



CASTRO VALLEY SANITARY DISTRICT

**ANNUAL FINANCIAL REPORT
WITH
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2023 AND 2022**

**MUN CPAs, LLP
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SACRAMENTO, CALIFORNIA 95833**

**CASTRO VALLEY SANITARY DISTRICT
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**CASTRO VALLEY SANITARY DISTRICT
JUNE 30, 2023**

BOARD OF DIRECTORS AND GENERAL MANAGER

Board of Directors

<u>Board Members</u>	<u>Title</u>
Daniel M. Akagi	President
Dave Sadoff	President Pro Tem
Kristy Dooman-Woerz	Secretary
Ralph Johnson	Secretary Pro Tem
Timothy McGowan	Member

General Manager

Roland P. Williams, Jr.



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Castro Valley Sanitary District
Castro Valley, California

Opinion

We have audited the accompanying financial statements of the business-type activities of Castro Valley Sanitary District (the "District" or "CVSan") as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise CVSan's basic financial statements as listed in the table of contents.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CVSan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the CVSan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 - 8 and the Schedule of District's Proportionate Share of the Net Pension Liability, Contributions to the Pension Plan, Schedule of Changes in the Net OPEB Liability and Related Ratios, and the Schedule of Contributions to the OPEB Plan on pages 41 to 44 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise CVSan's basic financial statements. The Combining Statement of Revenues, Expenses and Changes in Net Position on pages 45 - 48, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statement of revenues, expenses and changes in net position is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2024, on our consideration of CVSan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CVSan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CVSan's internal control over financial reporting and compliance.

MUN CPAS, LLP

Sacramento, California
February 5, 2024

**CASTRO VALLEY SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

Introduction

The Management's Discussion and Analysis (MD&A) is a required section of CVSan's annual financial report. The purpose of the MD&A is to present a discussion and analysis of CVSan's financial performance during the fiscal years that ended on June 30, 2023 and 2022. This report will (1) focus on significant financial issues, (2) provide an overview of CVSan's financial activity, (3) identify changes in CVSan's financial position, (4) identify any individual issues or concerns, and (5) provide descriptions of significant asset and debt activity.

This information, presented in conjunction with the annual Basic Financial Statements, is intended to provide a comprehensive understanding of CVSan's operations and financial standing. The annual report consists of a series of basic financial statements and notes to those statements. These statements are organized so the reader can understand CVSan as an entire operating entity. The statements provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position provide information about the activities of CVSan, presenting an aggregate view of CVSan's finances. The basic financial statements also include notes explaining pertinent information in the financial statements and provide more detailed data.

CVSan is a California Special District, formed on July 25, 1939. CVSan operates wastewater collection facilities and solid waste services serving the Castro Valley Area. Revenues are derived principally from sewer service charges collected from residential and non-residential users within CVSan.

Financial Highlights for 2023

- In 2023, the District's net position increased to \$64,708,946 or 5.80% from the prior year's net position of \$61,176,436 primarily due to an increase in property taxes, and an increase in capital contributions. In 2022, net position increased by 1.60%, from the 2021 total of \$60,202,220 and remained relatively flat.
- In 2023, operating revenues increased by 7.09% or \$888,881 from \$12,540,001 to \$13,428,882, from the prior year, primarily due to an increase in sewer service charge collections. In 2022, operating revenues increased 13.20%. These changes are primarily due to an increase in sewer service charge collections.
- Net non-operating revenues increased 71.50%, from \$798,908 in 2022 to \$1,370,066 in 2023. This change was primarily related to an increase in permit applications for new sewer line connections. Net non-operating revenue decreased in 2022 by 21.40% from 2021's balance of \$1,016,785 due to a reduction in permit applications for new sewer line connections.
- In 2023, operating expenses increased by 1.28% or \$162,839 from \$12,721,027 to \$12,883,866, from the prior year, due to increases in payroll and associated costs, including pension and other post-employment benefits, as well as increases in costs for professional services. Operating expenses in 2022 increased compared to 2021's total of \$10,697,928. This increase of 18.90%, was due to increases in payroll and associated costs, including pension and other post-employment benefits, as well as increases in costs for professional services.

Basic Financial Statements

The financial statements of CVSan report information about CVSan's accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities.

The Statement of Net Position includes all of CVSan's assets, deferred inflows, deferred outflows, liabilities and net position. Net position serves over time as useful indicator of CVSan's financial position. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position.

**CASTRO VALLEY SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

These statements reflect the result of CVSan's operations over the past year.

The final financial statement required is the Statement of Cash Flows. The primary purpose of this statement is to provide information about CVSan's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations and investments. It also provides answers to questions such as "where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period."

Financial Analysis of CVSan as a Whole

Table 1 provides a summary of CVSan's net position and Table 2 provides a summary of the changes in net position. Net position is an indicator of CVSan's financial health.

Table 1 - Summary Statement of Net Position					
	June 30, 2023	June 30, 2022	Change	June 30, 2021	Change
Assets:					
Current assets	\$ 29,362,441	\$ 29,511,035	-0.5 %	\$ 27,359,090	7.9 %
Non-current assets	2,918,539	2,909,638	0.3 %	3,237,740	-10.1 %
Capital assets, net	48,082,941	44,856,852	7.2 %	44,150,712	1.6 %
Total Assets	\$ 80,363,921	\$ 77,277,525	4.0 %	\$ 74,747,542	3.4 %
Deferred outflows of resources	\$ 1,949,204	\$ 959,300	103.2 %	\$ 941,000	1.9 %
Liabilities:					
Current liabilities	\$ 3,277,421	\$ 2,933,869	11.7 %	\$ 1,212,628	141.9 %
Non-current liabilities	13,888,876	12,151,616	14.3 %	13,966,795	-13.0 %
Total Liabilities	\$ 17,166,297	\$ 15,085,485	13.8 %	\$ 15,179,423	-0.6 %
Deferred inflows of resources	\$ 437,882	\$ 1,974,904	-77.8 %	\$ 306,899	543.5 %
Net position:					
Net investment in capital assets	\$ 38,600,718	\$ 34,929,095	10.5 %	\$ 34,006,670	2.7 %
Restricted	6,169,346	6,169,346	-	6,084,447	1.4 %
Unrestricted	19,938,882	20,077,995	-0.7 %	20,111,103	-0.2 %
Total Net Position	\$ 64,708,946	\$ 61,176,436	5.8 %	\$ 60,202,220	1.6 %

The largest portion of CVSan's net position was the net investment in capital assets, which includes land, administrative headquarters, collection system subsurface lines and lift stations, as well as a 25% ownership of the Castro Valley/Oro Loma Sanitary District's Wastewater Treatment Facility.

Restricted net position includes externally imposed stipulations on how those resources may be used and is primarily restricted for capital expansion and residential & business recycling. The majority of unrestricted net position is subject to designation for specific purposes as approved by the Board of Directors. Capital assets are reported net of accumulated depreciation.

**CASTRO VALLEY SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

While the Statement of Net Position shows the change in financial position, the Statement of Activities and Changes in Net Position provides answers as to the nature and sources of the changes.

Table 2 - Changes Net Position

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Change</u>	<u>June 30, 2021</u>	<u>Change</u>
Operating revenues	\$ 13,428,882	\$ 12,540,001	7.1 %	\$ 11,081,306	13.2 %
Operating expenses	<u>(12,883,866)</u>	<u>(12,721,027)</u>	1.3 %	<u>(10,697,928)</u>	18.9 %
Operating income (loss)	545,016	(181,026)	401.1 %	383,378	-147.2 %
Non-operating revenues (expenses)	<u>1,370,066</u>	<u>798,908</u>	71.5 %	<u>1,016,785</u>	-21.4 %
Net income (loss) before capital contributions	1,915,082	617,882	209.9 %	1,400,163	-55.9 %
Capital contributions	<u>1,617,428</u>	<u>356,334</u>	353.9 %	<u>955,510</u>	-62.7 %
Change in net position	3,532,510	974,216	262.6 %	2,355,673	-58.6 %
Net position:					
Beginning of year, restated	<u>61,176,436</u>	<u>60,202,220</u>	1.6 %	<u>57,846,547</u>	4.1 %
End of year	<u>\$ 64,708,946</u>	<u>\$ 61,176,436</u>	5.8 %	<u>\$ 60,202,220</u>	1.6 %

Compared to 2022, operating revenues increased in 2023 by 7.1%. The operating revenues for 2022, increased by 13.2% from 2021. Operating revenues were comprised of sewer service user charges, contract administration fees, inspection fees and other sewer related fees such as plan review, overtime inspection, administrative fees and truck hauled waste.

Net, non-operating revenues decreased by 21.4% from 2021 to 2022 and increased by 71.5% from 2022 to 2023. This was mostly due to increases in investment income and contributions from other agencies.

Capital Assets (Property, Plant and Equipment)

Table 3 shows capital asset balances over the last three fiscal years. Total property, plant and equipment accounted for 60% of total assets as of June 30, 2023, which is consistent with prior years.

Table 3 - Summary of Capital Assets (Property, Plant and Equipment)

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Capital assets:			
Non-depreciable assets	\$ 10,814,065	\$ 8,535,455	\$ 7,142,907
Depreciable assets	70,152,465	67,134,086	65,670,848
Accumulated depreciation	<u>(32,883,589)</u>	<u>(30,812,689)</u>	<u>(28,663,043)</u>
Total capital assets, net	<u>\$ 48,082,941</u>	<u>\$ 44,856,852</u>	<u>\$ 44,150,712</u>

More information can be found in Note 3 of the disclosures to the financial statements.

**CASTRO VALLEY SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

Long Term Liabilities

Table 4 summarizes the changes in long-term liabilities over the past three years. The state revolving fund loan accounts for 16.53% and the 2018 Revenue Bond accounts for 48.43% of total long-term liabilities.

Table 4 - Summary of Long Term Liabilities

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Long-term debt:			
Revolving fund loan	\$ 2,403,776	\$ 2,611,939	\$ 2,814,827
2018 Revenue bonds, net of premium	7,043,274	7,214,005	7,386,198
ACI Obligation	100,000	220,000	-
Lease liability	35,173	101,813	-
Net pension liability	3,694,929	1,720,620	3,092,005
Net OPEB liability	1,006,981	711,166	901,816
Compensated absences	<u>257,658</u>	<u>275,215</u>	<u>291,137</u>
Total	\$ <u>14,541,791</u>	\$ <u>12,854,758</u>	\$ <u>14,485,983</u>

More information can be found in Notes 5-8 of the disclosures to the financial statements.

Economic Factors Bearing on CVSan's Future and Next Year's Budget

CVSan has a long history of pay-as-you-go financing for capital acquisitions when fiscally prudent. CVSan maintains reasonable reserves to ensure compliance with this philosophy. During the year ended June 30, 2005, CVSan adopted a reserve policy that established reserve levels. CVSan reviews all financial policies at least annually.

CVSan continues to be financially stable. In its efforts to exercise fiscal prudence, CVSan opted to waive the expected 5% rate increase for sewer service charges in 2022, leaving the rate at \$458. CVSan's rates remain in the lowest 10 percent of rates in the Bay Area.

CVSan's economy continues to improve. Unemployment in the CVSan area has remained steady from approximately rate of 2.9% at the end of fiscal year 2021/22 to 3.1% at the end of fiscal year 2022/23. The housing market has rebounded during the fiscal year 2022/23 with housing prices back to their 2021/22 values. The improvement in the economy had positive effects on CVSan. CVSan's revenues have been increasing over the prior year.

While revenues are increasing, CVSan also faces pressures of ever-increasing expenses. Commitments for infrastructure, treatment and disposal capital projects, increasing health care and pension benefits liabilities, and rising costs for utilities continue to add costs to CVSan's budget.

Requests for Information

This financial report is designed to provide the District's ratepayers, investors, and creditors with a general overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact Roland Williams, General Manager/Treasurer at 21040 Marshall Street, Castro Valley, CA 94546 or (510) 537-0757, or email Roland@cvsan.org.

**CASTRO VALLEY SANITARY DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents (Note 2)	\$ 5,236,809	\$ 4,611,927
Restricted cash with fiscal agent (Note 2)	692	692
Investments (Note 2)	23,915,930	24,853,302
Accounts receivable	60,751	15,122
Interest receivable	142,027	29,992
Prepaid expenses	<u>6,232</u>	<u>-</u>
Total current assets	<u>29,362,441</u>	<u>29,511,035</u>
Noncurrent assets		
Equity in East Bay Discharges Authority JPA (Note 4)	2,918,539	2,909,638
Capital assets, net of accumulated depreciation (Note 3)	<u>48,082,941</u>	<u>44,856,852</u>
Total noncurrent assets	<u>51,001,480</u>	<u>47,766,490</u>
Total Assets	<u>80,363,921</u>	<u>77,277,525</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>		
Deferred amounts related to net pension liability (Note 7)	1,737,098	809,890
Deferred amounts related to net OPEB liability (Note 8)	<u>212,106</u>	<u>149,410</u>
Total Deferred Outflow of Resources	<u>1,949,204</u>	<u>959,300</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>\$ 82,313,125</u>	<u>\$ 78,236,825</u>

The accompanying notes are an integral part of the financial statements.

**CASTRO VALLEY SANITARY DISTRICT
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2023 AND 2022**

<u>LIABILITIES</u>	<u>2023</u>	<u>2022</u>
Current liabilities		
Accounts payable	\$ 2,218,319	\$ 1,908,535
Accrued payroll liabilities	83,578	92,634
Deposits payable	226,307	126,749
Accrued interest payable	96,302	102,809
Current portion of long-term liabilities		
Compensated absences (Note 5)	128,829	137,608
ACI Obligation (Note 6)	100,000	120,000
Lease liability (Note 6)	34,780	66,640
Loan payable (Note 6)	213,575	208,163
Revenue bonds payable (Note 6)	<u>175,731</u>	<u>170,731</u>
Total current liabilities	<u>3,277,421</u>	<u>2,933,869</u>
Noncurrent liabilities		
Long-term liabilities - due in more than one year		
Compensated absences (Note 5)	128,829	137,607
ACI Obligation (Note 6)	-	100,000
Lease liability (Note 6)	393	35,173
Loan payable (Note 6)	2,190,201	2,403,776
Revenue bonds payable (Note 6)	6,867,543	7,043,274
Net pension liability (Note 7)	3,694,929	1,720,620
Net OPEB liability (Note 8)	<u>1,006,981</u>	<u>711,166</u>
Total noncurrent liabilities	<u>13,888,876</u>	<u>12,151,616</u>
Total Liabilities	<u>17,166,297</u>	<u>15,085,485</u>
<u>DEFERRED INFLOW OF RESOURCES</u>		
Deferred amounts related to net pension liability (Note 7)	153,610	1,506,883
Deferred amounts related to net OPEB liability (Note 8)	<u>284,272</u>	<u>468,021</u>
Total Deferred Inflow of Resources	<u>437,882</u>	<u>1,974,904</u>
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	<u>17,604,179</u>	<u>17,060,389</u>
<u>NET POSITION</u>		
Net investment in capital assets	38,600,718	34,929,095
Restricted for capital facilities - collection system	5,422,459	5,422,459
Restricted for solid waste	746,887	746,887
Unrestricted	<u>19,938,882</u>	<u>20,077,995</u>
Total Net Position	<u>64,708,946</u>	<u>61,176,436</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	<u>\$ 82,313,125</u>	<u>\$ 78,236,825</u>

The accompanying notes are an integral part of the financial statements.

**CASTRO VALLEY SANITARY DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
<u>OPERATING REVENUE</u>		
Service charges and fees	\$ 11,634,188	\$ 10,719,151
Permits and inspections fees	126,984	148,532
Contract and administration fees	1,386,705	1,615,122
Other service fees	<u>281,005</u>	<u>57,196</u>
Total operating revenue	<u>13,428,882</u>	<u>12,540,001</u>
<u>OPERATING EXPENSES</u>		
Wastewater collection	2,916,251	2,886,754
Wastewater treatment	5,936,250	5,719,676
Wastewater disposal	350,495	325,568
Solid waste disposal	973,592	874,285
Administrative and general	<u>2,707,278</u>	<u>2,914,744</u>
Total operating expenses	<u>12,883,866</u>	<u>12,721,027</u>
OPERATING INCOME (LOSS)	<u>545,016</u>	<u>(181,026)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Government grants and other contributions	243,128	332,105
Property taxes	829,184	1,037,161
Investment gain (loss)	412,401	(229,050)
Interest expense	(323,277)	(345,771)
Other income	202,689	334,046
Other expense	(2,960)	(1,481)
Change in equity interest in EBDA JPA	<u>8,901</u>	<u>(328,102)</u>
Total nonoperating revenues (expenses)	<u>1,370,066</u>	<u>798,908</u>
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	<u>1,915,082</u>	<u>617,882</u>
<u>CAPITAL CONTRIBUTIONS</u>		
Capital contributions - connections fees	<u>1,617,428</u>	<u>356,334</u>
CHANGE IN NET POSITION	<u>3,532,510</u>	<u>974,216</u>
TOTAL NET POSITION, BEGINNING OF YEAR	<u>61,176,436</u>	<u>60,202,220</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 64,708,946</u>	<u>\$ 61,176,436</u>

The accompanying notes are an integral part of the financial statements.

**CASTRO VALLEY SANITARY DISTRICT
STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers	\$ 13,482,811	\$ 12,603,883
Payments to employees for salaries and wages	(4,045,288)	(3,948,323)
Payments to suppliers for goods and services	<u>(6,747,541)</u>	<u>(5,092,988)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,689,982</u>	<u>3,562,572</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Property taxes received	<u>829,184</u>	<u>1,037,161</u>
NET CASH PROVIDED BY NONCAPITAL ACTIVITIES	<u>829,184</u>	<u>1,037,161</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Acquisition and construction of capital assets	(5,296,989)	(2,665,366)
Receipts from government grants and other contributions	442,857	664,670
Connection fees	1,617,428	327,534
Payments on long-term debt	(498,894)	(455,081)
Proceeds from long-term debt	-	300,000
Interest paid on long-term debt	(329,784)	(333,601)
Payments on lease liabilities	(66,640)	-
Loss on disposition of assets	<u>-</u>	<u>(47,782)</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(4,132,022)</u>	<u>(2,209,626)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest (paid) received	250,212	(243,144)
Sale of investments	<u>987,526</u>	<u>273,485</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,237,738</u>	<u>30,341</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>624,882</u>	<u>2,420,448</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,612,619</u>	<u>2,192,171</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,237,501</u>	<u>\$ 4,612,619</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position		
Cash and cash equivalents	\$ 5,236,809	\$ 4,611,927
Restricted cash with fiscal agent	<u>692</u>	<u>692</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 5,237,501</u>	<u>\$ 4,612,619</u>

The accompanying notes are an integral part of the financial statements.

**CASTRO VALLEY SANITARY DISTRICT
STATEMENT OF CASH FLOW (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating Income (Loss)	\$ 545,016	\$ (181,026)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	2,070,900	2,137,619
(Increase) decrease in assets:		
Accounts receivable	(45,629)	9,114
Deferred outflows or resources	(989,904)	(18,300)
Prepaid expenses	(6,232)	-
Increase (decrease) in liabilities:		
Accounts payable	309,784	1,498,990
Accrued payroll liabilities	(9,056)	(28,641)
Unearned revenue	99,558	54,768
Compensated absences	(17,557)	(15,922)
Deferred inflows of resources	(1,537,022)	1,668,005
Net OPEB liability	295,815	(190,650)
Net pension liability	1,974,309	(1,371,385)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,689,982	\$ 3,562,572
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</u>		
Capital contributions	\$ 23,000	\$ 28,800
Total noncash investing, capital, and financing activities	\$ 23,000	\$ 28,800

The accompanying notes are an integral part of the financial statements.

**CASTRO VALLEY SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

Castro Valley Sanitary District ("CVSan" or the "District") is a California Special District, formed on July 25, 1939. CVSan operates wastewater collection facilities and solid waste services serving the Castro Valley area. Revenues are derived principally from sewer service charges collected from residential and non-residential users within the District.

B. The Financial Reporting Entity

For financial reporting purposes, in conformity with the Governmental Accounting Standards Board (GASB) Codification Section 2100, defining the governmental reporting entity, CVSan includes all funds that are controlled by or dependent upon the Board of Directors of CVSan. Since no other entities are controlled by or rely upon CVSan, the reporting entity consists solely of CVSan. CVSan's share of the Joint Powers Authority (East Bay Dischargers Authority) is reflected based upon CVSan's proportionate share of the net equity of the Authority.

C. Basis of Presentation

The basic financial statements were prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position display information about CVSan's business-type activities which are financed in whole or in part by fees charged to external parties.

Proprietary 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. Non-operating revenues, such as interest income and connection fees, result from non-exchange transactions or ancillary activities.

D. Measurement of Focus and Basis of Accounting

The District follows the enterprise method of accounting practices and reporting. An enterprise type fund is a proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses excluding depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred.

Operating revenues are those revenues that are generated from the primary operations of the District. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**CASTRO VALLEY SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Cash Equivalents

For the purpose of the statement of cash flows, the District defines cash and cash equivalents to include all cash and temporary investments with original maturities of three months or less from the date of acquisition.

F. Investments

CVSan's investment policy requires that the assets of CVSan should be invested only in Alameda County Treasurer's Office, the Investment Trust of California, California Local Agency Investment Fund, banks' interest-bearing accounts, U.S. treasury obligations, and certificates of deposit at financial institutions. Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the assets. The classification of securities within the fair value hierarchy is based upon the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 - Unadjusted price quotations in active markets/exchanges for identical assets or liabilities that are accessible to the District.

Level 2 - Other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs.)

Level 3 - Unobservable inputs based on the best information available in the circumstance, to the extent observable inputs are not available (including the District's own assumptions used in determining the fair value of investments).

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

G. Revenues - Connection Fees

Connection fees represent a one-time contribution of resources to CVSan imposed on contractors and developers for the purpose of financing growth-related construction and improvements. Connection fees are recognized as a contribution in the Statements of Revenues, Expenses and Changes in Net Position. They are placed in wastewater reserves and are used for future capacity expansion projects.

**CASTRO VALLEY SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Accounts Receivables and Allowance for Doubtful Accounts

On a periodic basis, CVSan evaluates its accounts receivables and establishes an allowance for doubtful accounts, if necessary, based on a history of past write-offs, collections and current credit conditions.

CVSan recognizes bad debt expense relating to receivables, when it is probable that the accounts will be uncollectible. As of June 30, 2023 and 2022, management believes no allowance for doubtful accounts is necessary due to historical experience and the nature of the receivables.

I. Rate Change Calendar

CVSan's sewer service charges are included on the County of Alameda property tax rolls as a method of collection from property owners. CVSan's calendar for the fiscal year ended June 30, 2023 was as follows:

March 1	Lien/levy date
November 1	Due date for first installment (50%)
February 1	Due date for final installment (50%)
December 10	Delinquent for first installment
April 10	Delinquent for final installment

The County collects the taxes (including penalties and interest) from the property owners and remits the sewer fees to CVSan. CVSan receives the majority of its funds during December and April, and collections of delinquent amounts are paid to CVSan intermittently during the year.

J. Property, Plant and Equipment

Property, plant, and equipment acquired from CVSan funds are recorded at cost for individual items of \$1,000 or more. Contributed assets, consisting primarily of subsurface sewer lines and certain pump stations, are recorded at estimated fair value on the date contributed. Major additions and betterments are capitalized, and payments for repairs and maintenance are expensed. If applicable, donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value.

Depreciation/amortization on capital assets in service, excluding land, is computed using the straight-line method over the estimated useful lives of such assets and is reported as an operating expense. Capital projects are subject to depreciation/amortization when completed and placed in service. The ranges of estimated useful lives of capital assets are as follows:

Subsurface lines	75 years
Buildings	40 years
Wastewater collection and treatment facilities	30 years
Furniture and equipment	5 to 10 years
Right-of-use asset	1 to 3 years

K. Compensated Absence

Vested or accumulated vacation and compensatory time is recorded as an expense and liability as benefits accrue to employees. No liability is recorded for accumulating rights to receive sick pay benefits since they are not vested. No sick leave is payable upon termination. Accumulated sick leave is paid upon retirement up to a maximum of one month's wages.

**CASTRO VALLEY SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Long-Term Liabilities

Long-term liabilities include long-term debt and other long-term obligations, such as net pension obligations, net OPEB obligations, the State of California Clean Water Revolving Fund Loan and compensated absences, and are reported as long-term liabilities in the Statement of Net Position.

M. Leases

Lessee

The District is a lessee for noncancellable leases of office space and equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term liabilities on the Statement of Net Position.

N. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**CASTRO VALLEY SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. 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 CVSan'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 (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. Other Postemployment Benefits (OPEB)

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

Fiscal Year-End	June 30, 2023	June 30, 2022
Valuation Date	June 30, 2021	June 30, 2021
Measurement Date	June 30, 2022	June 30, 2021
Measurement Period	July 1, 2021 to June 30, 2022	July 1, 2020 to June 30, 2021

Q. Net Position

The Statement of Net Position is designed to display the financial position of CVSan. CVSan's net position is classified into three categories as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position, as applicable.

Restricted – This component of net position consists of constraints placed on an asset's use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law and regulations of other governments, and reduced by liabilities and deferred inflows of resources related to those assets. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation. Restricted net position includes funds for Measure D projects.

Unrestricted – This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

R. Budgets and Budgetary Accounting

CVSan adopts a two-year budget at the beginning of every other fiscal year. CVSan reviews the budget annually and amends it as necessary. CVSan's General Manager is authorized to transfer any unencumbered appropriation from one line-item account to another within the same Operation and Maintenance (O&M) account. Any additional appropriations or amendments require approval by the Board of Directors. CVSan's mission statement, vision statement, and strategic goal are included in the budget. The budget is given to each Board of Director and staff to be used as a planning tool for the actions to be pursued in the upcoming two years. It is intended to provide both philosophical and financial controls by providing descriptive and numerical parameters.

**CASTRO VALLEY SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

T. Reclassifications

Certain accounts in prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

U. Implementation of Government Accounting Standards Board Statements

Effective July 1, 2022, the District implemented the following accounting and financial reporting standards:

Government Accounting Standards Board Statement No. 91

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

Government Accounting Standards Board Statement No. 94

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital assets (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. There was no significant financial impact to the District as a result of implementation.

Government Accounting Standards Board Statement No. 96

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments, defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding liability, provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and requires note disclosures regarding a SBITA. There was no significant financial impact to the District as a result of implementation.

**CASTRO VALLEY SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2023 or later and may be applicable for the District. However, the District has not determined the effects, if any, on the financial statements.

Governmental Accounting Standards Board Statement No. 99

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for guarantees. The requirements of this statement related to leases, PPPs and SBITAs are effective for the District's fiscal year ending June 30, 2023 and the requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for the District's fiscal year ending June 30, 2024.

Governmental Accounting Standards Board Statement No. 100

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for the District's fiscal year ending June 30, 2024.

Governmental Accounting Standards Board Statement No. 101

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and amending certain previously required disclosures. The requirements of this statement are effective for the District's fiscal year ending June 30, 2025.

NOTE 2: CASH AND INVESTMENTS

Cash and investments were carried at fair value as of June 30, 2023 and 2022 and consisted of the following:

	<u>2023</u>	<u>2022</u>
Cash Deposits:		
Cash on hand	\$ 784	\$ 784
Cash in banks	5,142,448	4,518,656
Cash held by bond trustee	692	692
Cash held by Alameda County	<u>93,577</u>	<u>92,487</u>
Total cash	<u>5,237,501</u>	<u>4,612,619</u>
Investments:		
Certificates of deposit	1,386,018	1,446,082
CalTrust	7,445,635	7,387,679
LAIF	<u>15,084,277</u>	<u>16,019,541</u>
Total investments	<u>23,915,930</u>	<u>24,853,302</u>
Total cash and investments	<u>\$ 29,153,431</u>	<u>\$ 29,465,921</u>

**CASTRO VALLEY SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

A. Cash Deposits

Bank balances are insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation ("FDIC"). The actual bank statement balance of CVSan's cash in bank exceeded the insured limit by \$5,402,734 and \$4,268,656 as of June 30, 2023 and 2022, respectively. The difference between the book balance and the bank statement balance was related to outstanding checks. CVSan has waived collateral requirements for cash deposits which are fully insured by FDIC.

B. Authorized Investments

Under the provisions of CVSan's investment policy, and in accordance with California Government Code, the following investments are authorized:

- The cash pool of the Alameda County Treasurer's Office.
- The Local Agency Investment Fund (LAIF) of the State of California.
- The investment trust of California (CalTRUST).
- The California Employers' Pension Prefunding Trust (CEPPT), a section 115 trust fund.
- The California Employers' Retiree Benefit Trust (CERBT) Fund, a section 115 trust fund,
- Assets collected by and/or in transition from the Alameda County Treasurer's Office or from other sources of revenue such as capacity and other fees, may be held in an interest-bearing account at an authorized servicing bank for up to sixty (60) days pending transfer to the Local Agency Investment Fund, CalTRUST, or for use satisfying the accounts payable on behalf of CVSan.
- U.S. Treasury Obligations, which carry the full faith and credit guarantee of the United States Government and are considered to be the most secure instruments available.
- Certificates of deposit and other evidences of deposit at financial institutions with Federal Deposit Insurance Corporation (FDIC) guidelines.

C. Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. CVSan's investments in certificates of deposit and LAIF are not rated. The fair value of CVSan's assets held in LAIF is materially equivalent to the value of the pool shares. CalTrust is rated AA-f.

D. Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, CVSan's deposits may not be returned to it. CVSan does not have a written policy for custodial credit risk over deposits. The custodial credit risk for investments is the risk that in the event of a failure of the counter party (e.g. broker-dealer) to a transaction, CVSan will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. Certificates of deposits are insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation ("FDIC"). CVSan's certificates of deposits exceeded the insured limit by \$450,548 and \$236,140 as of June 30, 2023 and 2022, respectively.

**CASTRO VALLEY SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

E. Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements are as follows at June 30, 2023:

<u>Investment Type</u>	<u>Measurement Focus</u>	<u>Credit Rating</u>	<u>June 30, 2023 Fair Value</u>	<u>Remaining Maturity</u>	
				<u>1 year or less</u>	<u>1-5 years</u>
Certificates of deposit	Level 2	N/A	\$ 1,386,018	\$ -	\$ 1,386,018
CalTrust	Level 1	AA-f	7,445,635	7,445,635	-
LAIF	Uncategorized	N/A	<u>15,084,277</u>	<u>15,084,277</u>	<u>-</u>
Total			<u>\$ 23,915,930</u>	<u>\$ 22,529,912</u>	<u>\$ 1,386,018</u>

Investments' fair value measurements are as follows at June 30, 2022:

<u>Investment Type</u>	<u>Measurement Focus</u>	<u>Credit Rating</u>	<u>June 30, 2022 Fair Value</u>	<u>Remaining Maturity</u>	
				<u>1 year or less</u>	<u>1-5 years</u>
Certificates of deposit	Level 2	N/A	\$ 1,446,082	\$ -	\$ 1,446,082
CalTrust	Level 1	AA-f	7,387,679	7,387,679	-
LAIF	Uncategorized	N/A	<u>16,019,541</u>	<u>16,019,541</u>	<u>-</u>
Total			<u>\$ 24,853,302</u>	<u>\$ 23,407,220</u>	<u>\$ 1,446,082</u>

F. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. CVSan's policy is to manage its exposure to interest rate risk by investing its cash in certificates of deposit, CalTRUST, and LAIF. These pools are externally managed to minimize the sensitivity of investments to interest rate risk by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so a portion of their portfolios are maturing or coming close to maturity to ensure the cash flow and liquidity of operations. This information is included in the table above.

**CASTRO VALLEY SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

G. Local Agency Investment Fund

CVSan participates in an investment pool managed by the State of California known as the Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in structured notes and asset-backed securities, defined as follows:

- Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.
- LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, the structured notes and asset-backed securities are subject to market risk as to change in interest rates.

LAIF allows local agencies such as CVSan to participate in a Pooled Money Investment Account managed by the State Treasurers Office and overseen by the Pooled Money Investment Board and State Treasurer investment committee. A Local Agency Investment Advisory Board oversees LAIF. The investments with LAIF are not classified for credit risk due to their diverse nature and are stated at cost, which approximates fair value.

H. Cash with Alameda County

The County's investment pool operates in accordance with appropriate state laws and regulations. The fair value of CVSan's position in the pool is not the same as the value of the pooled shares. The method used to determine the value of participants' equity withdrawn is based on the book value, amortized cost plus accrued interest, multiplied by CVSan's percentage at the date of such withdrawal. County deposits are not required to be categorized or rated under state law. State statutes authorize counties to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

I. Concentration of Credit Risk

The investment policy of the District limits the amount of cash that can be invested in any one issuer to the lessor of the amount stipulated by the California Government Code, or the limits in their investment policy. There were no investments in any one issuer that represented five percent or more of the total investments as of June 30, 2023 and 2022.

**CASTRO VALLEY SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>June 30, 2023</u>
Capital assets not being depreciated				
Land	\$ 1,850,887	\$ -	\$ -	\$ 1,850,887
Construction in progress	<u>6,684,568</u>	<u>2,341,258</u>	<u>(62,648)</u>	<u>8,963,178</u>
Total capital assets not being depreciated	<u>8,535,455</u>	<u>2,341,258</u>	<u>(62,648)</u>	<u>10,814,065</u>
Capital assets being depreciated				
Subsurface Lines	24,041,014	23,000	-	24,064,014
Wastewater collection facilities	9,073,182	-	-	9,073,182
Wastewater treatment facilities	28,612,975	213,499	62,648	28,889,122
General plant/admin facilities	5,272,877	2,719,232	-	7,992,109
Right-of-use asset	<u>134,038</u>	<u>-</u>	<u>-</u>	<u>134,038</u>
Total capital assets being depreciated	<u>67,134,086</u>	<u>2,955,731</u>	<u>62,648</u>	<u>70,152,465</u>
Less: accumulated depreciation				
Subsurface Lines	(7,494,845)	(387,357)	-	(7,882,202)
Wastewater collection facilities	(3,062,344)	(286,851)	-	(3,349,195)
Wastewater treatment facilities	(17,302,435)	(1,163,240)	-	(18,465,675)
General plant/admin facilities	(2,919,847)	(166,658)	-	(3,086,505)
Right-of-use asset	<u>(33,218)</u>	<u>(66,794)</u>	<u>-</u>	<u>(100,012)</u>
Total accumulated depreciation	<u>(30,812,689)</u>	<u>(2,070,900)</u>	<u>-</u>	<u>(32,883,589)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 44,856,852</u>	<u>\$ 3,226,089</u>	<u>\$ -</u>	<u>\$ 48,082,941</u>

**CASTRO VALLEY SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 3: CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended June 30, 2022 was as follows:

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>June 30, 2022</u>
Capital assets not being depreciated				
Land	\$ 1,850,887	\$ -	\$ -	\$ 1,850,887
Construction in progress	<u>5,292,020</u>	<u>1,923,134</u>	<u>(530,586)</u>	<u>6,684,568</u>
Total capital assets not being depreciated	<u>7,142,907</u>	<u>1,923,134</u>	<u>(530,586)</u>	<u>8,535,455</u>
Capital assets being depreciated				
Subsurface Lines	21,983,352	28,800	2,028,862	24,041,014
Wastewater collection facilities	9,073,182	-	-	9,073,182
Wastewater treatment facilities	30,076,018	-	(1,463,043)	28,612,975
General plant/admin facilities	4,538,296	734,581	-	5,272,877
Right-of-use asset	<u>-</u>	<u>134,038</u>	<u>-</u>	<u>134,038</u>
Total capital assets being depreciated	<u>65,670,848</u>	<u>897,419</u>	<u>565,819</u>	<u>67,134,086</u>
Less: accumulated depreciation				
Subsurface Lines	(7,108,159)	(386,686)	-	(7,494,845)
Wastewater collection facilities	(2,775,493)	(286,851)	-	(3,062,344)
Wastewater treatment facilities	(16,090,751)	(1,199,657)	(12,027)	(17,302,435)
General plant/admin facilities	(2,688,640)	(231,207)	-	(2,919,847)
Right-of-use asset	<u>-</u>	<u>(33,218)</u>	<u>-</u>	<u>(33,218)</u>
Total accumulated depreciation	<u>(28,663,043)</u>	<u>(2,137,619)</u>	<u>(12,027)</u>	<u>(30,812,689)</u>
Capital assets, net of accumulated depreciation	<u>\$ 44,150,712</u>	<u>\$ 682,934</u>	<u>\$ 23,206</u>	<u>\$ 44,856,852</u>

Depreciation and amortization expense for the years ended June 30, 2023 and 2022 totaled \$2,070,900 and \$2,137,619, respectively.

**CASTRO VALLEY SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 4: EQUITY IN EAST BAY DISCHARGES AUTHORITY - JOINT POWERS

CVSan is one of five members of a Joint Powers Authority, the East Bay Dischargers Authority (EBDA), which constructed and operates an export pumping facility through which all treated effluent in the area is discharged to the San Francisco Bay. The participating agencies share percentages of the EBDA joint facilities are as follows:

Castro Valley Sanitary District	10.30%
Oro Loma Sanitary District	19.14%
City of San Leandro	13.74%
City of Hayward	14.72%
Union Sanitary District	42.10%

The assets of EBDA are primarily the costs of the property, plant, and equipment, which are used to discharge the wastewater. Over \$40 million dollars of the construction costs and planning related thereto were funded by Federal and State sources primarily as follows: 75% by the U.S. Environmental Protection Agency (EPA), and 12.5% by the State Water Resources Control Board (SWRCB). The remaining 12.5% was funded by other sources. EBDA's operations and maintenance programs are funded principally by the member agencies and certain other local participants.

Legal title and all pertinent grant documents and conditions for joint-use facilities remain with EBDA. Each agency owns a portion of the joint facilities used by it (including the portions funded by Federal and State grants), equal to its percentage of project costs, as defined by the Joint Exercise of Powers Agreement. Since CVSan has the ability to exercise influence over the operations and financial policies of EBDA, and the EBDA facilities are an integral part of the wastewater processing benefiting all participant agencies, CVSan's share of EBDA's net position is reflected using the equity method. The financial statements of EBDA are available upon request from: East Bay Dischargers Authority, 2651 Grant Avenue, San Lorenzo, CA 94580. The following summarizes EBDA's financial information as of June 30, 2022 and June 30, 2021, the most recent information available:

	<u>2022</u>	<u>2021</u>
Total Beginning Net Position	\$ 28,248,914	\$ 31,146,310
Prior period adjustments	(420,000)	114,277
Net income (loss) before depreciation	1,426,318	(2,083,327)
Depreciation	<u>(919,901)</u>	<u>(928,346)</u>
(Decrease) Increase in net position	<u>86,417</u>	<u>(2,897,396)</u>
Total Ending Net Position	\$ <u>28,335,331</u>	\$ <u>28,248,914</u>
Comprised of:		
Total assets and deferred outflows of resources	\$ 30,208,384	\$ 30,314,935
Total liabilities and deferred inflows of resources	<u>(1,873,053)</u>	<u>(2,066,021)</u>
Total Ending Net Position	\$ <u>28,335,331</u>	\$ <u>28,248,914</u>

CVSan's 10.30% equity interest in EBDA for the years ended June 30, 2023 and 2022 is based on EBDA's June 30, 2022 and June 30, 2021 audited financial statements, respectively, as follows:

	<u>2023</u>	<u>2022</u>
Beginning equity in EBDA	\$ 2,909,638	\$ 3,237,740
Increase (decrease) in equity	<u>8,901</u>	<u>(328,102)</u>
Ending equity in EBDA	\$ <u>2,918,539</u>	\$ <u>2,909,638</u>

**CASTRO VALLEY SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 5: COMPENSATED ABSENCES

Summary changes to compensated absences balances for the year ended June 30, 2023, were as follows:

	<u>Balance at July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2023</u>	<u>Current Portion</u>	<u>Noncurrent Portion</u>
Compensated Absences	\$ <u>275,215</u>	\$ <u>195,693</u>	\$ <u>(213,250)</u>	\$ <u>257,658</u>	\$ <u>128,829</u>	\$ <u>128,829</u>

Summary changes to compensated absences balances for the year ended June 30, 2022, were as follows:

	<u>Balance at July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2022</u>	<u>Current Portion</u>	<u>Noncurrent Portion</u>
Compensated Absences	\$ <u>291,137</u>	\$ <u>190,305</u>	\$ <u>(206,227)</u>	\$ <u>275,215</u>	\$ <u>137,608</u>	\$ <u>137,607</u>

NOTE 6: LONG-TERM LIABILITIES

Summary changes to long-term liabilities balances for the year ended June 30, 2023, were as follows:

	<u>Balance at July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2023</u>	<u>Current Portion</u>
2018 Revenue Bond	\$ 7,195,000	\$ -	\$ (170,000)	\$ 7,025,000	\$ 175,000
Premium - 2018 Revenue Bond	19,005	-	(731)	18,274	731
Clean Water Revolving Fund Loan	2,611,939	-	(208,163)	2,403,776	213,575
ACI Obligation	220,000	-	(120,000)	100,000	100,000
Lease liability	<u>101,813</u>	<u>-</u>	<u>(66,640)</u>	<u>35,173</u>	<u>34,780</u>
Total long-term liabilities	\$ <u>10,147,757</u>	\$ <u>-</u>	\$ <u>(565,534)</u>	\$ <u>9,582,223</u>	\$ <u>524,086</u>

Summary changes to long-term liabilities balances for the year ended June 30, 2022, were as follows:

	<u>Balance at July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2022</u>	<u>Current Portion</u>
2018 Revenue Bond	\$ 7,365,000	\$ -	\$ (170,000)	\$ 7,195,000	\$ 170,000
Premium - 2018 Revenue Bond	21,198	-	(2,193)	19,005	731
Clean Water Revolving Fund Loan	2,814,827	-	(202,888)	2,611,939	208,163
ACI Obligation	-	300,000	(80,000)	220,000	120,000
Lease liability	<u>-</u>	<u>134,038</u>	<u>(32,225)</u>	<u>101,813</u>	<u>66,640</u>
Total long-term liabilities	\$ <u>10,201,025</u>	\$ <u>434,038</u>	\$ <u>(487,306)</u>	\$ <u>10,147,757</u>	\$ <u>565,534</u>

**CASTRO VALLEY SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

A description of the long-term liabilities is as follows:

2018 Revenue Bonds

During fiscal year 2019, CVSan issued \$7.715 million in revenue bonds at a premium of \$21,929. The bond proceeds will be used to finance capital improvements to the District's wastewater system and will mature on October 1, 2048, bearing interest from 2 to 4%. The issuance included \$5.45 million in serial bonds and \$2.265 million in term bonds which is due on the final maturity date.

The following summarizes the revenue bonds' future debt service requirements:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 175,000	\$ 254,300	\$ 429,300
2025	180,000	249,850	429,850
2026	185,000	244,376	429,376
2027	190,000	238,750	428,750
2028	195,000	232,976	427,976
2029-2033	1,065,000	1,070,408	2,135,408
2034-2038	1,255,000	873,924	2,128,924
2039-2043	1,515,000	609,100	2,124,100
2044-2048	1,850,000	274,000	2,124,000
2049	<u>415,000</u>	<u>8,300</u>	<u>423,300</u>
Total	<u>\$ 7,025,000</u>	<u>\$ 4,055,984</u>	<u>\$ 11,080,984</u>

Clean Water Revolving Loan Fund

On February 15, 2011, CVSan entered into a Project Finance Agreement with the State of California Water Resources Control Board to finance CVSan's Master Plan, Priority 2, Phase 1, Sewer Improvement and Streetscape Trunk Sewer Project. The loan was provided by the Clean Water State Revolving Fund with a maximum financing amount of \$4,283,130. The loan matures through January 7, 2033 and bears an interest of 2.6%. Annual principal and interest payments commenced on January 7, 2014.

The following summarizes the Clean Water Revolving Loan future debt service requirements:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 213,575	\$ 38,460	\$ 252,035
2025	219,128	35,043	254,171
2026	224,826	31,537	256,363
2027	230,671	27,940	258,611
2028	236,669	24,249	260,918
2029-2033	<u>1,278,907</u>	<u>62,437</u>	<u>1,341,344</u>
Total	<u>\$ 2,403,776</u>	<u>\$ 219,666</u>	<u>\$ 2,623,442</u>

**CASTRO VALLEY SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

ACI Obligation

As part of a franchise agreement dated June 2018 between CVSan and Alameda County Industries, the District shall pay deferred compensation from the first rate period equal to \$300,000 by April 2024. The future repayment schedule for the deferred compensation is as follows:

Fiscal Year	Total
2024	\$ <u>100,000</u>
Total	\$ <u><u>100,000</u></u>

Lease Liability

In July 2021, CVSan entered into an office space lease that has been extended to December 31, 2023. The District is required to make monthly payments of \$5,614 through December 2022 and \$5,782 through December 2023. The value of the right-to-use asset as of June 30, 2023 totaled \$33,218 with accumulated amortization of \$99,653. The right-of-use asset is included in the capital asset schedule. The value of the lease liability as of June 30, 2023 totaled \$34,391.

CVSan has a lease for office equipment and is paying monthly payments through August 2025. The value of the right-to-use asset as of June 30, 2023 totaled \$808. The right-of-use asset is included in the capital asset schedule. The value of the lease liability as of June 30, 2023 totaled \$782.

The following summarizes the leases' future debt service requirements:

Fiscal Year	Principal	Interest	Total
2024	\$ 34,780	\$ 308	\$ 35,088
2025	<u>393</u>	<u>2</u>	<u>395</u>
Total	\$ <u><u>35,173</u></u>	\$ <u><u>310</u></u>	\$ <u><u>35,483</u></u>

NOTE 7: DEFINED PENSION BENEFIT PLAN

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors three plans (all miscellaneous). Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**CASTRO VALLEY SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 7: PENSION PLAN (CONTINUED)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 55 with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after 10 years of service. The death benefit is the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect during the years ended June 30, 2023 and June 30, 2022 are summarized as follows:

	<u>Miscellaneous Plan</u>		
	<u>Tier 1</u>	<u>Tier 2</u>	<u>PEPRA</u>
Benefit Formula	2.7% at 55	2.0% at 55	2.0% at 62
Full/Modified	Full	Full	Full
Benefit Vesting Schedule	Five Years	Five Years	Five Years
Benefit Payments	Monthly for Life	Monthly for Life	Monthly for Life
Retirement Age	55	55	62
Monthly Benefits, as a % of Eligible Compensation	2.0% - 2.7%	2.00%	2.00%
Required Employee Contribution Rates	7.00%	7.00%	6.75%
Required Employer Contribution Rates (June 30, 2023)	15.49%	11.91%	7.47%
Required UAL Contributions (June 30, 2023)	\$269,712	\$2,151	\$3,226

Contributions

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. CVSan is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District's contributions to the Plan for the years ended June 30, 2023 and 2022 were \$564,204 and \$519,973, respectively.

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

As of June 30, 2023 and 2022, the District reported a net pension liability of \$3,694,929 and \$1,720,620, respectively for its proportionate share of the net pension liability of the Plan.

CVSan's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 using standard update procedures. CVSan's proportion of the net pension liability was based on a projection of CVSan's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

**CASTRO VALLEY SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 7: PENSION PLAN (CONTINUED)

	<u>Miscellaneous</u>
Proportion - June 30, 2021	0.03181 %
Proportion - June 30, 2022	<u>0.03199 %</u>
Change	<u>0.00018 %</u>

For the years ended June 30, 2023 and 2022, the District recognized pension expense of \$368,749 and \$738,641, respectively, which included a cost-share of the employee required contribution paid by the employer.

At June 30, 2023 and 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2023</u>		<u>2022</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 378,623	\$ -	\$ -	\$ -
Differences between expected and actual experience	74,204	49,695	192,949	-
Differences between projected and actual earnings	676,813	-	-	1,502,010
Differences in employer's contributions and proportionate share of contributions	7,421	43,965	11,787	4,873
Change in employer's proportion	35,833	59,950	85,181	-
Pension contributions made subsequent to measurement date	<u>564,204</u>	<u>-</u>	<u>519,973</u>	<u>-</u>
Total	<u>\$ 1,737,098</u>	<u>\$ 153,610</u>	<u>\$ 809,890</u>	<u>\$ 1,506,883</u>

\$564,204 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2023	\$ 275,689
2024	218,627
2025	111,001
2026	<u>413,967</u>
Total	<u>\$ 1,019,284</u>

**CASTRO VALLEY SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 7: PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liabilities in the actuarial valuations were determined using the following actuarial assumptions:

	<u>2023</u>	<u>2022</u>
Valuation Date	June 30, 2021	June 30, 2020
Measurement Date	June 30, 2022	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	6.90%	7.15%
Inflation	2.30%	2.50%
Salary Increases	Varies by entry age and service	Varies by entry age and service
Investment Rate of Return	6.90% net of pension plan investment expenses; includes inflation	7.15% net of pension plan investment expenses; includes inflation
Mortality (1)	Derived using CalPERS membership data for all funds	Derived using CalPERS membership data for all funds

(1) The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2000 to 2019. Pre-retirement and Post-retirement mortality tables include 15 years of projected mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2021 that can be found on the CalPERS website.

Changes in Assumptions

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

Discount Rate

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

Long-term Expected Rate of Return

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

**CASTRO VALLEY SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 7: 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 (PERF) cash flows. Using historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11 - 60 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 PERF fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects long-term expected real rates of return by asset class.

Asset Class	Assumed Asset Allocation	Real Return Years 1-10 (a)(b)
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%

(a) An expected inflation of 2.30% used for this period.

(b) Figures are based on the 2021 - 2022 Asset Liability Management study.

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

The following presents the CVSan's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the CVSan's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	2023	2022
1% Decrease Net Pension Liability	5.90 % \$ 5,717,757	6.15 % \$ 3,477,212
Current Discount Rate Net Pension Liability	6.90 % \$ 3,694,929	7.15 % \$ 1,720,620
1% Increase Net Pension Liability	7.90 % \$ 2,030,643	8.15 % \$ 268,469

**CASTRO VALLEY SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 7: PENSION PLAN (CONTINUED)

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports on the CalPERS website.

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (OPEB)

Description of the Plan

CVSan provides offers a single-employer defined-benefit postemployment healthcare benefits plan (the OPEB plan) to all retired employees and their spouses providing the employee is eligible to receive retirement benefits from CalPERS. Such obligation is set forth in a Memorandums of Understanding between the Board of Directors and employees of CVSan. CVSan contracts with CalPERS to administer its retiree health benefits plan and to provide an investment vehicle, the California Employees' Retiree Benefit Trust Fund (CERBT), to prefund future OPEB costs. CVSan chooses from a menu of benefit provisions and adopts certain benefit provisions by Board policy. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. By participating in CERBT, CVSan is also obligated to follow the actuarial assumptions established by the CalPERS Board of Administration. CalPERS issues a Comprehensive Annual Financial Report for the retirement plans. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, CA, 95814.

Benefits Provided

The District provides post-retirement benefits to eligible employees as follows:

Benefits types provided	Medical only
Duration of benefits	Lifetime
Required service	10 years*
Minimum age	50
Dependent coverage	None**
District contribution %	50% of employer contribution at 10 years of service, increasing 5% per additional year to 100% at 20 years of service*
District Cap	Based on 2011 baseline

*Hired prior to 3/1/08 requires only retirement in CalPERS. Hired on or after 3/1/08 pursuant to Government Code section 22893.

**Hired prior to 3/1/08 may cover dependents.

**CASTRO VALLEY SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Employees Covered

At June 30, 2021 (the measurement period), the benefit terms covered the following employees:

	<u>Number of Covered Participants</u>
Inactives currently receiving benefits	11
Active employees	24
Total	35

Contributions

The contribution requirements of plan members and the District are established and may be amended by the Board of Directors. For the years ended June 30, 2023 and 2022, the District paid on behalf of its retirees \$73,243 and \$79,473, respectively.

Actuarial Assumptions

The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

Year-End Reporting Date	June 30, 2023	June 30, 2022
Actuarial Valuation Date	June 30, 2021	June 30, 2021
Measurement Date	June 30, 2022	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Amortization Period	20 years	20 years
Asset Valuation Method	Level percentage of payroll, closed	Level percentage of payroll, closed
Discount Rate	6.75%	6.75%
Rate of Return on Investments	6.75%, net of expenses, including inflation	6.75%, net of expenses, including inflation
General Inflation	2.50%	2.75%
Mortality	2017 CalPERS Mortality for Miscellaneous Employees	2017 CalPERS Mortality for Miscellaneous Employees
Retirement	Rx PA Misc 2.7% at 55 Rx PA Misc 2% at 55 Rx PA Misc 2.% at 62	Rx PA Misc 2.7% at 55 Rx PA Misc 2% at 55 Rx PA Misc 2.% at 60
Salary Increases	2.75%	2.75%
Medical Trend	4.00%	4.00%
Healthcare Participation	100%	100%

Changes in Assumptions

For the measurement period ending June 30, 2022, the inflation rate changed from 2.75% to 2.50%.

**CASTRO VALLEY SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Discount Rate

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 OPEB payments. Therefore, the discount rate was set to be equal to the long-term expected rate of return which was applied to all periods of projected benefit payments to determine the total OPEB liability.

Long-Term Expected Rate of Return

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

<u>Asset Class Component</u>	Target Allocation * CERBT - Strategy 1	Expected Real Rate of Return
Global Equity	59%	7.54%
Fixed Income	25%	4.25%
Treasury Inflation Protected Securities	5%	3.00%
Commodities	3%	7.54%
Real Estate Investment Trusts	8%	7.25%

Net OPEB Liability

Changes in the net OPEB liability during the fiscal year ending June 30, 2023 was as follows:

	<u>Total OPEB Liability</u>	<u>Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at July 1, 2022	\$ <u>1,967,218</u>	\$ <u>1,256,052</u>	\$ <u>711,166</u>
Changes recognized for the measurement period:			
Service cost	77,808	-	77,808
Interest	132,610	(168,140)	300,750
Actual vs. expected experience	(3,588)	-	(3,588)
Contributions - employer	-	79,473	(79,473)
Benefit payments	(79,473)	(79,473)	-
Administrative expenses	-	(318)	318
Net changes	<u>127,357</u>	<u>(168,458)</u>	<u>295,815</u>
Balance at June 30, 2023	<u>\$ 2,094,575</u>	<u>\$ 1,087,594</u>	<u>\$ 1,006,981</u>

**CASTRO VALLEY SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Changes in the net OPEB liability during the fiscal year ending June 30, 2022 was as follows:

	<u>Total OPEB Liability</u>	<u>Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at July 1, 2021	\$ <u>1,887,293</u>	\$ <u>985,477</u>	\$ <u>901,816</u>
Changes recognized for the measurement period:			
Service cost	48,408	-	48,408
Interest	133,805	270,948	(137,143)
Actual vs. expected experience	(54,240)	-	(54,240)
Investment income	49,411	-	49,411
Contributions - employer	-	97,459	(97,459)
Benefit payments	(97,459)	(97,459)	-
Administrative expenses	<u>-</u>	<u>(373)</u>	<u>373</u>
Net changes	<u>79,925</u>	<u>270,575</u>	<u>(190,650)</u>
Balance at June 30, 2022	\$ <u><u>1,967,218</u></u>	\$ <u><u>1,256,052</u></u>	\$ <u><u>711,166</u></u>

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

The following table presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

<u>Measurement Period June 30, 2022</u>	<u>Discount Rate -1% (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>Discount Rate +1% (7.75%)</u>
Net OPEB Liability	\$ <u>1,295,371</u>	\$ <u>1,006,981</u>	\$ <u>769,401</u>
<u>Measurement Period June 30, 2021</u>	<u>Discount Rate -1% (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>Discount Rate +1% (7.75%)</u>
Net OPEB Liability	\$ <u>982,491</u>	\$ <u>711,166</u>	\$ <u>487,665</u>

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

The net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rate.

<u>Measurement Period June 30, 2022</u>	<u>1% Decrease (3.00%)</u>	<u>Current Trend (4.00%)</u>	<u>1% Increase (5.00%)</u>
Net OPEB Liability	\$ <u>708,554</u>	\$ <u>1,006,981</u>	\$ <u>1,382,147</u>
<u>Measurement Period June 30, 2021</u>	<u>1% Decrease (3.00%)</u>	<u>Current Trend (4.00%)</u>	<u>1% Increase (5.00%)</u>
Net OPEB Liability	\$ <u>487,665</u>	\$ <u>711,166</u>	\$ <u>1,042,134</u>

**CASTRO VALLEY SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Deferred Outflows/Inflows of Resources Related to OPEB

The District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2023</u>		<u>2022</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to the measurement date	\$ 73,243	\$ -	\$ 79,473	\$ -
Difference between expected and actual experience	-	284,272	-	305,657
Changes in assumptions	42,036	-	45,723	-
Net differences between projected and actual earnings on plan investments	<u>96,827</u>	<u>-</u>	<u>24,214</u>	<u>162,364</u>
Total	<u>\$ 212,106</u>	<u>\$ 284,272</u>	<u>\$ 149,410</u>	<u>\$ 468,021</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$73,243 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ended June 30, 2024. Amounts reported as deferred outflows/inflows of resources will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	
2024	\$ (2,567)
2025	(3,945)
2026	(11,096)
2027	29,296
2028	(21,285)
Thereafter	<u>(135,812)</u>
Total	<u>\$ (145,409)</u>

OPEB Expense

The following summarizes the OPEB expense by source during the years ended June 30,:

	<u>2023</u>	<u>2022</u>
Service cost	\$ 77,808	\$ 48,408
Interest in TOL	132,610	133,805
Expected investment income	(84,773)	(68,970)
Difference between expected and actual experience	(24,973)	(24,705)
Differences between projected and actual earnings	21,624	(28,959)
Administrative expenses	<u>318</u>	<u>373</u>
Total	<u>\$ 122,614</u>	<u>\$ 59,952</u>

**CASTRO VALLEY SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 9: DEFERRED COMPENSATION SAVINGS PLAN

CVSan offers eligible employees the opportunity of contributing to a supplemental savings plan for retirement on a tax-deferred basis. The Plan is established and administered through CalPERS under the Internal Revenue Code 457. CVSan also matches employee contributions after successful completion of their probationary period based on the following maximum levels; for the first through second year of regular service to CVSan, \$800 per year; during the third and fourth year, \$1,600 per year and after the fourth year of regular service to CVSan, \$2,400 per year.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors.

NOTE 10: RISK MANAGEMENT

CVSan is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions' injuries to employees' and natural disaster. CVSan joined together with other entities to form the California Sanitation Risk Management Authority (CSRMA), a public entity risk pool currently operating as a common risk management and insurance program for 60 member entities. The purpose of CSRMA is to spread the adverse effects of losses among the member entities and to purchase excess insurance as a group, thereby reducing its cost. CVSan pays annual premiums to CSRMA for its pooled liability, property damage, and workers' compensation programs. Audited financial statements of CSRMA are available at the Authority's office.

As of June 30, 2023, CVSan had purchased the following insurance coverage through the CSRMA:

<u>Type of Coverage (Deductible)</u>	<u>Total Coverage</u>
General liability (\$5,000)	\$ 3,000,000
Public officials/management (\$1,000)	3,000,000
Auto liability (each incident)	1,000,000
Excess liability	4,000,000
Special form property damage (\$5,000)	4,441,685
Pollution damage	25,000,000
Privacy 101 (\$2,500)	1,000,000
Master Crime (\$2,500)	2,000,000
Identity theft	25,000
Cyber liability coverage	2,000,000
Employee dishonesty bond (\$1,000)	100,000
Workers' compensation	750,000
Excess Workers' compensation	1,000,000
Auto physical damage policy	382,693

In the last five years, CVSan did not have any claims exceeding the insurance coverage. Therefore, no claim liabilities were recorded.

NOTE 11: REFUSE COLLECTION REVENUE AND ALTAMONT LANDFILL CLOSURE

CVSan uses a single contractor for the collection of solid waste refuse (garbage) generated in CVSan's service area. The same contractor owns and operates the Altamont Sanitary Landfill where CVSan's solid waste refuse is disposed. Due to changing regulatory requirements imposed on landfill operators, a number of issues remain outstanding between CVSan and the contractor. Those issues pertain to long-term environmental health and safety concerns resulting from landfill closure and post-closure.

CVSan believes any costs associated with the landfill closure should be borne by the contractor and operator of the landfill. Further, CVSan has not agreed to any liability whatsoever.

**CASTRO VALLEY SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 11: REFUSE COLLECTION REVENUE AND ALTAMONT LANDFILL CLOSURE (CONTINUED)

Beginning January 1, 1993, by mutual agreement, in recognition of the contractor's ultimate landfill closure responsibilities, a trust account under joint control by CVSan and the contractor was established. The amounts deposited to this account are currently recovered through CVSan's refuse rate structure. Starting January 1, 1993, the contractor deposited funds to this account at a rate of \$1.66 per ton landfilled at Altamont. During fiscal 1997/1998, the rate was changed to \$0.72 per ton, which covered the estimated cost per ton placed in the landfill. The account is carried on the contractor's books and is not included in CVSan's financial statements. CVSan's contractor represents that the \$0.72 collected covers the closure/post-closure cost per ton disposed plus a portion of the historical cost due for tonnage disposal prior to January 1, 1993.

NOTE 12: CONTINGENCIES

Litigation

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

NOTE 13: SUBSEQUENT EVENTS

In September 2023, the District issued \$12,997,115 of California Public Finance Authority (CalPFA) 2023 Revenue Bonds. The 2023 bonds are being issued to complete the Operations & Engineering (O&E) Building Project. Interest on the 2023 bonds is payable semi-annually on April 1 and October 1 of each year, beginning October 1, 2023. The bonds mature in April 2053.

Subsequent events have been evaluated through February 5, 2024, which is the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

**CASTRO VALLEY SANITARY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2023
LAST 10 YEARS***

	Measurement Period									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	
Proportion of the net pension liability	0.03199 %	0.03181 %	0.02842 %	0.02767 %	0.02683 %	0.02659 %	0.02629 %	0.02389 %	0.02221 %	
Proportionate share of the net pension liability	\$ 3,694,929	\$ 1,720,620	\$ 3,092,005	\$ 2,834,988	\$ 2,585,238	\$ 2,636,915	\$ 2,274,727	\$ 1,639,536	\$ 1,382,154	
Covered payroll	\$ 2,415,865	\$ 2,324,961	\$ 2,166,166	\$ 2,085,038	\$ 1,952,683	\$ 1,799,180	\$ 1,705,008	\$ 1,571,624	\$ 1,494,757	
Proportionate share of the net pension liability as a percentage of covered payroll	152.94 %	74.01 %	142.74 %	135.97 %	132.39 %	146.56 %	133.41 %	104.32 %	92.47 %	
Plan fiduciary net position as a percentage of the total pension liability	76.70 %	88.30 %	75.10 %	75.26 %	75.30 %	73.31 %	74.06 %	78.40 %	79.82 %	

Notes to Schedule:

Benefit changes: In 2015, benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

Changes in assumptions: In November 2021, the CalPERS Board of Administration adopted new investment portfolios as well as several changes to actuarial assumptions. For PERF C, these changes were implemented in the June 30, 2021, actuarial valuations for funding purposes. Included in these changes were assumptions for inflation, the discount rate, and administrative expenses, as well as demographic assumptions including changes to mortality rates. The inflation assumption was reduced from 2.50 percent to 2.3 percent, the administrative expense assumption was reduced from 0.15 percent to 0.10 percent, and the discount rate was reduced from 7.00 percent to 6.80 percent. As a result, for financial reporting purposes, the discount rate for the PERF C was lowered from 7.15 percent to 6.90 percent in Fiscal Year 2021-22. In 2021, 2020 and 2019, there were no changes. In 2018, the demographic assumptions and inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

*Schedule is intended to show information for ten years. Fiscal year 2015 was the first year of implementation, therefore only nine years are shown. Additional years' information will be displayed as it becomes available.

**CASTRO VALLEY SANITARY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN
AS OF JUNE 30, 2023
LAST 10 YEARS***

	Fiscal Year-End								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 564,204	\$ 519,973	\$ 471,761	\$ 410,077	\$ 360,658	\$ 322,826	\$ 336,238	\$ 314,049	\$ 379,511
Contributions in relation to the actuarially determined contributions	<u>(564,204)</u>	<u>(519,973)</u>	<u>(471,761)</u>	<u>(410,077)</u>	<u>(360,658)</u>	<u>(322,826)</u>	<u>(336,238)</u>	<u>(314,049)</u>	<u>(379,511)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,595,426	\$ 2,415,865	\$ 2,324,961	\$ 2,166,166	\$ 2,085,038	\$ 1,952,683	\$ 1,799,180	\$ 1,705,008	\$ 1,571,624
Contributions as a percentage of covered payroll	21.74 %	21.52 %	20.29 %	18.93 %	17.30 %	16.53 %	18.69 %	18.42 %	24.15 %

*Schedule is intended to show information for ten years. Fiscal year 2015 was the first year of implementation, therefore only nine years are shown. Additional years' information will be displayed as it becomes available.

**CASTRO VALLEY SANITARY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
AS OF JUNE 30, 2023
LAST 10 YEARS ***

	Measurement Period					
	2022	2021	2020	2019	2018	2017
Changes in the Total OPEB Liability						
Service cost	\$ 77,808	\$ 48,408	\$ 48,408	\$ 36,195	\$ 35,226	\$ 34,283
Interest	132,610	133,805	133,805	140,964	137,088	133,258
Actual vs. expected experience	(3,588)	(54,240)	(21,400)	(294,637)	-	-
Assumption changes	-	49,411	-	-	-	-
Benefit payments	<u>(79,473)</u>	<u>(97,459)</u>	<u>(94,193)</u>	<u>(117,113)</u>	<u>(115,680)</u>	<u>(111,842)</u>
Net Changes	<u>127,357</u>	<u>79,925</u>	<u>66,620</u>	<u>(234,591)</u>	<u>56,634</u>	<u>55,699</u>
Total OPEB Liability (beginning of year)	<u>1,967,218</u>	<u>1,887,293</u>	<u>1,820,673</u>	<u>2,055,264</u>	<u>1,998,630</u>	<u>1,942,931</u>
Total OPEB Liability (end of year)	<u>\$ 2,094,575</u>	<u>\$ 1,967,218</u>	<u>\$ 1,887,293</u>	<u>\$ 1,820,673</u>	<u>\$ 2,055,264</u>	<u>\$ 1,998,630</u>
Changes in Plan Fiduciary Net Position						
Contributions - employer	\$ 79,473	\$ 97,459	\$ 222,720	\$ 169,628	\$ 164,113	\$ 207,204
Net investment income	(168,140)	270,948	26,891	46,193	49,991	51,276
Benefit payments	(79,473)	(97,459)	(94,193)	(117,113)	(115,680)	(111,842)
Administrative expenses	<u>(318)</u>	<u>(373)</u>	<u>(416)</u>	<u>(157)</u>	<u>(1,180)</u>	<u>(265)</u>
Net Changes	<u>(168,458)</u>	<u>270,575</u>	<u>155,002</u>	<u>98,551</u>	<u>97,244</u>	<u>146,373</u>
Plan Fiduciary Net Position (beginning of year)	<u>1,256,052</u>	<u>985,477</u>	<u>830,475</u>	<u>731,924</u>	<u>634,680</u>	<u>488,307</u>
Plan Fiduciary Net Position (end of year)	<u>\$ 1,087,594</u>	<u>\$ 1,256,052</u>	<u>\$ 985,477</u>	<u>\$ 830,475</u>	<u>\$ 731,924</u>	<u>\$ 634,680</u>
Net OPEB Liability	<u>\$ 1,006,981</u>	<u>\$ 711,166</u>	<u>\$ 901,816</u>	<u>\$ 990,198</u>	<u>\$ 1,323,340</u>	<u>\$ 1,363,950</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	51.9 %	63.8 %	52.2 %	45.6 %	35.6 %	31.8 %
Covered employee payroll	\$ 2,270,426	\$ 2,270,426	\$ 2,200,175	\$ 2,108,973	\$ 1,908,575	\$ 1,727,645
Net OPEB Liability as a Percentage of Covered-Employee Payroll	44.4 %	31.3 %	41.0 %	47.0 %	69.3 %	78.9 %

Notes to Schedule:

Changes in Assumptions

In 2022, the inflation rate was changed from 2.75% to 2.50%. In 2021, the discount rate was changed from 7.00% to 6.75%. The inflation rate was changed from 2.75% to 2.63%. The investment rate of return was changed from 7.00% to 6.75%. The mortality table was updated from the 2014 CalPERS to 2017 CalPERS mortality study.

* Schedule is intended to show information for ten years. Fiscal year 2018 was the first year of implementation, therefore only six years are shown. Additional years' information will be displayed as it becomes available.

**CASTRO VALLEY SANITARY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN
AS OF JUNE 30, 2023
LAST 10 YEARS ***

	Fiscal Year					
	2023	2022	2021	2020	2019	2018
Actuarially Determined Contribution (ADC)	\$ 92,376	\$ 83,061	\$ 133,949	\$ 129,820	\$ 161,320	\$ 163,295
Contributions in relation to the ADC	<u>(73,243)</u>	<u>(79,473)</u>	<u>(80,826)</u>	<u>(213,051)</u>	<u>(169,628)</u>	<u>(164,113)</u>
Contribution deficiency (excess)	<u>\$ 19,133</u>	<u>\$ 3,588</u>	<u>\$ 53,123</u>	<u>\$ (83,231)</u>	<u>\$ (8,308)</u>	<u>(818)</u>
Covered-Employee Payroll	\$ 2,716,284	\$ 2,366,280	\$ 2,270,426	\$ 2,200,175	\$ 2,108,973	\$ 1,908,575
Contributions as a Percentage of Covered-Employee Payroll	2.7 %	3.4 %	3.6 %	9.7 %	8.0 %	8.6 %

* Schedule is intended to show information for ten years. Fiscal year 2018 was the first year of implementation, therefore only six years are shown. Additional years' information will be displayed as it becomes available.

SUPPLEMENTARY INFORMATION

CASTRO VALLEY SANITARY DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	Wastewater Operations			
	Wastewater		Treatment	
	2023	2022	2023	2022
<u>OPERATING REVENUES</u>				
Service charges and fees	\$ 11,634,188	\$ 10,719,151	\$ -	\$ -
Permits and inspection fees	126,984	148,532	-	-
Contract administration fees	-	-	-	-
Other service fees	<u>281,005</u>	<u>57,196</u>	<u>-</u>	<u>-</u>
Total operating revenue	<u>12,042,177</u>	<u>10,924,879</u>	<u>-</u>	<u>-</u>
<u>OPERATING EXPENSES</u>				
Salaries	1,187,737	1,109,458	-	-
Employee benefits	407,720	417,934	-	-
Gasoline and oil	28,729	20,621	-	-
Insurance and claims	1,445	18,918	-	-
Memberships	5,400	5,903	-	-
Office expense	10,752	65,727	-	-
Supplies	47,524	55,633	-	-
Professional and contractual services	138,723	116,611	-	-
Rent and leases	-	-	-	-
Repairs and maintenance	87,907	62,324	-	-
Utilities	63,703	41,858	-	-
Printing and publications	88,064	86,924	-	-
Renewal and replacement	67,503	63,822	814,069	612,020
Wastewater treatment OLSD	-	-	3,957,404	3,933,513
Wastewater treatment EBDA	-	-	-	-
Director and election expense	-	-	-	-
Travel and car allowance	<u>6,421</u>	<u>9,727</u>	<u>-</u>	<u>-</u>
Total operating expense before depreciation and amortization	<u>2,141,628</u>	<u>2,075,460</u>	<u>4,771,473</u>	<u>4,545,533</u>
Depreciation and amortization	<u>774,623</u>	<u>811,294</u>	<u>1,164,777</u>	<u>1,174,143</u>
Total operating expense	<u>2,916,251</u>	<u>2,886,754</u>	<u>5,936,250</u>	<u>5,719,676</u>
OPERATING INCOME (LOSS)	<u>9,125,926</u>	<u>8,038,125</u>	<u>(5,936,250)</u>	<u>(5,719,676)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Government grants and other contributions	-	-	-	-
Property taxes	-	-	-	-
Interest income (loss)	-	76,952	-	-
Interest expense	(323,277)	(345,771)	-	-
Other income	-	-	-	-
Other expense	(2,960)	(1,481)	-	-
Change in equity interest in EBDA JPA	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating revenue (expense)	<u>(326,237)</u>	<u>(270,300)</u>	<u>-</u>	<u>-</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	8,799,689	7,767,825	(5,936,250)	(5,719,676)
<u>CAPITAL CONTRIBUTIONS</u>				
Capital contribution - connection fees	<u>1,617,428</u>	<u>356,334</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	<u>\$ 10,417,117</u>	<u>\$ 8,124,159</u>	<u>\$ (5,936,250)</u>	<u>\$ (5,719,676)</u>

CASTRO VALLEY SANITARY DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>Wastewater Operations</u>		<u>Total Wastewater</u>	
	<u>Disposal</u>			
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<u>OPERATING REVENUES</u>				
Service charges and fees	\$ -	\$ -	\$ 11,634,188	\$ 10,719,151
Permits and inspection fees	-	-	126,984	148,532
Contract administration fees	-	-	-	-
Other service fees	-	-	281,005	57,196
Total operating revenue	<u>-</u>	<u>-</u>	<u>12,042,177</u>	<u>10,924,879</u>
<u>OPERATING EXPENSES</u>				
Salaries	-	-	1,187,737	1,109,458
Employee benefits	-	-	407,720	417,934
Gasoline and oil	-	-	28,729	20,621
Insurance and claims	-	-	1,445	18,918
Memberships	-	-	5,400	5,903
Office expense	-	-	10,752	65,727
Supplies	-	-	47,524	55,633
Professional and contractual services	-	-	138,723	116,611
Rent and leases	-	-	-	-
Repairs and maintenance	-	-	87,907	62,324
Utilities	-	-	63,703	41,858
Printing and publications	-	-	88,064	86,924
Renewal and replacement	89,250	89,250	970,822	765,092
Wastewater treatment OLSD	-	-	3,957,404	3,933,513
Wastewater treatment EBDA	261,245	236,318	261,245	236,318
Director and election expense	-	-	-	-
Travel and car allowance	-	-	6,421	9,727
Total operating expense before depreciation and amortization	<u>350,495</u>	<u>325,568</u>	<u>7,263,596</u>	<u>6,946,561</u>
Depreciation and amortization	<u>-</u>	<u>-</u>	<u>1,939,400</u>	<u>1,985,437</u>
Total operating expense	<u>350,495</u>	<u>325,568</u>	<u>9,202,996</u>	<u>8,931,998</u>
OPERATING INCOME (LOSS)	<u>(350,495)</u>	<u>(325,568)</u>	<u>2,839,181</u>	<u>1,992,881</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Government grants and other contributions	-	-	-	-
Property taxes	-	-	-	-
Interest income (loss)	-	-	-	76,952
Interest expense	-	-	(323,277)	(345,771)
Other income	-	-	-	-
Other expense	-	-	(2,960)	(1,481)
Change in equity interest in EBDA JPA	<u>8,901</u>	<u>(328,102)</u>	<u>8,901</u>	<u>(328,102)</u>
Total non-operating revenue (expense)	<u>8,901</u>	<u>(328,102)</u>	<u>(317,336)</u>	<u>(598,402)</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>(341,594)</u>	<u>(653,670)</u>	<u>2,521,845</u>	<u>1,394,479</u>
<u>CAPITAL CONTRIBUTIONS</u>				
Capital contribution - connection fees	<u>-</u>	<u>-</u>	<u>1,617,428</u>	<u>356,334</u>
CHANGE IN NET POSITION	<u>\$ (341,594)</u>	<u>\$ (653,670)</u>	<u>\$ 4,139,273</u>	<u>\$ 1,750,813</u>

CASTRO VALLEY SANITARY DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>Solid Waste</u>		<u>Administration</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<u>OPERATING REVENUES</u>				
Service charges and fees	\$ -	\$ -	\$ -	\$ -
Permits and inspection fees	-	-	-	-
Contract administration fees	1,386,705	1,615,122	-	-
Other service fees	-	-	-	-
Total operating revenue	<u>1,386,705</u>	<u>1,615,122</u>	<u>-</u>	<u>-</u>
<u>OPERATING EXPENSES</u>				
Salaries	466,879	404,949	1,090,660	915,040
Employee benefits	182,953	211,328	450,490	932,721
Gasoline and oil	-	-	-	-
Insurance and claims	-	-	153,005	146,086
Memberships	1,540	2,061	20,662	18,291
Office expense	106	160	88,103	82,961
Supplies	-	-	-	-
Professional and contractual services	308,873	250,716	388,753	298,188
Rent and leases	-	-	-	-
Repairs and maintenance	-	-	149,661	142,141
Utilities	-	-	46,761	53,649
Printing and publications	-	-	67,403	64,917
Renewal and replacement	-	-	-	-
Wastewater treatment OLSO	-	-	1,204	7,316
Wastewater treatment EBDA	-	-	-	-
Director and election expense	-	-	67,319	57,663
Travel and car allowance	13,241	5,071	52,026	43,589
Total operating expense before depreciation and amortization	<u>973,592</u>	<u>874,285</u>	<u>2,576,047</u>	<u>2,762,562</u>
Depreciation and amortization	<u>-</u>	<u>-</u>	<u>131,231</u>	<u>152,182</u>
Total operating expense	<u>973,592</u>	<u>874,285</u>	<u>2,707,278</u>	<u>2,914,744</u>
OPERATING INCOME (LOSS)	<u>413,113</u>	<u>740,837</u>	<u>(2,707,278)</u>	<u>(2,914,744)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Government grants and other contributions	243,128	332,105	-	-
Property taxes	-	-	829,184	1,037,161
Interest income (loss)	-	11,391	412,401	(317,393)
Interest expense	-	-	-	-
Other income	202,664	326,971	25	7,075
Other expense	-	-	-	-
Change in equity interest in EBDA JPA	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating revenue (expense)	<u>445,792</u>	<u>670,467</u>	<u>1,241,610</u>	<u>726,843</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	858,905	1,411,304	(1,465,668)	(2,187,901)
<u>CAPITAL CONTRIBUTIONS</u>				
Capital contribution - connection fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	<u>\$ 858,905</u>	<u>\$ 1,411,304</u>	<u>\$ (1,465,668)</u>	<u>\$ (2,187,901)</u>

**CASTRO VALLEY SANITARY DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	Totals	
	2023	2022
<u>OPERATING REVENUES</u>		
Service charges and fees	\$ 11,634,188	\$ 10,719,151
Permits and inspection fees	126,984	148,532
Contract administration fees	1,386,705	1,615,122
Other service fees	281,005	57,196
Total operating revenue	13,428,882	12,540,001
<u>OPERATING EXPENSES</u>		
Salaries	2,745,276	2,429,447
Employee benefits	1,041,163	1,561,983
Gasoline and oil	28,729	20,621
Insurance and claims	154,450	165,004
Memberships	27,602	26,255
Office expense	98,961	148,848
Supplies	47,524	55,633
Professional and contractual services	836,349	665,515
Rent and leases	-	-
Repairs and maintenance	237,568	204,465
Utilities	110,464	95,507
Printing and publications	155,467	151,841
Renewal and replacement	970,822	765,092
Wastewater treatment OLSLD	3,958,608	3,940,829
Wastewater treatment EBDA	261,245	236,318
Director and election expense	67,319	57,663
Travel and car allowance	71,688	58,387
Total operating expense before depreciation and amortization	10,813,235	10,583,408
Depreciation and amortization	2,070,631	2,137,619
Total operating expense	12,883,866	12,721,027
OPERATING INCOME (LOSS)	545,016	(181,026)
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Government grants and other contributions	243,128	332,105
Property taxes	829,184	1,037,161
Interest income (loss)	412,401	(229,050)
Interest expense	(323,277)	(345,771)
Other income	202,689	334,046
Other expense	(2,960)	(1,481)
Change in equity interest in EBDA JPA	8,901	(328,102)
Total non-operating revenue (expense)	1,370,066	798,908
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	1,915,082	617,882
<u>CAPITAL CONTRIBUTIONS</u>		
Capital contribution - connection fees	1,617,428	356,334
CHANGE IN NET POSITION	\$ 3,532,510	\$ 974,216