30/2018	6/30/2018	6/30/2020	6/30/2020
Methods and assumptions used to determine contributions					
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization method		2.5% escalation	2.5% escalation	2.5% escalation	2.5% escalation
Amortization period	30 years	20 years	19 years	18 years	18 years
Asset valuation method	Market	Market	Market	Market	Market Value
Inflation	3.00%	2.50%	2.50%	2.50%	2.50%
Healthcare cost trend rates	6% to 5% step 1%	7% to 5% step 0.5%	7% to 5% step 0.5%	7% to 5% step 0.5%	5.8% in 2021 scaling down to 4% by 2076
Salary increases	3.00%	3.25%	3.25%	3.00%	3.00%
Investment rate of return	6.50%	6.50%	6.50%	6.50%	6.50%
Retirement Rates	Varies by age	CalPERS 2017	CalPERS 2017	CalPERS 2017	Mortality projection using
Mortality rates	Pre-Retirement: RP-2014 Employee Mortality; Post-Retirement: RP-2014 Healthy Annuitant; no mortality improvement	Experience Assumptions; Mortality projection using MacLeod Watts Scale 2018 generationally	Experience Assumptions; Mortality projection using MacLeod Watts Scale 2018 generationally	Experience Assumptions; Mortality projection using MacLeod Watts Scale 2020 generationally	MacLeod Watts Scale 2020 generationally

\* Historical information is required only for measurement period for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

Contributions are fixed and not based on a measure of pay, therefore covered-employee payroll is used in the schedule.

Fiscal Year 2017-18 was the first year of implementation.

**OTHER SUPPLEMENTAL INFORMATION**

# Nipomo Community Services District

## Combining Schedule of Net Position Proprietary Funds June 30, 2022

	Business Type Activities - Enterprise Funds				
	Administration	Water	Town Sewer	Blacklake Sewer	Blacklake Lighting
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ -	\$ 12,774,659	\$ 4,291,072	\$ 930,732	\$ -
Accounts receivable	-	121,862	46,789	6,994	-
Unbilled utilities receivable	-	556,000	204,000	72,000	-
Accrued interest receivable	-	131,419	8,039	1,576	-
Accrued franchise fees	-	-	-	-	-
Due from County	-	-	-	-	286
Due from other funds	-	135,324	-	-	-
Contract receivable, current portion	-	142,935	-	-	-
Total current assets	-	13,862,199	4,549,900	1,011,302	286
<b>Noncurrent assets:</b>					
Restricted cash and cash equivalents	157,714	-	-	-	-
Restricted cash - funded replacement	-	-	-	-	-
Cash with fiscal agent	-	-	3,000,002	-	-
Deposits and other assets	2,231	42,811	-	-	-
Contract receivable, less current portion	-	6,760,337	-	-	-
Capital assets:					
Capital assets, not being depreciated	-	1,289,415	1,318,335	786,126	-
Depreciable capital assets, net	68,905	38,387,835	23,993,507	1,259,207	-
Total noncurrent assets	228,850	46,480,398	28,311,844	2,045,333	-
Total assets	228,850	60,342,597	32,861,744	3,056,635	286
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
OPEB related	60,827	536,085	167,881	46,228	-
Pension related	40,776	359,365	112,540	30,989	-
Total deferred outflows of resources	101,603	895,450	280,421	77,217	-
<b>LIABILITIES</b>					
<b>Current liabilities:</b>					
Accounts payable	34,979	107,360	202,585	8,627	2,205
Due to other funds	65,325	507,577	-	-	11,531
Deposits and retentions	353,511	10,000	-	-	-
Retention payable	-	-	26,305	-	-
Accrued liabilities	22,557	161,395	43,178	4,017	-
Current portion of long-term liabilities	19,912	219,735	266,925	2,987	-
Total current liabilities	496,284	1,006,067	538,993	15,631	13,736
<b>Noncurrent liabilities:</b>					
Net OPEB liability	83,533	736,202	230,550	63,485	-
Net pension liability	71,631	631,305	197,701	54,439	-
Long-term liabilities, less current portion	11,843	8,214,566	10,575,186	1,776	-
Total noncurrent liabilities	167,007	9,582,073	11,003,437	119,700	-
Total liabilities	663,291	10,588,140	11,542,430	135,331	13,736
<b>DEFERRED INFLOWS OF RESOURCES</b>					
OPEB related	23,091	203,513	63,732	17,550	-
Pension related	63,121	556,300	174,212	47,972	-
Total deferred inflows of resources	86,212	759,813	237,944	65,522	-
<b>NET POSITION</b>					
Net investment in capital assets	68,905	31,338,212	14,496,722	2,045,333	-
Restricted for system expansion	-	11,260,476	3,417,453	-	-
Restricted for system replacement	-	-	-	-	-
Unrestricted	(487,955)	7,291,406	3,447,616	887,666	(13,450)
Total net position	\$ (419,050)	\$ 49,890,094	\$ 21,361,791	\$ 2,932,999	\$ (13,450)



Business Type Activities - Enterprise Funds						
Solid Waste	Drainage	Landscape Maintenance	Property Taxes	Supplemental Water	Eliminations	Total
\$ 511,832	\$ 57,302	\$ 13,821	\$ 614,617	\$ -	\$ -	\$ 19,194,035
-	-	-	-	249,325	-	424,970
-	-	-	-	-	-	832,000
884	118	25	882	-	-	142,943
25,502	-	-	-	-	-	25,502
938	495	-	17,344	-	-	19,063
-	-	-	-	507,577	(642,901)	-
-	-	-	-	-	-	142,935
<u>539,156</u>	<u>57,915</u>	<u>13,846</u>	<u>632,843</u>	<u>756,902</u>	<u>(642,901)</u>	<u>20,781,448</u>
-	-	-	-	-	-	157,714
-	-	-	-	1,442,187	-	1,442,187
-	-	-	-	-	-	3,000,002
-	-	-	7,474	-	-	52,516
-	-	-	-	-	-	6,760,337
-	-	-	23,448	-	-	3,417,324
-	-	-	1,292,022	-	-	65,001,476
-	-	-	<u>1,322,944</u>	<u>1,442,187</u>	-	<u>79,831,556</u>
<u>539,156</u>	<u>57,915</u>	<u>13,846</u>	<u>1,955,787</u>	<u>2,199,089</u>	<u>(642,901)</u>	<u>100,613,004</u>
-	-	-	-	-	-	811,021
-	-	-	-	-	-	543,670
-	-	-	-	-	-	<u>1,354,691</u>
1,665	-	503	-	646,718	-	1,004,642
-	-	-	-	58,468	(642,901)	-
-	-	-	-	-	-	363,511
-	-	-	-	-	-	26,305
931	-	-	29,017	-	-	261,095
-	-	-	135,000	-	-	644,559
<u>2,596</u>	<u>-</u>	<u>503</u>	<u>164,017</u>	<u>705,186</u>	<u>(642,901)</u>	<u>2,300,112</u>
-	-	-	-	-	-	1,113,770
-	-	-	-	-	-	955,076
-	-	-	1,923,707	-	-	20,727,078
-	-	-	<u>1,923,707</u>	-	-	<u>22,795,924</u>
<u>2,596</u>	<u>-</u>	<u>503</u>	<u>2,087,724</u>	<u>705,186</u>	<u>(642,901)</u>	<u>25,096,036</u>
-	-	-	-	-	-	307,886
-	-	-	-	-	-	841,605
-	-	-	-	-	-	<u>1,149,491</u>
-	-	-	(743,237)	-	-	47,205,935
-	-	-	-	-	-	14,677,929
-	-	-	-	1,493,903	-	1,493,903
<u>536,560</u>	<u>57,915</u>	<u>13,343</u>	<u>611,300</u>	-	-	<u>12,344,401</u>
<u>\$ 536,560</u>	<u>\$ 57,915</u>	<u>\$ 13,343</u>	<u>\$ (131,937)</u>	<u>\$ 1,493,903</u>	<u>\$ -</u>	<u>\$ 75,722,168</u>

# Nipomo Community Services District

## Combining Schedule of Revenues, Expenses and Changes in Net Position Proprietary Funds For the Year Ended June 30, 2022

	Business Type Activities - Enterprise Funds				
	Administration	Water	Town Sewer	Blacklake Sewer	Blacklake Lighting
<b>Operating revenues</b>					
Charges for services	\$ -	\$ 6,537,090	\$ 2,364,332	\$ 778,278	\$ 27,850
Charges for services-purveyor	-	-	-	-	-
Charges for services-purveyor reimbursements	-	-	-	-	-
Other operating revenue	27,863	219,185	230	-	-
Total operating revenues	<u>27,863</u>	<u>6,756,275</u>	<u>2,364,562</u>	<u>778,278</u>	<u>27,850</u>
<b>Operating expenses</b>					
Purchased water	-	1,597,857	-	-	-
Purchased water related expenses	-	301,421	-	-	-
Purchased water-purveyors	-	-	-	-	-
Personnel	271,150	1,616,678	714,021	180,908	-
Contractual services	51,366	179,869	35,101	1,910	21,134
Utilities	18,753	344,383	175,772	48,269	28,961
Repairs and maintenance	22,499	94,772	160,483	11,763	1,231
Other supplies and expenses	84,720	1,066,210	375,787	101,690	1,001
Insurance	42,320	127,673	36,211	6,478	500
Depreciation	18,859	1,212,507	795,997	111,400	-
Total operating expenses	<u>509,667</u>	<u>6,541,370</u>	<u>2,293,372</u>	<u>462,418</u>	<u>52,827</u>
Operating income (loss)	<u>(481,804)</u>	<u>214,905</u>	<u>71,190</u>	<u>315,860</u>	<u>(24,977)</u>
<b>Non-operating revenues (expenses)</b>					
Interest income	1	479,741	8,768	2,797	3
Property taxes	-	-	-	-	-
Cell site rental income	3,457	19,532	-	-	-
Gain on disposal of capital assets	450	-	-	-	-
Other revenue-purveyors	-	203,130	-	-	-
Interest expense	-	(385,018)	(356,876)	-	-
Bond issuance cost	-	-	(243,044)	-	-
Total non-operating revenues (expenses)	<u>3,908</u>	<u>317,385</u>	<u>(591,152)</u>	<u>2,797</u>	<u>3</u>
Income (loss) before contributions and transfers	<u>(477,896)</u>	<u>532,290</u>	<u>(519,962)</u>	<u>318,657</u>	<u>(24,974)</u>
Capital contributions received	-	448,178	162,370	247,072	-
Transfers in	466,934	553,025	-	-	-
Transfer out	-	(333,513)	(94,495)	(16,676)	(500)
Total contributions and transfers	<u>466,934</u>	<u>667,690</u>	<u>67,875</u>	<u>230,396</u>	<u>(500)</u>
Change in net position	<u>(10,962)</u>	<u>1,199,980</u>	<u>(452,087)</u>	<u>549,053</u>	<u>(25,474)</u>
Total net position - beginning	<u>(408,088)</u>	<u>48,690,114</u>	<u>21,813,878</u>	<u>2,383,946</u>	<u>12,024</u>
Total net position - ending	<u>\$ (419,050)</u>	<u>\$ 49,890,094</u>	<u>\$ 21,361,791</u>	<u>\$ 2,932,999</u>	<u>\$ (13,450)</u>

<b>Business Type Activities - Enterprise Funds</b>						
<b>Solid Waste</b>	<b>Drainage</b>	<b>Landscape Maintenance</b>	<b>Property Taxes</b>	<b>Supplemental Water</b>	<b>Eliminations</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,707,550
-	-	-	-	2,396,306	(1,597,858)	798,448
-	-	-	-	434,791	(377,365)	57,426
193,017	-	13,720	-	-	-	454,015
<u>193,017</u>	<u>-</u>	<u>13,720</u>	<u>-</u>	<u>2,831,097</u>	<u>(1,975,223)</u>	<u>11,017,439</u>
-	-	-	-	-	-	1,597,857
-	-	-	-	-	(149,440)	151,981
-	-	-	-	2,396,306	(1,597,858)	798,448
-	-	-	-	-	-	2,782,757
7,897	-	45	-	-	-	297,322
-	-	5,474	-	87,053	(87,053)	621,612
-	-	-	-	7,418	(7,418)	290,748
17,510	-	4,700	2,351	117,723	(117,723)	1,653,969
2,000	-	-	-	15,731	(15,731)	215,182
-	-	-	30,883	-	-	2,169,646
<u>27,407</u>	<u>-</u>	<u>10,219</u>	<u>33,234</u>	<u>2,624,231</u>	<u>(1,975,223)</u>	<u>10,579,522</u>
<u>165,610</u>	<u>-</u>	<u>3,501</u>	<u>(33,234)</u>	<u>206,866</u>	<u>-</u>	<u>437,917</u>
1,695	238	46	1,527	3,984	-	498,800
-	22,489	-	780,665	-	-	803,154
-	-	-	-	-	-	22,989
-	-	-	-	-	-	450
-	-	-	-	-	-	203,130
-	-	-	(76,504)	-	-	(818,398)
-	-	-	-	-	-	(243,044)
<u>1,695</u>	<u>22,727</u>	<u>46</u>	<u>705,688</u>	<u>3,984</u>	<u>-</u>	<u>467,081</u>
167,305	22,727	3,547	672,454	210,850	-	904,998
-	-	-	-	-	-	857,620
-	-	-	-	-	(1,019,959)	-
(20,250)	(23,000)	(1,500)	(530,025)	-	1,019,959	-
<u>(20,250)</u>	<u>(23,000)</u>	<u>(1,500)</u>	<u>(530,025)</u>	<u>-</u>	<u>-</u>	<u>857,620</u>
147,055	(273)	2,047	142,429	210,850	-	1,762,618
<u>389,505</u>	<u>58,188</u>	<u>11,296</u>	<u>(274,366)</u>	<u>1,283,053</u>	<u>-</u>	<u>73,959,550</u>
<u>\$ 536,560</u>	<u>\$ 57,915</u>	<u>\$ 13,343</u>	<u>\$ (131,937)</u>	<u>\$ 1,493,903</u>	<u>\$ -</u>	<u>\$ 75,722,168</u>

*Nipomo Community Services District*

**Combining Schedule of Other Supplies and Expenses  
Proprietary Funds  
For the Year Ended June 30, 2022**

	<b>Business Type Activities - Enterprise Funds</b>				
	<b>Administration</b>	<b>Water</b>	<b>Town Sewer</b>	<b>Blacklake Sewer</b>	<b>Blacklake Lighting</b>
<b>Other supplies and expenses</b>					
Bank charges and fees	\$ 7,609	\$ -	\$ -	\$ -	\$ -
Bond administration	-	2,340	2,450	-	-
Chemicals	-	35,852	50,924	26,524	-
Computer expenses	20,910	180,247	36,114	7,341	-
Conservation program	-	6,934	-	-	-
Credit card fees	-	88	-	-	-
Dues and subscriptions	4,644	36,700	5,312	705	-
Education and training	2,995	1,940	628	-	-
Elections	-	-	-	-	-
Fuel	-	45,364	15,108	8,241	-
Lab testing	-	44,363	29,409	32,674	-
LAFCO funding	27,689	-	-	-	-
Landscape and janitorial	4,188	12,563	3,559	628	-
Landscape maintenance	-	-	-	-	-
Meters	-	324,274	-	-	-
Miscellaneous	2,607	110	72.00	-	-
NCSD labor charges	-	-	-	-	-
NCSD overhead charges	-	-	-	-	-
Newsletters and mailers	495	2,162	421	74	-
Office supplies	2,784	7,636	2,164	382	-
Operating supplies	-	195,771	78,686	1,822	-
Outside services	620	134,602	122,524	7,088	-
Paging service	-	3,256	-	-	-
Permits and operating fees	-	-	18,205	11,446	-
Postage	2,233	14,799	5,393	1,763	-
Property taxes	-	1,672	-	-	-
Public notices	1,763	-	-	-	1,001
Safety program	-	1,543	522	309	-
Solid waste program	-	-	-	-	-
Telephone	1,136	3,408	965	877	-
Travel and mileage	5,047	585	162	88	-
Uniforms	-	10,001	3,169	1,728	-
<b>Total other supplies and expenses</b>	<b>\$ 84,720</b>	<b>\$ 1,066,210</b>	<b>\$ 375,787</b>	<b>\$ 101,690</b>	<b>\$ 1,001</b>

Business Type Activities - Enterprise Funds						
Solid Waste	Drainage	Landscape Maintenance	Property Taxes	Supplemental Water	Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,609
-	-	-	2,351	-	-	7,141
-	-	-	-	8,656	(8,656)	113,300
-	-	-	-	-	-	244,612
-	-	-	-	-	-	6,934
-	-	-	-	-	-	88
-	-	-	-	-	-	47,361
-	-	-	-	-	-	5,563
-	-	-	-	-	-	-
-	-	-	-	-	-	68,713
-	-	-	-	92	(92)	106,446
-	-	-	-	-	-	27,689
-	-	-	-	-	-	20,938
-	-	4,380	-	-	-	4,380
-	-	-	-	-	-	324,274
-	-	-	-	-	-	2,789
-	-	-	-	77,080	(77,080)	-
-	-	-	-	29,730	(29,730)	-
-	-	-	-	-	-	3,152
-	-	-	-	-	-	12,966
-	-	-	-	522	(522)	276,279
-	-	-	-	1,167	(1,167)	264,834
-	-	-	-	-	-	3,256
-	-	-	-	476	(476)	29,651
-	-	-	-	-	-	24,188
-	-	-	-	-	-	1,672
657	-	320	-	-	-	3,741
-	-	-	-	-	-	2,374
16,853	-	-	-	-	-	16,853
-	-	-	-	-	-	6,386
-	-	-	-	-	-	5,882
-	-	-	-	-	-	14,898
<u>\$17,510</u>	<u>\$ -</u>	<u>\$ 4,700</u>	<u>\$ 2,351</u>	<u>\$ 117,723</u>	<u>\$ (117,723)</u>	<u>\$ 1,653,969</u>

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## **STATISTICAL SECTION**

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## STATISTICAL SECTION

This part of the Nipomo Community Services District's (the District) annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the District's overall financial health.

<b>Table of Contents</b>	<b>Page</b>
Financial Trends <i>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</i>	59-61
Revenue Capacity <i>These schedules contain information to help the reader assess the District's two most significant revenue sources, water and sewer sales.</i>	62-71
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.</i>	72-76
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.</i>	77-80
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.</i>	81-83

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# *Nipomo Community Services District*

## **Net Position by Component Last Ten Fiscal Years**

	Fiscal year ended June 30,				
	2013	2014	2015	2016	2017
Net Position					
Net investment in capital assets	\$ 21,117,250	\$ 36,796,349	\$ 41,378,553	\$ 42,717,685	\$ 44,744,193
Restricted	26,519,323	11,474,442	9,817,048	11,619,723	10,241,070
Unrestricted	10,244,105	13,802,081	6,721,899	10,865,858	11,615,313
Total Net Position	<u>\$ 57,880,678</u>	<u>\$ 62,072,872</u>	<u>\$ 57,917,500</u>	<u>\$ 65,203,266</u>	<u>\$ 66,600,576</u>

	Fiscal year ended June 30,				
	2018	2019	2020	2021	2022
Net Position					
Net investment in capital assets	\$ 44,662,685	\$ 44,743,341	\$ 47,607,041	\$ 49,321,146	\$ 47,205,935
Restricted	12,079,117	13,534,450	11,180,805	13,127,214	16,171,832
Unrestricted	11,601,352	12,659,645	15,049,757	11,511,190	12,344,401
Total Net Position	<u>\$ 68,343,154</u>	<u>\$ 70,937,436</u>	<u>\$ 73,837,603</u>	<u>\$ 73,959,550</u>	<u>\$ 75,722,168</u>

Source: Nipomo Community Services District

# Nipomo Community Services District

## Changes in Net Position Last Ten Fiscal Years

	Fiscal Year Ended June 30,			
	2013	2014	2015	2016
<b>OPERATING REVENUES:</b>				
Water	\$ 3,318,232	\$ 3,720,667	\$ 3,361,276	\$ 4,054,172
Wastewater	2,311,889	2,242,497	2,311,400	2,337,597
Other	653,852	699,308	650,810	767,547
Total Operating Revenues	<u>6,283,973</u>	<u>6,662,472</u>	<u>6,323,486</u>	<u>7,159,316</u>
Non-Operating Revenues				
Interest income	102,610	82,277	64,580	447,364
Property taxes	494,457	515,399	549,693	586,899
Other	56,707	50,253	51,344	5,780,723
Total Non-Operating Revenues	<u>653,774</u>	<u>647,929</u>	<u>665,617</u>	<u>6,814,986</u>
Total Revenues	<u>6,937,747</u>	<u>7,310,401</u>	<u>6,989,103</u>	<u>13,974,302</u>
<b>OPERATING EXPENSES:</b>				
Purchased water	-	-	-	872,439
Purchased water related expenses	-	-	-	-
Purchased water - purveyors	-	-	-	129,321
Personnel	1,557,146	1,532,776	1,774,347	1,764,935
Contractual services	224,616	354,297	272,964	350,413
Utilities	578,766	670,413	604,890	573,298
Repairs & maintenance	229,699	194,435	188,512	370,546
Other supplies & expenses	1,028,433	1,161,271	1,294,354	1,052,134
Insurance	75,207	69,609	76,012	79,814
Depreciation & amortization	1,174,583	1,250,300	1,410,550	1,813,745
Total Operating Expenses	<u>4,868,450</u>	<u>5,233,101</u>	<u>5,621,629</u>	<u>7,006,645</u>
Total Non-Operating Expenses	<u>1,294,768</u>	<u>610,231</u>	<u>4,186,961</u>	<u>883,201</u>
Total Expenses	<u>6,163,218</u>	<u>5,843,332</u>	<u>9,808,590</u>	<u>7,889,846</u>
Income (Loss) Before Contributions	774,529	1,467,069	(2,819,487)	6,084,456
Capital Contributions received	5,101,412	2,725,125	53,464	668,838
Capital Contributions paid	-	-	-	-
Change in Net Position	<u>\$ 5,875,941</u>	<u>\$ 4,192,194</u>	<u>\$ (2,766,023)</u>	<u>\$ 6,753,294</u>

Source: Nipomo Community Services District

Fiscal Year Ended June 30,					
2017	2018	2019	2020	2021	2022
\$ 4,554,380	\$ 5,166,145	\$ 5,189,177	\$ 5,940,876	\$ 6,531,278	\$ 6,756,275
2,436,782	2,549,548	2,622,885	2,780,302	2,910,620	3,142,840
682,798	701,370	744,123	888,134	1,080,546	1,118,324
<u>7,673,960</u>	<u>8,417,063</u>	<u>8,556,185</u>	<u>9,609,312</u>	<u>10,522,444</u>	<u>11,017,439</u>
494,905	659,215	895,090	838,831	536,130	498,800
621,662	660,920	702,329	737,834	784,833	803,154
478,014	1,428,942	95,162	135,410	795,882	(16,475)
<u>1,594,581</u>	<u>2,749,077</u>	<u>1,692,581</u>	<u>1,712,075</u>	<u>2,116,845</u>	<u>1,285,479</u>
<u>9,268,541</u>	<u>11,166,140</u>	<u>10,248,766</u>	<u>11,321,387</u>	<u>12,639,289</u>	<u>12,302,918</u>
1,001,222	1,039,190	1,077,827	1,206,101	1,517,735	1,597,857
-	101,263	101,847	116,544	128,876	151,981
500,313	519,284	538,591	602,690	758,413	798,448
1,891,517	2,316,183	2,126,678	2,718,989	2,928,488	2,782,757
372,178	397,665	322,078	276,448	318,891	297,322
561,855	555,494	559,784	606,967	613,831	621,612
227,987	223,680	169,552	259,684	304,784	290,748
1,041,058	1,065,409	1,182,592	1,310,249	1,531,425	1,653,969
73,897	84,487	99,549	112,448	161,330	215,182
1,846,696	1,937,364	1,923,642	1,981,829	2,064,445	2,169,646
<u>7,516,723</u>	<u>8,240,019</u>	<u>8,102,140</u>	<u>9,191,949</u>	<u>10,328,218</u>	<u>10,579,522</u>
<u>885,071</u>	<u>858,416</u>	<u>843,014</u>	<u>826,085</u>	<u>808,685</u>	<u>818,398</u>
<u>8,401,794</u>	<u>9,098,435</u>	<u>8,945,154</u>	<u>10,018,034</u>	<u>11,136,903</u>	<u>11,397,920</u>
866,747	2,067,705	1,303,612	1,303,353	1,502,386	904,998
530,563	450,351	1,290,670	1,596,814	507,028	857,620
-	-	-	-	(1,000,000)	-
<u>\$ 1,397,310</u>	<u>\$ 2,518,056</u>	<u>\$ 2,594,282</u>	<u>\$ 2,900,167</u>	<u>\$ 1,009,414</u>	<u>\$ 1,762,618</u>

# *Nipomo Community Services District*

## **Active Water Customers By Type Last Ten Fiscal Years**

	Fiscal Year Ended June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Single Family	3,556	3,580	3,592	3,603	3,669	3,685	3,703	3,726	3,809	3,819
%	84%	84%	84%	84%	85%	85%	85%	85%	85%	85%
Multi-Family	494	500	497	497	441	439	444	462	463	470
%	12%	12%	12%	12%	10%	10%	10%	11%	11%	11%
Commercial	94	97	99	102	101	103	101	103	108	106
%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Irrigation	93	90	96	97	97	103	94	99	104	105
%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Agriculture	1	1	1	1	1	1	1	1	1	1
%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>Total</b>	<b>4,238</b>	<b>4,268</b>	<b>4,285</b>	<b>4,300</b>	<b>4,309</b>	<b>4,331</b>	<b>4,343</b>	<b>4,391</b>	<b>4,485</b>	<b>4,501</b>
<b>Total %</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Nipomo Community Services District

# Nipomo Community Services District

## Water Availability Charges Last Ten Fiscal Years

Meter Size	Fiscal Year Ended June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022**
<b>Meter Size</b>										
1 inch and Less	\$ 35.72	\$ 38.51	\$ 41.57	\$ 44.92	\$ 44.92	\$ 42.51	\$ 46.52	\$ 51.59	\$ 53.70	\$ 30.36
1 1/2 Inch	97.82	105.75	114.43	123.94	123.94	51.49	55.55	60.87	75.76	42.42
2 Inch	152.11	164.67	178.42	193.48	193.48	67.40	72.08	78.43	106.42	59.32
3 Inch	273.90	297.27	322.86	350.88	350.88	152.51	163.70	178.85	223.04	124.64
4 Inch	444.40	483.29	525.78	572.31	572.31	197.75	210.55	228.44	312.99	174.18
6 Inch	873.99	951.36	1,036.08	1,128.85	1,128.85	335.12	349.88	372.90	631.28	348.53
8 Inch	1,369.77	1,493.43	1,628.84	1,777.11	1,777.11	492.11	509.09	538.01	995.04	547.80
<b>Supplemental water</b>										
<b>Meter Size</b>										
1 inch and Less	-	-	-	13.20	13.20 *	-	-	-	-	-
1 1/2 Inch	-	-	-	39.60	39.60 *	-	-	-	-	-
2 Inch	-	-	-	63.36	63.36 *	-	-	-	-	-
3 Inch	-	-	-	118.80	118.80 *	-	-	-	-	-
4 Inch	-	-	-	198.00	198.00 *	-	-	-	-	-
6 Inch	-	-	-	396.00	396.00 *	-	-	-	-	-

Source: Nipomo Community Services District

\*Combined into one fixed charged. Effective 12/1/2017

\*\*January 2022, Nipomo Community Services District went from bi-monthly billing to monthly billing

# *Nipomo Community Services District*

## **Bi-Monthly Water Rates Last Ten Fiscal Years**

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	Fiscal Year Ended June 30,									
	2013	2014	2015	2016	2017	2018*	2019	2020	2021	2022
Uniform Rate	\$ -	\$ -	\$ -	\$ -	\$ -	\$4.97	\$5.45	\$5.95	\$6.21	\$6.68
Single Family & Multi-Family										
Tier I	1.80	1.97	2.16	2.37	2.37	-	-	-	-	-
Tier II	2.25	2.46	2.69	2.95	2.95	-	-	-	-	-
Tier III	3.15	3.45	3.78	4.14	4.14	-	-	-	-	-
Tier IV	5.40	5.91	6.47	7.08	7.08	-	-	-	-	-
Commercial & Irrigation										
Tier I	2.25	2.46	2.69	2.95	2.95	-	-	-	-	-
Tier II	3.15	3.45	3.78	4.14	4.14	-	-	-	-	-
Agriculture and all Other	2.59	2.84	3.11	3.41	3.41	-	-	-	-	-
Supplemental Water	-	-	-	0.77	1.003	-	-	-	-	-

\*Uniform rate effective 12/1/2017

Source: Nipomo Community Services District



# Nipomo Community Services District

## Water Capacity Charges Last Ten Fiscal Years

Meter Size	Fiscal Year Ended June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1 inch and Less	\$ 3,385	\$ 3,468	\$ 2,921	\$ 2,976	\$ 3,076	\$ 3,188	\$ 3,284	\$ 3,349	\$ 3,405	\$ 3,575
Supplemental Water	15,015	15,381	7,570	7,711	7,971	8,262	8,510	8,678	8,823	9,265
1 1/2 Inch	10,155	10,402	8,764	8,928	9,228	9,566	9,853	10,047	10,215	10,727
Supplemental Water	45,045	46,141	22,710	23,134	23,913	24,787	25,531	26,034	26,470	27,796
2 Inch	16,247	16,642	14,022	14,284	14,765	15,305	15,764	16,075	16,344	17,162
Supplemental Water	72,072	73,825	36,336	37,015	38,261	39,660	40,850	41,655	42,352	44,474
3 Inch	30,463	31,204	26,291	26,782	27,684	28,696	29,557	30,140	30,644	32,179
Supplemental Water	135,135	138,422	68,130	69,403	71,740	74,362	76,594	78,103	79,411	83,389
4 Inch	50,772	52,007	43,819	44,638	46,141	47,827	49,263	50,234	51,074	53,633
Supplemental Water	225,225	230,704	113,550	115,671	119,566	123,936	127,657	130,172	132,351	138,982
6 Inch	101,544	104,014	87,638	89,275	92,281	95,654	98,526	100,467	102,149	107,266
Supplemental Water	450,450	461,408	227,100	231,342	239,132	247,872	255,314	260,344	264,703	277,963

Source: Nipomo Community Services District

# *Nipomo Community Services District*

## **Sewer Customers (Town Division) Last Ten Fiscal Years**

	Fiscal Year Ended June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022*
<u>Single Family</u>										
Accounts	2,024	2,096	2,098	2,109	2,153	2,174	2,183	2,187	2,217	2,257
DUE's	2,024	2,096	2,098	2,109	2,298	2,322	2,340	2,344	2,378	2,295
<u>Single Family County</u>										
Accounts	461	463	468	469	470	473	473	476	477	482
DUE's	461	463	468	469	470	473	473	476	477	482
<u>Multi-Family</u>										
Accounts	371	375	374	374	375	375	392	393	393	393
DUE's	771	766	777	816	634	634	651	657	657	777
<u>Commercial</u>										
Accounts	80	80	82	110	75	76	78	77	78	84
DUE's	80	80	82	110	78	79	79	79	81	84
<u>Total</u>										
Accounts	2,936	3,014	3,022	3,062	3,073	3,098	3,126	3,133	3,165	3,216
DUE's	3,336	3,405	3,425	3,504	3,480	3,508	3,543	3,556	3,593	3,638

Source: Nipomo Community Services District

DUE = Dwelling Unit Equivalent

\*DUE totals have been reclassified due to change in Ordinance related to the classification of Accessory Dwelling Units from Single Family to Multi-family.

# *Nipomo Community Services District*

## **Sewer Customers (Blacklake Division) Last Ten Fiscal Years**

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	Fiscal Year Ended June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<u>Single Family</u>										
Accounts	487	487	487	487	487	487	487	487	487	487
DUE's	487	487	487	487	487	487	487	487	487	487
<u>Multi-Family</u>										
Accounts	68	68	68	68	68	68	68	68	68	68
DUE's	68	68	68	68	68	68	68	68	68	68
<u>Commercial</u>										
Accounts	4	4	4	4	4	4	4	4	4	4
DUE's	4	4	4	4	4	4	4	4	4	4
<u>Total</u>										
Accounts	559	559	559	559	559	559	559	559	559	559
DUE's	559	559	559	559	559	559	559	559	559	559

Source: Nipomo Community Services District  
DUE = Dwelling Unit Equivalent

# *Nipomo Community Services District*

## **Monthly Residential Sewer Rates Last Ten Fiscal Years**

---

	Fiscal Year Ended June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022*
<u>Town</u>										
Single Family	\$ 88.32	\$ 88.32	\$ 88.32	\$ 88.93	\$ 91.77	\$ 94.71	\$ 97.74	\$ 100.87	\$ 100.87	\$ 52.27
Multi Family	67.33	67.33	67.33	74.18	76.55	79.00	81.53	84.14	84.14	43.58
<u>Black Lake</u>										
Single Family	145.51	145.51	145.51	145.51	145.51	145.51	169.76	197.77	230.40	134.21
Multi Family	95.08	95.08	95.08	95.08	95.08	95.08	109.08	127.07	148.04	86.23

Source: Nipomo Community Services District

\*January 2022, Nipomo Community Services District went from bi-monthly billing to monthly billing.

# Nipomo Community Services District

## Monthly Commercial Sewer Rates (Town Division) Last Ten Fiscal Years

### Monthly Service Charge

	Fiscal Year Ended June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022*
1 inch and Less	\$ 34.07	\$ 34.07	\$ 34.07	\$ 35.12	\$ 36.24	\$ 37.40	\$ 38.60	\$ 39.83	\$ 39.83	\$ 27.44
1 1/2 Inch	98.59	98.59	98.59	101.94	105.20	108.57	112.04	115.63	115.63	79.02
2 Inch	156.66	156.66	156.66	162.08	167.26	172.62	178.14	183.84	183.84	125.44
3 Inch	292.16	292.16	292.16	302.40	312.08	322.07	332.37	343.01	343.01	233.75
4 Inch	485.72	485.72	485.72	502.87	518.96	535.57	552.70	570.39	570.39	388.49
6 Inch	969.64	969.64	969.64	1,004.03	1,036.16	1,069.31	1,103.53	1,138.85	1,138.85	775.33

### Monthly Usage Rate

	Fiscal Year Ended June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022*
Low	\$ 2.89	\$ 2.89	\$ 2.89	\$ 3.43	\$ 3.54	\$ 3.66	\$ 3.77	\$ 3.89	\$ 3.89	\$ 3.87
Medium	3.20	3.20	3.20	3.81	3.93	4.06	4.19	4.32	4.32	4.27
High	4.14	4.14	4.14	4.93	5.09	5.25	5.42	5.59	5.59	5.47

Source: Nipomo Community Services District

\*January 2022, Nipomo Community Services District went from bi-monthly billing to monthly billing.

# Nipomo Community Services District

## Commercial Sewer Rates (Blacklake Division) Last Ten Fiscal Years

---

### Monthly Service Charge

	Fiscal Year Ended June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022*
1 inch and Less	\$ 62.52	\$ 65.52	\$ 65.52	\$ 65.52	\$ 65.52	\$ 65.52	\$ 88.35	\$ 102.93	\$ 119.91	\$ 69.85
1 1/2 Inch	186.50	186.50	186.50	186.50	186.50	186.50	233.45	271.97	316.85	184.56
2 Inch	295.38	295.38	295.38	295.38	295.38	295.38	364.04	424.11	494.09	287.80
3 Inch	549.43	549.43	549.43	549.43	549.43	549.43	668.75	779.09	907.64	528.70
4 Inch	912.36	912.36	912.36	912.36	912.36	912.36	1,104.05	1,286.22	1,498.45	872.84
6 Inch	1,819.68	1,819.68	1,819.68	1,819.68	1,819.68	1,819.68	2,192.30	2,554.03	2,975.44	1,733.19

### Monthly Usage Rate

	Fiscal Year Ended June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022*
Low	\$ 3.56	\$ 3.56	\$ 3.56	\$ 3.56	\$ 3.56	\$ 3.56	\$ 3.97	\$ 4.63	\$ 5.39	\$ 6.28
Medium	4.80	4.80	4.80	4.80	4.80	4.80	5.28	6.15	7.16	8.34
High	7.59	7.59	7.59	7.59	7.59	7.59	8.22	9.58	11.16	13.00

Source: Nipomo Community Services District

\*January 2022, Nipomo Community Services District went from bi-monthly billing to monthly billing.

# *Nipomo Community Services District*

## **Sewer Capacity Charges (Town Division) Last Ten Fiscal Years**

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<b>Meter Size</b>	Fiscal Year Ended June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1 inch and Less	\$ 8,085	\$ 8,282	\$ 8,526	\$ 8,685	\$ 8,978	\$ 9,306	\$ 9,585	\$ 9,774	\$ 9,937	\$ 10,435
1 1/2 Inch	24,256	24,846	25,577	26,055	26,933	27,917	28,755	29,322	29,812	31,306
2 Inch	38,810	39,755	40,924	41,689	43,093	44,668	46,009	46,915	47,701	50,090
3 Inch	72,769	74,539	76,732	78,166	80,798	83,751	86,265	87,965	89,437	93,918
4 Inch	121,281	124,232	127,887	130,276	134,663	139,584	143,775	146,608	149,062	156,530
6 Inch	242,562	248,463	255,774	260,552	269,325	279,169	287,550	293,216	298,125	313,060

Source: Nipomo Community Services District

## *Nipomo Community Services District*

### **Outstanding Debt by Type Last Ten Fiscal Years**

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Fiscal Year	Revenue Bonds	Certificates of Participation	State Revolving Loan Funds	Total	Debt to Assessed Value (1)	Debt Per Capita (2)
2022	\$ 2,058,707	\$ 19,154,158	\$ -	\$ 21,212,865	1.06%	\$ 4,713
2021	2,200,576	16,862,901	-	19,063,477	0.98%	4,250
2020	2,337,447	17,221,783	-	19,559,230	1.07%	4,454
2019	2,469,318	17,535,665	42,180	20,047,163	1.14%	4,616
2018	2,596,190	17,834,547	119,228	20,549,965	1.24%	4,745
2017	2,718,062	18,128,429	196,276	21,042,767	1.35%	4,902
2016	2,645,000	18,580,000	273,326	21,498,326	1.45%	5,005
2015	2,745,000	18,870,000	350,376	21,965,376	1.59%	5,169
2014	2,845,000	19,150,000	427,424	22,422,424	1.71%	5,307
2013	2,845,000	19,295,000	504,472	22,644,472	1.78%	5,407

Source:

(1) Assessed Values can be found on the Historical Assessed Valuation table.

(2) Per Capita is based on number of District water customers found in the Active Water Customers by Type Table



# Nipomo Community Services District

## Combined Pledged Revenue Coverage Last Ten Fiscal Years

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Fiscal Year	Gross Revenue	Operating Expenses <sup>1</sup>	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage Ratio
2022	\$ 11,017,439	\$ (8,409,876)	\$ 2,607,563	\$ 620,000	\$ 818,398	\$ 1,438,398	1.81x
2021	10,522,444	(8,263,773)	2,258,671	490,000	808,685	1,298,685	1.74x
2020	9,609,312	(7,210,120)	2,399,192	440,000	826,085	1,266,085	1.89x
2019	8,556,185	(6,178,498)	2,377,687	420,000	850,763	1,270,763	1.89x
2018	7,463,973	(5,263,424)	2,200,549	410,000	869,505	1,279,505	1.72x
2017	7,032,142	(4,724,238)	2,307,904	410,000	875,012	1,285,012	1.82x
2016	6,487,650	(4,386,403)	2,101,247	395,000	884,724	1,279,724	1.65x
2015	5,748,796	(3,332,064)	2,416,732	380,000	895,659	1,275,659	1.89x
2014	6,005,862	(3,205,780)	2,800,082	145,000	904,238	1,049,238	2.67x
2013	5,662,298	(2,844,591)	2,817,707	332,049	508,204	840,253	3.35x

Source: Nipomo Community Services District

<sup>1</sup>Excludes depreciation.

## *Nipomo Community Services District*

### **Historical Assessed Valuation Last Ten Fiscal Years**

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<u>Fiscal Year</u>	<u>Grossed Secured Assessed Valuation</u>	<u>Gross Unsecured Assessed Valuation</u>	<u>Homeowners' Exemption</u>	<u>Adjusted Assessed Valuation</u>
2022	\$ 1,992,461,908	\$ 19,241,866	\$ (16,692,200)	\$ 1,995,011,574
2021	1,947,740,574	20,366,954	(16,650,200)	1,951,457,328
2020	1,828,875,688	18,518,514	(16,563,400)	1,830,830,802
2019	1,760,058,142	17,854,673	(16,560,600)	1,761,352,215
2018	1,662,029,112	15,281,841	(16,497,600)	1,660,813,353
2017	1,563,409,451	14,102,670	(16,562,000)	1,560,950,121
2016	1,487,428,335	13,828,632	(16,739,800)	1,484,517,167
2015	1,386,410,743	15,592,808	(16,675,400)	1,385,328,151
2014	1,323,642,210	14,660,628	(16,577,400)	1,321,725,438
2013	1,284,304,321	13,406,138	(16,833,600)	1,280,876,859

Source: County of San Luis Obispo Assessor

## *Nipomo Community Services District*

### **Property Tax Rates Typical Total Tax Rate (TRA 52-98) Last Ten Fiscal Years**

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<u>Fiscal Year</u>	<u>General</u>	<u>State Water Project</u>	<u>Lucia Mar Unified School District</u>	<u>San Luis Obispo Community College District</u>	<u>Total</u>
2022	1.00000	0.00400	0.05878	0.01925	1.08203
2021	1.00000	0.00400	0.05749	0.01925	1.08074
2020	1.00000	0.00400	0.07234	0.01925	1.09559
2019	1.00000	0.00400	0.08094	0.01925	1.10419
2018	1.00000	0.00400	0.08194	0.01925	1.10519
2017	1.00000	0.00400	0.03994	0.01925	1.06319
2016	1.00000	0.00374	0.04094	0.01925	1.06393
2015	1.00000	0.00400	0.04094	-	1.04494
2014	1.00000	0.00400	0.03994	-	1.04394
2013	1.00000	0.00400	0.03954	-	1.04354

Source: California Municipal Statistics, Inc.

# Nipomo Community Services District

## Direct and Overlapping Debt Statement As of June 30, 2022

<u>2021-22 Assessed Valuation:</u>	\$2,011,703,774		
<u>Overlapping Tax and Assessment Debt</u>	Total Debt 6/30/22	% Applicable <sup>1</sup>	District's Share of Debt 6/30/22
San Luis Obispo County Community College District	\$163,735,000	3.195%	\$ 5,231,333
Lucia Mar Unified School District	111,135,232	11.712%	13,016,158
Nipomo Community Services District Assessment District No. 2020-1	11,215,000	100.000%	<u>11,215,000</u>
Total Overlapping Tax and Assessment Debt			\$ 29,462,491
<u>Direct and Overlapping General Fund Debt</u>			
San Luis Obispo County General Fund Obligations	\$22,396,208	3.208%	\$ 718,470
San Luis Obispo County Pension Obligation Bonds	29,843,112	3.208%	957,367
Lucia Mar Unified School District General Fund Obligations	15,885,000	11.712%	1,860,451
Revenue COP's Series 2012	-	100%	-
Revenue COP's Series 2013	8,339,038	100%	8,339,038
Revenue Bonds 2013A	2,058,707	100%	2,058,707
Revenue Bonds 2022	10,815,120	100%	<u>10,815,120</u>
Total Direct and Overlapping General Fund Debt			\$ 24,749,153
Total Direct Debt			\$ 21,212,865
Total Overlapping Debt			\$ 32,998,779
Combined Total Debt <sup>2</sup>			\$ 54,211,644

### Ratios to 2021-2022 Assessed Valuation:

Total Direct Debt.....	0.00%
Total Overlapping Tax and Assessment Debt .....	1.46%
Combined Total Debt.....	1.64%

<sup>1</sup> The percentage of overlapping debt applicable to the District is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping District's assessed value that is within the boundaries of the community services district divided by the overlapping district's total taxable assessed value.

<sup>2</sup> Excludes tax and revenue anticipation notes, enterprise notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc., and Nipomo Community Services District

## *Nipomo Community Services District*

### **Population of San Luis Obispo County and Incorporated Cities (as of January 1)**

<b>Area</b>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Arroyo Grande	17,395	17,334	17,428	17,731	17,736	17,912	17,876	17,687	17,555	18,294
Atascadero	28,687	28,675	29,169	30,879	30,900	31,147	30,405	30,057	29,623	30,480
El Paso de Robles	30,504	30,469	30,522	31,398	31,745	31,559	31,244	31,221	31,073	31,176
Grover Beach	13,211	13,153	13,144	13,397	13,438	13,560	13,533	13,214	13,128	12,707
Morro Bay	10,317	10,276	10,284	10,722	10,762	10,503	10,439	10,188	10,121	10,466
Pismo Beach	7,717	7,705	7,711	8,181	8,247	8,233	8,239	8,139	8,108	7,981
San Luis Obispo (city)	<u>45,541</u>	<u>45,473</u>	<u>45,802</u>	<u>46,117</u>	<u>46,724</u>	<u>46,548</u>	<u>46,802</u>	<u>45,920</u>	<u>46,058</u>	<u>47,653</u>
Subtotal	153,372	153,085	154,060	158,425	159,552	159,462	158,538	156,426	155,666	158,757
Unincorporated	<u>118,805</u>	<u>119,272</u>	<u>120,233</u>	<u>119,552</u>	<u>120,549</u>	<u>120,639</u>	<u>121,855</u>	<u>120,833</u>	<u>115,506</u>	<u>121,964</u>
Total	<u>272,177</u>	<u>272,357</u>	<u>274,293</u>	<u>277,977</u>	<u>280,101</u>	<u>280,101</u>	<u>280,393</u>	<u>277,259</u>	<u>271,172</u>	<u>280,721</u>

Source: State of California, Department of Finance

# Nipomo Community Services District

## San Luis Obispo Civilian Labor Force, Employment and Unemployment Annual Average Last Ten Calendar Years (amounts expressed in thousands except population and per capita)

---

The following Table compares estimates of the labor force, civilian employment and unemployment for County Residents, State Residents and United States Residents between 2013 and 2022

<u>Year and Area</u>	<u>Labor Force</u>	<u>Civilian Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
<b>2022</b>				
County	137,500	134,100	3,400	2.5%
State	19,350,000	18,545,000	805,000	4.2%
United States	164,023,000	158,111,000	5,912,000	3.6%
<b>2021</b>				
County	130,800	123,200	7,600	5.8%
State	18,899,000	17,442,000	1,457,000	7.7%
United States	161,086,000	151,602,000	9,484,000	5.9%
<b>2020</b>				
County	131,900	116,700	15,200	11.5%
State	18,948,000	16,117,000	2,831,000	14.9%
United States	159,932,000	142,182,000	17,750,000	11.1%
<b>2019</b>				
County	141,900	137,700	4,200	3.0%
State	19,421,500	18,607,800	813,700	4.2%
United States	162,981,000	157,005,000	5,976,000	3.7%
<b>2018</b>				
County	144,500	139,800	4,700	3.3%
State	19,341,000	18,527,000	814,000	4.2%
United States	162,140,000	155,576,000	6,564,000	4.0%
<b>2017</b>				
County	142,900	137,600	5,300	3.7%
State	19,138,000	18,237,000	901,000	4.7%
United States	160,145,000	153,168,000	6,977,000	4.4%
<b>2016</b>				
County	147,200	140,600	6,600	4.5%
State	19,102,000	18,079,000	1,023,000	5.4%
United States	158,880,000	151,097,000	7,783,000	4.9%
<b>2015</b>				
County	142,700	135,700	7,000	4.9%
State	18,956,000	17,794,000	1,162,000	6.1%
United States	156,984,000	151,097,000	5,887,000	3.8%
<b>2014</b>				
County	139,900	132,000	7,900	5.6%
State	18,811,400	17,397,100	1,414,300	7.5%
United States	156,715,000	148,800,000	7,915,000	5.1%
<b>2013</b>				
County	141,100	131,700	9,400	6.7%
State	18,596,800	16,933,300	1,663,500	8.9%
United States	155,971,000	144,509,000	11,462,000	7.3%

Data is seasonally adjusted. The unemployment data for the County and State is calculated using unrounded data.

Source: State Employment Development Department, Labor Market Information Division, and U.S. Bureau of Labor Statistics.

## *Nipomo Community Services District*

### **Major Employers in County of San Luis Obispo Current and Ten Years Ago**

Employer	2021			2012		
	Estimated FTE Employment	Ranking	Percent of County Employment	Estimated FTE Employment	Ranking	Percent of County Employment
County of San Luis Obispo*	2,807	1	2.14%	2,601	1	2.01%
Atascadero State Hospital	2,300	2	1.75%	2,200	3	1.70%
California Men's Colony	2,000	3	1.53%	1,768	4	1.36%
Cal Poly State University, SLO	1,912	4	1.46%	2,426	2	1.87%
Pacific Gas and Electric Company	1,700	5	1.30%	1,719	5	1.33%
Tenet Healthcare	1,312	6	1.00%	1,409	6	1.09%
Lucia Mar Unified School District	1,070	7	0.82%	1,100	7	0.85%
Community Action Partnership of San Luis Obispo County	942	8	0.72%	-	-	-
Paso Robles Public Schools	935	9	0.71%	831	9	0.64%
Cuesta College	854	10	0.65%	-	-	-
San Luis Coastal Unified School District	-	-	-	828	10	0.64%
King Ventures	-	-	-	850	8	0.66%
Total Top Employers	<u>15,832</u>			<u>15,732</u>		
Total City Labor Force	<u>131,100</u>			<u>129,700</u>		

Sources:  
County of San Luis Obispo 2020-2021 Comprehensive Financial Report

# *Nipomo Community Services District*

## **District Employees Last Ten Fiscal Years**

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	Fiscal Year Ended June 30,									
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
General Manager	1	1	1	1	1	1	1	1	1	1
Administrative Staff	3	3	4	4	4	3	3	3	4	4
Operations Staff	8	8	10	12	12	10	13	14	15	15
Total	<u>12</u>	<u>12</u>	<u>15</u>	<u>17</u>	<u>17</u>	<u>14</u>	<u>17</u>	<u>18</u>	<u>20</u>	<u>20</u>

Source: Nipomo Community Services District



# Nipomo Community Services District

## Operating and Capital Indicators Last Ten Fiscal Years

	<b>* Water System</b>									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
No. of Wells	9	9	5	5	5	5	5	5	5	5
No. of Reservoirs	6	6	5	5	6	6	6	6	6	6
Max Reservoir Capacity (MG)	4.4	4.4	4.0	4.0	4.5	4.5	4.5	4.5	4.5	4.5
Total Well Production (Acre Feet)	2,473	2,541	2,160	1,162	950	1,054	880	1,026	1,017	878
Total Water Purchased (Acre Feet) **	-	-	-	653	859	966	970	970	1,077	1,100
Total Deliveries (Acre Feet)	2,360	2,518	2,110	1,815	1,809	2,020	1,850	1,996	2,093	1,978
No. of Service Connections	4,238	4,268	4,285	4,300	4,309	4,331	4,343	4,391	4,485	4,501

	<b>Sewer System-Town Division</b>									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
No. of Treatment Plants	1	1	1	1	1	1	1	1	1	1
No. of Lift Stations	10	10	10	10	10	10	10	10	10	10
Daily Capacity of Treatment Plant (MG)	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
No. of Sewer Connections	2,936	3,014	3,022	3,062	3,073	3,098	3,126	3,133	3,165	3,216
Annual Flow Treated (MG)	237	236	229	201	222	201	183	179	182	180

	<b>Sewer System-Blacklake Division</b>									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
No. of Treatment Plants	1	1	1	1	1	1	1	1	1	1
No. of Lift Stations	3	3	3	3	3	3	3	3	3	3
Daily Capacity of Treatment Plant (MG)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
No. of Sewer Connections	559	559	559	559	559	559	559	559	559	559
Annual Flow Treated (MG)	20	19	16	16	17	16	16	16	16	16

Source: Nipomo Community Services District

\* Town and Blacklake Water systems merged in 2009

\*\* Nipomo Community Services District began purchasing supplemental water from the City of Santa Maria on July 2, 2015.

MG = million gallons

# *Nipomo Community Services District*

## **Annual Water and Sewer Capacity Fees Report Required Disclosure Under Government Code Section 66013**

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	Fund #500 Supplemental Water	Fund #700 Water Capacity	Fund #710 Town Sewer Capacity
Beginning Balance July 1, 2021	\$ 1,974,572	\$ 1,968,115	\$ 490,018
Ending Balance June 30, 2022	2,302,255	2,021,099	418,734
Interest Earned	442,708	7,458	1,550
Capacity Charges	279,030	114,821	85,870

Public Improvements on which charges were expended and the amount of the expenditure for each improvement:

Capital Improvement Project	Amount of the expenditure for each Improvement	Fund #	Project completed during fiscal year
Supplemental Water Project - Pipeline	\$ 506,384	500	Yes
Supplemental Water Project - Interconnects	25,065	500	No
Foothill Tank site	21,450	700	No
Southland Metal Building - Electrical	40,404	710	Yes
Southland blower improvements	3,882	710	Yes

Source: Nipomo Community Services District

Anticipated Capital Improvement Projects for 2022-2023 fiscal Year:

Supplemental Water Project Interconnects  
Third connection to Blacklake Pressure Zone  
New water storage tank (Foothill Tank Site)

# Nipomo Community Services District

## Cost of Nipomo Supplemental Water Purchased From the City of Santa Maria

Fiscal Year	(a) Total Acre Feet Purchased	(b) Total Cost Per Acre Foot (g)	(a) x (b) Cost of Water Purchased
FY 21-22	531	\$ 2,275.84	\$ 1,208,471
FY 21-22	539	2,203.78	1,187,837
FY 20-21	498	2,203.78	1,097,482
FY 20-21	555	2,123.73	1,178,670
FY 19-20	463	2,123.73	983,287
FY 19-20	487	1,695.10	825,514
FY 18-19	950	1,701.18	1,616,121
FY 17-18	945	1,649.18	1,558,475
FY 16-17	860	1,587.77	1,365,482
FY 15-16	660	1,518.85	1,002,441

### Allocation of Cost of Nipomo Supplemental Water to Partner Purveyors

Fiscal Year	66.68% NCSD	16.66% WMW	16.66% GSW	100.00% Total
FY 21-22	\$ 805,809	\$ 201,331	\$ 201,331	\$ 1,208,471
FY 21-22	792,048	197,893	197,893	1,187,834
FY 20-21	731,797	182,840	182,840	1,097,477
FY 20-21	785,938	196,366	196,366	1,178,670
FY 19-20	655,656	163,816	163,816	983,288
FY 19-20	550,453	137,531	137,531	825,515
FY 18-19	1,077,629	269,246	269,246	1,616,121
FY 17-18	1,039,191	259,642	259,642	1,558,475
FY 16-17	910,504	227,489	227,489	1,365,482
FY 15-16	668,428	167,007	167,007	1,002,441

### City of Santa Maria Supplemental Water Rates

Effective Date of Rate Change	(c) Base Cost Per Unit (hcf)	(d) Units Per AF	(e) (c) x (d) Base Cost per AF	(f) Energy Cost Component	(e) + (f) = (g) Total Cost Per Acre Foot
1/1/2022	\$ 5.16	435.60	\$ 2,247.70	\$ 28.14	\$ 2,275.84
1/1/2021	4.96	435.60	2,160.59	43.19	2,203.78
1/1/2020	4.77	435.60	2,077.81	45.92	2,123.73
7/1/2019	3.79	435.60	1,649.18	45.92	1,695.10
7/1/2018	3.79	435.60	1,649.18	52.00	1,701.18
7/1/2017	3.79	435.60	1,649.18	-	1,649.18
7/1/2016	3.61	435.60	1,570.77	17.00	1,587.77
1/7/2015	3.43	435.60	1,495.85	23.00	1,518.85

NCSD = Nipomo Community Services District  
 WMW = Woodlands Mutual Water Company  
 GSW = Golden State Water Company

FY 2015-2016 is the first year available.

Source: Nipomo Community Services District

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NOVEMBER 9, 2022

ITEM E-1

ATTACHMENT B



ROGERS, ANDERSON, MALODY & SCOTT, LLP  
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

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November 2, 2022

**PARTNERS**

Terry P. Shea, CPA  
Scott W. Manno, CPA, CGMA  
Leena Shanbhag, CPA, MST, CGMA  
Bradford A. Welebir, CPA, MBA, CGMA  
Jenny W. Liu, CPA, MST  
Brenda L. Odle, CPA, MST (Partner Emeritus)

**MANAGERS / STAFF**

Gardenya Duran, CPA, CGMA  
Brianna Schultz, CPA, CGMA  
Seong-Hyea Lee, CPA, MBA  
Evelyn Moreutin-Barcena, CPA  
Veronica Hernandez, CPA  
Laura Arvizu, CPA  
Xinlu Zoe Zhang, CPA, MSA  
John Maldonado, CPA, MSA  
Thao Le, CPA, MBA  
Julia Rodriguez Fuentes, CPA, MSA  
Demi Hite, CPA

**MEMBERS**

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Certified Public Accountants

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Quality Center*

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Audit Quality Center*

California Society of  
Certified Public Accountants



To the Board of Directors  
Nipomo Community Services District  
Nipomo, California

We have audited the financial statements of Nipomo Community Services District (the District) as of and for the year ended June 30, 2022, and have issued our report thereon dated November 2, 2022. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated April 20, 2022, our responsibility, as described by professional standards, is to form and express a opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding material weaknesses over financial reporting noted during our audit in a separate letter to you dated November 2, 2022.

## **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

## **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

## **Significant Risk**

We have identified the possibility of the following significant risks:

- Management's override of internal controls over financial reporting.
- Management's failure to recognize revenue in accordance with generally accepted accounting principles.

These significant risks are presumptive in most audits and merit attention by the auditors due to the direct impact over financial reporting and internal control processes. Although identified as significant risks, we noted no matters of management override of controls or deviations from generally accepted accounting principles which caused us to modify our audit procedures or any related matters which are required to be communicated to those charged with governance due to these identified risks.

## **Qualitative Aspects of the District's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during fiscal year 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of capital asset depreciation is based on historical estimates of each capitalized item's useful life. We evaluated the key factors and assumptions used to develop the estimated useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The estimate of the other post-employment benefits and related deferred amounts are based on actuarial reports provided by independent actuaries. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability and related deferred amounts are based on actuarial reports provided by independent actuaries. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

#### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to:

The disclosure of accumulated depreciation in the financial statements is based on estimated useful lives which could differ from actual useful lives of each capitalized item.

The disclosure of the other post-employment benefits (OPEB) and related deferred amounts in the basic financial statements identifies the annual OPEB cost and the funded status of the actuarial accrued liability. The information disclosed is based on actuarial assumptions which could differ from actual costs.

The disclosure of net pension liability and related deferred amounts in the financial statements is based on actuarial assumptions. Actual future liabilities may vary from disclosed estimates.

#### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

#### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.



### **Disagreements with Management**

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

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated November 2, 2022.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

### **Other Information Included in Annual Report**

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the District's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

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

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
November 2, 2022

# NIPOMO COMMUNITY

## BOARD MEMBERS

ED EBY, PRESIDENT  
RICHARD MALVAROSE, VICE PRESIDENT  
DAN ALLEN GADDIS, DIRECTOR  
DAN WOODSON, DIRECTOR  
CRAIG ARMSTRONG, DIRECTOR



# SERVICES DISTRICT

## STAFF

MARIO IGLESIAS, GENERAL MANAGER  
LISA BOGNUDA, FINANCE DIRECTOR  
PETER SEVCIK, P.E., DIRECTOR OF ENG. & OPS.  
CRAIG STEELE, GENERAL COUNSEL

*Serving the Community since 1965*

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148 SOUTH WILSON STREET POST OFFICE BOX 326 NIPOMO, CA 93444 - 0326  
(805) 929-1133 FAX (805) 929-1932 Website address: ncsd.ca.gov

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November 2, 2022

Rogers, Anderson, Malody & Scott, LLP  
735 E. Carnegie Drive, Suite 100  
San Bernardino, CA 92408

This representation letter is provided in connection with your audit of Nipomo Community Services District (the District) as of June 30, 2022 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, of the business-type activities and the Custodial Fund in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of November 2, 2022:

### Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated April 20, 2022 for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
5. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
6. We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
7. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

8. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
9. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
10. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
11. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
12. All funds and activities are properly classified.
13. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
14. All components of net position, are properly classified and, if applicable, approved.
15. Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available is appropriately disclosed and net position is properly recognized under the policy.
16. All interfund and intra-entity transactions and balances have been properly classified and reported.
17. Special items and extraordinary items have been properly classified and reported.
18. Deposit and investment risks have been properly and fully disclosed.
19. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
20. All required supplementary information is measured and presented within the prescribed guidelines.
21. We have evaluated all of our lease agreements and have given you our assessment as to whether each lease agreement is subject to GASB Statement No. 87, *Leases*.
22. With regard to investments and other instruments reported at fair value:
  - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - c. The disclosures related to fair value are complete, adequate, and in accordance with U.S. GAAP.
  - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
23. With respect to the nonattest service provided, we have performed the following:

- a. Made all management decisions and performed all management functions;
- b. Assigned a competent individual to oversee the services;
- c. Evaluated the adequacy of the services performed;
- d. Evaluated and accepted responsibility for the result of the service performed; and
- e. Established and maintained internal controls, including monitoring ongoing activities.

**Information Provided**

24. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the District, such as records, documentation, meeting minutes, and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit; and
  - c. Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
25. The financial statements and any other information included in the annual report are consistent with one another, and the other information does not contain any material misstatements.
26. All transactions have been recorded in the accounting records and are reflected in the financial statements.
27. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
28. We have provided to you our analysis of the entity's ability to continue as a going concern, including significant conditions and events present, and if necessary, our analysis of management's plans, and our ability to achieve those plans. We have no reason to believe the Agency will not continue as a going concern for twelve months beyond the financial statement date, including any currently know information that may raise substantial doubt shortly thereafter.
29. We have no knowledge of any fraud or suspected fraud that affects the District and involves:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others where the fraud could have a material effect on the financial statements.
30. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the district's financial statements communicated by employees, former employees, vendors, regulators, or others.
31. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
32. We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware.

33. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
34. The District has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
35. We have disclosed to you all guarantees, whether written or oral, under which the District is contingently liable.
36. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
37. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
38. There are no:
  - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
39. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
40. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
41. With respect to the net pension and net OPEB liabilities:
  - a. We believe that the actuarial assumptions and methods used to measure pension liability and expense for financial accounting purposes are appropriate in the circumstances.

**Use of a Specialist**

We agree with the findings of specialists in evaluating the net pension and net other post-employment benefit liabilities and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

  
Mario Iglesias  
General Manager

NOVEMBER 9, 2022

ITEM E-1

ATTACHMENT C



ROGERS, ANDERSON, MALODY & SCOTT, LLP  
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

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San Bernardino, CA 92408  
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**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**

*Independent Auditor's Report*

**PARTNERS**

Terry P. Shea, CPA  
Scott W. Manno, CPA, CGMA  
Leena Shantbhag, CPA, MST, CGMA  
Bradferd A. Welebir, CPA, MBA, CGMA  
Jenny W. Liu, CPA, MST  
Brenda L. Odle, CPA, MST (Partner Emeritus)

To the Board of Directors  
Nipomo Community Services District  
Nipomo, California

**MANAGERS / STAFF**

Gardenya Duran, CPA, CGMA  
Brianna Schultz, CPA, CGMA  
Seong-Hyea Lee, CPA, MBA  
Evelyn Morentin-Barcena, CPA  
Veronica Hernandez, CPA  
Laura Arvizu, CPA  
Xinlu Zoe Zhang, CPA, MSA  
John Maldonado, CPA, MSA  
Thao Le, CPA, MBA  
Julia Rodriguez Fuentes, CPA, MSA  
Demi Hite, CPA

We have audited, 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, the financial statements of the business-type activities of Nipomo Community Services District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Nipomo Community Services District's basic financial statements, and have issued our report thereon dated November 2, 2022.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

**MEMBERS**

American Institute of  
Certified Public Accountants

*PCPS The AICPA Alliance  
for CPA Firms*

*Governmental Audit  
Quality Center*

*Employee Benefit Plan  
Audit Quality Center*

California Society of  
Certified Public Accountants

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying *schedule of findings and responses* as item 2022-001 that we consider to be a material weakness.



### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

### **The District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
November 2, 2022



**Nipomo Community Services District**

**Schedule of Findings and Responses**

**For the year ended June 30, 2022**

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**Finding 2022-001**

Material Weakness in Internal Control over Financial Reporting – Inadequate Segregation of Duties

*Criteria and Condition*

During our audit of the District, we noted a lack of segregation of duties in the District's accounting process. Proper segregation of duties dictates that the functions of recording, authorization, custody and execution are not dominated by one individual. An adequate segregation of duties requires that one individual does not handle a transaction from its inception to its completion. Adequately segregated duties helps to reduce the possibility of fraud and defalcations from occurring and to ensure the integrity of the information provided by the District's financial reporting system.

*Context*

We observed inadequate segregation of duties by performing observations of processes and interviews of personnel and management.

*Effect or Potential Effect*

Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to financial reporting, including misappropriation of assets, could occur and not be detected within a timely basis.

*Auditor's Recommendation*

An adequate segregation of duties requires that one individual does not handle a transaction from its inception to its completion. However, we realize that this is due to the limited number of individuals available to the District to perform numerous, and sometimes incompatible duties. Unless more personnel are hired, there may be no practical corrective action possible for this inherent weakness. We believe it is important for management and the Board of Directors to be aware that whenever a limited number of people are in control of the accounting process, the system is far more susceptible to errors or other irregularities, either intentional or unintentional, not being discovered.

*Views of Responsible Officials and Planned Corrective Actions*

Management recognizes the auditor's concerns and, within the reality of staffing constraints, will continue to work to address the segregation of duties with a goal of removing the comment entirely from the management letter. However, it must be noted that, due to a recent hire to the finance staff, the duties associated with the District's accounting processes were actually more segregated during the fiscal year covered by this audit than in any other recent fiscal year. Significantly, this finding has not been raised by any previous auditor in years when the District had fewer members of the finance staff so it is, in some sense, subjective. However, we share the goal of improving all measures of internal control wherever feasible. NCSD is a small special district, with a very limited number of administrative staff. To increase the size of the administrative staff to be able to increase the segregation of accounting duties, NCSD would likely be required to cut Operations staff, reducing our ability to provide services to our community. We note that, to our knowledge, the district has never experienced material fraud or adverse impacts to our financial reporting and we are pleased that none was identified in this audit. The comment is noted and management will continue to attempt to find ways to address it.