



Avila Beach Community Services District
Avila Beach, California

Annual Financial Report

For the Fiscal Year Ended
June 30, 2021



AVILA BEACH COMMUNITY SERVICES DISTRICT

List of Elected Officials and District Staff

June 30, 2021

Elected Officials

BOARD OF DIRECTORS

President	Peter Kelley
Vice President	Lynn Helenius
Director	Ara Najarian
Director	Kristin Berry
Director	Howie Kennet

District Staff

General Manager	Bradley Hagemann
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Avila Beach, California 93424
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Avila Beach Community Services District
Annual Financial Report
For the Fiscal Year Ended June 30, 2021

**Avila Beach Community Services District
Annual Financial Report
For the Fiscal Year Ended June 30, 2021**

Table of Contents

	<u>Page No.</u>
Table of Contents	i
Financial Section	
Independent Auditor’s Report	1-2
Management’s Discussion and Analysis	3-8
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Fund	11
Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities	14
Statement of Net Position – Enterprise Fund	15
Statement of Revenues, Expenses, and Changes in Fund Net Position – Enterprise Fund	16
Statement of Cash Flows – Enterprise Fund	17-18
Notes to the Basic Financial Statements	19-41
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	42
Notes to Required Supplementary Information – General Fund	42
Budgetary Comparison Schedule – Streets Light Fund	43
Notes to Required Supplementary Information – Streets Light Fund	43
Schedules of the District’s Proportionate Share of Net Pension Liability	44-45
Schedules of Pension Plan Contributions	46
Report on Compliance and Internal Controls	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	47-48

Financial Section



Fedak & Brown LLP

Certified Public Accountants

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Avila Beach Community Services District (District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the Avila Beach Community Services District, as of June 30, 2021, 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.

Independent Auditor's Report, continued

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the required supplementary information on pages 42 through 46, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 9, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the 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. This report can be found on pages 47 and 48.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
November 9, 2021

**Avila Beach Community Services District
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

The following Management's Discussion and Analysis of activities and financial performance of the Avila Beach Community Services District (District) provide an introduction to the financial statements of the District for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements and related notes, which follow this section.

Financial Highlights

- The District's net position increased 5.11% or \$392,091 from \$7,669,685 to \$8,061,776 in 2021, as a result of current year operations.
- In 2021, total revenues from all sources increased 0.47% or \$9,594 from \$2,035,550 to \$2,045,144.
- In 2021, total expenses from operations decreased 4.12% or \$71,114 from \$1,724,167 to \$1,653,053.

Overview of the Financial Statements

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

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

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

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

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

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

The government-wide financial statements can be found on pages 9 and 10 of this report.

**Avila Beach Community Services District
Management's Discussion and Analysis, continued
For the Year Ended June 30, 2021**

Fund Financial Statements

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

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 11 through 14 of this report.

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

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

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

The basic enterprise fund financial statements can be found on pages 15 through 18 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 41 of this report.

**Avila Beach Community Services District
Management's Discussion and Analysis, continued
For the Year Ended June 30, 2021**

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which can be found on pages 42 through 46 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$8,061,776 at the close of the most recent fiscal year, with an increase of \$392,091 compared with the prior year.

A portion of the District's net position (43.94%) reflects its net investment in capital assets (e.g. land, water/wastewater infrastructure, and equipment). The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Statement of Net Position

Below is a summary of the statement of net position:

	Condensed Statements of Net Position					
	Governmental Activities		Business-type Activities		Total District	
	2021	2020	2021	2020	2021	2020
Assets:						
Current assets	\$ 360,661	502,777	4,477,595	3,933,373	4,838,256	4,436,150
Capital assets, net	27,603	35,742	3,514,545	3,390,659	3,542,148	3,426,401
Total assets	388,264	538,519	7,992,140	7,324,032	8,380,404	7,862,551
Deferred outflows of resources:						
Deferred pension outflows	26,376	24,772	-	-	26,376	24,772
Total deferred outflows of resources	26,376	24,772	-	-	26,376	24,772
Liabilities:						
Current liabilities	18,229	9,117	184,106	69,347	202,335	78,464
Non-current liabilities	136,917	131,246	-	-	136,917	131,246
Total liabilities	155,146	140,363	184,106	69,347	339,252	209,710
Deferred inflows of resources:						
Deferred pension inflows	5,752	7,928	-	-	5,752	7,928
Total deferred inflows of resources	5,752	7,928	-	-	5,752	7,928
Net position:						
Net investment in capital assets	27,603	35,742	3,514,545	3,390,659	3,542,148	3,426,401
Unrestricted	226,139	379,258	4,293,489	3,864,026	4,519,628	4,243,284
Total net position	\$ 253,742	415,000	7,808,034	7,254,685	8,061,776	7,669,685

The balance of unrestricted net position totaling \$4,519,628 may be used to meet the government's ongoing obligations.

Governmental activities — Governmental activities decreased the District's net position by \$161,258 from the prior year. The decrease in net position was due primarily to an increase of \$355,349 from current year operations; which was offset by a decrease of \$516,607 due to a transfer-out to support the operations of business-type activities.

Business-type activities — Business-type activities increased the District's net position by \$553,349 from the prior year. The increase in net position was due primarily to increases of \$36,742 from current year operations and of \$516,607 due to a transfer-in from governmental activities.

**Avila Beach Community Services District
Management's Discussion and Analysis, continued
For the Year Ended June 30, 2021**

Government-wide Financial Analysis, continued

Statement of Activities

Below is a summary of the statement of activities:

	Condensed Statements of Activities					
	Governmental Activities		Business-type Activities		Total District	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 5,202	6,359	1,234,131	1,214,624	1,239,333	1,220,983
General revenues:						
Property taxes	787,634	751,304	-	-	787,634	751,304
Interest earnings	18,177	63,263	-	-	18,177	63,263
Total revenues	<u>811,013</u>	<u>820,926</u>	<u>1,234,131</u>	<u>1,214,624</u>	<u>2,045,144</u>	<u>2,035,550</u>
Expenses:						
General government	439,854	430,162	-	-	439,854	430,162
Street lighting	15,810	14,543	-	-	15,810	14,543
Water	-	-	411,775	458,370	411,775	458,370
Sanitary	-	-	783,583	819,714	783,583	819,714
Refuse	-	-	2,031	1,378	2,031	1,378
Total expenses	<u>455,664</u>	<u>444,705</u>	<u>1,197,389</u>	<u>1,279,462</u>	<u>1,653,053</u>	<u>1,724,167</u>
Income(loss) before transfers	<u>355,349</u>	<u>376,221</u>	<u>36,742</u>	<u>(64,838)</u>	<u>392,091</u>	<u>311,383</u>
Transfers in/(out)	<u>(516,607)</u>	<u>(506,269)</u>	<u>516,607</u>	<u>506,269</u>	<u>-</u>	<u>-</u>
Changes in net position	<u>(161,258)</u>	<u>(130,048)</u>	<u>553,349</u>	<u>441,431</u>	<u>392,091</u>	<u>311,383</u>
Net position, beginning of year	<u>415,000</u>	<u>545,048</u>	<u>7,254,685</u>	<u>6,813,254</u>	<u>7,669,685</u>	<u>7,358,302</u>
Net position, end of year	<u>\$ 253,742</u>	<u>415,000</u>	<u>7,808,034</u>	<u>7,254,685</u>	<u>8,061,776</u>	<u>7,669,685</u>

- The District's net position increased 5.11% or \$392,091 from \$7,669,685 to \$8,061,776 in 2021, as a result of current year operations.
- In 2021, total revenues from all sources increased 0.47% or \$9,594 from \$2,035,550 to \$2,045,144, primarily due to increases of \$36,330 in property taxes and \$18,350 in charges for services; which were offset by a decrease of \$45,086 in interest earnings.
- In 2021, total expenses from operations decreased 4.12% or \$71,114 from \$1,724,167 to \$1,653,053, primarily due to decreases of \$46,595 in water and \$36,131 in sanitary; which were offset by an increase of \$9,692 in general government operations.

Government Fund Financial Analysis

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

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

**Avila Beach Community Services District
Management's Discussion and Analysis, continued
For the Year Ended June 30, 2021**

Government Fund Financial Analysis, continued

The following discussion is correlated to the Balance Sheet – Governmental Fund found on page 11.

As of the end of the current fiscal year, the District's governmental fund reported combined ending fund balance of \$342,432, a decrease of \$151,228 in comparison with the prior year. Of the total fund balance, 93.82%, or \$338,388, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remaining fund balance is assigned to indicate that it is not available for general spending because it has already been assigned for compensated absences.

The general fund is the chief operating fund of the District. As of the end of the current fiscal year, the District's general fund reported fund balance of \$336,880, a decrease of \$158,023 in comparison with the prior year. Of the general fund balance, 99.80%, or \$332,836, constitutes unassigned fund balance, which is available for spending. The remainder of fund balance is assigned to indicate that it is not available for general spending because it has already been assigned for compensated absences.

The District's general fund decrease of \$158,023 is the result of a \$377,077 gain from the current year's operations; which was offset by a \$535,100 transfer-out to support the operations of the District's other funds.

The street lighting fund balance was \$5,552. The fund balance of the District's street lighting fund increased \$6,795 as a result of a \$11,698 loss from the current year's operations; which was offset by a \$18,493 transfer in from the general fund to support its operations.

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

Net position for all enterprise fund increased \$553,349 from the prior year. Changes in total net position from the prior year are as follows: the water enterprise fund increased by \$213,498, of which an increase of \$121,032 was a result of current year operations and \$92,466 was related to transfer-in from the general fund in support of its operations; the sanitary enterprise fund increased by \$319,904, of which a decrease of \$104,237 was a result of current year operations; which was offset by \$424,141 related to transfer-in from the general fund in support of its operations; and the refuse enterprise increased by \$19,947 as a result of current year operations.

Governmental Activities Budgetary Highlights

The final actual expenditures for the year ended June 30, 2021, were less than budgeted by \$31,779 for the General Fund and less than budgeted by \$2,937 for the Streets Lighting Fund. Actual revenues for the year ended June 30, 2021, were more than the anticipated budget by \$41,348 for the General Fund and less than the anticipated budget by \$335 for the Streets Lighting Fund. At June 30, 2021, there were no differences between the original and final amended budgets. (See Budgetary Comparison Schedule for the General Fund and Streets Lighting Fund under Required Supplementary Information section on pages 42 and 43).

**Avila Beach Community Services District
Management's Discussion and Analysis, continued
For the Year Ended June 30, 2021**

Capital Asset Administration

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total District</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Capital assets:						
Non-depreciable assets	\$ 20	20	660,056	308,508	660,076	308,528
Depreciable assets	94,968	94,968	6,675,726	6,669,151	6,770,694	6,764,119
Total capital assets	94,988	94,988	7,335,782	6,977,659	7,430,770	7,072,647
Accumulated depreciation	(67,385)	(59,246)	(3,821,237)	(3,587,000)	(3,888,622)	(3,646,246)
Total capital assets, net	\$ 27,603	35,742	3,514,545	3,390,659	3,542,148	3,426,401

At the end of fiscal year 2021, the District's investment in capital assets amounted to \$3,542,148 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment. The capital assets of the District are more fully analyzed in Note 5 to the basic financial statements.

Conditions Affecting Current Financial Position

The COVID-19 outbreak in the United States has caused business disruption through labor shortages and closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the disruption. However, the related financial impact on the District and the duration cannot be estimated at this time.

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

Requests for Information

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

Basic Financial Statements

Avila Beach Community Services District
Statement of Net Position
June 30, 2021

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents (note 2)	\$ 339,973	4,360,318	4,700,291
Accrued interest receivable	3,166	-	3,166
Accounts receivable – utilities, net (note 3)	-	117,277	117,277
Property taxes and assessments receivable	17,522	-	17,522
Total current assets	<u>360,661</u>	<u>4,477,595</u>	<u>4,838,256</u>
Non-current assets:			
Capital assets – not being depreciated (note 5)	20	660,056	660,076
Capital assets – being depreciated, net (note 5)	27,583	2,854,489	2,882,072
Total non-current assets	<u>27,603</u>	<u>3,514,545</u>	<u>3,542,148</u>
Total assets	<u>388,264</u>	<u>7,992,140</u>	<u>8,380,404</u>
Deferred outflows of resources:			
Deferred pension outflows (note 7)	26,376	-	26,376
Total deferred outflows of resources	<u>26,376</u>	<u>-</u>	<u>26,376</u>
Current liabilities:			
Accounts payable and accrued expenses	11,885	177,636	189,521
Accrued wages and related payables	2,300	-	2,300
Deposits and unearned revenue	-	6,470	6,470
Compensated absences (note 6)	4,044	-	4,044
Total current liabilities	<u>18,229</u>	<u>184,106</u>	<u>202,335</u>
Non-current liabilities:			
Net pension liability (note 7)	136,917	-	136,917
Total non-current liabilities	<u>136,917</u>	<u>-</u>	<u>136,917</u>
Total liabilities	<u>155,146</u>	<u>184,106</u>	<u>339,252</u>
Deferred inflows of resources:			
Deferred pension inflows (note 7)	5,752	-	5,752
Total deferred inflows of resources	<u>5,752</u>	<u>-</u>	<u>5,752</u>
Net position:			
Net investment in capital assets	27,603	3,514,545	3,542,148
Unrestricted	226,139	4,293,489	4,519,628
Total net position	<u>\$ 253,742</u>	<u>7,808,034</u>	<u>8,061,776</u>

See accompanying notes to the basic financial statements

Avila Beach Community Services District
Statement of Activities
For the Year Ended June 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities:					
General government	\$ 439,854	4,337	(435,517)	-	(435,517)
Lighting	15,810	865	(14,945)	-	(14,945)
Total governmental activities	<u>455,664</u>	<u>5,202</u>	<u>(450,462)</u>	<u>-</u>	<u>(450,462)</u>
Business-type activities:					
Water	411,775	532,807	-	121,032	121,032
Sanitary	783,583	679,346	-	(104,237)	(104,237)
Refuse	2,031	21,978	-	19,947	19,947
Total business-type activities	<u>1,197,389</u>	<u>1,234,131</u>	<u>-</u>	<u>36,742</u>	<u>36,742</u>
Total	<u>\$ 1,653,053</u>	<u>1,239,333</u>	<u>(450,462)</u>	<u>36,742</u>	<u>(413,720)</u>
General revenues:					
Property taxes			\$ 787,634	-	787,634
Interest earnings			18,177	-	18,177
Total general revenues			<u>805,811</u>	<u>-</u>	<u>805,811</u>
Transfers in/(out) (note 4)			<u>(516,607)</u>	<u>516,607</u>	<u>-</u>
Changes in net position			<u>(161,258)</u>	<u>553,349</u>	<u>392,091</u>
Net position, beginning of year			<u>415,000</u>	<u>7,254,685</u>	<u>7,669,685</u>
Net position, end of year			<u>\$ 253,742</u>	<u>7,808,034</u>	<u>8,061,776</u>

See accompanying notes to the basic financial statements

**Avila Beach Community Services District
Balance Sheet – Governmental Fund
June 30, 2021**

	General	Streets Lighting	Total Governmental Activities
Assets:			
Cash and cash equivalents (note 2)	\$ 339,973	-	339,973
Accrued interest receivable	3,166	-	3,166
Property taxes and assessments receivable	17,522	-	17,522
Due from other funds (note 4)	(7,660)	7,660	-
Total assets	\$ 353,001	7,660	360,661
Liabilities:			
Accounts payable and accrued expenses	\$ 9,777	2,108	11,885
Accrued wages and related payables	2,300	-	2,300
Compensated absences (note 6)	4,044	-	4,044
Total liabilities	16,121	2,108	18,229
Fund balance (note 9):			
Assigned	4,044	-	4,044
Unassigned	332,836	5,552	338,388
Total fund balance	336,880	5,552	342,432
Total liabilities and fund balance	\$ 353,001	7,660	360,661

Continued on next page

See accompanying notes to the basic financial statements

Avila Beach Community Services District
Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position
June 30, 2021

Reconciliation:

Total fund balance of Governmental Fund	\$	342,432
Amounts reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, not in the governmental fund balance sheet. However, the statement of net position includes those capital position among the assets of the District as a whole.		27,603
Deferred outflows of resources applicable to the consumption of resources to be used in future periods		26,376
Long-term liabilities applicable to the District are not due and payable in the current period and, accordingly, are not reported as governmental fund liabilities. All liabilities both current and long-term, are reported in the statement of net position as follows:		
Net pension liability		(136,917)
Deferred inflows of resources applicable to the aquisition of resources to be used in future periods		<u>(5,752)</u>
Net position of Governmental Activities	\$	<u><u>253,742</u></u>

See accompanying notes to the basic financial statements

Avila Beach Community Services District
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund
For the Year Ended June 30, 2021

	<u>General</u>	<u>Streets Lighting</u>	<u>Total Governmental Activities</u>
Revenues:			
Property taxes	\$ 787,634	-	787,634
Interest earnings	18,177	-	18,177
Charges for services	<u>4,337</u>	<u>865</u>	<u>5,202</u>
Total revenues	<u>810,148</u>	<u>865</u>	<u>811,013</u>
Expenditures:			
General government	433,071	-	433,071
Street lighting	<u>-</u>	<u>12,563</u>	<u>12,563</u>
Total expenditures	<u>433,071</u>	<u>12,563</u>	<u>445,634</u>
Excess(deficiency) of revenues over expenditures	377,077	(11,698)	365,379
Other financing sources(uses):			
Operating transfers in(out) (note 4)	<u>(535,100)</u>	<u>18,493</u>	<u>(516,607)</u>
Net change in fund balance	(158,023)	6,795	(151,228)
Fund balance, beginning of year	<u>494,903</u>	<u>(1,243)</u>	<u>493,660</u>
Fund balance, end of year	<u><u>\$ 336,880</u></u>	<u><u>5,552</u></u>	<u><u>342,432</u></u>

Continued on next page

See accompanying notes to the basic financial statements.

Avila Beach Community Services District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of
Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2021

Reconciliation:

Net change in fund balance – Governmental Fund	\$	(151,228)
<p style="margin-left: 20px;">Amounts reported for governmental activities in the statement of activities are different because:</p> <p style="margin-left: 40px;">Governmental fund reports capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense as follows:</p>		
Depreciation expense		(8,139)
<p style="margin-left: 20px;">Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenses in governmental fund as follows:</p>		
Net change in pension obligations for the current period		<u>(1,891)</u>
Changes in net position of Governmental Activities	\$	<u><u>(161,258)</u></u>

See accompanying notes to the basic financial statements

Avila Beach Community Services District
Statement of Net Position – Enterprise Fund
June 30, 2021

	<u>Water</u>	<u>Sanitary</u>	<u>Refuse</u>	<u>Total Business-type Activities</u>
Current assets:				
Cash and cash equivalents (note 2)	\$ 2,379,813	1,875,425	105,080	4,360,318
Accounts receivable – utilities, net (note 3)	<u>61,046</u>	<u>56,231</u>	<u>-</u>	<u>117,277</u>
Total current assets	<u>2,440,859</u>	<u>1,931,656</u>	<u>105,080</u>	<u>4,477,595</u>
Non-current assets:				
Capital assets – not being depreciated (note 5)	-	660,056	-	660,056
Capital assets – being depreciated, net (note 5)	<u>546,564</u>	<u>2,307,925</u>	<u>-</u>	<u>2,854,489</u>
Total non-current assets	<u>546,564</u>	<u>2,967,981</u>	<u>-</u>	<u>3,514,545</u>
Total assets	<u>2,987,423</u>	<u>4,899,637</u>	<u>105,080</u>	<u>7,992,140</u>
Current liabilities:				
Accounts payable and accrued expenses	39,544	138,092	-	177,636
Unearned revenue	<u>6,470</u>	<u>-</u>	<u>-</u>	<u>6,470</u>
Total current liabilities	<u>46,014</u>	<u>138,092</u>	<u>-</u>	<u>184,106</u>
Total liabilities	<u>46,014</u>	<u>138,092</u>	<u>-</u>	<u>184,106</u>
Net position:				
Net investment in capital assets	546,564	2,967,981	-	3,514,545
Unrestricted (note 8)	<u>2,394,845</u>	<u>1,793,564</u>	<u>105,080</u>	<u>4,293,489</u>
Total net position	<u>\$ 2,941,409</u>	<u>4,761,545</u>	<u>105,080</u>	<u>7,808,034</u>

See accompanying notes to the basic financial statements

Avila Beach Community Services District
Statement of Revenues, Expenses, and Changes in Fund Net Position – Enterprise Fund
For the Year Ended June 30, 2021

	<u>Water</u>	<u>Sanitary</u>	<u>Refuse</u>	<u>Total Business-type Activities</u>
Operating revenues:				
Water consumption sales	\$ 532,807	-	-	532,807
Sanitary service charges	-	679,346	-	679,346
Refuse franchise charges	-	-	21,978	21,978
Total operating revenue	<u>532,807</u>	<u>679,346</u>	<u>21,978</u>	<u>1,234,131</u>
Operating expenses:				
Professional services	85,677	284,229	2,031	371,937
Utilities	2,121	37,013	-	39,134
Repairs and maintenance	22,213	145,321	-	167,534
Supplies	671	65,822	-	66,493
Insurance	6,908	8,060	-	14,968
Administrative expenses	3,405	16,640	-	20,045
Materials and services	257,719	25,322	-	283,041
Total operating expenses	<u>378,714</u>	<u>582,407</u>	<u>2,031</u>	<u>963,152</u>
Operating income before depreciation expense	154,093	96,939	19,947	270,979
Depreciation expense	<u>(33,061)</u>	<u>(201,176)</u>	<u>-</u>	<u>(234,237)</u>
Operating income(loss)	121,032	(104,237)	19,947	36,742
Operating transfers in (note 4)	<u>92,466</u>	<u>424,141</u>	<u>-</u>	<u>516,607</u>
Changes in net position	213,498	319,904	19,947	553,349
Net position, beginning of year	<u>2,727,911</u>	<u>4,441,641</u>	<u>85,133</u>	<u>7,254,685</u>
Net position, end of year	<u>\$ 2,941,409</u>	<u>4,761,545</u>	<u>105,080</u>	<u>7,808,034</u>

See accompanying notes to the basic financial statements

**Avila Beach Community Services District
Statement of Cash Flows – Enterprise Fund
For the Year Ended June 30, 2021**

	<u>2021</u>
Cash flows from operating activities:	
Cash receipts from customers for water sales and services	\$ 1,209,454
Cash paid to vendors and suppliers for materials and services	<u>(850,253)</u>
Net cash provided by operating activities	<u>359,201</u>
Cash flows from non-capital financing activities:	
Operating transfer-in	<u>516,607</u>
Net cash provided by non-capital financing activities	<u>516,607</u>
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	<u>(358,123)</u>
Net cash used in capital and related financing activities	<u>(358,123)</u>
Net increase in cash and cash equivalents	517,685
Cash and cash equivalents, beginning of year	<u>3,842,633</u>
Cash and cash equivalents, end of year	<u>\$ 4,360,318</u>
 Reconciliation of cash and cash equivalents to the statement of net position:	
	<u>2021</u>
Cash and cash equivalents	\$ <u>4,360,318</u>
Total cash and cash equivalents	<u>\$ 4,360,318</u>

Continued on next page

See accompanying notes to the basic financial statements

Avila Beach Community Services District
Statement of Cash Flows – Enterprise Fund, continued
For the Year Ended June 30, 2021

	2021
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 36,742
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	234,237
Changes in asset and liabilities:	
Decrease (increase) in asset:	
Accounts receivable – water sales and services, net	(26,537)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	112,899
Unearned revenue	1,860
Net cash provided by operating activities	\$ 359,201

See accompanying notes to the basic financial statements

Avila Beach Community Services District
Notes to the Basic Financial Statements
June 30, 2021

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

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

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

B. Basis of Accounting and Measurement Focus

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

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

Government-wide Financial Statements

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

Fund Financial Statements

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

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

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

B. Basis of Accounting and Measurement Focus, continued

Fund Financial Statements, continued

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

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

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

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

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

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

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

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

B. Basis of Accounting and Measurement Focus, continued

Fund Financial Statements, continued

The funds of the financial reporting entity are described below:

Governmental Fund

General – This fund acts as the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Lighting – This fund accounts for the operations and maintenance of the Front Street Plaza lights and additional 27 streetlights in various locations around the community of the District.

Enterprise Fund

Water – This fund accounts for the water transmission and distribution operations of the District.

Sanitary – This fund accounts for the wastewater service operations of the District.

Refuse – This fund accounts for the solid waste collection and disposal operations of the District.

C. Financial Reporting

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

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

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

In August 2018, the GASB issued Statement No. 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

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

C. Financial Reporting, continued

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

D. Financial Statement Elements

1. Use of Estimates

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

2. Uncertainty

The COVID-19 outbreak in the United States has caused business disruption labor shortages and closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the disruptions. However, the related financial impact on District and the duration cannot be estimated at this time.

3. Cash and Cash Equivalents

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

4. Accounts Receivable

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

5. Investment and Investment Policy

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

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

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

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

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

D. Financial Statement Elements, continued

6. Property Taxes and Assessments

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

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

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

7. Prepaid Expenses

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

8. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. The District policy has set the capitalization threshold for reporting capital assets at \$1,000. Donated assets are recorded at estimated fair market value at the date of donation and/or historical cost. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Governmental Activities

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

Business-Type Activities

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

9. Deferred Outflows of Resources

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

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

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

D. Financial Statement Elements, continued

10. Unearned Revenue

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

11. Compensated Absences

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

12. Deferred Inflows of Resources

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

13. Net Position

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

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

14. Fund Balance

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

- **Nonspendable** – amounts that cannot be spent because they are either (a) not spendable in form, or (b) legally or contractually required to be maintained intact.
- **Restricted** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed** – amounts that can only be used for specific purposes determined by formal action of the District's highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

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

D. Financial Statement Elements, continued

14. Fund Balance, continued

- **Assigned** – amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose. This is also the classification for residual funds in the District’s special revenue funds.
- **Unassigned** – the residual classification for the District’s general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

Fund Balance Policy

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

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

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

15. Pensions

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

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

- Valuation Date: June 30, 2019
- Measurement Date: June 30, 2020
- Measurement Period: July 1, 2019 to June 30, 2020

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(2) Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2021, are classified as follows:

	2021
Governmental activities:	
General fund	\$ 339,973
Total governmental activities	339,973
Business-type activities:	
Water fund	2,379,813
Sanitary fund	1,875,425
Refuse fund	105,080
Total business-type activities	4,360,318
Total cash and cash equivalents	\$ 4,700,291

Cash and cash equivalents as of June 30, 2021, consist of the following:

	2021
Cash on hand	\$ 286
Deposits with financial institutions	821,997
Deposits held with the California Local Agency Investment Fund (LAIF)	3,878,008
Total cash and cash equivalents	\$ 4,700,291

As of June 30, 2021, the District's authorized deposits had the following maturities:

	2021
Deposits held with the California Local Agency Investment Fund (LAIF)	291 days

Authorized Deposits and Investments

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

Investment in California Local Agency Investment Fund

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(2) Cash and Cash Equivalents, continued

Investment in California Local Agency Investment Fund, continued

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

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

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

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

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

Interest Rate Risk

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

Credit Risk

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

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(2) Cash and Cash Equivalents, continued

Concentration of Credit Risk

The District's investment policy contains no limitations on the amounts that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2021, there were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and/or external investment pools) that represents 5% or more of total District investments.

(3) Accounts Receivable – Utilities

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

(4) Internal Transfers

Inter-fund Operational Transfers

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

As of June 30, 2021, inter-fund receivables/payables between the District's funds were as follows:

Due from	Due to	Amount
General	Street Lighting	\$ <u>7,660</u>

For the year end June 30, 2021, inter-fund transfers consist of the following:

Transfer from	Transfer to	Amount
General	Water	\$ 92,466
General	Sanitary	<u>424,141</u>
Transfer to Business-type		516,607
General	Street Lighting	<u>18,493</u>
Transfer from General		<u><u>\$ 535,100</u></u>

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(5) Capital Assets

Governmental Activities

The change in capital assets for 2021, was as follows:

	<u>Balance 2020</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2021</u>
Non-depreciable assets:				
Land and land rights	\$ 20	-	-	20
Total non-depreciable assets	<u>20</u>	<u>-</u>	<u>-</u>	<u>20</u>
Depreciable assets:				
Furniture and equipment	26,354	-	-	26,354
Street lights	10,868	-	-	10,868
Building and improvements	<u>57,746</u>	<u>-</u>	<u>-</u>	<u>57,746</u>
Total depreciable assets	<u>94,968</u>	<u>-</u>	<u>-</u>	<u>94,968</u>
Accumulated depreciation:				
Furniture and equipment	(16,204)	(2,719)	-	(18,923)
Street lights	(6,522)	(2,173)	-	(8,695)
Building and improvements	<u>(36,520)</u>	<u>(3,247)</u>	<u>-</u>	<u>(39,767)</u>
Total accumulated depreciation	<u>(59,246)</u>	<u>(8,139)</u>	<u>-</u>	<u>(67,385)</u>
Total depreciable assets, net	<u>35,722</u>	<u>(8,139)</u>	<u>-</u>	<u>27,583</u>
Total capital assets, net	<u>\$ 35,742</u>			<u>27,603</u>

There were no major capital asset additions in the governmental activities fund for the year ended June 30, 2021.

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(5) Capital Assets, continued

Business-Type Activities

The change in capital assets for 2021, was as follows:

	<u>Balance 2020</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2021</u>
Non-depreciable assets:				
Land	\$ 60,294	-	-	60,294
Construction in progress	248,214	351,548	-	599,762
Total non-depreciable assets	<u>308,508</u>	<u>351,548</u>	<u>-</u>	<u>660,056</u>
Depreciable assets:				
Water transmission and distribution	1,284,511	6,575	-	1,291,086
Wastewater collection	5,384,640	-	-	5,384,640
Total depreciable assets	<u>6,669,151</u>	<u>6,575</u>	<u>-</u>	<u>6,675,726</u>
Accumulated depreciation:				
Water transmission and distribution	(711,462)	(33,061)	-	(744,523)
Wastewater collection	(2,875,538)	(201,176)	-	(3,076,714)
Total accumulated depreciation	<u>(3,587,000)</u>	<u>(234,237)</u>	<u>-</u>	<u>(3,821,237)</u>
Total depreciable assets, net	<u>3,082,151</u>	<u>(227,662)</u>	<u>-</u>	<u>2,854,489</u>
Total capital assets, net	<u>\$ 3,390,659</u>			<u>3,514,545</u>

Major capital asset additions in the business-type activities fund include additions for construction in progress for the year ended June 30, 2021.

(6) Compensated Absences

Changes in compensated absence as of June 30, 2021, were as follows:

	<u>Balance 2020</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2021</u>
\$	<u>2,297</u>	<u>3,747</u>	<u>(2,000)</u>	<u>4,044</u>

(7) Defined Benefit Pension Plans

Plan Description

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

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(7) Defined Benefit Pension Plans, continued

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

The District participates in the Plan's miscellaneous risk pool. The provisions and benefits for the Plan's miscellaneous pool in effect as of June 30, 2021, are summarized as follows:

	<u>New Classic</u>	<u>PEPRA</u>
	Prior to December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years of service	
Benefit payments	monthly for life	
Retirement age	50 - 60	52 - 62
Monthly benefits, as a % of eligible compensation	1.1% to 2.4%	1.0% to 2.5%
Required employee contribution rates	N/A	6.75%
Required employer contribution rates	N/A	7.73%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that employer contribution rates for all public employers be determined on an annual basis by an actuary and shall be effective on July 1, following notice of a change in rate. Funding contribution for the Plan is determined annually on an actuarial basis as of June 30, by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2021, contributions recognized as part of pension expense for the Plan was \$12,324.

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(7) Defined Benefit Pension Plans, continued

Net Pension Liability

As of the fiscal year ended June 30, 2021, the District reported net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	2021
Proportionate share of net pension liability \$	136,917

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability for the miscellaneous risk pool. As of June 30, 2021, the net pension liability of the Plan is measured as of June 30, 2020 (the measurement date). The total pension liability for the Plan's miscellaneous risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 (the valuation date), rolled forward to June 30, 2020, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's changes in the proportionate share of the net pension liability for the Plan's miscellaneous risk pool as of the measurement date June 30, 2020, was as follows:

	Proportionate Share
Proportion – June 30, 2019	0.00128 %
Proportion – June 30, 2020	0.00126
Decrease in proportionate share	0.00002 %

Deferred Pension Outflows(Inflows) of Resources

For the year ended June 30, 2021, the District recognized pension expense of \$17,145. As of the fiscal year ended June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 15,254	-
Differences between actual and expected experience	7,055	-
Change in assumptions	-	(976)
Net difference between projected and actual earnings on plan investments	4,067	-
Adjustment due to change in proportions and difference between actual and proportionate share of contributions	-	(4,776)
Total	\$ 26,376	(5,752)

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(7) Defined Benefit Pension Plans, continued

Deferred Pension Outflows(Inflows) of Resources, continued

For the year ended June 30, 2021, the District’s deferred outflows of resources related to contributions subsequent to the measurement date totaled \$15,254; and other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30,	Deferred Net Inflows of Resources
2022	\$ (2,076)
2023	2,945
2024	2,550
2025	1,951

Actuarial Assumptions

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

Valuation dates	June 30, 2019
Measurement dates	June 30, 2020
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions	
Discount rate	7.15%
Inflation	2.50%
Salary increase	Varies by entry age and service
Mortality Table*	Derived using CalPERS membership data
Period upon which actuarial Experience survey assumptions were based	1997 – 2015
Post-retirement benefit increase	Contract COLA up to 2.50% until PPPA floor on purchasing power applies; 2.50% thereafter

* The mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvement using the Society of Actuaries 90 percent of scale MP 2016. For more details on this table, please refer to the December 2017, experience study report (based on CalPERS demographic data from 1997 to 2015) available online on the CalPERS website.

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(7) Defined Benefit Pension Plans, continued

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2020, for the PERF C was 7.15%. This discount rate is not adjusted for administrative expenses.

The PERF C 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 for those pension plans' investments were applied to all periods of projected benefit payments to determine the total pension liability.

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 and forecasted information for all 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 table below reflects long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

Asset Class	Assumed Asset Allocation	Real Return Years 1-10	Real Return Years 11+
Global equity	50.00 %	4.80 %	5.98 %
Fixed income	28.00	1.00	2.62
Inflation assets	0.00	0.77	1.81
Private equity	8.00	6.30	7.23
Real assets	13.00	3.75	4.93
Liquidity	1.00	0.00	(0.92)
	<u>100.00 %</u>		

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(7) Defined Benefit Pension Plans, continued

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

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

As of June 30, 2021, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher are as follows:

	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
District's net pension liability	\$ 193,845	136,917	60,335

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 44 and 46 for the Required Supplementary Information.

(8) Unrestricted Net Position

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

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

A detailed schedule of unrestricted net position at June 30, 2021, for the water fund and the sanitary fund is as follows:

Description	Water	Sanitary	Refuse	Total
Unrestricted:				
Operating fund reserve	\$ 365,685	372,272	-	737,957
Capital replacement fund reserve	200,000	1,186,292	-	1,386,292
Emergency capital fund reserve	55,000	155,000	-	210,000
Rate stabilization fund reserve	60,000	80,000	-	140,000
Unreserved	1,714,160	-	105,080	1,819,240
Total unrestricted	\$ 2,394,845	1,793,564	105,080	4,293,489

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(9) Fund Balance

Fund balance is presented in the following categories: non-spendable, restricted, committed, assigned, and unassigned (See Note 1(D)(14) for a description of these categories). A detailed schedule of fund balance and their funding composition at June 30, 2021, are as follows:

Description	2021
Assigned	
Compensated absences	\$ 4,044
Unassigned	
Operations	338,388
Total fund balance	\$ 342,432

(10) Risk Management

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

At June 30, 2021, the District participated in the liability and property programs of the SDRMA as follows:

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

Settled claims have not exceeded any of the coverage amounts in the last three fiscal years. There were no reductions in insurance coverage in fiscal years 2021, 2020 and 2019. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2021, 2020 and 2019.

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

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

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

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by 18 months. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 89

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

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

Governmental Accounting Standards Board Statement No. 91

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

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

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

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 92

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement were as follows: (1) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged and is permitted by topic.

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

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

Governmental Accounting Standards Board Statement No. 93

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument’s variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The requirements of this Statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective dates have been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 94

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

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

Governmental Accounting Standards Board Statement No. 96

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

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 97

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

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

Avila Beach Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2021

(12) Commitments and Contingencies

Litigation

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

Grant Awards

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

Contracts and Agreements

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

(13) Subsequent Events

Events occurring after June 30, 2021, have been evaluated for possible adjustment to the financial statements or disclosure as of November 9, 2021, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

Required Supplementary Information

**Avila Beach Community Services District
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2021**

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Property taxes	\$ 700,000	-	700,000	787,634	87,634
Interest earnings	65,000	-	65,000	18,177	(46,823)
Charges for services	<u>3,800</u>	<u>-</u>	<u>3,800</u>	<u>4,337</u>	<u>537</u>
Total revenues	<u>768,800</u>	<u>-</u>	<u>768,800</u>	<u>810,148</u>	<u>41,348</u>
Expenditures:					
General government	<u>464,850</u>	<u>-</u>	<u>464,850</u>	<u>433,071</u>	<u>31,779</u>
Total expenditures	<u>464,850</u>	<u>-</u>	<u>464,850</u>	<u>433,071</u>	<u>31,779</u>
Excess(deficiency) of revenues over expenditures	303,950	-	303,950	377,077	73,127
Other financing sources(uses):					
Operating transfers in(out)	<u>(296,000)</u>	<u>-</u>	<u>(296,000)</u>	<u>(535,100)</u>	<u>(239,100)</u>
Net change in fund balance	<u>7,950</u>	<u>-</u>	<u>7,950</u>	<u>(158,023)</u>	<u>(165,973)</u>
Fund balance, beginning of year	<u>494,903</u>		<u>494,903</u>	<u>494,903</u>	
Fund balance, end of year	\$ <u>502,853</u>		<u>502,853</u>	<u>336,880</u>	

Notes to Required Supplementary Information — General Fund

(1) Budgets and Budgetary Data

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

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

**Avila Beach Community Services District
Budgetary Comparison Schedule – Streets Light Fund
For the Fiscal Year Ended June 30, 2021**

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Budget</u>	<u>Actual Budgetary Basis</u>	<u>Vairance Positive (Negative)</u>
Revenues:					
Charges for services	\$ 1,200	-	1,200	865	(335)
Total revenues	<u>1,200</u>	<u>-</u>	<u>1,200</u>	<u>865</u>	<u>(335)</u>
Expenditures:					
Street lighting	15,500	-	15,500	12,563	2,937
Total expenditures	<u>15,500</u>	<u>-</u>	<u>15,500</u>	<u>12,563</u>	<u>2,937</u>
Excess(deficiency) of revenues over expenditures	(14,300)	-	(14,300)	(11,698)	2,602
Other financing sources(uses):					
Operating transfers in(out)	16,000	-	16,000	18,493	2,493
Net change in fund balance	<u>1,700</u>	<u>-</u>	<u>1,700</u>	<u>6,795</u>	<u>5,095</u>
Fund balance, beginning of year	<u>(1,243)</u>		<u>(1,243)</u>	<u>(1,243)</u>	
Fund balance, end of year	<u>\$ 457</u>		<u>457</u>	<u>5,552</u>	

Notes to Required Supplementary Information — Streets Light Fund

(1) Budgets and Budgetary Data

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

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

Avila Beach Community Services District
Schedules of the District's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2021
Last Ten Years*

Defined Benefit Pension Plan

Description	Measurement Dates						
	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
District's proportion of the net pension liability	0.00126%	0.00128%	0.00131%	0.00138%	0.00146%	0.00171%	0.00207%
District's proportionate share of the net pension liability	\$ 136,917	131,246	126,061	136,401	126,121	117,077	125,453
District's covered-employee payroll	\$ 40,000	42,387	39,321	42,741	62,301	60,480	58,718
District's proportionate share of the net pension liability(asset) as a percentage of its covered-employee payroll	342.29%	309.64%	320.59%	319.13%	202.44%	193.58%	213.65%
Plan's fiduciary net position as a percentage of the plan's total pension liability	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%	79.82%

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

Changes in Benefit Terms

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

Change of Assumptions and Methods

The CalPERS Board of Administration adopted a new amortization policy effective with the June 30, 2019, actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019. In fiscal year 2020, no changes have occurred to the actuarial assumptions in relation to financial reporting.

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

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

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

Avila Beach Community Services District
Schedules of the District's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2021
Last Ten Years*

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

Change of Assumptions and Methods, continued

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

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

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

Avila Beach Community Services District
Schedules of Pension Plan Contributions
As of June 30, 2021
Last Ten Years*

Defined Benefit Pension Plan

Description	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Actuarially determined contribution	\$ 15,254	12,324	12,834	14,788	13,713	9,566	9,894
Contributions in relation to the actuarially determined contribution	<u>(15,254)</u>	<u>(12,324)</u>	<u>(12,834)</u>	<u>(14,788)</u>	<u>(13,713)</u>	<u>(9,566)</u>	<u>(9,894)</u>
Contribution deficiency(excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	\$ 40,687	40,000	42,387	39,321	42,741	62,301	60,480
Contribution's as a percentage of covered-employee payroll	<u>37.49%</u>	<u>30.81%</u>	<u>30.28%</u>	<u>37.61%</u>	<u>32.08%</u>	<u>15.35%</u>	<u>16.36%</u>

Notes to the Schedules of Pension Plan Contributions

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

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Report on Internal Controls and Compliance



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Avila Beach Community Services District (District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated November 9, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
November 9, 2021