

Pauma Valley Community Services District
33129 Cole Grade Road * Pauma Valley, CA 92061
(760) 742-1909 * (760) 742-1588

NOTICE OF PUBLIC SPECIAL MEETING

DATE: Tuesday, October 18, 2022
TIME: OPEN Session - 3:00 p.m.
PLACE: 33129 Cole Grade Road, Pauma Valley, CA 92061
<https://us02web.zoom.us/j/82540848666>
Phone: (669) 900-6833 Passcode: 825 4084 8666

Mission Statement

The Mission of the Pauma Valley Community Services District is to protect the public health and environment of its community by providing effective wastewater management and stormwater drainage control, life safety assistance, security services, and exceptional customer care.

AGENDA

1. Call to Order
2. Roll Call
3. Public Comments
 - a. Any person may address the Board at this time upon any subject not identified on this Agenda, but within the jurisdiction of the District; however, State law precludes the Board from taking action on or engaging in extended deliberations concerning items of business which are not on the Agenda. Any matter not on the agenda that requires action will be referred to staff for a report and action at a subsequent Board meeting. As to matters on the Agenda, an opportunity will be given to address the Board when the matter is considered.
 - b. In the interest of public health and safety this meeting will be held as a hybrid (in-person and virtually). Please note, individuals have a limit of three (3) minutes to make comments and will have the opportunity when called upon by the presiding officer.
4. Consent Calendar: All items appearing on the Consent Calendar may be voted on by a single motion. Items shall be removed from the Consent Calendar if any member of the Board of Directors, or the public, requests removal prior to a vote on a motion to approve the items. Such items removed will be considered separately for action by the Board.
 - a. AB 361 - Hybrid Meetings

5. General Manager Job Description
 - a. The Board will consider an update to the *General Manager Job Description*
6. Expansion of *General Manager Recruitment Effort*
 - a. The Board will review options to locate a *General Manager*
7. Formation of *General Manager Recruitment Committee*
 - a. The Board will consider formation of and appointing members to *Recruitment Committee*
8. Audit Report for Year Ending June 30, 2022
 - a. The Board will consider accepting the audit report for Fiscal Year Ending June 30, 2022
9. Appointment to *SGMA Joint Powers Authority*
 - a. The Board will consider the appointment of Board Member to the *SGMA JPA* and possibly an alternate
10. Halloween at Pauma Valley Country Club Estates 2022
 - a. The Board will discuss Halloween 2022
11. Interim *General Manager Update on Current Events*
12. Other Business
 - a. Requested items for next or future agendas (Directors and Staff Only)
 - b. Board comments
13. Announcements/Adjournment
 - a. Regular Meeting on November 28, 2022 at 10:00 a.m.

In accordance with the requirements of California Government Code Section 54956, this agenda has been posted in a location that is freely accessible to members of the public, in the main lobby of the District's Administrative office not less than 24 hours prior to the meeting date and time above. All public records relating to each agenda item, are available for public inspection at the office of the District Secretary, 33129 Cole Grade Road, Pauma Valley, California, during normal business hours.

To request a disability-related modification or accommodation regarding agendas or attendance, contact Amber Watkins, at amber.watkins@paumavalleycsd.ca.gov at least 48 hours before the meeting.



October 13, 2022

Agenda Item # 5

General Manager Job Description

Prepared By

Jeff Armstrong, Interim General Manager

Discussion

As the District is in the process of recruitment for a new General Manager staff has prepared an update to the existing General Manager job description for consideration by the Board. These updates are intended to reflect the duties of this position more comprehensively. The updates fall into the following categories:

- Elimination of redundant identification of duties.
- Addition of duties not previously identified but required.
- Reorganization of the duties to group like duties together to create a better and more readable flow.
- Addition of qualifications, selection guidelines, and other requirements.

Attached is a copy of the existing job description and the revised one for the Boards review.

Recommended Action

Staff recommends approval of the updated General Manager job description and authorization for staff to utilize in recruitment efforts.

Fiscal Impacts

N/A

Alternatives

Alternative 1: Take no action and leave the existing job description unchanged.

Alternative 2: Provide staff any changes to the recommended description and approve.

Job Title: General Manager

Job Description:

a. Functional Statement

The General Manager shall be the administrative head of the government and designated representative of the District under the direction and control of the Board except as otherwise provided in District rules, regulations or ordinances. This is a highly responsible, confidential and complex job position that performs duties including administrative, Board secretarial, and financial duties. This position plans and directs the District's financial reporting, auditing, budget, cash receipts, capital assets, job costing and collections functions; and performs related work.

b. Duties

The General Manager shall be responsible for operating the District in accordance with the budget and for the efficient administration of all affairs of the District which are under his or her control.

In addition to general powers as administrative head, and not as a limitation thereon, the General Manager shall have the following powers and duties:

Implement policies established by the Board of Directors and enforce all rules and regulations of the District except penal laws and, ensure that all franchises, contracts, permits and privileges granted by the Board of Directors are faithfully observed and ensure that the requirements of applicable law are met with respect to operations and property.

Control, order and give directions to subordinate employees of the District under his or her jurisdiction.

Recruit, hire, discharge, discipline, promote and demote all employees of the District, subject to all applicable laws, ordinances, policies, resolutions, rules and regulations, except District Counsel who is appointed by the Board.

Recommend to the Board adoption of such measures, ordinances and resolutions as deemed necessary. The General Manager shall attach to each ordinance (as required) all information and rationale justifying the action.

Attend all meetings of the Board of Directors unless excused there from by the President individually or the Board, except when his or her removal is under consideration.

Develop the District budget with assistance from District staff.

Develop finance related goals, objectives and policies with assistance from District staff.

Supervise the District's finances, including full fiscal responsibility for all operating accounts, books and ledgers, collection of revenues and payment of expenses as directed by the Board.

Keep the Directors at all times fully advised as to the financial condition and needs of the District and ensure that accurate financial records are maintained.

Exercise general supervision over all public buildings and public facilities, and all other public property which are under the control and jurisdiction of the District.

Exercise general supervision over all of the District's services, with specific responsibility for daily supervision delegated to subordinate employees, including the Office Manager and the Security Department Captain or Security Supervisor and the Utility Department

Supervisor, and to contract water and wastewater management

Administer any and all contracts or agreements and enter into contracts or agreements within the scope of authority as may be granted by the Board.

Periodically report upon federal grant and aid programs in which the District may be eligible to participate and, upon order of the Board, process applications on behalf of the District for such participation.

Ensure the health and safety of District property, personnel and customers with respect to District operations.

Ensure that customer inquiries, requests and complaints are dealt with appropriately.

Establish and approve training requirements or activities for District employees.

Handle liaison and coordinating functions with other public agencies, groups or individuals.

Attend Board and Committee meetings held on a variety of issues; supervise and coordinate meeting logistics; supervise, coordinate and prepare the agenda and the assembly and distribution of agenda packets; update and maintain mailing lists; record roll call votes on agenda items; ensure compliance with legal requirements governing public notice of Board meetings and the conduct of closed sessions; draft the official minutes and summarize Board meetings and other District meetings; supervise and participate in maintenance of Board records and supervise the recordation of documents; prepare required Board memoranda and resolutions; prepare legal notifications; draft and arrange for the legal publication of notices, postings and public hearing.

Serve as “custodian of records” and determine the applicability of Public Records Act provisions to various District records; upon request of subpoena, furnish copies of resolutions, minutes and other official records, certified and sealed as to their validity.

Plan, direct and implement the fiscal management program for the District, including budget monitoring, forecasting, collection and disbursement of all funds and investments; assist with budget development; prepare resolutions for budget adoption; recommend and participate in the development of Finance related goals, objectives and policies; develop and administer the budgets for Finance functions.

Direct and perform professional accounting work, including financial reporting and auditing activities; design and implement procedures to conduct activities in accordance with related laws, ordinances, rules and regulations; provide liaison to auditors and ensures audit compliance; prepare and present annual financial reports and resolutions to the Board; coordinate the annual audit of District financial records and systems.

Prepare periodic and special financial reports and analyses, including those required for submission to various governmental agencies; report the financial status of the District.

Perform other related duties as may be required or directed by the Board.

Bring to the attention of those responsible for the technical operations of the District any matters that could require their action.

General Manager shall test and maintain the system certifications required to oversee the District.

JOB TITLE: GENERAL MANAGER

JOB DESCRIPTION

Functional Statement

The General Manager is appointed by the Board of Directors and shall be the administrative head and designated representative of the District. The General Manager serves under the direction and control of the Board except as otherwise provided in District rules, regulations or ordinances. The General Manager is responsible for developing, implementing and executing short- and long-term plans, policies, budgets and strategies to accomplish the District's mission and Board of Directors priorities. The General Manager will at all times perform their duties in accordance with all rules and regulations of the District

Duties (Duties may include, but are not limited to, the following):

- Implement policies established by the Board of Directors and enforce all rules and regulations of the District except penal laws and, ensure that all franchises, contracts, permits and privileges granted by the Board of Directors are faithfully observed and ensure that the requirements of applicable law are met with respect to operations and property.
- Recommend to the Board of Directors adoption of such measures, policies, ordinances, and resolutions as deemed necessary.
- Plan, direct and implement the fiscal management programs for the District including: budget development, administration, monitoring, and forecasting; prepare resolutions for budget adoption; recommend and participate in the development of Finance related goals, objectives and policies; develop and administer capital budgets; ensure proper tracking, collection, and assignment of cost to projects and functions; ensure timely and accurate billing for services and collection thereof.
- Direct and perform professional accounting work, including financial reporting and auditing activities; design and implement procedures to conduct activities in accordance with related laws, ordinances, rules and regulations; provide liaison to auditors and ensure audit compliance; prepare and present annual financial reports and resolutions to the Board; coordinate the annual audit of District financial records and systems.
- Prepare periodic and special financial reports and analyses, including those required for submission to various governmental agencies; report the financial status of the District.
- Keep the Directors at all times fully advised as to the financial condition and needs of the District and ensure that accurate financial records are maintained.

- Ensure proper investment of District funds in priority of security, liquidity and return.
- Administer all contracts or agreements and enter into contracts or agreements within the scope of authority as may be granted by the Board.
- Exercise general supervision over all public buildings and public facilities, and all other public property, which are under the control and jurisdiction of the District.
- Periodically report upon federal grant and aid programs in which the District may be eligible to participate in and, upon order of the Board, process applications on behalf of the District for such participation.
- Plan, organize, control, integrate and evaluate the work of all District departments personnel to ensure the success of the District.
- Exercise general supervision over all of the District's services including: utility department (wastewater collections and treatment), security department (patrol and gate services), administrative department and any contract services.
- Recruit, hire, evaluate performance requirements and personal development targets; regularly monitor performance and provide compensation and other rewards to recognize performance; take disciplinary action, up to and including termination, to address performance deficiencies for all employees of the District, in accordance with all ordinances, policies, resolutions, rules and regulations of the District and all applicable laws. The District Counsel is the only exception to the General Manager's authority, as this position is appointed by the Board.
- Identify staff development needs and establish and approve training requirements or activities for District employees.
- Ensure the health and safety of District property, personnel, and customers with respect to District operations.
- Provide superior customer service to the community by ensuring that customer inquiries, requests and complaints are dealt with appropriately and professionally.
- Attend Board and Committee meetings (unless excused by the Board President individually or the Board) held on a variety of issues; supervise and coordinate meeting logistics; supervise, coordinate and prepare the agenda and the assembly and distribution of agenda packets; update and maintain mailing lists; record roll call votes on agenda items; ensure compliance with legal requirements governing public notice of Board meetings and the conduct of closed sessions; draft the official minutes and summarize Board meetings and

other District meetings; supervise and participate in maintenance of Board records and supervise the recordation of documents; prepare required Board memoranda and resolutions; prepare legal notifications; draft and arrange for the legal publication of notices, postings and public hearing.

- Serve as “custodian of records” and determine the applicability of Public Records Act provisions to various District records; upon request of subpoena, furnish copies of resolutions, minutes, and other official records, certified and sealed as to their validity.
- Handle liaison and coordinating functions with other public agencies, stakeholders or individuals.
- Stay abreast of (and keep the Board of Directors informed) legislative bills which could impact the Districts operation and recommend actions as needed.
- Perform other related duties as may be required or directed by the Board.

QUALIFICATIONS

Knowledge of:

- Theory, principles, practices and techniques of organizational design and development, public administration, financial management and long range planning.
- Principles, practices and techniques involved in the maintenance and operation of potable and non-potable water distribution system and wastewater collection and treatment facility; federal, state and local laws, regulations and court decisions applicable to each.
- Best practices, principles, techniques, and laws related to providing community security patrol and gate access services.
- Principles and practices of budgeting, purchasing and maintenance of public records; organization and functions of an elected board of directors; the Brown Act and other law and regulations governing the conduct of public meetings.
- Principles and practices of effective human resource management and supervision; District personnel policies and procedures and labor contract provisions.
- Principles and practices of sound business communications.

Ability to:

- Analyze and make sound recommendations on management and administrative issues; plan, organize, and direct the operations of a water distribution system and wastewater collection and treatment system.

- Plan, organize, and direct the operations of a security patrol and community gate service.
- Understand, interpret, explain and apply District policies and procedures; present proposals and recommendation clearly, logically and persuasively in public meetings; represent the District effectively in negotiations, establish and ensure compliance with appropriate procedures and controls.
- Establish and maintain effective working relationships with Board members, District staff, other elected and appointed officials, community groups, consultants, and the public.
- Exercise tact and diplomacy in dealing with sensitive, complex and confidential issues and situations.

SELECTION GUIDELINES

The appropriate knowledge, skills and abilities can be achieved through a variety of combinations of experience and training. A typical example is:

Experience: 10 years of progressively responsible management experience in the operation and maintenance of public utility; or equivalent combination of training and experience.

Training: Graduation from a four-year college or university with a major in civil engineering, public or business administration, or a closely related field.

Licenses and Certificates:

California Class C Driver's License.
 ANY WATER/WASTEWATER CERTS? ANY SECURITY CERTS?

PHYSICAL REQUIREMENTS / WORKING CONDITIONS

The essential functions of this position will require the employee to perform the following physical and mental activities:

- Regularly required to use written and verbal communication skills; read and interpret complex data, information and documents; analyze and solve complex, sensitive problems in an ambiguous, dynamic, political environment; observe and interpret people and situations; use math and mathematical reasoning; learn and apply new information or skills; perform highly detailed work on multiple, concurrent tasks under intensive and changing deadlines.

- Frequent interruptions.
- Regularly interact with tact, diplomacy and political acumen with Board members, District staff, other elected and appointed governmental officials, community and professional groups, consultants, and the public.
- Regularly uses a telephone for communication.
- Uses office equipment such as a Personal Computer, copier and FAX machine.
- Sit, stand and walk for extended time periods.
- Hearing and vision within normal ranges.
- Carry, push, reach and lift up to 10 - 20 lbs. routinely.
- Reach at above shoulder heights (5%); at shoulder height (5%); below shoulder height (90%).
- Occasionally stoop, kneel or crouch.
- Sufficient manual dexterity to operate equipment.

OTHER REQUIREMENTS

This position is classified as exempt from state and federal overtime pay provisions, because the duties and responsibilities meet the requirements for exemption under the Fair Labor Standards Act. The position will be required to work varying hours, weekends and holidays as the day-to-day job duties may require.

Agenda Item # 6

General Manager Recruitment Effort

Prepared By

Jeff Armstrong, Interim General Manager

Discussion

The District is now actively recruiting for a new General Manager. The job opening has been posted on the District's website under current openings. To further expand awareness of this opportunity staff has investigated two alternatives for enhancing the recruitment.

The first alternative is to utilize the services of a recruitment firm. Utilizing a recruitment firm is a standard practice for executive searches for organizations of all sizes. A real benefit of a recruitment firm is that they usually have a well-qualified pool of candidates from the public sector to draw upon.

A recruitment firm however can be costly, especially for a smaller organization. I have reached out to four firms that specialize in governmental agency recruitments to get a high-level estimate of the cost. Two firms responded to my inquiry, and both indicated that it would be approximately \$30,000.

If the Board would like to pursue this alternative to expand the search staff will prepare a request for proposal (RFP) to send to at least three recruitment firms and bring those back for consideration. A draft RFP is attached for the Boards review.

The second alternative is to expand the search through advertising in industry specific resources and online job search sites. These would include:

- California Special District Association (CSDA) – CSDA has a career center on its website where job opportunities can be posted. Additionally, job seekers can post their resumes for potential employers to search. The advantage of posting here is that it is very targeted to Special Districts. The cost is minimal and about \$105 for a 30-day posting.
- Industry Associations – California Association of Sanitation Agencies and Association of California Water Agencies both have job boards that we could seek to post on.
- Online Job Search Sites – Staff will post the job to a few sites such as Indeed, LinkedIn, or Monster. These sites have active job seekers and can quickly promote this opportunity to a wide audience. The cost of these can be about \$300 - \$500 a month for us to promote the listing and get more attention.

Under the second approach the District could post the opportunity to a number of different sites with different target markets but all applicable to our needs. For a 30-day posting this could be accomplished within a budget estimate of \$3,000.

Recommended Action

Staff seeks the Board direction on which alternative to pursue to further expand the recruitment effort and approve authorization of associated budget with that alternative.

Fiscal Impacts

The first alternative utilizing a recruitment firm would be estimated at \$30,000. This is about 2% of the annual operating budget. This cost could be partially offset in the amount of \$10,000 via savings under the interim period.

The second alternative utilizing online job search engines and industry association is estimated to cost \$3,000. This cost would be fully offset by the interim savings of \$10,000.

Alternatives

Alternatives were described above.



REQUEST FOR PROPOSAL GENERAL MANAGER RECRUITMENT SERVICES

**Pauma Valley Community Services District
33129 Cole Grade Road
Pauma Valley, California 92061**

**Jeff Armstrong, Interim General Manager
jeffrey.armstrong@paumavalleycsd.ca.gov**

I. INTRODUCTION

Pauma Valley Community Service District (PVCSD or District) is requesting proposals from qualified firms to seek out and recruit highly qualified candidates to replace the General Manager at the District, which will include gaining stakeholder input to the needs of the community, researching the availability of suitable qualified candidates and identifying a shortlist of qualified candidates who match the requirements of the Board of Directors. The selected executive search firm may act as an intermediary to contact the individual(s). The executive search firm may also carry out initial screening of the candidates, and completing negotiations of an employment contract (“Services”) as more particularly described below.

This Request for Proposals (“RFP”) describes the requested Services, the selection process, and the minimum information that must be included in proposals. Failure to submit information in accordance with the RFP requirements and procedures may be cause for disqualification. PVCSD reserves the right to: (1) reject any and all proposals; (2) waive minor proposal deviations, irregularities or omissions at its sole discretion; or (3) disqualify any proposal that contains false or misleading information.

II. PURPOSE

PVCSD is seeking qualified proposals from executive recruitment service providers to provide assistance in identifying and hiring a General Manager by the beginning of 2023. The scope of the Services is generally described as follows, and further described in this RFP:

The selected proposer will assist the Board of Directors in locating, interviewing and evaluating potential candidates for the position of General Manager. The selected proposer will meet with the Board of Directors and/or a committee thereof, to determine the professional qualities, experience and skills desirable in a General Manager candidate. The selected proposer will develop an effective recruitment process, and identify potential candidates through advertising, networking and other methods. The selected proposer will assist the Board of Directors in conducting initial interviews of potential candidates, evaluating each candidate, and providing a written assessment of each candidate. The selected proposer will meet with and assist the Board of Directors and/or a committee thereof (either standing or ad hoc) and present suitable candidates for consideration.

III. BACKGROUND

PVCSD was organized in 1961 under the Community Service District Law (Division 2 of Title 6) to provide sanitary sewer and security service to its constituency. The District is governed by a Board of Directors consisting of five directors elected by the District’s constituency. The principal source of revenues to the District is fess for sanitary sewer and security services. The mission of PVCSD is to protect the public health and environment of its community by providing effective wastewater management and stormwater drainage control, life safety assistance, security services, and exceptional customer care. Under its enabling act, Pauma Valley Community Services District can provide many other municipal services when requested by its residents, property owners, and businesses and when authorized by its Board of Directors and approved by the LAFCO. PVCSD has approximately 400 service connections and has an annual operating budget of approximately \$1,500,000.

Additionally, PVCSD provides contract administrative services for the Rancho Pauma Mutual Water Company (RPMWC) primarily consisting of use of their full-time utility employees, the General Manager, and the office staff to conduct the business of management, extraction, treatment, distribution, and storage of potable and non-potable water facilities for its customers. The RPMWC is a shareholder-owned mutual water company formed in 1956 by residents of Pauma Valley, pursuant to the laws of the State of California. This small, non-profit, mutual serves potable (drinking) and irrigation water to 344 shareholders through 385 meter connections, covering approximately 1,325 acres. The RPMWC has annual budget of approximately \$1,500,000 and is governed by a five member Board elected by its shareholders.

The Board of Directors is charged with the management and conduct of the business and affairs of the District. The Board of Directors has delegated to the General Manager the power and authority to control the administration, maintenance, operation and construction of the sewer systems of the District in an efficient manner, and to employ and discharge all employees, to prescribe their duties and to promulgate specific rules and regulations for such employees subject to the policies approved by the Board. The General Manager is appointed and serves at the pleasure of the Board.

IV. SCOPE OF SERVICES

The selected consultant will be required to provide the following services:

- Become familiar with the District's General Manager's job description and provide input on the job description (See Exhibit "A").
- Meet with community members to gain insights on the community needs for this position.
- Execute a Letter Agreement for Services (See Exhibit "B").
- Prepare and distribute recruitment brochure.
- Meet with the Board of Directors or committees regarding the selection of a new General Manager.
- Provide at least five (5) qualified candidates to be interviewed by the Board for the General Manager Position.
- Prepare a time schedule for the completion of services.

V. PRE-SUBMITTAL ACTIVITIES

All communications relating to the RFP is to be directed in writing, by email, to:

Jeffrey Armstrong, Interim General Manager
Pauma Valley Community Services District
jeffrey.armstrong@paumavalleycsd.ca.gov
33129 Cole Grade Road
Pauma Valley, California 92061

VI. SUBMISSION REQUIREMENTS

One electronic copy of the proposal, including the Cost Estimate, shall be submitted to jeffrey.armstrong@paumavalleycsd.ca.gov and must be received by October 31, 2022 no later than 5:00 PM, Pacific Standard Time.

Proposals should be limited to 25 written pages (including references, resumes and/or professional curriculum vitae) providing a straightforward and concise presentation adequate to satisfy the requirements of the RFP. Emphasis should be on completeness and clarity of contents. Proposals must be signed by an individual authorized to execute legal documents on behalf of the proposer.

Failure to comply with the requirements of the RFP may result in disqualification. Proposals and/or modifications received subsequent to the hour and date specified above will not be considered. Modifications of proposals received after the deadline specified above will not be considered. Proposals should be concise, well organized, and demonstrate the proposer's qualifications and experience applicable to the services requested.

VII. EVALUATION PROCESS AND SELECTION CRITERIA

Proposals will be evaluated by the Board of Directors or Recruitment Committee based on the information submitted in accordance with this section. At a minimum, proposals submitted in response to this RFP shall include the following:

- a. **Executive Summary.** Provide a brief overview of the entire proposal describing the highlights of the proposal. In addition to the proposal overview, please provide the following basic description information regarding the proposer:
 1. Legal name and address of proposer;
 2. Legal form of proposer (partnership, corporation, joint venture, etc.). If joint venture, identify the members of the joint venture and provide all information required within this section for each member;
 3. Address(es) of office(s) involved in providing the Services; and
 4. Name, title, address, and telephone number of the person to contact concerning the proposal and the proposed lead staff person for providing the Services.

- b. **Proposer's Qualifications.** PVCSD will accept proposals only from "qualified" proposers. To assist the PVCSD in comparing and selecting a proposer, proposals should address the proposer's qualifications, experience, strategy, and method for providing the followings as part of the Services:
 1. Developing a comprehensive profile of the ideal candidate, based on information obtained in meetings with the PVCSD Board of Directors, and others as directed;
 2. Recommending revisions to the General Manager job description, if requested;
 3. Designing and implementing an effective recruitment and search strategy that ensures a highly qualified and diverse candidate pool;
 4. Working with the PVCSD Board of Directors and/or a committee thereof (either standing or ad hoc) to:
 - (a) implement a screening process that narrows the field of candidates to those that most closely match the needs of PVCSD; and
 - (b) provide the PVCSD Board of Directors with detailed information about the background and experience of the top candidates from interviews and comprehensive reference checks;
 5. Assisting the PVCSD Board of Directors in the interview and selection process;
 6. Providing an independent evaluation and assessment of the candidates; and
 7. Assisting the PVCSD Board of Directors in conducting legally compliant background checks and negotiating an acceptable compensation and benefits package with the selected candidate, as requested.

- c. In addition, proposals must contain the following information:
 1. **INDIVIDUAL QUALIFICATIONS.** The individual qualifications of the persons proposed to provide the Services, with particular attention to experience with recruiting executives for community services districts or other agencies providing services similar to PVCSD.
 2. **FEE PROPOSAL.** The Flat Fee for the services or a Fee Estimate estimating the number of hours required to provide the Services, the billing rates of the persons proposed to provide the Services, and any other estimated costs including travel, overhead, printing, administrative and other charges for completing the work. Proposal should specify billing procedures and method of payment.

3. **REFERENCES.** A list of current references and recent clients for the persons proposed to provide the Services, with particular attention to their success rate in placing General Managers with community services districts or other agencies providing utility services similar to PVCSD.
 4. **OTHER INFORMATION.** Proposals should also include information regarding the proposer’s method for conducting background checks of identified candidates and retention rates for executives identified and placed as a result of the proposers services.
- d. **Acknowledgement of Agreement and Statement of Exceptions.** The proposer shall certify that it takes no exception(s) to this RFP, including, but not limited to, PVCSD’s Standard Professional Services Agreement, included as Attachment B. If the proposer does take exception(s) to any portion of the RFP and/or Standard Professional Services Agreement, the specific exception(s) shall be identified and explained. PVCSD is not required to negotiate with proposer or to accept, any items to which any proposer takes exception.
 - e. **Addenda to this Request for Proposals.** The proposer shall confirm in its proposal the receipt of all addenda issued to this RFP. Copies of the actual addenda do not need to be included in proposals.

“CONFIDENTIAL INFORMATION”

Should a request be made to PVCSD for information that has been designated confidential by the Vendor and, on the basis of that designation, PVCSD denies the request for information; the Vendor may be responsible for all legal cost, necessary to defend such action if the denial is challenged in a court of law.

Any changes, additions, or deletions to the RFP will be in the form of a written addendum issued by PVCSD and forwarded to all vendors. Except as stated in this provision, no person is authorized to amend or revise any part of this RFP, in any respect, either in writing or by oral statement.

VIII. SELECTION SCHEDULE

PVCSD anticipates the process for selecting a proposer and awarding the agreement will be according to the following schedule (dates not firm):

Event	Date
Advertise and Issue RFP:	October 14, 2022
Proposal Due Date:	October 31, 2022, by 5:00pm PST
Oral Interviews (if required):	TBD November 7 – 18, 2022, (Mon – Fri)
Agreement Award:	Before November 30, 2022

IX. SELECTION PROCESS

- a. Based upon the proposals submitted, an ad hoc Committee or the Board will evaluate and select the firm(s) deemed to be the most highly qualified to perform the required services. A limited number of Firms may be invited to interview and/or present their qualifications and respond to questions from the Board of Directors or a committee thereof. The Board of Directors may, in its sole discretion, select any Firms based upon its assessment of the

qualifications. After selection, PVCSD will enter into negotiations with the selected Firm to finalize the scope of work, schedule, terms and conditions, technical specifications, and price. If PVCSD is unable to reach an acceptable agreement with the selected proposer, PVCSD will terminate negotiations with the selected proposer and may begin negotiations with another proposer.

- b. After negotiating a proposed agreement that is fair and reasonable, it is anticipated that PVCSD will enter into an agreement with the selected proposer to commence the executive search services.

X. EVALUATION CRITERIA

The Board of Directors or a review committee comprised of a Committee of the Board will review proposals received in response to this RFP based upon, but not limited to, the following criteria:

- Prior experience in similar executive searches.
- Depth of capabilities and support.
- Qualifications of principal staff.
- Ability to provide the requested services in a timely manner.
- Proposed cost for the scope of work (both hourly rates and/or flat fee).

Some or all of the consultants submitting a proposal may be invited to an interview and/or to make a presentation before the review committee. The Board may, or may not, choose to interview consultants, depending upon the number and quality of proposals received. The purpose of the interview/presentation will be to discuss specific aspects of the proposal and to answer questions from the committee. The consultant selected for recommendation and a contract for service will be presented to the Board of Directors for approval.

XI. GENERAL CONDITIONS

- a. Reservation of Rights: This RFP does not commit PVCSD to award an agreement, to defray any costs incurred in the preparation of a proposal pursuant to this RFP, or to procure or contract for services.
- b. Public Records: All proposals submitted in response to this RFP become the property of PVCSD and public record, and as such may be subject to public review.
- c. Right to Cancel: PVCSD reserves the right to revise or cancel, for any or no reason, in part or in its entirety, this RFP, including, but not limited to: selection schedule, submittal date, and submittal requirements. If PVCSD cancels or revises the RFP, all proposers will be notified in writing by PVSCD.
- d. Independent Contractor: Services provided by consultant shall be performed as an independent contractor. All persons employed by Consultant in connection with this agreement shall not be agents or employees of PVCSD. Consultant shall be solely and exclusively in charge of determining the means by which the professional services called for herein are performed, and shall be responsible for all costs incurred in connection therewith, unless the PVCSD agrees otherwise in a duly executed writing delivered to consultant prior to the incurring of such expense. Consultant may also retain or subcontract for the services of other necessary consultants with the approval of PVCSD. Payment for such services shall be the responsibility of consultant.
- e. Non-Discrimination for Employment with Consultant: During the performance of this agreement, Consultant will not discriminate against any employee or applicant for employment because of race, religion, creed, color, national origin, sex or age. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment

or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selecting for training, including apprenticeship. The Consultant will ensure that all qualified applicants for employment with Consultant will receive consideration for employment without regard to race, color, religion, sex or national origin. Consultant will take affirmative action to insure that employees are treated during employment, without regard to their race, religion, creed, color, national origin, sex or age. Likewise, the Consultant will ensure that all qualified applicants for PVCSD General Manager will receive consideration for employment without regard to race, color, religion, sex or national origin.

- f. Ownership or Work Product: All plans, specifications, reports and other documents prepared by Consultant or that may be developed by the Consultant pursuant to this agreement shall become the property of the PVCSD. PVCSD is entitled to full and unrestricted use of such plans, specifications, reports and other documents. PVCSD may also retain the original of the documents upon request.
- g. Conflict of Interest: Consultant shall employ no PVCSD official or employee in the work performed pursuant to this agreement. No officer or employee in the PVCSD shall have any financial interest in this agreement in violation of California Government Code Sections 1090 and following, or Sections 87100 and following; nor shall the PVCSD violate any provision of its Conflict of Interest Code adopted pursuant to the provisions of California Government Code Section 87300 and following.
- h. Additional Information: PVCSD reserves the right to request additional information and/or clarification from any or all proposers to this RFP.
- i. Public Information: Proposers who wish to release information to the public regarding selection, agreement award, or data provided by PVCSD must receive prior written approval from PVCSD before disclosing such information to the public.
- j. Agreement for Professional Services: The selected proposer will be required to sign the attached Standard Professional Services Agreement and to provide the insurance certificates and all other required documentation within seven (7) calendar days of notification of selection.
- k. Insurance Requirements: PVCSD requires consultants doing business with it to obtain insurance as shown in the Standard Professional Services Agreement. The required insurance certificates must comply with all requirements of the standards as shown in the agreement and must be provided (original copy) within seven (7) days of notice of selection and prior to the commencement of any Services.
- l. Disclosure Provision/ Conflict of Interest: PVCSD complies with all California statutes and regulations related to conflicts of interest. Under the applicable conflict of interest requirements, the selected proposer may be required to complete and file Form 700 with the PVCSD before starting.
- m. No Express Or Implied Obligation: There is no express or implied obligation for PVCSD to reimburse proposers for any expenses incurred in preparing proposals in response to this request. Materials submitted by respondents are subject to public inspection under the California Public Records Act (Government Code Sec. 6250 et seq.), unless exempt.
- n. Proposals: PVCSD reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether the proposer is selected. Submission of a proposal indicates acceptance by the proposer of the conditions contained in this RFP, unless clearly and specifically noted in the proposal submitted and confirmed in the agreement between PVCSD and the selected proposer.

XII. ATTACHEMENTS

- Exhibit "A": General Manager Job Description

- Exhibit "B": Standard Professional Services Agreement

EXHIBIT "A"
GENERAL MANAGER JOB DESCRIPTION

EXHIBIT "B"
SAMPLE PROFESSIONAL SERVICES CONTRACT

Agenda Item # 7

Formation of General Manager Recruitment Committee

Prepared By

Jeff Armstrong, Interim General Manager

Discussion

The District is now actively recruiting for a new General Manager. During this process there will need to be various decisions made along the way. Having a committee to work with staff will make this process more efficient.

Recommended Action

Staff requests the Board of Directors to appoint a Recruitment Committee comprised of two Board Members of the District and the Interim General Manager (IGM). The primary purpose of the committee is to provide for an efficient means to keep the General Manager recruitment effort moving forward. The committee will:

- Review and approve a recruitment firm Request For Proposal (RFP)
- Review and approve any recruitment advertising material
- Review and approve any online advertising sites
- Review and approve other items that surface in this effort

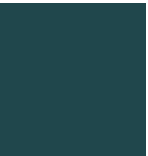

Additionally, the Interim General Manager attended the last Mutual Water Company (MWC) Board meeting on October 6th, 2022. From that meeting the IGM gained an understanding of the wish of the MWC to have input into the decision and approach to replace the General Manager. As this position will ultimately serve as General Manager to both the MWC and the District, staff believes it makes sense to get input from the MWC. Staff recommends that this Recruitment Committee meet with a like committee of the MWC to facilitate this input.

Fiscal Impacts

N/A

Alternatives

The Board could decide not to appoint a committee and instead have all the above mentioned efforts brought to the full Board for direction.



**PAUMA VALLEY
COMMUNITY SERVICES DISTRICT
Report to the Board of Directors
For the Fiscal Year Ended
June 30, 2022**

NIGRO & NIGRO^{PC}

PAUMA VALLEY COMMUNITY SERVICES DISTRICT

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For the Fiscal Year Ended June 30, 2022

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

We are pleased to present this report related to our audit of the financial statements of the Pauma Valley Community Services District (District) as of and for the year ended June 30, 2022. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the District's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the District.

Very truly yours,

Nigro & Nigro, PC
Murrieta, California
September 30, 2022

Required Communications

PAUMA VALLEY COMMUNITY SERVICES DISTRICT

Required Communications

For the Fiscal Year Ended June 30, 2022

Generally accepted auditing standards (AU-C 260, *The Auditor’s Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
<p>Our Responsibilities with Regard to the Financial Statement Audit</p>	<p>Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated June 1, 2022. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.</p>
<p>Overview of the Planned Scope and Timing of the Financial Statement Audit</p>	<p>An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions and the account-type of areas tested. There were no changes to the planned scope and timing of our audit testwork.</p>
<p>Accounting Policies and Practices</p>	<p>Accounting Policies and Practices Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. During our audit, no such circumstances were noted.</p> <p>Adoption of, or Change in, Significant Accounting Policies or Their Application Management has the ultimate responsibility for the appropriateness of the accounting policies used by the District. The District did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.</p> <p>Significant or Unusual Transactions We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p>Management’s Judgments and Accounting Estimates Accounting estimates are an integral part of the preparation of financial statements and are based upon management’s current judgement. No such significant accounting estimates were noted or estimate applications were changed from the previous year.</p>
<p>Audit Adjustments</p>	<p>Audit adjustments are summarized in the attached Summary of Adjusting Journal Entries.</p>
<p>Uncorrected Misstatements</p>	<p>We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.</p>

PAUMA VALLEY COMMUNITY SERVICES DISTRICT

Required Communications

For the Fiscal Year Ended June 30, 2022

Area	Comments
Discussions With Management	We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed or the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	No significant difficulties were encountered in performing our audit.
Required Supplementary Information	We applied certain limited procedures to the: <ol style="list-style-type: none">1. Management's Discussion and Analysis2. Required Pension Plan Disclosures Which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

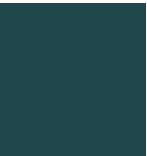

This information is intended solely for the information and use of Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Summary of Adjusting Journal Entries

PAUMA VALLEY COMMUNITY SERVICES DISTRICT

*Summary of Adjusting Journal Entries
For the Fiscal Year Ended June 30, 2022*

None Noted



**PAUMA VALLEY
COMMUNITY SERVICES DISTRICT
ANNUAL FINANCIAL REPORT
For the Fiscal Years Ended
June 30, 2022 and 2021**

**NIGRO
& NIGRO^{PC}**

PAUMA VALLEY COMMUNITY SERVICES DISTRICT
For the Fiscal Years Ended June 30, 2022 and 2021
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Financial Section



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of the Pauma Valley Community Services District (District), which comprise the balance sheets as of June 30, 2022 and 2021, and related statements of revenue, expenses, and changes in net position, and cash flows for the years then ended, and related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2022 and 2021, and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of the District's Proportionate Share of the Plan's Net Pension Liability, Schedule of the District's Contributions to the Pension Plan, Schedule of Changes in the District's Net OPEB Liability and Related Ratios, and Schedule of the District's Contributions to the OPEB Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2021, from which such partial information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated September 30, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California
September 30, 2022

PAUMA VALLEY COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Years Ended June 30, 2022 and 2021

Management's Discussion and Analysis (MD&A) offers readers of Pauma Valley Community Services District's financial statements a narrative overview of the District's financial activities for the fiscal years ended June 30, 2022 and 2021. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- In fiscal year 2022, the District's net position increased by \$283,078 or 10.6% from the prior year's net position of \$2,664,888 to \$2,947,966 as a result of the year's operations.
- In fiscal year 2021, the District's net position decreased by \$22,371 or 0.8% from the prior year's net position of \$2,687,259 to \$2,664,888 as a result of the year's operations.
- In fiscal year 2022, operating revenues increased \$737,703 or 52.4% from \$1,407,929 to \$2,145,632, from the prior year, primarily due to a \$677,124 reimbursement from RPMWC for its portion of the Net Pension Liability.
- In fiscal year 2021, operating revenues decreased \$10,731 or 0.8% from \$1,418,660 to 1,407,929, from the prior year, primarily due to a \$13,591 decrease in other fees and services.
- In fiscal year 2022, operating expenses increased \$448,031 or 29% from \$1,544,296 to \$1,992,327, from the prior year, primarily due to an increase in the overall costs across all categories.
- In fiscal year 2021, operating expenses decreased \$91,054 or 5.6% from \$1,635,350 to \$1,544,296, from the prior year, primarily due to a \$78,944 decrease in the overall costs related to patrol services.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serve as an introduction to the District's financial statements. The District's basic financial statements reflect the combined results of the Operating and Capital Programs and include four components: (1) Balance Sheet; (2) Statement of Revenues, Expenses, and Changes in Net Position; (3) Statement of Cash Flows; and (4) Notes to the Financial Statements.

The financial statements accompanying this MD&A present the net position, results of operations, and changes in cash flow during the fiscal years ending June 30, 2022 and 2021. These financial statements have been prepared using the accrual basis of accounting, which is similar to the accounting basis used by for-profit entities. Each financial statement is identified and defined in this section, and analyzed in subsequent sections of this MD&A.

PAUMA VALLEY COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Years Ended June 30, 2022 and 2021

REQUIRED FINANCIAL STATEMENTS

Balance Sheet

The Balance Sheet presents information on the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, other factors such as changes in economic conditions, population growth, zoning, and new or changed legislation or regulations also need to be considered when establishing financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflow of resources, resulting in net positions of \$2,947,966 and \$2,664,888 as of June 30, 2022 and 2021, respectively.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position present information showing how the District's net position changed during the fiscal year. All of the year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the results of the District's operations for the year and can be used to determine if the District has successfully recovered all of its costs through user fees and other charges. Operating revenues and expenses are related to the District's core activities (providing sewer, patrol, and gate services). Non-operating revenues and expenses are not directly related to the core activities of the District (e.g. interest income, interest expense, property taxes, gain or loss on sale of assets). For the fiscal years ended June 30, 2022 and 2021, net position increased \$283,078 and decreased \$22,371, respectively.

Statement of Cash Flows

The Statement of Cash Flows presents information regarding the District's use of cash during the year. It reports cash receipts, cash payments, and net changes in cash resulting from operations, financing and investing activities. The Statement of Cash Flows provides answers to such questions as: Where did cash come from? What was cash used for? What was the change in the cash balance during the reporting period?

District cash flows for the year have been categorized into one of the following activities: operating, non-capital financing, capital and related financing, or investing. The total of these categories represents a change in cash and cash equivalents of (\$949,825) and \$61,163 for the fiscal years ending June 30, 2022 and 2021, respectively. Cash equivalents managed directly by the District consist of investments in the California Local Agency Investment Fund (LAIF).

PAUMA VALLEY COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Years Ended June 30, 2022 and 2021

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION

Analysis of Net Position

Table A-1: Condensed Balance Sheets

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>	<u>June 30, 2020</u>	<u>Change</u>
Assets:					
Current assets	\$ 372,166	\$ 1,276,729	\$ (904,563)	\$ 1,244,280	\$ 32,449
Capital assets, net	2,834,269	2,738,128	96,141	2,689,045	49,083
Total assets	<u>3,206,435</u>	<u>4,014,857</u>	<u>(808,422)</u>	<u>3,933,325</u>	<u>81,532</u>
Deferred outflows of resources	<u>1,842,793</u>	<u>293,789</u>	<u>1,549,004</u>	<u>348,809</u>	<u>(55,020)</u>
Total assets and deferred outflows of resources	<u>\$ 5,049,228</u>	<u>\$ 4,308,646</u>	<u>\$ 740,582</u>	<u>\$ 4,282,134</u>	<u>\$ 26,512</u>
Liabilities:					
Current liabilities	\$ 207,659	\$ 108,857	\$ 98,802	\$ 87,773	\$ 21,084
Non-current liabilities	996,906	1,522,061	(525,155)	1,441,915	80,146
Total liabilities	<u>1,204,565</u>	<u>1,630,918</u>	<u>(426,353)</u>	<u>1,529,688</u>	<u>101,230</u>
Deferred inflows of resources	<u>896,697</u>	<u>12,840</u>	<u>883,857</u>	<u>65,187</u>	<u>(52,347)</u>
Net position:					
Investment in capital assets	2,834,269	2,738,128	96,141	2,689,045	49,083
Unrestricted (Deficit)	113,697	(73,240)	186,937	(1,786)	(71,454)
Total net position	<u>2,947,966</u>	<u>2,664,888</u>	<u>283,078</u>	<u>2,687,259</u>	<u>(22,371)</u>
Total liabilities, deferred outflows of resources and net position	<u>\$ 5,049,228</u>	<u>\$ 4,308,646</u>	<u>\$ 740,582</u>	<u>\$ 4,282,134</u>	<u>\$ 26,512</u>

The condensed statement on the prior page presents a summary of the District's Balance Sheet.

- The District's net position as of June 30, 2022 totaled \$2,947,966 compared with \$2,664,888 as of June 30, 2021, an increase of \$283,078 or 10.6%.
- The District's net position as of June 30, 2021 totaled \$2,664,888 compared with \$2,687,259 as of June 30, 2020, a decrease of \$22,371 or 0.8%.

Net position is accumulated from revenues, expenses, and contributed capital combined with the beginning balance of net position as presented in the Statement of Revenues, Expenses, and Changes in Net Position.

In accordance with generally accepted accounting principles, capital assets are recorded at historical cost.

PAUMA VALLEY COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Years Ended June 30, 2022 and 2021

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Analysis of Revenues and Expenses

Table A-2: Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>	<u>June 30, 2020</u>	<u>Change</u>
Operating revenues	\$ 2,145,632	\$ 1,407,929	\$ 737,703	\$ 1,418,660	\$ (10,731)
Operating expenses	(1,992,327)	(1,544,296)	(448,031)	(1,635,350)	91,054
Operating income (loss)	153,305	(136,367)	289,672	(216,690)	80,323
Non-operating revenues(expenses), net	129,773	113,996	15,777	121,494	(7,498)
Change in net position	283,078	(22,371)	305,449	(95,196)	72,825
Net position:					
Beginning of year	2,664,888	2,687,259	(22,371)	2,782,455	(95,196)
End of year	<u>\$ 2,947,966</u>	<u>\$ 2,664,888</u>	<u>\$ 283,078</u>	<u>\$ 2,687,259</u>	<u>\$ (22,371)</u>

While the Statement of Net Position shows the change in financial position, the Statements of Revenues, Expenses and Changes in Net Position, provides answers to the nature and source of these changes.

Table A-3: Comparative Statement of Revenues

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Increase (Decrease)</u>	<u>June 30, 2020</u>	<u>Increase (Decrease)</u>
Operating revenues:					
Sewer service fees	\$ 453,233	\$ 443,267	\$ 9,966	\$ 441,975	\$ 1,292
Patrol service fees	537,949	537,949	-	536,381	1,568
Gate service fees	420,744	398,364	22,380	398,364	-
Other fees and charges	733,706	28,349	705,357	41,940	(13,591)
Total operating revenues	2,145,632	1,407,929	737,703	1,418,660	(10,731)
Non-operating:					
Property taxes	117,175	112,479	4,696	107,242	5,237
Investment earnings	598	1,517	(919)	14,252	(12,735)
Sale of capital asset	12,000	-	12,000	-	-
Total non-operating	129,773	113,996	15,777	121,494	(7,498)
Total revenues	<u>\$ 2,275,405</u>	<u>\$ 1,521,925</u>	<u>\$ 753,480</u>	<u>\$ 1,540,154</u>	<u>\$ (18,229)</u>

- In fiscal year 2022, operating revenues increased \$737,703 or 52.4% from \$1,407,929 to \$2,145,632, from the prior year, primarily due to a \$677,124 reimbursement from RPMWC for its portion of the Net Pension Liability payoff.
- In fiscal year 2021, operating revenues decreased \$10,731 or 0.8% from \$1,418,660 to 1,407,929, from the prior year, primarily due to a \$13,591 decrease in other fees and services.

PAUMA VALLEY COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Years Ended June 30, 2022 and 2021

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Analysis of Revenues and Expenses (continued)

Table A-4: Comparative Statement of Expenses

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Increase (Decrease)</u>	<u>June 30, 2020</u>	<u>Increase (Decrease)</u>
Operating expenses:					
Sewer system	\$ 534,614	\$ 411,171	\$ 123,443	\$ 414,309	\$ (3,138)
Patrol services	571,109	441,355	129,754	520,299	(78,944)
Gate services	394,756	302,455	92,301	318,406	(15,951)
General and administrative	491,848	389,315	102,533	382,336	6,979
Total operating expenses	<u>1,992,327</u>	<u>1,544,296</u>	<u>448,031</u>	<u>1,635,350</u>	<u>(91,054)</u>
Total expenses	<u>\$ 1,992,327</u>	<u>\$ 1,544,296</u>	<u>\$ 448,031</u>	<u>\$ 1,635,350</u>	<u>\$ (91,054)</u>

- In fiscal year 2022, operating expenses increased \$448,031 or 29% from \$1,544,296 to \$1,992,327, from the prior year, primarily due to an increase in the overall costs across all categories.
- In fiscal year 2021, operating expenses decreased \$91,054 or 5.6% from \$1,635,350 to \$1,544,296, from the prior year, primarily due to a \$78,944 decrease in the overall costs related to patrol services.

CAPITAL ASSETS

Capital assets:	<u>Balance June 30, 2022</u>	<u>Balance June 30, 2021</u>	<u>Balance June 30, 2020</u>
Non-depreciable assets	\$ 94,868	\$ 94,868	\$ 94,868
Depreciable assets	4,532,074	4,424,072	4,252,840
Accumulated depreciation	<u>(1,792,673)</u>	<u>(1,780,812)</u>	<u>(1,658,663)</u>
Total capital assets, net	<u>\$ 2,834,269</u>	<u>\$ 2,738,128</u>	<u>\$ 2,689,045</u>

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

In 2021, capital assets, net increased by \$49,083 from the prior year, contributing towards the ending balance of \$2,738,128. This overall net increase consisted of \$171,232 in additions and current year depreciation of \$122,149.

PAUMA VALLEY COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Years Ended June 30, 2022 and 2021

CONDITIONS AFFECTING CURRENT FINANCIAL POSITION

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our Board of Directors, citizens, customers, ratepayers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives and the stewardship of the facilities it owns and operates. If you have questions about this report or need additional information, please contact the District's General Manager, Pauma Valley Community Services District, 33129 Cole Grade Road, Pauma Valley, California 92061.

PAUMA VALLEY COMMUNITY SERVICES DISTRICT

Balance Sheets

June 30, 2022 and 2021

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents (Note 2)	\$ 232,468	\$ 1,182,293
Accrued interest receivable	1	874
Accounts receivable (Note 3)	72,419	53,779
Property taxes receivable	975	771
Prepaid expenses	42,053	39,012
Prepaid lease (Note 4)	24,250	-
Total current assets	372,166	1,276,729
Non-current assets:		
Capital assets – not being depreciated (Note 5)	94,868	94,868
Capital assets – being depreciated, net (Note 5)	2,739,401	2,643,260
Total non-current assets	2,834,269	2,738,128
Total assets	3,206,435	4,014,857
Deferred outflows of resources:		
Deferred amounts related to net pension liability (Note 7)	1,842,793	293,789
Total deferred outflows of resources	1,842,793	293,789
Total assets and deferred outflows of resources	\$ 5,049,228	\$ 4,308,646
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 166,376	\$ 77,508
Customer unearned revenue for services	26,102	18,933
Long-term liabilities – due within one year:		
Compensated absences (Note 6)	15,181	12,416
Total current liabilities	207,659	108,857
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 6)	15,181	12,415
Net pension liability (Note 7)	981,725	1,509,646
Total non-current liabilities	996,906	1,522,061
Total liabilities	1,204,565	1,630,918
Deferred inflows of resources:		
Deferred amounts related to net pension liability (Note 7)	896,697	12,840
Total deferred inflows of resources	896,697	12,840
Net position:		
Investment in capital assets	2,834,269	2,738,128
Unrestricted (Deficit)	113,697	(73,240)
Total net position	2,947,966	2,664,888
Total liabilities, deferred inflows of resources and net position	\$ 5,049,228	\$ 4,308,646

PAUMA VALLEY COMMUNITY SERVICES DISTRICT
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenues:		
Sewer service fees	\$ 453,233	\$ 443,267
Patrol service fees	537,949	537,949
Gate service fees	420,744	398,364
Other fees and charges	733,706	28,349
Total operating revenues	<u>2,145,632</u>	<u>1,407,929</u>
Operating expenses:		
Sewer system	534,614	411,171
Patrol services	571,109	441,355
Gate services	394,756	302,455
General and administrative	491,848	389,315
Total operating expenses	<u>1,992,327</u>	<u>1,544,296</u>
Operating income (loss)	<u>153,305</u>	<u>(136,367)</u>
Non-operating revenues(expenses):		
Property taxes	117,175	112,479
Investment earnings	598	1,517
Sale of capital assets	12,000	-
Total non-operating revenue(expense), net	<u>129,773</u>	<u>113,996</u>
Change in net position	283,078	(22,371)
Net position:		
Beginning of year	<u>2,664,888</u>	<u>2,687,259</u>
End of year	<u>\$ 2,947,966</u>	<u>\$ 2,664,888</u>

PAUMA VALLEY COMMUNITY SERVICES DISTRICT

Statements of Cash Flows

For the Fiscal Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash receipts from customers and others	\$ 2,109,911	\$ 1,421,248
Cash paid to employees for salaries and wages	(909,549)	(849,137)
Cash paid to vendors and suppliers for materials and services	<u>(2,035,796)</u>	<u>(455,263)</u>
Net cash used by operating activities	<u>(835,434)</u>	<u>116,848</u>
Cash flows from non-capital financing activities:		
Proceeds from property taxes	<u>116,971</u>	<u>112,697</u>
Net cash provided by non-capital financing activities	<u>116,971</u>	<u>112,697</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	<u>(244,833)</u>	<u>(171,232)</u>
Net cash used in capital and related financing activities	<u>(232,833)</u>	<u>(171,232)</u>
Cash flows from investing activities:		
Investment earnings	<u>1,471</u>	<u>2,850</u>
Net cash provided by investing activities	<u>1,471</u>	<u>2,850</u>
Net decrease in cash and cash equivalents	(949,825)	61,163
Cash and cash equivalents:		
Beginning of year	<u>1,182,293</u>	<u>1,121,130</u>
End of year	<u><u>\$ 232,468</u></u>	<u><u>\$ 1,182,293</u></u>

PAUMA VALLEY COMMUNITY SERVICES DISTRICT

Statements of Cash Flows (continued)

For the Fiscal Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Reconciliation of operating income (loss) to net cash used by operating activities:		
Operating income(loss)	\$ 153,305	\$ (136,367)
Adjustments to reconcile operating income(loss) to net cash used in operating activities:		
Depreciation	148,692	122,149
Change in assets - (increase)decrease:		
Accounts receivable	(18,640)	21,748
Prepaid expenses	(3,041)	5,415
Prepaid lease	(24,250)	-
Change in deferred outflows of resources - (increase)decrease		
Deferred amounts related to net pension liability	(1,549,004)	55,020
Change in liabilities - increase(decrease):		
Accounts payable and accrued expenses	88,868	28,248
Customer unearned revenue for services	7,169	(8,429)
Compensated absences	5,531	2,530
Net pension liability	(527,921)	78,881
Change in deferred inflows of resources - increase(decrease)		
Deferred amounts related to net pension liability	883,857	(52,347)
Total adjustments	<u>(988,739)</u>	<u>253,215</u>
Net cash used in operating activities	<u>\$ (835,434)</u>	<u>\$ 116,848</u>

PAUMA VALLEY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

The Pauma Valley Community Services District (District) was organized in 1961 under the Community Services District Law (Division 2 of Title 6) to provide sanitary sewer and security services to its constituency. The District is governed by a Board of Directors consisting of five directors elected by the District's constituency. The principal source of revenues to the District is fees for sanitary sewer and security services.

B. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District.

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

The District has identified no organizations that are required to be reported as component units.

C. Basis of Presentation, Basis of Accounting

The Financial Statements (i.e., the balance sheet, the statement of revenues, expenses and change in net position, and statement of cash flows) report information on all of the activities of the primary government. The District accounts for its operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Financial Statements are reported using the “*economic resources*” measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as all eligibility requirements have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.

PAUMA VALLEY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation, Basis of Accounting (continued)

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as a revenue until that time.

Operating revenues are those revenues that are generated from the primary operations of the District. The District reports a measure of operations by presenting the change in net position from operations as *operating income* in the statement of revenues, expenses, and changes in net position. Operating activities are defined by the District as all activities other than financing and investing activities (interest expense and investment income), grants and subsidies, and other infrequently occurring transactions of a non-operating nature. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Cash deposits are reported at the carrying amount, which reasonably estimates fair value.

2. Investments

Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

PAUMA VALLEY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

2. Investments (continued)

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the District’s own assumptions about the factors market participants would use in pricing an investment and is based on the best information available in the circumstances.

3. Allowance for Doubtful Accounts

The District’s accounts receivable consists of balances due from its customers, substantially all whom are residents in Pauma Valley Country Club Estates. The District has the right of lien and foreclosure on customer’s properties, and accordingly the risk of non-collection is low. However, when these remedies appear inadequate, the District provides for estimated losses based upon prior experience and management’s assessment of the collectability of existing specific accounts.

4. Prepaids

Certain payments of vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Capital Assets

Capital assets are stated at cost or at their estimated fair value at date of donation. It is the District’s policy to capitalize assets costing over \$5,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets. Estimated service lives for the District’s classes of assets are as follows:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Fences	5-40 years
Machinery and Equipment	5-30 years
Sewer and lateral lines	10-50 years
Oak Tree Lift Station	5-15 years
Treatment Plan	40 years
Drains	100 years
Channels	10-50 years

6. Compensated Absences

The liability for compensated absences reported on the balance sheet consists of unpaid, accumulated annual and vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

PAUMA VALLEY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

7. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

<u>CalPERS</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Valuation date	June 30, 2020	June 30, 2019
Measurement date	June 30, 2021	June 30, 2020
Measurement period	July 1, 2020 to June 30, 2021	July 1, 2019 to June 30, 2020

8. Net Position

Net position is classified into two components: net investment in capital assets and unrestricted. These classifications are defined as follows:

- **Investment in capital assets** - This component of net position consists of capital assets, net of accumulated depreciation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "investment in capital assets".

E. Property Taxes

Property tax in California is levied in accordance with Article XIII A of the State Constitution at one percent of county-wide assessed valuations. This one percent is allocated pursuant to state law to the appropriate units of local government. Tax levies are limited to 1% of full market value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. The County of San Diego (County) bills and collects property taxes on behalf of the District. The County’s tax fiscal year is July 1, to June 30. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10, and April 10.

PAUMA VALLEY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

NOTE 2 – CASH AND DEPOSITS

Cash and cash equivalents as of June 30 consisted of the following:

<u>Description</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Petty cash	\$ 368	\$ 421
Deposits held with financial institutions	231,502	111,747
Local Agency Investment Fund (LAIF)	598	1,070,125
Total cash and cash equivalents	\$ 232,468	\$ 1,182,293

The table below identifies the investment types that are authorized by the California Government Code and the District's investment policy. The table also identifies certain provisions of the District's investment policy that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements rather than the general provisions of the California Government Code or the District's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury obligations	5-years	None	None
District issued bonds	5-years	None	None
Government sponsored agency securities	5-years	None	None
Certificates-of-deposit	5-years	35%	None
Money-market funds	N/A	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None

Demand Deposits with Financial Institutions

At June 30, 2022 and 2021, the carrying amount of the District's demand deposits were \$231,502 and \$111,747, respectively, and the financial institution's balance were \$209,526 and \$125,507, respectively. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items between the financial institution's balance and the District's balance for each year.

PAUMA VALLEY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 2 – CASH AND DEPOSITS (continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

Local Agency Investment Fund (LAIF)

The California State Treasurer, through the Pooled Money Investment Account (PMIA), invests taxpayers' money to manage the State's cash flow and strengthen the financial security of local governmental entities. PMIA policy sets as primary investment objectives safety, liquidity and yield. Through the PMIA, the Investment Division manages the Local Agency Investment Fund (LAIF). The LAIF allows cities, counties and special districts to place money in a major portfolio and, at no additional costs to taxpayers, use the expertise of Investment Division staff. Participating agencies can withdraw their funds from the LAIF at any time as LAIF is highly liquid and carries a dollar-in dollar-out amortized cost methodology.

The District is a voluntary participant in LAIF. The fair value of the District's investment in this pool is reported at an amount based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2022, and 2021, the District held \$598 and \$1,070,125 in LAIF, respectively.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30 consisted of the following:

Description	June 30, 2022	June 30, 2021
Accounts receivable – customers	\$ 36,271	\$ 24,853
Due from Rancho Pauma Mutual Water Company	36,148	28,926
Total accounts receivable	\$ 72,419	\$ 53,779

NOTE 4 – PREPAID LEASE

On October 1, 2021, the District entered into an agreement with Pauma Valley Country Club, to lease an airport hangar for the purpose of installing a rooftop solar system. The term of the lease is 25 years, at a total cost of \$25,000. The District paid the entire \$25,000 in advance on day one of the lease term. The District will recognize \$1,000 of expense annually for the lease. In 2022, the District recognized \$750 of rent expense.

PAUMA VALLEY COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2022 and 2021

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

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

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

Changes in capital assets for fiscal year 2021 were as follows:

Description	Balance July 1, 2020	Additions	Deletions/ Transfers	Balance June 30, 2021
Non-depreciable assets:				
Land	\$ 94,768	\$ -	\$ -	\$ 94,768
Easements	100	-	-	100
Total non-depreciable assets	94,868	-	-	94,868
Depreciable assets:				
Sewer system	3,543,935	42,835	-	3,586,770
Buildings and improvements	295,723	34,444	-	330,167
Patrol and gate	413,182	93,953	-	507,135
Total depreciable assets	4,252,840	171,232	-	4,424,072
Accumulated depreciation:				
Sewer system	(1,311,342)	(84,164)	-	(1,395,506)
Buildings and improvements	(134,171)	(9,544)	-	(143,715)
Patrol and gate	(213,150)	(28,441)	-	(241,591)
Total accumulated depreciation	(1,658,663)	(122,149)	-	(1,780,812)
Total depreciable assets, net	2,594,177	49,083	-	2,643,260
Total capital assets, net	\$ 2,689,045	\$ 49,083	\$ -	\$ 2,738,128

PAUMA VALLEY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION (continued)

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

<u>Services Allocation</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Sewer system	\$ 90,709	\$ 84,164
Patrol	31,955	18,110
Gate	10,331	10,331
Administration	15,697	9,544
Total depreciation expense	\$ 148,692	\$ 122,149

NOTE 6 – COMPENSATED ABSENCES

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

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

Changes to compensated absences for fiscal year 2021, were as follows:

<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
\$ 22,301	\$ 30,603	\$ (28,073)	\$ 24,831	\$ 12,416	\$ 12,415

NOTE 7 – PENSION PLAN

Summary

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

<u>Description</u>	<u>2022</u>	<u>2021</u>
Pension related deferred outflows	\$ 1,842,793	\$ 293,789
Net pension liability	981,725	1,509,646
Pension related deferred inflows	896,697	12,840

The net pension liability balances have a Measurement Date of June 30, 2021 and June 30, 2020, respectively, which are rolled-forward for the District's fiscal years ended June 30, 2022 and 2021.

Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by agencies of the State of California known as the California Public Employees' Retirement System (CalPERS), or "The Plan".

PAUMA VALLEY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 7 – PENSION PLAN (continued)

The Plan

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

	Miscellaneous Plans	
	Classic Tier 1	PEPRA Tier 2
Hire date	Prior to <u>January 1, 2013</u>	On or after <u>January 1, 2013</u>
Benefit formula	3.0% @ 60	2.0% @ 62
Benefit vesting schedule	5-years of service	5-years of service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	1.0% to 2.5%
Required member contribution rates	8.000%	6.750%
Required employer contribution rates – FY 2021	15.445%	7.732%
Required employer contribution rates – FY 2020	14.398%	6.985%

A. General Information about the Pension Plan

Plan Description, Benefits Provided and Employees Covered

The Plan is an agent multiple-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the Plan’s June 30, 2020 Annual Actuarial Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS’ audited financial statements are publicly available reports that can be obtained at CalPERS’ website.

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

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

At June 30, 2021, the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Active members	3	15	18
Transferred and terminated members	12	16	28
Retired members and beneficiaries	13	-	13
Total plan members	28	31	59

PAUMA VALLEY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 7 – PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

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

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

Contributions for the year ended June 30, 2021, (Measurement Date June 30, 2020) were as follows:

Contribution Type	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Contributions – employer	\$ 108,560	\$ 51,676	\$ 160,236
Contributions – members	7,863	43,635	51,498
Total contributions	\$ 116,423	\$ 95,311	\$ 211,734

Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

PAUMA VALLEY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 7 – PENSION PLAN (continued)

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

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period:

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

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

Changes in the net pension liability for the year ended June 30, 2021, were as follows:

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2019 (Measurement Date)	\$ 4,956,442	\$ 3,525,677	\$ 1,430,765
Balance as of June 30, 2020 (Measurement Date)	\$ 5,169,064	\$ 3,659,418	\$ 1,509,646
Change in Plan Net Pension Liability	<u>\$ 212,622</u>	<u>\$ 133,741</u>	<u>\$ 78,881</u>

For the year ended June 30, 2022 and 2021 pension expense was \$534,123 and \$241,790, respectively.

PAUMA VALLEY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 7 – PENSION PLAN (continued)

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

As of June 30, 2022 and 2021, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$981,725 and \$1,509,646, respectively.

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2021 and 2020, 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, 2020 and 2019 rolled forward to June 30, 2021 and 2020 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

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

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

The District's proportionate share of the net pension liability for the June 30, 2020, measurement date was as follows:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2021	Fiscal Year Ending June 30, 2020	
Measurement Date	June 30, 2020	June 30, 2019	
Percentage of Risk Pool Net Pension Liability	0.035790%	0.035729%	0.000061%
Percentage of Plan (PERF C) Net Pension Liability	0.013875%	0.013963%	-0.000088%

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss.

PAUMA VALLEY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 7 – PENSION PLAN (continued)

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

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

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

The total amount of \$160,236 reported as deferred outflows of resources related to contributions subsequent to the measurement date was recognized as a reduction of the net pension liability in the year ended June 30, 2022. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the measurement date	\$ 160,236	\$ -
Difference between actual and proportionate share of employer contributions	2,955	(8)
Adjustment due to differences in proportions	7,955	(2,065)
Differences between expected and actual experience	77,797	-
Differences between projected and actual earnings on pension plan investments	44,846	-
Changes in assumptions	-	(10,767)
Total Deferred Outflows/(Inflows) of Resources	<u><u>\$ 293,789</u></u>	<u><u>\$ (12,840)</u></u>

PAUMA VALLEY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 7 – PENSION PLAN (continued)

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

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

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

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions for the year ended June 30, 2021, will be amortized to pension expense in future periods as follows:

<u>Amortization Period</u> <u>Fiscal Year Ended June 30</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2022	\$ 20,627
2023	44,890
2024	33,687
2025	21,509
Total	<u><u>\$ 120,713</u></u>

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2021 and 2020 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2020 and 2019, total pension liability. The June 30, 2022 and 2021, total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

PAUMA VALLEY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 7 – PENSION PLAN (continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return

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

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

The expected real rates of return by asset class are as followed:

<u>Asset Class</u> ¹	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10</u> ²	<u>Real Return Years 11+</u> ³
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
	<u>100.0%</u>		

¹ In the Plan's Financials, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

² An expected inflation rate-of-return of 2.00% is used for this period.

³ An expected inflation rate-of-return of 2.92% is used for this period.

PAUMA VALLEY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 7 – PENSION PLAN (continued)

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

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

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

Changes in the discount rate for the year ended June 30, 2022, was as follows:

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

Changes in the discount rate for the year ended June 30, 2021, was as follows:

<u>Plan Type</u>	<u>Plan's Net Pension Liability/(Asset)</u>		
	<u>Discount Rate - 1%</u>	<u>Current Discount</u>	<u>Discount Rate + 1%</u>
	<u>6.15%</u>	<u>Rate 7.15%</u>	<u>8.15%</u>
CalPERS – Miscellaneous Plan	<u>2,197,522</u>	<u>\$ 1,509,646</u>	<u>\$ 941,275</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

C. Payable to the Pension Plans

At June 30, 2022 and 2021, the District reported no payables for outstanding contributions to the CalPERS pension plan required for the year ended June 30, 2022 and 2021.

PAUMA VALLEY COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 8 – DEFERRED COMPENSATION SAVINGS PLAN

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program. The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes. Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors.

The District has implemented GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net position.

NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has purchased commercial insurance products to guard against the various risks of loss noted above.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2022, 2021, and 2020. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2022, 2021, and 2020.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Rancho Pauma Mutual Water Company

The District's employees conduct the operations and administration for the Rancho Pauma Mutual Water Company (Company). The Company has agreed to provide funding for a fixed-percentage amount of the District's unfunded net pension liability as well as continuing operations and administration payroll-related pension contributions. The Company provided \$718,516 toward the funding of the unfunded net pension liability for the fiscal year ended June 30, 2022.

Litigation

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

NOTE 11 – CURRENT AND SUBSEQUENT EVENTS

The District has evaluated subsequent events through September 30, 2022, the date which the financial statements were available to be issued.

Required Supplementary Information

PAUMA VALLEY COMMUNITY SERVICES DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Years Ended June 30, 2022 and 2021

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability
June 30, 2014	0.01306%	\$ 812,404	\$ 453,952	178.96%	81.15%
June 30, 2015	0.01325%	909,327	663,904	136.97%	79.38%
June 30, 2016	0.01351%	1,169,025	689,424	169.57%	75.20%
June 30, 2017	0.01358%	1,346,418	789,228	170.60%	74.09%
June 30, 2018	0.01382%	1,331,510	695,116	191.55%	71.58%
June 30, 2019	0.01396%	1,430,765	687,100	208.23%	71.13%
June 30, 2020	0.01388%	1,509,646	795,000	189.89%	70.79%
June 30, 2021	0.01815%	981,725	849,137	115.61%	81.70%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 and June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:

There were no significant changes in assumptions.

From fiscal year June 30, 2019 to June 30, 2020:

There were no significant changes in assumptions.

From fiscal year June 30, 2020 to June 30, 2021:

There were no significant changes in assumptions.

From fiscal year June 30, 2021 to June 30, 2022:

There were no significant changes in assumptions.

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

PAUMA VALLEY COMMUNITY SERVICES DISTRICT

Schedule of Contributions

For the Fiscal Year Ended June 30, 2022 and 2021

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2015	\$ 86,506	\$ (86,506)	\$ -	663,904	13.03%
June 30, 2016	110,177	(110,177)	-	689,424	15.98%
June 30, 2017	128,402	(128,402)	-	789,228	16.27%
June 30, 2018	109,709	(109,709)	-	695,116	15.78%
June 30, 2019	146,075	(146,075)	-	687,100	21.26%
June 30, 2020	166,817	(166,817)	-	795,000	20.98%
June 30, 2021	160,236	(160,236)	-	849,137	18.87%
June 30, 2022	178,985	(178,985)	(1,548,205)	799,658	22.38%

Notes to Schedule:

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

Amortization Method

Level percentage of payroll, closed

Salary Increases

Depending on age, service, and type of employment

Investment Rate of Return

Net of pension plan investment expense, including inflation

Retirement Age

50 years (3%@60), 52 years (2%@62)

Mortality

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

*Fiscal year 2015 was the first implementation year; therefore, only seven years are shown.

Other Independent Auditors' Report



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Pauma Valley Community Services District as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Pauma Valley Community Services District's basic financial statements, and have issued our report thereon dated September 30, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Murrieta, California
September 30, 2022