

**CASTROVILLE COMMUNITY
SERVICES DISTRICT**

**Auditors' Reports
Financial Statements
And
Supplemental Information**

*For the Year Ended
June 30, 2020*



Castroville Community Services District

TABLE OF CONTENTS

June 30, 2020

TABLE OF CONTENTS

	<u>Page(s)</u>
Organization.....	1
Management’s Discussion and Analysis.....	2-9
Independent Auditors’ Report	10-11
Financial Statements	
Statement of Net Position – Government Wide	12
Statement of Activities – Government Wide	13
Governmental Funds Balance Sheet and Reconciliation	14-15
Governmental Funds Statement of Revenues, Expenses, and Changes in Fund Balances and Reconciliation	16-17
Statement of Net Position – Enterprise Funds.....	18
Statement of Activities and Changes in Net Position – Enterprise Funds	19
Statement of Cash Flows – Enterprise Funds.....	20
Notes to Financial Statements.....	21-40
Required Supplemental Information.....	41-48
Independent Auditors’ Report on Internal Control.....	49-50

Castroville Community Services District

ORGANIZATION

June 30, 2020

GOVERNING BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>
Adriana Melgoza	President
James R. Cochran	Vice-President
Ron Stefani	Director
Cosmo Padilla	Director
Glenn Oania	Director

ADMINISTRATION

Eric Tynan	General Manager
Lidia Santos	Board Secretary/Office Manager

Castroville Community Services District



**11499 Geil Street
CASTROVILLE, CA 95012**

2020 Management's Discussion and Analysis

As management of the Castroville Community Services District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Castroville Community Services District for the fiscal year ended June 30, 2020. The Castroville Community Services District's financial management is responsible for preparing the Management's Discussion and Analysis section.

The Castroville Community Services District was formerly the Castroville Water District, a special district formed in 1952 under the County Water District Act for the purpose of installing, operating, and distributing a water supply for the community of Castroville. In May of 2006, the District assumed the assets and liabilities for the sewer and storm drain from CSA 14. In February of 2008, the Castroville Water District and CSA 14 were merged to create the Castroville Community Services District that resulted in acquiring additional services such as street lighting, recreational funding, open space, and street maintenance. Finally, in 2014 the CCSD merged with the Moss Landing Sanitation District which it had been operating under contract for several years.

Currently, Monterey County and the community of Castroville are following the Castroville Community Plan, a plan that guides development in Castroville for the next twenty years. If followed this plan would more than double the size of Castroville, adding an additional 1,655 residential units, 40 new light industrial facilities, 50,000 square feet of commercial development, and a new light rail commuter train station.

In summary, the District with all the new services acts much like a small city government, which was in response to the community wanting more local control and accountability. With this merger, the District has tripled its area, and quadrupled its reserves.

ENTERPRISE-WATER OPERATIONS

Presently, the District serves over approximately 8,500 customers through 2,145 water connections in the community of Castroville, which is in the northern Salinas Valley in Monterey County. The District provides approximately 780 acre-feet of water annually to government, commercial, and residential customers. The District operates four domestic water production wells and the estimated capacity of all four wells is approximately 6.12 million gallons per day. The water system encompasses approximately 13 miles of pipeline and includes two water storage tanks with a capacity of 1.1 million gallons. Monitoring wells are strategically placed along the coast to monitor water quality and groundwater levels in the aquifers that make up our water supply. All wells are sampled for over 180 constituents including but not limited to: chlorides, nitrates, total dissolved solids, static water level, and sodium. At this time, the District receives 75 percent of its water from the 400-foot aquifer and 25 percent of our water from the 900-foot or "deep" aquifer. Unfortunately, Well #5 has arsenic at 21 ppb, and the limit is 10 ppb per the State Water Resource Control Board. A treatment system has been installed by Conco-West, Inc. and overseen by MNS Engineers to meet the lower standard arsenic standard. The District's cost for the arsenic treatment system was approximately \$1,250,000 and this treated water is being blended with the existing Well #2 at this site to bring the blended water below the 10-ppb level. The District was awarded a grant for \$581,000 from the California Department of Water Resources from Prop 84 measure to facilitate treatment of this source which has been finalized as of April 2016. Finally, the District completed a 218 measure to raise fees over the next 5 years to guarantee funding of current needs and future projects and is in the 5th and final year.

ENTERPRISE-WATER OPERATIONS

Historically, the District has been wary of salt-water intrusion of its source aquifers. There has been little or no movement in the Castroville area of the salt-water contour since 1997. We believe this is due at least in part to the Castroville Seawater Intrusion Project (CSIP). Well #2 and Well #3 were starting to show signs of seawater intrusion and have been modified to seal off the upper perforations that allowed chlorides to exceed the 500 mg/L limit. Well #2 has a chloride of 68 mg/L which is below the secondary standard of 500 mg/L. Recently Well #3 exceeded the secondary MCL of 500 mg/L and the District is investigating options to replace or restore this resource. Additionally, the District is keeping an eye on the Salinas River Diversion Facility (SRDF), which started up in 2013, but due to the drought, was shut down in 2016. The SRDF is now up and running it is expected that up to 15 supplemental wells will be retired around Castroville. While Well #3 has been modified to reduce the recent spike in chlorides the District expects to lose Well #3 to saltwater intrusion in the next year. In addition, response to losing Well #3 the District is investigating a new deep well or connecting to the Monterey Peninsula Water Supply Project (MPWSP) should it become available. The District has a Water Purchase Agreement that would access desal water from the California American Water Desal Project (MPWSP) located north of Marina. The District would purchase the desal water from California American Water at a price based on the cost of pumping from its current wells. This purchased water would be used in lieu of pumping our wells in the hope it would help preserve the local aquifers and help halt seawater intrusion.

The Castroville Community Services District passed a 218 measure in 2015 to increase water rates in anticipation of more expensive water sources. Finally, the District is applying for Proposition 1 funding with the California Department of Water Resources for a grant to help get technical planning and advisory funds to replace Well #3 and facilitate a system hydraulic study for improving system performance for upgrades such as a new pipeline to the Monterey Peninsula Water Supply Project to be located in Marina and needed tie-ins for tank filling through the distribution system and additional storage from a new 600,000 gallon storage tank.

ENTERPRISE-SEWER OPERATIONS

The District assumed the responsibilities and assets for sewer and storm drain activities on May 1, 2006 from County Service Area 14 (CSA 14). The sewer system incorporates 18 miles of main lines and five lift stations, three lift stations located in Castroville Zone 1 and the other two located in Zone 2. Along with these systems the District acquired a jetter truck, utility truck with a crane, and cash reserves. The District has a large reserve fund balance as a result of the sale of a wastewater treatment facility a number of years ago by Castroville Sanitation District to the Monterey One Water formerly Monterey Regional Water Pollution Control Agency (MRWPCA); this fund itself generates additional income in the form of interest on principal. The proceeds and interest earned from the sale of the wastewater treatment facility are used to maintain, operate, repair, and construct sewer facilities in Zone 1 necessary to connect to the Monterey One Water treatment facilities. For this reason, no sewer user fees are assessed for Castroville (Zone 1) at this time. Currently, the District is pursuing a \$2,800,000 dollar grant to connect a new sewer main called the Washington Sewer Trunk Line Bypass to alleviate some of the flow in the main trunk-line connected to the regional pump station.

Moro Cojo, Monte Del Lago Mobile Home Park and North Monterey County High School (Zone 2) are assessed user fees for sewer. In 2016 the District proceeded with a 218 measure to increase user fees for the next five years and is in the 5th and final year.

In July of 2014, the District consolidated with the Moss Landing County Sanitation District creating Zone 3. Since acquiring the Moss Landing system the District has installed a state of the art remote control and monitoring system, replaced 12 damaged manholes and plugged the storm drain inlets of 7 residences on Struve Road that created a cross connection with the sewer system. Sewer fees for Moss Landing (Zone 3) are collected by Monterey One Water and then sent to Castroville Community Services District. The District is currently applying for a \$2,800,000 grant to replace motor control centers, gravity lines and a force main running under the Highway 1 bridge over the Elkhorn Slough for Zone 3.

Furthermore, throughout the three sewer service areas, broken or damaged sewer mains and manholes were repaired or replaced, which has resulted in a much more efficient and less costly operation and maintenance program.

In addition, the SCADA system control was upgraded and has greatly increased the District's ability to monitor and respond to all lift station trending, alarms, or other concerns. The force mains in Castroville (Zone 1) were all "pigged" in 2008 to clear them of debris. The lift pumps were also repaired or replaced at all the lift stations. The force mains in Moss Landing (Zone 3) are scheduled for pigging in 2020/2021 fiscal year.

ENTERPRISE-STORM DRAIN OPERATIONS

Storm Drain user fees are assessed for both Castroville (Zone 1) and Moro Cojo (Zone 2). The storm drain system includes approximately 16 miles of main lines, four Vortec units, and 187 catch basins. All basins are being labeled with "Don't Dump, Flows to Bay." Currently, the District cleans the storm drain basins as needed as well as contracting with a private company for street sweeping as needed to help keep debris from plugging the storm drain system. In September of 2013, the Union Street Storm Drain Project was completed in coordination with Monterey County Public Works. The District installed the basins and pipe and Monterey County Public Works put in the street, curb and gutter. The Union alley storm drain and Rico Street storm drains were also installed. "Do not Dump" medallions were installed on storm drain inlets to deter illegal dumping.

GOVERNMENTAL-STREET LIGHTS

Street light user fees are assessed for both Castroville (Zone 1) and Moro Cojo (Zone 2). The District is responsible for the electrical cost of these street lights to PG&E. Street lights are not metered and instead charged a flat rate fee, therefore, it is important that the District notify PG&E when a street light needs to be repaired. All street lights were upgraded by PG&E to LED's. The resulting saving of approximately 60% will be used over the next few years to pay back the retrofit by PG&E. The District has also replaced the lights, ballasts, and hardware on the crossover walkway in Castroville (Zone 1). A few years ago, a bulb-out was installed at the Castroville overhead sign to protect it from truck damage.

GOVERNMENTAL-OPEN SPACE

Only Moro Cojo (Zone 2) is assessed user fees for open space. The District is only responsible for open space maintenance on approximately 3 acres fronting the Moro Cojo subdivision. This maintenance is performed twice a year and contracted out to the North County Recreation and Park District. It was mowed in September 2019 and May 2020.

GOVERNMENTAL-STREET MAINTENANCE

Only Moro Cojo (Zone 2) is assessed user fees for street maintenance. All streets were resurfaced and stop lines and limit lines stenciled for the streets in Moro Cojo during fiscal year 2013-14. For fiscal year 2019-2020, if any, damaged street signs were replaced and graffiti was painted over.

GOVERNMENTAL-RECREATIONAL SERVICES

Recreational Services are extended services authorized to be provided by the District. The District can either provide services to its residents directly or may contract with another public agency to provide such services. Recreational funding is routed through the North County Recreation and Park District (NCRPD). Funds for NCRPD had been paid by CSA 14 before it was dissolved. Recreational funding is provided by ad valorem property tax revenues collected for Castroville (Zone 1). For fiscal year ended June 30, 2020, \$100,000 was provided to NCRPD for recreational funding. Currently, the NCRPD has decided not to move forward with a tax measure after doing a survey that showed the tax measure would have little chance of passing. For clarification, revenues used to pay NCRPD come from ad valorem property taxes and may be used for any purpose the District is authorized to perform, including recreational funding.

CAPITAL IMPROVEMENTS

Overview of the Financial Statements. This discussion and analysis are intended to serve as an introduction to the Castroville Community Services District's basic financial statements. The Castroville Community Services District's basic financial statements comprise four components:

- Government-wide financial statements,
- Governmental fund financial statements
- Enterprise fund financial statements, and
- Notes to the financial statements.

The financial statements presented here include all the activities of the Castroville Community Services District. Governmental Accounting Standards Board (GASB) Statement No. 34 requires that the financial report present the District together with any component units that it has. The District has no component units as described in the GASB Statement.

CAPITAL IMPROVEMENTS

Overview of the Financial Statements, (continued)

This report also contains other supplementary information in addition to the basic financial statements themselves. In addition, there are several different types of financial statements within the first three groups identified above.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Castroville Community Services District finances, in a manner similar to a private-sector business. These government-wide financial statements can be found on pages 12-13 of this report. This statement presents a measure of all assets, liabilities, revenues, expenses, gains, and losses using the economic resources measurement focus using the accrual basis of accounting.

The *statement of net assets* presents information on all of the Castroville Community Services District's assets and liabilities, with the difference between the two reported as *net* assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Castroville Community Services District is improving or deteriorating.

The *statement of activities* presents information showing how the entity's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows (inflows and outflows of cash) in future fiscal periods (e.g., earned but unused vacation leave). The activities of the Castroville Community Services District are conducted by the District; governed by its own five-person board of directors who are responsible for policy decisions, which govern the operations of the District.

Governmental fund financial statements

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 Castroville Community Services District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Castroville Community Services District uses enterprise fund types of enterprise funds for its business type activities. The Castroville Community Services District uses governmental funds types for its governmental type activities. The Castroville Community Services District uses governmental funds to account for its street-light, open space, and street maintenance operations. Ad valorem property taxes are used for recreational services. In addition, as mentioned earlier, revenue from ad valorem property taxes may be used for any purpose the Castroville Community Services District is authorized to perform. Governmental funds are used to report the same functions presented as governmental-type activities in the government-wide financial statements. The Castroville Community Services District uses governmental funds to account for its general government and recreation activities. Governmental funds financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

Governmental funds provide the same type of information as the government-wide financial statements, only in more detail. The governmental fund financial statements provide separate information for the general government and recreation activities of the Castroville Community Services District. The basic governmental fund financial statements can be found on pages 14-17 of this report.

Enterprise fund financial statements

Enterprise funds are used to report the same functions presented as business-type activities. The Castroville Community Services District uses enterprise funds to account for its water, sewer and storm drain operations.

The enterprise fund financial statements provide separate information for the water, sewer, and storm drain operations, which are considered to be the major funds of the Castroville Community Services District. Enterprise funds financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The basic enterprise fund financial statements can be found on pages 18-20 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 provide a narrative description of certain items contained in the financial statements to enhance the understanding of those items. The notes to the financial statements can be found on pages 21-40 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Castroville Community Services District's progress in funding its obligations. Required supplementary information can be found on pages 41-48 of this report.

Government-wide Financial Analysis – Overall Financial Position

As noted earlier, net assets may serve over time as a useful indicator of the District’s financial position. In the case of the Castroville Community Services District, assets exceeded liabilities by \$18,536,730 at the close of the most recent fiscal year.

By far the largest portion of the Castroville Community Services District’s net assets \$12,251,670 (67 percent) reflects unrestricted net assets may be used to meet the District’s ongoing obligations to citizens and creditors. An additional portion of the Castroville Community Services District’s net assets \$5,870,154 (33 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related outstanding debt used to acquire those assets. The Castroville Community Services District uses these capital assets to provide services to citizens of Castroville. Consequently, these assets are not available for future spending.

**Castroville Community Services District
Table 1
Net Position**

Description	Governmental –Type Activities		Enterprise - Type Activities	
	2020	2019	2020	2019
Cash and other assets	\$ 399,583	\$ 361,682	\$ 12,523,445	\$ 12,305,611
Capital assets	18,810	-	5,803,561	5,981,849
Deferred Outflows	-	-	910,500	225,606
Total assets	\$ 418,393	\$ 361,682	\$ 19,237,506	\$ 18,513,066
Other liabilities	\$ 3,487	\$ 6,435	\$ 193,924	\$ 219,920
Noncurrent liabilities	-	-	824,023	784,169
Deferred Inflows	-	-	97,735	73,534
Total liabilities	\$ 3,487	\$ 6,435	\$ 1,115,682	\$ 1,077,623
Net Position:				
Investment in Capital Assets	\$ 18,810	\$ -	\$ 5,870,154	\$ 5,981,849
Restricted	396,096	355,247	-	-
Unrestricted	-	-	12,251,670	11,453,594
Total Net Position	414,906	355,247	18,121,824	17,435,443
Total Liabilities and Net Position	\$ 418,393	\$ 361,682	\$ 19,237,506	\$ 18,513,066

At the end of the current fiscal year, the Castroville Community Services District is able to report positive balances in its net assets. The same situation held true for the prior fiscal year.

Castroville Community Services District

Table 2

Changes in Net Position

Description	Governmental –Type Activities		Enterprise–Type Activities	
	2020	2019	2020	2019
Program revenues:				
Fines, fees, and charges for services	\$ 66,368	\$ 71,220	\$ 1,728,256	\$ 1,615,991
Operating grants	-	-	-	-
Other general revenues	6,732	1,788	909,073	929,995
Total Revenues	73,100	73,008	2,637,329	2,545,986
Expenses	(153,441)	(170,787)	(1,810,948)	(1,673,323)
Transfers in (out)	140,000	118,001	(140,000)	(118,001)
Change in Net Position	59,659	20,222	686,381	754,662
Net Position, beginning	355,247	335,025	17,435,443	16,680,781
Net Position, Ending	\$ 414,906	\$ 355,247	\$ 18,121,824	\$ 17,435,443

The District’s Governmental–type activities net assets increased over the past two fiscal years. The primary reason is that less funds were provided to North County Recreation and Park District to provide recreation and park services. The Business-type activity reflects an increase in net assets in 2020 compared to 2019. The primary reason for this fluctuation is due an increase in water sales during the year ending June 30, 2020.

Enterprise funds. The Castroville Community Services District’s enterprise funds provide the same type of information found in the government wide financial statements, but in a classified format. The reason they are similar is that business type activities in the government-wide financial statements are presented on the economic resources measurement which is the same presentation method as in the fund level financial statements.

Financial Highlights

The assets of the Castroville Community Services District exceeded its liabilities at the close of the most recent fiscal year by \$18,121,824 (*net position*) in its business-type activities and \$414,906 for the governmental-type activities.

The Castroville Community Services District’s total assets increased primarily due to the \$684,894 increase in the deferred outflows related to its pension obligation.

Analysis of balances and transactions of funds

The District is a multipurpose, enterprise entity, and as such, maintains multiple fund types and thus there are interfund balances. The analysis of balances is shown in tables one and two of this report, and in the section labeled “Financial Highlights.” For further detailed information refer to “Statement of Activities” on page 13, which reflects changes in net assets as well as the change in the governmental funds.

Analysis of variations between original and final budget amounts

The District adopts its budget in accordance with California law. It is District policy to not modify the budget in total, although certain reallocations of expenditures may occasionally be made. The budget is adopted on a projected cash flow basis. It reflects items such as repayment of debt principal and projected capital expenditures as cash outflows that are not recognized as expenses under Generally Accepted Accounting Principles.

Budget variances are reviewed by District management on an ongoing basis as part of the financial management of the District. Budget variances during the year ended June 30, 2020 for Governmental activity consisted of:

	<u>Budget</u>	<u>Actual</u>	<u>Variances</u>	<u>Explanation</u>
Revenues:				
Investment Earnings	\$ 3,500	\$ 1,478	\$ (2,022)	Fluctuation in interest Earned with LAIF
Charges for Services and Other	67,030	71,622	4,592	Increase in user fees
Total Revenues	70,530	73,100	2,570	
Expenditures:				
Streets, Street Lights and Open Space	56,500	72,251	15,751	Cost under budget for these services
Recreation	120,000	100,000	20,000	Cost under budget for these services
Total Expenditures	176,500	172,251	(4,249)	
Transfers In	140,000	140,000	-	
Excess(Deficiency) of				
Revenues Over Expenditures	\$ 34,030	\$ 40,849	\$ 6,819	

Capital Asset and Debt Administration

Capital assets. The Castroville Community Services District's investment in capital assets for its business type activities as of June 30, 2020, totals \$5,822,371 (net of accumulated depreciation). Investment in capital assets includes, water equipment, pumping equipment, lift station improvements, system improvements to storm drains and building improvements. Additionally, the District also acquired the Moss Landing sanitation system as of July 1, 2014. The District incurred a increase in its investment in capital assets this year in comparison to last fiscal year.

Castroville Community Services District
Table 3
Capital Assets
(Net of depreciation)

Major capital asset events during the current fiscal year included the following:

	Enterprise Funds	
	2020	2019
Water Equipment and Vehicles	\$ 1,199,604	\$ 1,151,730
Sewer Equipment and Vehicles	1,202,195	1,165,577
Building and Improvements	718,077	672,189
Project, Wells, and Pipes	10,463,160	10,311,706
	<u>\$ 13,583,036</u>	<u>\$ 13,301,202</u>
	Governmental Funds	
	2020	2019
Overhead Sign	\$ 18,810	-

Additional information on the Castroville Community Services District's capital assets can be found in Note 3 on page 31-32.

Infrastructure Assets

The District has adopted the recommended approach of GASB Statement No. 34 with regard to infrastructure assets. All identifiable infrastructure assets have been capitalized at their purchase cost, estimated value for contributed or donated assets, or estimated cost for those items expensed in prior years and not previously capitalized.

Economic Factors and Next Year's Rates:

The unemployment rate for Monterey County in which Castroville Community Services District is located was 14.4 percent in June 2020, which is an increase of 9.7 percent from a year ago due to the COVID-19 pandemic. This compares with an unadjusted unemployment rate of 15.1 percent for California and 11.2 percent for the nation during the same period.

The District is raising water rates in Zone 1 and sewer rates in Zone 2 for 2020.

All these factors were considered in preparing the Castroville Community Services District's budget for the 2020/2021 fiscal year.

The District is required to adopt a budget by California law. Before the Districts adopts its budget, notice is hereby given that the preliminary budgets of the Castroville Community Services District of Monterey County for the fiscal year will be considered for adoption by the Board of Directors and are available at the following time and place within the District for inspection by interested taxpayers.

Requests for Information

This financial report is designed to provide a general overview of the Castroville Community Services District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Castroville CSD, 11499 Geil Street, Castroville, CA 95012.

Board of Directors

Castroville Community Services District
Castroville, CA

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Castroville Community Services District, as of and for the year ended June 30, 2020, 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Castroville Community Services District, California, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and the major special revenue fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Castroville Community Services District's June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2019. The June 30, 2020 financial statements include certain prior-year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2-9 and 41-44 and the Required Supplemental Information on pages 45-48 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2020, on our consideration of the District's internal control over financial reporting, compliance with laws and regulation and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting and 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.

Porter & Lasiewicz, CPAs

October 21, 2020

Castroville Community Services District

Statement of Net Position

June 30, 2020

ASSETS	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Current Assets:			
Cash and Investments	\$ 397,789	\$ 9,718,249	\$ 10,116,038
Investments	-	2,534,207	2,534,207
Accounts Receivable	429	136,095	136,524
Interest Receivable	1,365	32,759	34,124
Supplies Inventory	-	31,004	31,004
Prepaid Expenses	-	4,538	4,538
	<u>399,583</u>	<u>12,456,852</u>	<u>12,856,435</u>
Noncurrent Assets:			
Organizational Costs	-	66,593	66,593
Capital Assets			
Nondepreciable,	-	231,585	231,585
Depreciable, <i>Net</i>	18,810	5,571,976	5,590,786
Total Capital Assets	<u>18,810</u>	<u>5,870,154</u>	<u>5,888,964</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	-	886,832	886,832
Related to OPEB	-	23,668	23,668
Total Deferred Outflows of Resources	<u>-</u>	<u>910,500</u>	<u>910,500</u>
Total Assets	<u>\$ 418,393</u>	<u>\$ 19,237,506</u>	<u>\$ 19,655,899</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 3,487	\$ 36,485	\$ 39,972
Accrued Payroll	-	94,839	94,839
Refundable Deposits	-	62,600	62,600
Total Current Liabilities:	<u>3,487</u>	<u>193,924</u>	<u>197,411</u>
Noncurrent Liabilities:			
Net Pension Liability	-	657,254	657,254
Net OPEB Liability	-	166,769	166,769
Total Noncurrent Liabilities:	<u>-</u>	<u>824,023</u>	<u>824,023</u>
Total Liabilities	<u>3,487</u>	<u>1,017,947</u>	<u>1,021,434</u>
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	-	74,663	74,663
Related to OPEB	-	23,072	23,072
Total Deferred Inflows of Resources	<u>-</u>	<u>97,735</u>	<u>97,735</u>
NET POSITION			
Net Invested in Capital Assets	<u>18,810</u>	<u>5,870,154</u>	<u>5,888,964</u>
Restricted for:			
Special Revenue Projects	<u>396,096</u>	<u>-</u>	<u>396,096</u>
Total Restricted Net Position	<u>396,096</u>	<u>-</u>	<u>396,096</u>
Unrestricted	<u>-</u>	<u>12,251,670</u>	<u>12,251,670</u>
Total Net Position	<u>\$ 414,906</u>	<u>\$ 18,121,824</u>	<u>\$ 18,536,730</u>
Total Liabilities, Deferred Inflows and Net Position (memo only)	<u>\$ 418,393</u>	<u>\$ 19,237,506</u>	<u>\$ 19,655,899</u>

See Auditors' Report

The Notes to Financial Statements Are An Integral Part of This Statement

Castroville Community Services District

Statement of Activities

For the year ended June 30, 2020

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Operating Expenses	Fines, Fees and Charges for Services	Operating Grants	Governmental Activities	Business-type Activities	
Governmental Activities:						
Streets, Street Lights and Open Space	\$ 53,441	\$ 66,368	\$ -	\$ 12,927	\$ -	\$ 12,927
Recreation	100,000	-	-	(100,000)	-	(100,000)
<i>Total Governmental Activities</i>	153,441	66,368	-	(87,073)	-	(87,073)
Business-type Activities:						
Water	1,058,026	1,301,350	-	-	243,324	243,324
Sewer	594,741	232,396	-	-	(362,345)	(362,345)
Moss Landing	158,181	194,510	-	-	36,329	36,329
<i>Total Business-type Activities</i>	1,810,948	1,728,256	-	-	(82,692)	(82,692)
Total Primary Government	1,964,389	1,794,624	-	(87,073)	(82,692)	(169,765)
General Revenues:						
Property Taxes				-	593,728	593,728
Investment Earnings				6,732	234,212	240,944
Miscellaneous				-	81,133	81,133
Total General Revenues				6,732	909,073	915,805
Change in Position				(80,341)	826,381	746,040
Interfund Transfers				140,000	(140,000)	-
Net Position-Beginning				355,247	17,435,443	17,790,690
Net Position-Ending				\$ 414,906	\$ 18,121,824	\$ 18,536,730

Castroville Community Services District

Governmental Funds

Balance Sheet

June 30, 2020

	<u>Zone 1</u> <u>Castroville</u>	<u>Zone 2</u> <u>Moro Cojo</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<u>ASSETS</u>			
Cash and Investments	\$ 108,461	\$ 289,328	\$ 397,789
Accounts Receivable	429	-	429
Interest Receivable	341	1,024	1,365
Total Assets	<u>\$ 109,231</u>	<u>\$ 290,352</u>	<u>\$ 399,583</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 1,791	\$ 1,696	\$ 3,487
Total Liabilities	<u>1,791</u>	<u>1,696</u>	<u>3,487</u>
<u>FUND BALANCES</u>			
Special Revenue Fund	107,440	288,656	396,096
Total Fund Balances	<u>107,440</u>	<u>288,656</u>	<u>396,096</u>
Total Liabilities and Fund Balances	<u>\$ 109,231</u>	<u>\$ 290,352</u>	<u>\$ 399,583</u>

See Auditors' Report

The Notes to Financial Statements Are An Integral Part of This Statement

Castroville Community Services District
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2020

Total fund balances reported on the governmental funds balance sheet. \$ 396,096

Amounts reported for Governmental Activities in the Statement of Net Position are different because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the Governmental Funds. These assets consist of:

Cost of Assets	19,459	
Accumulated Depreciation	(649)	
Depreciable Assets, net	18,810	18,810
Net Position of Governmental Activities	\$ 414,906	

Castroville Community Services District

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2020

	Zone 1 Castroville	Zone 2 Moro Cojo	Total Governmental Funds
<u>REVENUES</u>			
User Fees	\$ 32,768	\$ 38,854	\$ 71,622
Interest Income	1,478	-	1,478
Total Revenues	<u>34,246</u>	<u>38,854</u>	<u>73,100</u>
<u>EXPENDITURES</u>			
Current:			
Streets, Street Lights and Open Space	64,233	8,018	72,251
Recreation	100,000	-	100,000
Total Expenditures	<u>164,233</u>	<u>8,018</u>	<u>172,251</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(129,987)</u>	<u>30,836</u>	<u>(99,151)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>140,000</u>	<u>-</u>	<u>140,000</u>
Total Other Financing Sources (Uses)	<u>140,000</u>	<u>-</u>	<u>140,000</u>
Net Change In Fund Balances	<u>10,013</u>	<u>30,836</u>	<u>40,849</u>
Beginning Fund Balances	<u>97,427</u>	<u>257,820</u>	<u>355,247</u>
Ending Fund Balances	<u>\$ 107,440</u>	<u>\$ 288,656</u>	<u>\$ 396,096</u>

See Auditors' Report

The Notes to Financial Statements Are An Integral Part of This Statement

Castroville Community Services District
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCE -
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds	\$	(99,151)
<p>Amounts reported for governmental activities in the Statement of Activities are different because of the following:</p> <p>Governmental funds report 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>		
Capital outlay		19,459
Depreciation expense		(649)
		18,810
Change in net position of Governmental Activities	\$	(80,341)

Castroville Community Services District
Statement of Fund Net Position - Enterprise Funds
June 30, 2020 with Comparative 2019 Totals

ASSETS

	<u>6/30/2020</u>				<u>6/30/2019</u>
	<u>Water Castroville</u>	<u>Sewer Castroville & Moro Cojo</u>	<u>Sewer Moss Landing</u>	<u>Total</u>	
<u>ASSETS</u>					
<u>Current Assets</u>					
Cash and Cash Equivalents	\$ 2,077,430	\$ 391,775	\$ 7,412	\$ 2,476,617	\$ 2,463,835
Cash and Cash Equivalents, Designated for Capital Additions	2,086,318	4,400,804	690,237	7,177,359	7,162,354
Investments	-	2,534,207	-	2,534,207	2,432,753
Cash - Designated for Customer Deposits	64,273	-	-	64,273	63,240
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$1,200	56,027	10,667	69,401	136,095	92,016
Interest Receivable	14,332	16,038	2,389	32,759	57,324
Due From Other Fund	-	90,000	(90,000)	-	-
Supplies Inventory	28,415	2,589	-	31,004	29,825
Prepaid Expenses	2,042	2,042	454	4,538	4,264
Total Current Assets	4,328,837	7,448,122	679,893	12,456,852	12,305,611
<u>Non-current Assets</u>					
Property Plant and Equipment, Net of Accumulated Depreciation, Note 3	3,993,312	1,348,833	440,441	5,782,586	5,911,134
Construction in Progress	18,825	2,150	-	20,975	-
Total Property, Plant and Equipment	4,012,137	1,350,983	440,441	5,803,561	5,911,134
<u>Other Assets</u>					
Organizational Costs, Net of Accumulated Amortization of \$57,076	-	66,593	-	66,593	70,715
Total Other Assets	-	66,593	-	66,593	70,715
Total Assets	\$ 8,340,974	\$ 8,865,698	\$ 1,120,334	\$ 18,327,006	\$ 18,287,460
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Deferred Outflows of Resources Related to Pensions	399,073	399,073	88,686	886,832	206,606
Deferred Outflows of Resources Related to OPEB	10,651	10,650	2,367	23,668	19,000
Total Deferred Outflows of Resources	409,724	409,723	91,053	910,500	225,606
<u>LIABILITIES</u>					
<u>Current Liabilities</u>					
Accounts Payable	\$ 17,439	\$ 11,370	\$ 7,676	\$ 36,485	\$ 69,605
Accrued Payroll	42,796	42,638	9,405	94,839	87,975
Customer Deposits	62,600	-	-	62,600	62,340
Total Current Liabilities	122,835	54,008	17,081	193,924	219,920
<u>Noncurrent Liabilities</u>					
Other Post Employment Benefits	75,046	75,046	16,677	166,769	198,298
Net Pension Liability	295,765	295,765	65,724	657,254	585,871
Total Long-Term Liabilities	370,811	370,811	82,401	824,023	784,169
Total Liabilities	493,646	424,819	99,482	1,017,947	1,004,089
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Inflows of Resources Related to Pensions	33,598	33,598	7,467	74,663	73,534
Deferred Inflows of Resources Related to OPEB	10,382	10,383	2,307	23,072	-
Total Deferred Inflows of Resources	43,980	43,981	9,774	97,735	73,534
<u>NET POSITION</u>					
Net Invested in Capital Assets	4,012,137	1,350,983	440,441	5,803,561	5,911,134
Unrestricted	4,200,935	7,455,638	661,690	12,318,263	11,524,309
Total Net Position	\$ 8,213,072	\$ 8,806,621	\$ 1,102,131	\$ 18,121,824	\$ 17,435,443

See Auditors' Report

The Accompanying Notes Are An Integral Part of These Financials Statements

Castroville Community Services District
Statement of Activities and Changes in Net Position - Enterprise Funds
For the Year Ended June 30, 2020 with Comparative 2019 Totals

	6/30/2020				6/30/2019
	Water	Sewer Castroville	Sewer	Total	
	Castroville	& Moro Cojo	Moss Landing		
Water Sales	\$ 1,279,958	\$ -	\$ -	\$ 1,279,958	\$ 1,173,617
Property Tax and User Fees	-	723,887	284,075	1,007,962	987,487
New Service and Connection Fees	21,392	9,504	3,168	34,064	34,980
Other Revenues	27,157	162	163	27,482	38,167
Total Operating Revenues	1,328,507	733,553	287,406	2,349,466	2,234,251
<u>OPERATING EXPENSES</u>					
General Operation Expenses					
Depreciation Expense	305,321	83,194	31,867	420,382	419,517
Payroll and Related Expenses	93,545	93,330	20,965	207,840	189,734
Utility Expense	107,340	-	-	107,340	100,294
Water and Sewer Line Expenses	7,698	85	85	7,868	36,948
General Operations	21,229	5,853	1,074	28,156	31,768
Meter Expenses	22,494	-	-	22,494	10,497
Automobile Expenses	3,122	3,392	958	7,472	12,710
Lift Station Expenses	-	19,795	10,505	30,300	27,134
Well Site Expenses	53,935	-	-	53,935	45,442
Storm Drain Expenses	-	5,674	-	5,674	4,968
Hydrant Expenses	13	-	-	13	1,102
Administrative Expenses					
Payroll and Related Expenses	246,438	244,194	70,602	561,234	515,344
Consulting Expenses	50,307	22,501	12,754	85,562	119,392
Office Expenses	32,732	23,796	5,866	62,394	43,632
Retirement Plan Contributions	74,017	73,150	-	147,167	59,972
Billing Expenses	24,272	-	-	24,272	15,551
Insurance Expense	11,388	11,388	2,531	25,307	22,512
Utility Expenses	4,091	4,225	974	9,290	8,540
Bond, Loan and Certificate Expense	-	575	-	575	500
Bad Debts	84	-	-	84	4,177
Total Operating Expenses	1,058,026	591,152	158,181	1,807,359	1,669,734
Total Operating Revenues (Expenses)	270,481	142,401	129,225	542,107	564,517
<u>NON-OPERATING REVENUES and (EXPENSES)</u>					
Interest Revenue	82,762	191,472	13,629	287,863	311,735
Amortization of Investment Discount	-	(3,589)	-	(3,589)	(3,589)
Total Non-operating Revenues (Expenses)	82,762	187,883	13,629	284,274	308,146
Net Income Before Transfers	353,243	330,284	142,854	826,381	872,663
<u>TRANSFERS</u>					
Transfers In/(Out)	(4,000)	(135,750)	(250)	(140,000)	-
<u>CHANGE IN NET POSITION</u>	349,243	194,534	142,604	686,381	872,663
<u>NET POSITION</u>					
Net Position, Beginning of Year	7,863,829	8,612,087	959,527	17,435,443	16,562,780
Net Position, End of Year	\$ 8,213,072	\$ 8,806,621	\$ 1,102,131	\$ 18,121,824	\$ 17,435,443

Castroville Community Services District
Statement of Cash Flows - Enterprise Funds
For the Year Ended June 30, 2020 with Comparative 2019 Totals

	6/30/2020				6/30/19
	Water Castroville	Sewer Castroville & Moro Cojo	Sewer Moss Landing	Total	
<u>Cash Flows From Operating Activities:</u>					
Cash Received from Customers	\$ 1,302,639	\$ 733,391	\$ 252,542	\$ 2,288,572	\$ 2,242,167
Other Cash Receipts	27,157	(10,505)	163	16,815	38,167
Cash Paid to Suppliers for Services and Inventories	(733,416)	(441,714)	(97,925)	(1,273,055)	(536,388)
Cash Paid to Employees for Services	(336,894)	(334,436)	(90,880)	(762,210)	(713,176)
Net Cash Provided By Operations	<u>259,486</u>	<u>(53,264)</u>	<u>63,900</u>	<u>270,122</u>	<u>1,030,770</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>					
Organizational Costs	-	533	-	533	533
Transfers Between Funds	(4,000)	(108,750)	(27,250)	(140,000)	(118,001)
Net Cash (Used) By Non-Capital Financing Activities	<u>(4,000)</u>	<u>(108,217)</u>	<u>(27,250)</u>	<u>(139,467)</u>	<u>(117,468)</u>
<u>Cash Flows from Capital Financing Activities:</u>					
Purchase of Property and Equipment	(111,174)	(47,040)	(133,620)	(291,834)	(200,684)
Additions to Construction in Progress	(18,825)	(2,150)	-	(20,975)	-
Net Cash (Used) By Non-Capital Financing Activities	<u>(129,999)</u>	<u>(49,190)</u>	<u>(133,620)</u>	<u>(312,809)</u>	<u>(200,684)</u>
<u>Cash Flows Provided (Used) by Investing Activities:</u>					
Purchase of Investments	-	(101,454)	-	(101,454)	(96,017)
Interest Earned on Operating Funds	93,251	203,800	15,377	312,428	292,805
Net Cash Flows Provided (Used) by Investing Activities	<u>93,251</u>	<u>102,346</u>	<u>15,377</u>	<u>210,974</u>	<u>196,788</u>
Net Increase (Decrease) in Cash	218,738	(108,325)	(81,593)	28,820	909,406
Cash and Cash Equivalents at Beginning of Year	4,009,283	4,900,904	779,242	9,689,429	8,780,023
Cash and Cash Equivalents at End of Year	<u>\$ 4,228,021</u>	<u>\$ 4,792,579</u>	<u>\$ 697,649</u>	<u>\$ 9,718,249</u>	<u>\$ 9,689,429</u>
<u>Cash at End of Year is Composed of:</u>					
Cash, <i>Unrestricted</i>	4,228,021	4,792,579	697,649	9,718,249	9,689,429
Total Cash	<u>\$ 4,228,021</u>	<u>\$ 4,792,579</u>	<u>\$ 697,649</u>	<u>\$ 9,718,249</u>	<u>\$ 9,689,429</u>
<u>Reconciliation of Operating Income(Loss) to Net Cash Provided (Used) by Operating Activities</u>					
Operating Income (loss)	\$ 270,481	\$ 142,401	\$ 129,225	\$ 542,107	\$ 564,517
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	305,321	83,194	31,867	420,382	419,517
Changes in assets and liabilities:					
Accounts Receivable	1,289	(10,667)	(34,701)	(44,079)	46,083
Prepaid Expenses	(123)	(123)	(28)	(274)	5,454
Supplies Inventory	(1,271)	92	-	(1,179)	(256)
Deferred Outflows	(308,203)	(308,201)	(68,490)	(684,894)	23,706
Accrued Payroll and Related Items	3,089	3,088	687	6,864	(8,098)
Deposits	260	-	-	260	(1,090)
Accounts Payable	(40,181)	8,128	(1,067)	(33,120)	29,025
Net Pension Liability	32,122	32,123	7,138	71,383	(9,210)
Net OPEB Liability	(14,188)	(14,188)	(3,153)	(31,529)	(6,896)
Deferred Inflows	10,890	10,889	2,422	24,201	(31,982)
Net Cash Provided (Used) by Operating Activities	<u>\$ 259,486</u>	<u>\$ (53,264)</u>	<u>\$ 63,900</u>	<u>\$ 270,122</u>	<u>\$ 1,030,770</u>

Castroville Community Services District

Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Description of Operations:

Castroville Community Services District (the "District") is authorized by California Government Code Sections 6100 et seq. The District provides water, sewer, storm drain, streetlights, open space, street maintenance and recreational services to residential and commercial customers in and around the Township of Castroville, California and sewer services for Moss Landing, California.

The District's reporting entity includes all significant operation and revenue sources which the District Board of Directors exercises oversight responsibility. Oversight responsibility is determined based on selection of the governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, and the scope of public service.

Basis of Presentation:

The Castroville Community Services District's financial statements have been prepared in accordance with Accounting Principles Generally Accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Government-wide Statements: The *Statement of Net Position* and the *Statement of Activities* display information about the primary government (the District). These statements include the financial activities of the overall District government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities*, which are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from *business-type activities*, which are financed, in whole or in part, by fees charged to external parties.

Fund Financial Statements: The fund financial statements provide information about the District's funds. Separate statements for fund categories – *governmental and enterprise* -are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column.

Enterprise fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. The principal operating revenues of the water and sewer funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. *Non-operating* revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Financial reporting is based upon all Governmental Accounting Standards Board (GASB) pronouncements, as well as the Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The District reported the following major funds in the accompanying financial statements:

Castroville Community Services District

Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Zone 1 Water Fund (Enterprise) – This fund accounts for all the District’s water resources.

Zone 1 and 2 Sewer Fund (Enterprise) – This Fund accounts for all the District’s sewer and storm drain operations.

Zone 3 Sewer Fund Moss Landing (Enterprise) – This Fund accounts for all the Moss Landing sewer operations.

Zone 1 Castroville (Governmental) – This fund accounts for the income and expenditures related to street lighting and recreation activities in Zone 1.

Zone 2 (Governmental) – This fund accounts for the income and expenditures related to the open space, street lighting, and Streets activities in Zone 2.

Basis of Accounting:

Castroville Community Services District uses the accrual method of accounting for financial statement reporting purposes. Under the accrual method revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Reporting Entity:

The District's reporting entity includes all significant operation and revenue sources for which the District Board of Directors exercises oversight responsibility as determined under the criteria established by the National Council on Governmental Accounting Statement No. 3. Oversight responsibility is determined based on selection of the governing board, designation of management, ability to significantly influence operations, accountability for fiscal matters, and the scope of public service. The financial statements of Castroville Water District include the financial activities of the District as well as transactions made by the fiscal agent under authority granted by the District in various resolutions authorizing the issuance of improvement bonds and water certificates. The District is exempt from federal income and state franchise taxes.

New GASB Pronouncements

GASB has issued the following statements, which may impact the District’s financial reporting requirements in the future:

- GASB 87 – *Leases*, effective for periods beginning after December 15, 2019, deferred to years beginning after December 15, 2020.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. The District maintains bank accounts at financial institutions located within the Counties of Monterey and San Francisco.

Castroville Community Services District

Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Cash and cash equivalents are summarized as follows:

	<u>2020</u>
FDIC Insured Accounts	\$ 345,307
Funds in County Treasury	-
Funds in CAMP	358,657
Funds in LAIF	9,411,274
Petty Cash	800
Total Cash	<u>\$10,116,038</u>

It is the District's policy to maintain all investments in insured accounts in the District's name. Assessments in excess of estimated current bond requirements of the District are deposited in the Local Agency Investment Fund. Said cash earns interest based on the fund's prorata share of the cash in the fund. In accordance with the Governmental Accounting Standards Board Statement 3 (i.e., Deposits with Financial Institutions, GASB 3), cash is to be categorized to indicate the level of credit risk assumed by the Fund at year end. Substantially, all investments are insured or registered and held by the Fund or its agent in the agent's nominee name, with subsidiary records listing the Fund as the legal owner. Accordingly, said cash investment would be included in "Category 1" as defined by GASB 3. See Note 2 for further discussion of Cash & Cash Equivalents.

Investments

In December 2012, the District entered into an agreement with the CalTrust Joint Powers Authority to invest in the CalTrust Money Market Fund. The fair market value of the District's investment in the CalTrust Medium Term Fund at June 30, 2020 was \$2,534,207. The District's investment policy is based upon the provisions of the California Government Code commencing with Section 53600 governing the investments of local agency funds and deposits of public monies.

Accounts Receivable:

Accounts receivable as reflected in the financial statements are from customers whose property is located within the County of Monterey. Accounts receivable consists of amounts due from customers for water and sewer charges.

Supplies Inventories

Inventories are valued at cost, which approximates market. The District's inventory consists of parts and components for wells, lift stations and other infrastructure kept onsite.

Interfund Transfers:

Expenses are allocated between the **Castroville** Water Fund (45%), **Castroville and Moro Cojo** Sewer Fund (45%) and Moss Landing Sewer fund (10%). All expenses are paid out of the Water Fund's checking account. These expenses are shown as Interfund Transfers on the Statement of Net Activities.

Interfund Balances:

On the fund financial statements, interfund loans are classified as "due to/from other funds" on the balance sheet. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position.

Castroville Community Services District

Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Capital Assets:

Minor expenditures for renewals and betterments are charged to expense. Major expenditures for renewals and betterments are capitalized. In cases where assets are donated to the District, construction costs or estimated market values are recorded. Costs of assets sold, retired, or otherwise disposed of have been eliminated from the accounts, and gains or losses on disposition are included in operations.

The cost of property and equipment is depreciated over the estimated lives of the assets from date of acquisition based on the straight-line method of depreciation over the following estimated useful lives:

Business Activities

Asset Category	Useful Lives
Buildings and Improvements	5-35 years
Water Equipment, and Vehicles	3-30 years
Sewer Equipment, and Vehicles	3-50 years
Hydrants	10-45 years
Meters	5-30 years
Projects, Wells, and Pipes	10-40 years
SCADA System	5 years
Telemetry System	5-7 years

Governmental Activities

Asset Category	Useful Lives
Sign	15 years

Deferred Outflow/Inflows of Resources

The Statement of Net Position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent outflows of resources that apply to future periods and therefore will not be recognized as an expense until that time. The District has the following deferred outflows of resources:

- Deferred outflows related to the pension plan equal to employer contributions made after the measurement date of the net pension liability.
- Deferred outflows related to the pension plan for difference between expected and actual experience. These amounts are amortized over the expected average remaining service lifetime (EARSL) of members provided with pensions through the Plan.
- Deferred outflows related to the pension resulting from changes in assumptions. These amounts are amortized over the expected average remaining service lifetime (EARSL) of members provided with pensions through the Plan.
- Deferred outflows related to the pension plan resulting from the difference in projected and actual earnings on plan investments. These amounts are amortized over five years.
- Deferred outflows related to the OPEB plan equal tot employer contributions made after the measurement date of the net OPEB liability.

Castroville Community Services District

Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Deferred Outflow/Inflows of Resources, (continued)

The Statement of Net Position includes a separate section for deferred inflows of resources. These deferred inflows of resources represent receipts that apply to future periods and therefore will not be recognized as an inflow of resources (revenue) until that time. The District has the following deferred inflows of resources:

- Deferred inflows related to the pension plan for differences between actual and expected experience. These amounts are amortized over the expected average remaining service lifetime (EARSL) of members provided with pensions through the Plan.
- Deferred inflows related to the pension plan resulting from changes in assumptions. These amounts are amortized over the expected average remaining service lifetime (EARSL) of members provided with pensions through the Plan.
- Deferred inflows related to the pension plan for the changes in proportion and differences between employer contributions and the proportionate share of contributions. These amounts are amortized over the expected average remaining service lifetime (EARSL) of members provided with pensions through the Plan.
- Deferred inflows related to the OPEB plan resulting from the difference in projected and actual earnings on plan investments. These amounts are amortized over five years.

Compensated Absences:

The District has recorded an accrual for compensated absences in accordance with the District's policy of paying for unused vacation time of employees. Sick leave is not included in the accrual as the District does not pay for unused sick time upon employee termination.

Employees earn vacation leave after six months of continuous employment as follows:

<u>Time of Employment</u>	<u>Accrual of Vacation Leave</u>
Six months to one year	40.00 hours earned
One to five years	6.67 hours per month
Five to ten years	10.00 hours per month
Ten or more years	13.33 hours per month

Customer Deposits:

New customers are required to provide deposits for service. The customer deposits held by the District are refunded upon termination of service or on written request after one year.

Designated Assets:

Certain assets are classified as designated due to the Board of Directors designation for capital additions.

Pensions

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

Castroville Community Services District

Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to the District's OPEB and OPEB expense, information about the fiduciary net position of its OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position has been determined on the same basis as they are reported by the Plan. For this purpose, the District's OPEB plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position/Fund Equity

The financial statements are presented using the net asset method. Net Position are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- **Net Invested in Capital Assets** – This category groups all capital assets, including infrastructure, into one component of Net Position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- **Restricted Net Position** – This category presents external restrictions on Net Position imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This category represents Net Position of the District not restricted for any project or other purpose.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred on debt issued to finance construction is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Fund Balances – Governmental Funds

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances of the governmental funds are classified as follows:

Non-spendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the district. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the governing board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the district's adopted policy, only the governing board or chief business officer may assign amounts for specific purposes.

Unassigned – contains all other spendable amounts.

Castroville Community Services District

Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Fund Balances – Governmental Funds, (continued)

The District applies restricted resources first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the district considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Revenues – Operating:

Revenues, such as charges for services, result from exchange transactions, in which each party gives and receives essentially equal value. On an accrual basis, revenue from charges for service is recognized in the period in which the service has been completed. The principal operating revenues of the water and sewer funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

Revenues – Non-operating:

Revenues that result from non-exchange transactions or ancillary activities in which the District receives value without directly giving equal value in return, include investment earnings, subsidies, and property taxes. On an accrual basis, non-exchange transactions are recognized in the period in which the ancillary activity takes place.

Property Taxes

Property tax in California is levied in accordance with Article XIIA of the State Constitution at 1% of countywide assessed valuations. Property taxes collected by the levying agency are placed in a pool, and then allocated to the local governmental units. Property tax revenue is recognized in the fiscal year in which taxes are levied.

The property tax calendar is as follows:

Lien date:	January 1
Levy date:	July 1
Due Date	November 1 and February 1
Delinquent date:	December 10 and April 10

Use of Estimates

The preparation of financial statements in conformity with GAAP requires that management make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues, and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Significant items in the District's financial statements subject to such estimates and assumptions include the valuations of the Net Pension Liability. The Net Pension Liability is reported to the District by CalPERS and as of the date of the financial statements the report is not completed. However, a preliminary estimate was provided by CalPERS in September 2018 and management believes this estimate will not materially change in the future.

Castroville Community Services District

Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Prior Year Data Reclassifications

Certain amounts presented in the prior year financial statements may have been reclassified in order to be consistent with the current year's presentation. Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's prior year financial statements, from which this selected financial data was derived.

NOTE 2 – CASH AND INVESTMENTS:

Cash and Investments at June 30, 2020 are classified on the Statement of Financial Position as follows:

Statement of Net Position	Water Fund	Sewer Fund	Moss Landing Fund	Governmental Funds	Total
Cash and Investments	\$4,228,021	\$4,792,579	\$ 697,649	\$ 397,789	\$10,116,038
Restricted Cash and Investments	-	-	-	-	-
Total Cash and Investments	<u>\$4,228,021</u>	<u>\$4,792,579</u>	<u>\$ 697,649</u>	<u>\$ 397,789</u>	<u>\$10,116,038</u>

The District's Investment Policy and the California Government Code allow the District to invest in the following, provided the credit ratings of the issuers are acceptable to the District. The following also identifies certain provisions of the California Government Code (or the District' policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligation	5 years	N/A	None	No Limit
U.S. Agency Securities	5 years	N/A	None	No Limit
Bankers Acceptances	180 days	N/A	30%	30%
U.S. Commercial Paper	270 days	A	25%	10%
Negotiable Certificates of Deposit	5 years	N/A	30%	No Limit
Repurchase Agreements	1 year	N/A	None	No Limit
Reverse Repurchase Agreements	92 days	N/A	None	No Limit
Demand Deposits	N/A	Highest	20%	10%
Medium Term Notes	5 years	A	30%	No Limit
Money Market Mutual Funds	N/A	Highest	20%	10%
Mortgage Passthrough Securities	5 years	AA	20%	No Limit
State of California Obligations	5 years	A	None	No Limit
Local Agency Investment Fund	N/A	N/A	\$50 million	No Limit
Supranational Securities	5 years	AA	30%	No Limit

Castroville Community Services District

Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 2 – CASH AND INVESTMENTS (continued):

Interest rate risk is defined as the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity the more sensitive the investment is to market fluctuations.

The sensitivity of the District's investments is summarized by the following table. This table shows the maturity terms of the District's investments.

<u>Investment Type</u>	<u>12 Months or Less</u>	<u>12 to 36 Months</u>	<u>Total</u>
LAIF	\$ 9,411,274	\$ -	\$ 9,411,274
CAMP	358,657	-	358,657
CalTrust Medium Term Fund	-	2,534,207	2,534,207
Total Cash Equivalents and Investments	<u>\$ 9,769,931</u>	<u>\$ 2,534,207</u>	12,304,138
Cash in Bank and on Hand			346,107
Total Cash and Investments			<u>\$ 12,650,245</u>

Local Agency Investment Fund (LAIF)

The Local Agency Investment Fund was created by statute and began in 1977. The Local Agency Investment Fund is a voluntary program for California local governments and special districts. The Fund is administered by the California State Treasurer and is enabled by Section 16429.1 et seq. of the California Government Code.

All securities purchased within LAIF are purchased under the authority of Government Code Section 16430 and 16480.4. All investments are purchased at market and a market valuation is conducted monthly. All District deposits with LAIF are available on demand.

California Asset Management Program (CAMP)

The California Asset Management Program is a Joint Powers Authority formed in 1989 by treasurers and finance directors of several local government agencies to provide professional investment services to California public agencies at a reasonable cost. CAMP offers investors the option of investing in either the CAMP money market portfolio, which is rated AAAM by Standard & Poor's, or other individually managed portfolios.

CalTrust Medium Term Fund

CalTrust is a Joint Powers Authority formed by the CSAC Finance Corporation and the League of California Cities to provide a convenient method for local agencies to pool their assets for investment. CalTrust offers local agencies the option of investing in either the Money Market, Short-Term or Medium-Term accounts, which are rated AAAM by Standard & Poor's.

Credit Risk

Credit risk is measured by nationally recognized statistical agencies such as Standard & Poor's. Credit risk is simply the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The below table shows the credit ratings of the Districts Cash and Investments.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

Castroville Community Services District

Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 2 – CASH AND INVESTMENTS (continued):

Investment Type	Rating as of Year-End		Total	% of Total
	AA-f	AAAm		
CAMP Money Market Fund	\$ -	\$ 358,657	\$ 358,657	3%
CalTrust Medium-Term Fund	2,534,207	-	2,534,207	20%
Total Cash Equivalents	\$ 2,534,207	\$ 358,657	2,892,864	
Not Rated:				
LAIF			9,411,274	74%
Cash in Bank and on Hand			346,107	3%
Total Cash and Investments			\$ 12,650,245	100%

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. 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 using mutual funds or government investment pools (such as LAIF and CAMP).

California law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District’s cash on deposits or first trust deed mortgage notes with a value of 150% of the deposit as collateral for all public agency deposits. Under California law this collateral remains with the institution but is held in the District’s name and places the District ahead of general creditors of the institution.

Fair Value Measurement

The District categorizes its fair value measurement of investments utilizing the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of each asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are quoted prices for similar assets in active markets; and Level 3 inputs are significant unobservable inputs. The District’s investment in the Local Agency Investment Fund of \$9,411,274 and investment in California Asset Management Program of \$358,657 are measured at Net Asset Value (NAV) and therefore are not subject to the fair value hierarchy. The District has the following recurring fair value measurements as of June 30, 2020:

Investment Type (Subject to Hierarchy):	Fair Value	Quoted Prices Level 1	Observable Inputs Level 2	Uobservable Inputs Level 3
CalTrust Medium Term Fund	\$ 2,534,207	\$ -	\$ 2,534,207	\$ -
Total Subject to Hierarchy	\$ 2,534,207	\$ -	\$ 2,534,207	\$ -

Castroville Community Services District

Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 3 – CAPITAL ASSETS:

Capital assets at June 30, 2020 comprise:

Business-Type Activity:

	<u>June 30, 2019</u>	<u>Additions</u>	<u>Dispositions</u>	<u>June 30, 2020</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 205,610	\$ 5,000	\$ -	\$ 210,610
Construction in Progress	-	20,975	-	20,975
<i>Total Capital Assets not being Depreciated</i>	<u>205,610</u>	<u>25,975</u>	<u>-</u>	<u>231,585</u>
<i>Capital Assets being Depreciated:</i>				
Buildings and Improvements	672,189	45,888	-	718,077
Water Equipment, and Vehicles	569,551	47,874	-	617,425
Sewer Equipment and Vehicles	1,160,577	41,618	-	1,202,195
Hydrants	37,292	-	-	37,292
Meters	363,062	-	-	363,062
Projects, Wells, and Pipes	10,311,706	151,454	-	10,463,160
Telemetry System	181,825	-	-	181,825
<i>Total Capital Assets being Depreciated</i>	<u>13,296,202</u>	<u>286,834</u>	<u>-</u>	<u>13,583,036</u>
<i>Less: Accumulated Depreciation:</i>				
Buildings and Improvements	(322,621)	(9,628)	-	(332,249)
Water Equipment, and Vehicles	(432,608)	(18,505)	-	(451,113)
Sewer Equipment and Vehicles	(935,820)	(115,061)	-	(1,050,881)
Hydrants	(27,359)	(772)	-	(28,131)
Meters	(202,043)	(11,648)	-	(213,691)
Projects, Wells, and Pipes	(5,493,287)	(263,521)	-	(5,756,808)
Telemetry System	(176,940)	(1,247)	-	(178,187)
<i>Total Accumulated Depreciation</i>	<u>(7,590,678)</u>	<u>(420,382)</u>	<u>-</u>	<u>(8,011,060)</u>
 Net Capital Assets being Depreciated	 <u>5,705,524</u>	 <u>(133,548)</u>	 <u>-</u>	 <u>5,571,976</u>
 <i>Business-Type Activity Capital Assets, Net</i>	 <u>\$ 5,911,134</u>	 <u>\$(107,573)</u>	 <u>\$ -</u>	 <u>\$ 5,803,561</u>

Depreciation expense charged to the water and sewer functions for the years ending June 30, 2020 and 2019 was \$420,382 and \$419,517, respectively.

Castroville Community Services District

Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 3 – CAPITAL ASSETS, (continued):

<i>Government-Type Activity</i>	<u>June 30, 2019</u>	<u>Additions</u>	<u>Dispositions</u>	<u>June 30, 2020</u>
<i>Capital Assets being Depreciated:</i>				
Sign	\$ -	\$ 19,459	\$ -	\$ 19,459
<i>Total Capital Assets being Depreciated</i>	<u>-</u>	<u>19,459</u>	<u>-</u>	<u>19,459</u>
<i>Less: Accumulated Depreciation:</i>				
Sign	-	(649)	-	(649)
<i>Total Accumulated Depreciation</i>	<u>-</u>	<u>(649)</u>	<u>-</u>	<u>(649)</u>
Net Capital Assets being Depreciated	<u>-</u>	<u>18,810</u>	<u>-</u>	<u>18,810</u>
<i>Government-Type Activity Capital Assets, Net</i>	<u>\$ -</u>	<u>\$ 18,810</u>	<u>\$ -</u>	<u>\$ 18,810</u>

Depreciation expense charged to the government function for the years ending June 30, 2020 was \$649.

NOTE 4 – DUE TO/FROM OTHER FUND:

As a result of the consolidation with the Moss Landing Sanitation District in July 2014, the District's sewer fund paid the USDA Bond obligation of the Moss Landing Sanitation District. Therefore, the total amount of the bond or \$234,000 was due from the Moss Landing Sewer Fund to the Zone 1 Sewer Fund. As of June 30, 2020, \$90,000 was due from the Moss Landing Sewer fund to the Zone 1 Sewer fund.

NOTE 5 - DEFINED BENEFIT PENSION PLAN:

Plan Description

The District contributes to the California Public Employee's Retirement System (CalPERS), a cost-sharing multiple-employer public employee defined benefit pension plan. The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. PERS acts as a common investment and administrative agent for all participating public entities within the State of California. Benefit Provisions and other requirements are established by state statute. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. The District's plan is of the "Miscellaneous 2% at 60 Risk Pool" and "2% at 62 Risk Pool". Those employees who first established CalPERS membership prior to January 1, 2013 without a break in service greater than six months participate in the "Miscellaneous 2% at 60 Risk Pool". Employees hired on or after January 1, 2013 who participate in CalPERS for the first time and those employees not eligible for reciprocity with another California public retirement system participate in the "Miscellaneous 2% at 62 Risk Pool". The employer contribution rate for those participating in the Miscellaneous 2% at 60 Risk Pool is 7% and the employer contribution rate for those employees participating in the Miscellaneous 2% at 62 Risk Pool is 7.25%.

Benefits Provided

PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members 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 includes one of the following: Basic Death Benefit, Post-Retirement Survivor Allowance or Optional Settlement 2W Death Benefit.

Castroville Community Services District

Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 5 - DEFINED BENEFIT PENSION PLAN, (continued):

Pension Liability, Pension Expense and Deferred Outflow/Inflows of Resources Related to Pension, (continued)

The net difference between projected and actual investment earnings on pension plan investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining net difference is amortized over the remaining amortization periods. The net difference between projected and actual investment earnings on pension plan investments in the schedule of collective pension amounts represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis. Deferred Outflows of Resources and Deferred Inflows of Resources relating to differences between expected and actual experience and changes of assumptions are amortized over the expected average remaining service lifetime (EARSL) of members provided with pensions through the Plan determined as of the beginning of the related measurement period. The EARSL for PERF C for the June 30, 2019 measurement date is 3.8 years, which was obtained by dividing the total service years of 530,470 by 140,593 (the total number of participants: active, inactive, and retired) in PERF C.

The District's proportionate share of the net pension liability as of June 30, 2020 and 2019, was as follows:

	% of PERF-C	% of Miscellaneous Pool
Proportion - June 30, 2019	0.00641%	0.01641%
Proportion - June 30, 2018	0.00608%	0.01555%
Change-Increase (Decrease)	-0.00033%	-0.00086%

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 765,345	\$ -
Differences between actual and expected experience	31,341	11,110
Changes in assumptions	45,649	3,537
Net differences between projected and actual earnings on pension plan investments	-	11,491
Changes in employer's proportion	44,497	-
Difference between the employer's contributions and the employer's proportionate share of contributions	-	48,525
Total	\$ 886,832	\$ 74,663

A total of \$886,832 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The amount reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

	Year Ended
	June 30
2021	\$ 43,614
2022	(3,670)
2023	4,558
2024	2,322
	\$ 46,824

Castroville Community Services District

Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 5 - DEFINED BENEFIT PENSION PLAN, (continued):

Employees Covered Hired:

	Prior to 2013	Subsequent to 2013
Active	4	2
Transferred	1	2
Separated	1	1
Retired	4	0

Funding Policy

All full-time District employees must participate in PERS, based on state statute. The Plan requires participants to contribute an amount of 7% or 7.25% of their annual covered salary determined by actuarial valuation and which plan applies to employees as described in the paragraph above. The contribution rate for the June 30, 2020 fiscal year was 9.150% for those employees hired prior to January 1, 2013 and 7.072% for those employees hired on or after January 1, 2013 of annual covered payroll. For the years ended June 30, 2020 and June 30, 2019, the contributions recognized as part of pension expense for the Plan was \$70,211 and \$64,104.

Pension Liability, Pension Expense and Deferred Outflow/Inflows of Resources Related to Pension

The District's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability as of June 30, 2018 was \$585,871 and June 30, 2019 was \$657,254. For the years ended June 30, 2020 and 2019, the District recognized pension expense of \$156,681 and \$52,725.

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

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

	<u>Miscellaneous</u>
1% Decrease	6.15%
Net Pension Liability	1,081,292
Current Discount Rate	7.15%
Net Pension Liability	657,254
1% Increase	8.15%
Net Pension Liability	307,241

Castroville Community Services District

Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 5 - DEFINED BENEFIT PENSION PLAN, (continued):

Information Common to the Miscellaneous and PEPR Miscellaneous Plans

Actuarial Assumptions – For the measurement period ended June 30, 2019, the total pension liabilities were determined by rolling forward the June 30, 2018 total pension liability. The June 30, 2019 total pension liabilities were based on the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.50%
Mortality Rate Table	Derived using CalPERS Membership Data for all Funds from the 2017 experience study report
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power Applies, 2.5% Thereafter

Change of Assumptions and Benefit Changes – There were no changes to benefit terms. The CalPERS Board of Administration adopted a new amortization policy effective with this 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 5-year ramp-up and ramp-down on UAL bases attributable to assumption and method changes and non-investment gains/losses. The new policy also does not utilize a 5-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019.

Discount Rate:

The discount rate used to measure the total pension liability for was 7.15 percent and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Castroville Community Services District

Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 5 - DEFINED BENEFIT PENSION PLAN, (continued):

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

The table below reflects 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	New Strategic Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	(0.92%)

¹An expected inflation of 2.0% used for this period

²An expected inflation of 2.92% used for this period

Pension Plan Fiduciary Net Position:

The Plan's fiduciary net position has been determined on the same basis as that used by the Plan. Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. More information on the Plan can be found at www.calpers.ca.gov/page/employers/actuarial-resources.

NOTE 6 - SIGNIFICANT GROUP CONCENTRATIONS OF CREDIT RISK:

The District maintains bank accounts at various financial institutions. The balances of these accounts may occasionally exceed the FDIC insured amount of \$250,000.

NOTE 7 – POSTEMPLOYMENT HEALTHCARE PLAN:

The District has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. The primary objective of the statement was to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions or OPEB. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Note disclosure and required supplementary information requirements about defined benefit OPEB are also addressed in this Statement.

Castroville Community Services District

Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 7 – POSTEMPLOYMENT HEALTHCARE PLAN, (Continued):

Plan Description

The District participates in an agent multi-employer defined benefit post-employment healthcare plan (the plan) administered by California Public Employees Retirement System (CalPERS). CalPERS issues publicly available reports that include a full description of the OPEB plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Eligibility for Benefits

The plan offers medical benefits to certain eligible participants. The table below describes benefits available to employees hired before January 1, 2013. Employees hired on or after January 1, 2013 and are at least 52 years of age upon retirement will receive the statutory minimum health benefits under sections of the Government Code collectively known as the Public Employees’ Medical and Hospital Care Act or PEMHCA.

Benefit types provided	Medical only
Duration of benefits	Lifetime
Required service	20 years
Minimum Age	50
Dependent Coverage	Yes
District Contribution %	100%
District Cap	PERS Choice Other Northern California

Plan Membership

As of June 30, 2020, the date of the latest actuarial validation, plan participation consisted of:

Retirees and beneficiaries receiving benefits	1
Active Employees	6
Total Plan Participants	7

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District’s Board of Directors. The Employer’s Contribution for each employee shall be the amount necessary to pay the full cost of his/her enrollment including the enrollment of family members in a health benefits plan or plans up to a maximum of total premium per month. The plan assets are held in the California Employers’ Retiree Benefit Trust (CERBT) Fund which is a Section 115 trust fund dedicated to prefunding OPEB for all eligible California public agencies. The annual contributions are based on the actuarially determined contributions. For the fiscal years ended June 30, 2020 and June 30, 2019, the District’s contributions to the trust were \$19,000 for each year.

Net OPEB Liability

The District’s net OPEB liability for the Plan is measured as the total OPEB liability, less the plan’s fiduciary net position. The net OPEB liability of the Plans is measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2019. The components of the net OPEB liability of the District at June 30, 2019 were as follows:

Total OPEB Liability	\$ 396,334
OPEB Plan Fiduciary Net Position	229,565
Net OPEB Liability	\$ 166,769

Castroville Community Services District

Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 7 – POSTEMPLOYMENT HEALTHCARE PLAN (continued):

Actuarial Method and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefit provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The calculation method used to determine the service cost and total OPEB liability, mandated by GASB 75, is called the “actuarial cost method”. Since the Plan includes fewer than 100 employees, GASB Statement No. 75 provides an alternate allowable method. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise provided:

Actuarial Cost Method	Entry Age Normal
Valuation Date	June 30, 2019
Inflation Rate	2.75% per year
Investment Rate of Return/Discount Rate	7%
Healthcare Cost Trend Rate	4% per year
Payroll Growth Rate	2.75% per year
Retirement Rates	2009 CalPERS retirement rates for the 2%@60 Rates for Miscellaneous Employees 2009 CalPERS retirement rates for the 2%@60 Rates for Miscellaneous Employees, minimum retirement age of 52 for new hires after 12/31/2012
Service Requirement	2014 CalPERS Active Mortality for Miscellaneous Employees
Mortality	

Discount Rate

The discount rate used to measure the total OPEB Liability was 7%. The discount rate is based on assumed long-term return on the plan assets assuming 100% funding through CERBT. Assumptions are based upon the historic 30-year real rates of return for each asset class offset by investment expenses. The projection of cash flows used to determine the discount rate assumed that the District contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions the OPEB Plan’s fiduciary net position was projected to cover all future benefits for current plan participants. The assumed allocation and rate of return for each asset class is listed below:

CERBT - Strategy 1

<u>Asset Class</u>	<u>Percentage of portfolio</u>	<u>Assumed Gross Return</u>
US Large Cap	43.000	7.795
US Small Cap	23.000	7.795
Long-Term Corporate Bonds	12.000	5.295
Long-Term Government Bonds	6.000	4.500
Treasury Inflation Protected Securities (TIPS)	5.000	7.795
US Real Estate	8.000	7.795
All Commodities	3.000	7.795

Castroville Community Services District

Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 7 – POSTEMPLOYMENT HEALTHCARE PLAN (continued):

Change in the Net OPEB Liability

	<u>Total OPEB Liability</u>	<u>Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at June 30, 2018	\$ 394,981	\$ 196,683	\$ 198,298
Service Cost	1,967	-	1,967
Interest on TOL	27,606	-	27,606
Employer Contributions	-	22,183	(22,183)
Expected Investment Income	-	14,431	(14,431)
Investment Gains/Losses	-	(505)	505
Administrative Expense	-	(44)	44
Expected Benefit Payments	(3,183)	(3,183)	-
Experience Gains/Losses	(25,037)	-	(25,037)
Net Change	<u>1,353</u>	<u>32,882</u>	<u>(31,529)</u>
Balance at June 30, 2019	<u>\$ 396,334</u>	<u>\$ 229,565</u>	<u>\$ 166,769</u>

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

The following table shows the Net OPEB Liability with a discount rate 1% higher and 1% lower than the assumed rate of 7% in the valuation:

Plan's Net OPEB Liability		
Discount Rate - 1% (6%)	Current Discount Rate (7%)	Discount Rate + 1% (8%)
\$ 242,934	\$ 166,769	\$ 106,599

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following table shows the Net OPEB Liability with healthcare costs trend rate of 1% higher and 1% lower than the assumed rate of 4% in the valuation:

Plan's Net OPEB Liability		
Trend Rate - 1% (3%)	Healthcare Cost Trend Rate (4%)	Trend Rate + 1% (5%)
\$ 104,667	\$ 166,769	\$ 244,143

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

OPEB expense includes service cost, interest cost, change in the total OPEB liability due to difference between actual and expected investment income and administrative expenses, adjusted for deferred inflows and outflows. Deferred outflows of resources related to OPEB include the contributions made to the trust subsequent to the measurement date of June 30, 2019 and prior to the fiscal year. For the fiscal year ending June 30, 2019, the District recognized OPEB expense of \$5,875.

Castroville Community Services District

Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 7 – POSTEMPLOYMENT HEALTHCARE PLAN (continued):

At June 30, 2019, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 23,668	\$ -
Differences between actual and expected experience	-	(23,096)
Changes in assumptions	-	-
Net differences between projected and actual earnings on plan investments	-	24
Total	\$ 23,668	\$ (23,072)

The deferred outflows and inflows of resources related to the net difference between projected and actual investment earnings on the OPEB Plan investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in OPEB expense during the measurement period, and the remaining net difference is amortized over the remaining amortization periods. The deferred outflows and inflows related to the experience gains and losses are amortized over the expected average remaining service lives (EARSL) with terminated employees which are primarily retirees considered to have a working lifetime of zero. As of June 30, 2020 the original recognition period of the experience gains and losses was 12.9 years.

NOTE 8 – LONG-TERM LIABILITIES:

The following is a summary of the changes in the noncurrent liabilities reported in the Statement of Net Position for the year ended June 30, 2020:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020
<u>Business-Type Activities:</u>				
Net Pension Liability	\$ 585,871	\$ 141,594	\$ (70,211)	\$ 657,254
Other Postemployment Benefits	198,298	-	(31,529)	166,769
Total Business-Type Activities	\$ 784,169	\$ 141,594	\$ (101,740)	\$ 824,023

NOTE 9 – UNCERTAINTY DUE TO PANDEMIC:

The District does not believe the COVID-19 pandemic has had a significant impact on its operations or financial results during the year ended June 30, 2020. The District is not aware of any significant impact on future operations related to the pandemic as of the date of this report.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 21, 2020, the date which the financial statements were available for issue, and has determined that there are no additional adjustments and/or disclosures required.

Castroville Community Services District
 Required Supplemental Information
 Detailed Statement of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual - Governmental Funds
 For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Investment Earnings	\$ 2,000	\$ 3,500	\$ 1,478	\$ (2,022)
Charges for Services and Other	67,030	67,030	71,622	4,592
Total Revenues	<u>69,030</u>	<u>70,530</u>	<u>73,100</u>	<u>2,570</u>
<u>EXPENDITURES:</u>				
Current:				
Streets, Street Lights and Open Space	79,000	56,500	72,251	15,751
Recreation	120,000	120,000	100,000	20,000
Total Expenditures	<u>199,000</u>	<u>176,500</u>	<u>172,251</u>	<u>(4,249)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(129,970)</u>	<u>(105,970)</u>	<u>(99,151)</u>	<u>6,819</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	140,000	140,000	140,000	-
Total Other Financing Sources (Uses)	<u>140,000</u>	<u>140,000</u>	<u>140,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ 10,030</u></u>	<u><u>\$ 34,030</u></u>	<u><u>\$ 40,849</u></u>	<u><u>\$ 6,819</u></u>

Castroville Community Services District

Required Supplemental Information

Statement of Activities

Budget and Actual - Water Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
<u>OPERATING REVENUES</u>				
Water Sales	\$ 1,203,000	\$ 1,248,000	\$ 1,279,958	\$ 31,958
New Service and Connection Fees	15,237	21,392	21,392	-
Other Revenues	22,980	22,980	27,157	4,177
Total Operating Revenues	1,241,217	1,292,372	1,328,507	36,135
<u>OPERATING EXPENSES</u>				
General Operation Expenses				
Payroll and Related Expenses	92,600	92,600	93,545	(945)
Utility Expense	92,000	102,000	107,340	(5,340)
Water and Sewer Line Expenses	26,000	12,000	7,698	4,302
General Operations	22,610	24,875	21,229	3,646
Meter Expenses	8,500	17,500	22,494	(4,994)
Automobile Expenses	5,800	6,500	3,122	3,378
Well Site Expenses	45,000	31,000	53,935	(22,935)
Hydrant Expenses	2,000	2,000	13	1,987
Administrative Expenses				
Payroll and Related Expenses	246,906	243,406	246,438	(3,032)
Consulting Expenses	67,200	76,200	50,307	25,893
Office Expenses	36,000	42,000	32,732	9,268
Retirement Plan Contributions	47,188	90,633	74,017	16,616
Billing Expenses	24,325	25,325	24,272	1,053
Insurance Expense	11,600	11,600	11,388	212
Utility Expenses	4,375	4,435	4,091	344
Bad Debts	500	500	84	416
Total Operating Expenses	732,604	782,574	752,705	29,869
<u>NON-OPERATING REVENUES and (EXPENSES)</u>				
Interest Revenue	70,000	85,000	82,762	(2,238)
Total Non-operating Revenues (Expenses)	70,000	85,000	82,762	(2,238)
Net Income Before Depreciation (Budgetary Basis)	578,613	594,798	658,564	63,766
<u>GAAP RECONCILING ITEMS</u>				
Depreciation	(312,000)	(312,000)	(305,321)	6,679
Total GAAP Reconciling Items	(312,000)	(312,000)	(305,321)	6,679
Net Income Before Transfers (GAAP Basis)	266,613	282,798	353,243	70,445
Transfers In/(Out)	-	-	(4,000)	(4,000)
<u>CHANGE IN NET ASSETS</u>	\$ 266,613	\$ 282,798	\$ 349,243	\$ 66,445

See Auditors' Report

The Accompanying Notes Are An Integral Part of These Financial Statements

Castroville Community Services District
 Required Supplemental Information
 Statement of Activities
 Budget and Actual - Castroville and Moro Cojo Sewer Fund
 For the Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
<u>OPERATING REVENUES</u>				
Property Tax and User Fees	\$ 681,873	\$ 681,873	\$ 723,887	\$ 42,014
Connection Fees	6,338	9,504	9,504	-
Other Revenues	2,000	2,000	162	(1,838)
Total Operating Revenues	<u>690,211</u>	<u>693,377</u>	<u>733,553</u>	<u>40,176</u>
<u>OPERATING EXPENSES</u>				
General Operation Expenses				
Payroll and Related Expenses	339,312	336,112	337,524	(1,412)
General Operations	8,270	8,270	5,853	2,417
Lift Station Expense	23,800	23,800	19,795	4,005
Sewer Line	29,000	7,000	85	6,915
Storm drain Expense	13,400	13,400	5,674	7,726
Utility Expense	4,510	4,545	4,225	320
Retirement Plan Contributions	45,530	74,394	73,150	1,244
Insurance Expense	11,750	11,750	11,388	362
Office Expense	29,550	31,550	23,796	7,754
Consulting Expense	28,833	28,833	22,501	6,332
Automobile Expense	9,900	9,900	3,392	6,508
Bond, Loan and Certificate Expense	1,650	1,650	575	1,075
Total Operating Expenses	<u>545,505</u>	<u>551,204</u>	<u>507,958</u>	<u>43,246</u>
<u>NON-OPERATING REVENUES and (EXPENSES)</u>				
Interest Revenue	129,500	129,500	191,472	61,972
Amortization of Organizational Cost	(3,589)	(3,589)	(3,589)	-
Total Non-operating Revenues	<u>125,911</u>	<u>125,911</u>	<u>187,883</u>	<u>61,972</u>
Net Income Before Depreciation (Budgetary Basis)	<u>270,617</u>	<u>268,084</u>	<u>413,478</u>	<u>145,394</u>
<u>GAAP RECONCILING ITEMS</u>				
Depreciation	(77,956)	(81,350)	(83,194)	(1,844)
Total GAAP Reconciling Items	<u>(77,956)</u>	<u>(81,350)</u>	<u>(83,194)</u>	<u>(1,844)</u>
Net Income Before Transfers (GAAP Basis)	192,661	186,734	330,284	143,550
Transfers In/(Out)	-	-	(135,750)	(135,750)
<u>CHANGE IN NET ASSETS</u>	<u>\$ 192,661</u>	<u>\$ 186,734</u>	<u>\$ 194,534</u>	<u>\$ 7,800</u>

Castroville Community Service District

Required Supplemental Information

Statement of Activities

Budget and Actual - Moss Landing Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
<u>OPERATING REVENUES</u>				
Property Tax and User Fees	\$ 280,000	\$ 282,800	\$ 284,075	\$ 1,275
Connection Fees	7,000	7,000	3,168	(3,832)
Other Revenues	500	500	163	(337)
Total Operating Revenues	287,500	290,300	287,406	(2,894)
<u>OPERATING EXPENSES</u>				
General Operation Expenses				
Payroll and Related Expenses	75,501	74,801	75,310	509
General Operations	2,295	2,295	1,074	(1,221)
Lift Station Expense	15,700	15,700	10,505	(5,195)
Sewer Line	7,000	7,000	85	(6,915)
Utility Expense	1,110	1,110	974	(136)
Retirement Plan Contributions	10,139	10,139	16,257	6,118
Insurance Expense	2,600	2,600	2,531	(69)
Office Expense	6,550	7,550	5,866	(1,684)
Consulting Expense	17,500	20,500	12,754	(7,746)
Automobile Expense	4,200	4,200	958	(3,242)
Total Operating Expenses	142,595	145,895	126,314	(19,581)
<u>NON-OPERATING REVENUES and (EXPENSES)</u>				
Interest Revenue	12,000	12,000	13,629	1,629
Total Non-operating Revenues	12,000	12,000	13,629	1,629
Net Income Before Depreciation (Budgetary Basis)	156,905	156,405	174,721	18,316
<u>GAAP RECONCILING ITEMS</u>				
Depreciation	(29,000)	(29,000)	(31,867)	(2,867)
Total GAAP Reconciling Items	(29,000)	(29,000)	(31,867)	(2,867)
Net Income Before Transfers (GAAP Basis)	127,905	127,405	142,854	15,449
Transfers In/(Out)	-	-	(250)	(250)
<u>CHANGE IN NET ASSETS</u>	\$ 127,905	\$ 127,405	\$ 142,604	\$ 15,199

See Auditors' Report

The Accompanying Notes Are An Integral Part of These Financial Statements

Castroville Community Services District

Required Supplemental Information

For the Year Ended June 30, 2020

Last 10 Years *

Miscellaneous Plan Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS AS OF THE MEASUREMENT DATE

Fiscal Year	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Measurement Period	2018-19	2017-18	2016-17	2016-15	2015-14	2013-14
Entity's proportion of net pension liability (asset)	0.64100%	0.00608%	0.00600%	0.56900%	0.47400%	0.00605%
Entity's proportionate share of net pension liability (asset)	\$ 657,254	\$ 585,871	\$ 595,081	\$ 492,425	\$ 325,424	\$ 376,234
Entity's covered-employee payroll (Measurement Year)	\$ 523,599	\$ 501,445	\$ 423,766	\$ 454,888	\$ 457,015	\$ 420,797
Entity's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	131.07%	123.95%	140.43%	108.25%	71.21%	89.41%
Plan's fiduciary net position as a percentage of the Plan's total pension liability	75.26%	75.26%	73.31%	74.06%	78.40%	83.38%
Proportionate share of the aggregate employer contributions	\$ 103,398	\$ 90,922	\$ 87,899	\$ 79,241	\$ 74,295	\$ 51,050

*-Fiscal year 2015 was the first year of implementation, therefore only six years are shown.

Castroville Community Services District

Required Supplemental Information

For the Year Ended June 30, 2020

Last 10 Years *

Miscellaneous Plan Cost-Sharing Multiple-Employer Defined Benefit Pension Plan *SCHEDULE OF PLAN CONTRIBUTIONS*

Fiscal Year Ended	2020	2019	2018	2017	2016	2015
Contractually required contributions (actuarially determined) (CRC)	\$ 84,062	\$ 70,211	\$ 57,671	\$ 48,381	\$ 45,969	\$ 34,697
Contributions in relation to CRC	<u>(765,345)</u>	<u>(70,211)</u>	<u>(57,671)</u>	<u>(48,381)</u>	<u>(45,969)</u>	<u>(34,697)</u>
Contribution deficiency (excess)	<u><u>\$(681,283)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
 Covered-employee payroll	 \$ 528,799	 \$ 501,445	 \$ 472,677	 \$ 423,766	 \$ 454,888	 \$ 457,015
 Contributions as a percentage of covered- employee payroll	 15.90%	 14.00%	 12.20%	 11.42%	 10.11%	 7.59%
Valuation Date:	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014

Notes to Schedule

Valuation Date: June 30, 2019

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	2.75% per year
Salary Increases	Varies by entry age and service
Payroll Growth	2.75%
Investment Rate of Return	7%, net of pension plan expenses, including inflation
Retirement Age	50 years
Mortality	Derived using CalPERS Experience Study and Review of Actuarial Assumptions

*-Fiscal year 2015 was the first year of implementation, therefore only six years are shown.

Castroville Community Services District

Required Supplemental Information
For the Year Ended June 30, 2020

Schedule of District's Contributions to OPEB Plan

Last 10 Fiscal Years

	6/30/2020	6/30/2019	6/30/2018
Actuarial determined contribution	\$ -	\$ -	\$ -
Contributions in relation to actuarial actuarially determined contribution	(22,183)	(19,000)	(19,000)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 523,599	\$ 501,445	\$ 423,768
Contribution as a percentage of covered payroll	4.24%	3.79%	4.48%

Notes to Required Supplementary Information

Fiscal year ended June 30, 2018 was the first year of implementation and therefore only three years are shown above. This schedule will present 10 years as information becomes available.

Valuation Date: Actuarially determined contribution rates are calculated as of June 30, 2018, two years prior to the end of the fiscal year. Actuarially determined contribution rates for June 30, 2019 and June 30, 2020 were not obtained by the District.

Methods and Assumptions Used to Determine Contribution Rates

Valuation Date:	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.75% per year
Investment Rate of Return/Discount Rate	7.00%
Healthcare Cost Trend Rate	4.00%
Payroll Growth Rate	2.75%
Retirement Rates	CalPERS retirement rates for the 2%@60 Rates for Miscellaneous Employees
Service Requirement	CalPERS retirement rates for the 2%@60 for Miscellaneous Employees
Mortality	Based on CalPERS table-2014 Active Mortality for Miscellaneous Employees

Castroville Community Services District

Required Supplemental Information

For the Year Ended June 30, 2020

SCHEDULE OF OPEB Liability and Fiduciary Net Position

Last 10 Fiscal Years

Fiscal Year End	6/30/2018	6/30/2019	6/30/2020
Measurement Date	6/30/2017	6/30/2018	6/30/2019
<u>Total OPEB Liability</u>			
Service Cost	\$ 1,863	\$ 1,914	\$ 1,967
Interest on TOL	24,063	25,878	27,606
Experience Gain/Loss	-	-	(25,037)
Expected Benefit Payments	(2,955)	(3,073)	(3,183)
Net Change in Total OPEB Liability	22,971	24,719	1,353
Total OPEB Liability at the Beginning of the Year	347,291	370,262	394,981
Total OPEB Liability at the End of the Year	370,262	394,981	396,334
<u>Plan Fiduciary Net Position</u>			
Employer Contributions	18,967	22,073	22,183
Expected Investment Income	15,235	12,209	14,431
Administrative Expense	(126)	(311)	(44)
Investment Gains/Losses	-	636	(505)
Expected Benefit Payments	(2,955)	(3,073)	(3,183)
6/30/2017 FNP adjustment	-	81	-
Net Change in Fiduciary Net Position	31,121	31,615	32,882
Plan Fiduciary Net Position at the Beginning of the Year	133,947	165,068	196,683
Plan Fiduciary Net Position at the End of the Year	\$ 165,068	\$ 196,683	\$ 229,565
<u>Net OPEB Liability</u>			
Net OPEB Liability at the End of the Year	\$ 205,194	\$ 198,298	\$ 166,769
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	44.58%	49.80%	57.92%
Covered Payroll	\$ 423,768	\$ 501,445	\$ 523,599
Net OPEB liability as a percentage of covered payroll	48.42%	39.55%	31.85%

This schedule will present 10 years as information is available

Changes in actuarial assumptions and methods. None

See Auditors' Report

Page 48 of 50

Board of Directors
Castroville Community Services District
Castroville, California

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Castroville Community Services District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Castroville Community Services District's basic financial statements, and have issued our report thereon dated October 21, 2020.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 Castroville Community Services District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Other Reporting Required by Government Auditing Standards

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

Porter & Lasiewicz, CPAs

October 21, 2020